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INTERNATIONALISING SMEs AND SOCIAL NETWORKS IN THE GLOBAL SOUTH

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ABSTRACT

Following a critique of previous firm-centred conceptualisations of the bottom of pyramid markets that gave little relevance to the role of consumers in value creation. Questions regarding the best ways to approach and mutually harness the potential of these markets remain unanswered. The purpose of this study is to help fill this gap by applying a sociological view to economic activities within BOP markets. Specifically, we explore how social networks influence internationalizing SMEs business models in BOP markets. Through exploring the activities of one international SME in Zambia and comparing them to another local SME in South Africa by means of inductive grounded theory, we identified seven processes that define social embeddedness and five contextual conditions and mechanisms that lead to embeddedness. Finally, we offer implications for theory and managers of BOP ventures.

Keywords: Internationalising SMEs, social networks, global south economies, business models, bottom of pyramid markets.

1. INTRODUCTION

The objective of the study is to understand the role of social networks in business models for international business ventures in bottom of pyramid (BOP)¹ markets and the conditions under which embeddedness in such networks occurs. Research examining the effects of social networks on international business ventures has gained popularity among scholars (Ellis and Pecotich 2001; Sharma and Blomstermo 2003; Loane and Bell 2006; Sigfusson and Harris 2013; Pruthi 2014). However, there is a notable imbalance in the contexts and theoretical explanations of socially oriented business models for international ventures in BOP markets (Ladd 2017). Most studies on international business and social networks recognise that the scope, structure and benefits of networks are largely constrained by factors such as linguistic, geographic, cultural and psychic distance (Beckerman 1956; Kogut and Singh 1988; Burt 1992; Burt 2000; Ghemawat 2001). The aforementioned factors make the acquisition of market knowledge costly and the development of trust among exchanging parties difficult while inhibiting information flow through structural gaps.

Most international business and social networks studies (for example, Ellis and Pecotich 2001; Sharma and Blomstermo 2003; Idris and Saridakis 2018) focus on the role of social networks in business activities that extend beyond the borders of open and developed economies to other open and developed economies. Other studies explore social networks in domestic exchange activities. However, we note the contextual deficiency concerning the role of social networks in the internationalisation of business activities from developed economies to the global south. Moreover, (Sargut 1999) identified the insufficiency of social theory for explaining business and entrepreneurial activities in general. The global south describes the extant gap between developed economies and emerging and developing economies (Horner and Nadvi 2018). It includes

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countries at the bottom of the world economic pyramid, which is comprised of countries in Africa, Latin America, the Caribbean and emerging Asia, including China and India. Uzzi (1996) pointed out that firms could gain comparative advantage by creating and sustaining embedded ties through promoting and enabling more access to exchanges associated with reduced monitoring costs, quicker decision-making and amplified organisational learning and adaptation. This study delineates social networks and international entrepreneurial ventures, exploring social network ties of international SMEs and the role of these network ties in business models implemented in BOP markets. The business activities of micro small and medium enterprises (MSMEs) in the global south are on the rise, and play a critical role in creating inclusive societies, albeit with much failure (Rosca 2017).

Extant literature confirms that the concept of embeddedness is useful for understanding and explaining the sociological failures of standard neoclassical schemes, but there is no clear link between social ties and economic outcomes (Uzzi 1996). We therefore combine the social embeddedness view and the BOP perspective to understand business activities of SMEs in BOP markets based on social networks, as explicated by (Anderson, Park, and Jack 2007; Ellis 2011). Essentially, we focus on the role of social networks in the establishment and growth of international business ventures and aim to understand, how social networks influence the internationalisation of SMEs’ business models into BOP markets. First, we envisage the BOP as a fertile ground for generating insightful empirical evidence on the development, organisation and management of international business activities through social networks due to the rurality of most of the markets, which makes it easier to capture social network connections (Anderson and Jack 2002). Second, weak institutions characterise the BOP environment (Hammond et al. 2007) and informal institution bridges exist due to the absence of market rationalisation and formal economy

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integration (Kistruck et al. 2015). Third, the connotations of terms used for analysis of economic activities in relation to social ties are ambiguous. We note use of words like social capital, social network analysis and embeddedness either interchangeably or in different ways (Anderson and Jack 2002). For the purposes of this paper and for clarity, we use the term social embeddedness to describe the idea of organisation and management of international business activities around and within social networks in BOP environments.

Through the social embeddedness perspective, the paper explores the social networks and business activities of two successful SMEs, one foreign and one local (in terms of BOP context), that engage in sustainable energy business activities in Zambia and South Africa, respectively. We highlight aspects of enterprise establishment, development and growth in the global south based on the influence of social relationships and structures on economic actions (Granovetter 1985; Greve and Salaff 2003). Applying social embeddedness as a theoretical framework to study international entrepreneurial activities in global south markets enables us to understand how entrepreneurs enact and leverage social structures. This enhances the success of their entrepreneurial activities in resource-constrained environments (Anderson and Jack 2002; Bhatt and Altinay 2013).

The paper starts with a review of literature and theoretical perspectives about the global south context and social network ties. Next is an outline of the research methodology, which focuses mainly on procedures followed in data collection, description of the selected cases as well as analysis. We conclude with a presentation of the findings, conclusion, research implications and suggestions for future research.

2. LITERATURE REVIEW

2.1 The global south and BOP business models

The global south became a popular concept around the 1980s due to the Brandt report. The term is used to refer to countries at the bottom of the world economic pyramid, such as countries in Africa, Latin America, the Caribbean and emerging Asia, including China and India. In terms of income status, a significant number of global south countries feature BOP markets. Due to BOP markets’ ongoing economic growth, structural transformation and social changes (UNCTAD 2005; Pansera and Owen 2015) and the fact that high- and middle-income markets are highly serviced and competitive, it is important that international business and entrepreneurship studies be extended and focus more on this context.

Hammond et al. (2007) estimated that, worldwide, the BOP was a \$5 trillion annual market that was largely unserved or underserved and, therefore, offered potential to businesses and entrepreneurs who could provide innovations to meet its needs. Given the context of global south markets, which features high resource constraints, poor infrastructure, institutional voids, information asymmetry and underdevelopment leading to affordability and accessibility challenges (Ladd 2017), there exist successful, struggling and completely failed enterprises. Ways to harness the markets’ potential, as identified by (Prahalad 2004; Hammond et al. 2007) remain to be established. Ladd (2017) highlighted that a key contextual attribute of the BOP is its strong social network and that that successful firms in BOP markets develop business models that leverage the context of these markets.

Global south countries are not homogenous; they differ in terms of social, economic, geographic and political attributes (UNDP 2004). However, they are in the same category because they share an identified set of challenges and vulnerabilities. As mentioned earlier, these shared

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vulnerabilities include underdevelopment, poor infrastructure, high resource constraints, weak institutions and policy inconsistencies. Trends in BOP markets, such as increases in consumption expenditure, are of interest to businesses (Atsmon et al. 2012). Research alludes to the ‘rise of the global South’, discussing the growth of south-to-south trade and increase of north-to-south exchange activities (Horner and Nadvi 2018, 207). Hammond et al. (2007) used previously unused income and expenditure data to contextualise and measure market exchange opportunities at the BOP and concluded that such markets present massive potential to firms that develop and adapt suitable business models. Even though successful foreign firms are common within BOP environments, starting and scaling up could be daunting tasks. According to previous entrepreneurship studies, (Anderson and Giberson 2003; Torri 2010) and literature on the global south, there are significant infrastructural and resource-related differences between advanced and developing economies.

Firms’ starting operations in developing economies face a myriad of challenges that require them to develop and implement business models that leverage and shape the market’s context (Ausrød, Sinha, and Widding 2017; Ladd 2017). Through studying a mini-utility firm that generates electricity in a rural BOP market, (Ausrød, Sinha, and Widding 2017) concluded that business models are designed specifically based on interims and that knowledge of the context and needs of BOP consumers stimulates much-needed contextual adaptation and shaping. Further, Ladd (2017) highlighted that business models for BOP markets should embed a venture’s offering in the context of the marketplace. Some previous studies within the context of BOP markets have argued that BOP business models are socially embedded in order to create relationships with mutual benefits, for example, (Hart and London 2005). In these relationships, communities benefit from firms’ capability development, while firms benefit from legitimisation, trust and other resources

that they could not access otherwise. (Ausrød, Sinha, and Widding 2017) in line with research on native capability development in BOP markets, suggested that the concept of native capability development involves becoming part of the indigenous people and their way of life and showing respect for local culture and existing natural diversity.

Inconsistent policies and uncertain political environments characterise most BOP markets, (Chironga et al. 2011). High transaction and logistical costs due to poor infrastructure are common, (World Bank 2012a) and greatly influence the nature of implemented business models (Linna 2013). (London, Anupindi, and Sheth 2010; Kandachar et al. 2011) found lack of skilled and trained workers in BOP markets, which presents challenges when starting up entrepreneurial ventures in such environments. To overcome some of these challenges, some studies, for example, (Klein 2008) suggested business models centred on partnerships as a way to mobilise resources and develop the required capabilities. Based on this background, we focus on the BOP markets of the global south.

2.2 Social networking and international business

According to (Ellis 2011), social network ties and relationships are essential for identification and utilisation of international business opportunities. In addition, Uzzi (1996) asserts that a firm's structure, social ties and type of embedded network affect the nature of the firm and opportunities it can access. Hence, the kinds of relationships into which an entrepreneurial firm enters vary and depend on the kind of opportunity that it seeks. Research highlights that network relationship ties could be 'arm's length', which refers to short-term relationships based on intermittent transactions and minimal physical social contact (Hirschman 1982; Uzzi 1996). Other relationships may involve socially embedded network ties for mutually beneficial value creation and sharing between

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members of network and stakeholders (Uzzi 1996). International business literature offered insights into the relationship between institutional environment and the internationalisation of firms through the institution-based approach (Wright et al. 2005).

However, the focus of this literature was the internationalisation of multinational enterprises and the role of formal institutions, mostly in advanced economies and, to some extent, in emerging economies (e.g. Geleilate et al. 2016; Dai and Liao 2018). Prior studies within the context of an emerging economy highlight that, as firms expand their activities beyond national borders to so-called emerging countries, they face a myriad of challenges, including limited resources, reputation and trust, lack of customer contact, institutional barriers and inconsistent policies (Shirokova and McDougall-Covin 2012). In developing and emerging countries, informal institutions highly influence the entrepreneurial development process together with formal institutions' features of rapid and highly unpredictable changes (Ahlstrom and Bruton 2002). Relations based on social networks anchor on informal institutions. With specific reference to economies in the global south, (Ahlstrom and Bruton 2002) highlighted that informal institutions typically guide entrepreneurial activities in environments with under-reformed and weak formal institutions, such as culture, conventions and norms that are largely not backed by formal law but are social customs and unwritten codes of conduct (Williams and Vorley 2015). Examples of informal institutions include churches, associations, families and chieftaincies.

To compensate for these challenges and deficiencies in formal institutions and unfamiliar environments, firms embed their activities in informal institutions such as social networks and other informal communication channels (Ahlstrom and Bruton 2010). Research on social networks emphasises the important role that they play in the development and growth of international business ventures (Peng 2003; Greve and Salaff 2003; Zhu, Hitt, and Tihanyi 2007). According to

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(Anderson and Jack 2002), social networks facilitate interaction at various levels. They influence entrepreneurial opportunity-seeking behaviour, the acquisition and use of key resources to which a firm might not have access in foreign environments and the development of business activities (Casson and Della Giusta 2007). Furthermore, within the narrative of social capital, social network is part of a structure that encompasses key social context issues, such as social ties, social interactions, value systems and the relationships of the trust-guiding actions of individuals within predetermined contexts (Coleman 1990). The concept of social networks in the analysis of business activities was previously, applied in two ways, thus contributing differently but in a complementary manner to the way, we understand social networks.

First, (Ostgaard and Birley 1994; Ellis 2011) demonstrated the importance of new venture managers' personal networks in resources acquisition and outsourcing within unfamiliar business environments, and second, (Johannisson and Landström 1997; Anderson and Jack 2002) illustrated the influential relationship between social embeddedness and associated dynamics of economic exchanges. Based on the above perspectives, social networks are useful in entrepreneurial value creation and capture activities through, for example, access to otherwise-inaccessible markets and provision of useful, up-to-date and reliable information. Social networks also act as the means through which entrepreneurs enact the prevailing business environment by adapting their business models in such environments (Sánchez and Ricart 2010, 143). (Uzzi 1996, 1997) highlighted that the basis for beneficial exchanges within tie-based networks is the trust created amongst network members. Hence, (Uzzi 1996) claimed that trust created through informal networks is a premium resource for exchange. This trust also provides a mechanism other than non-network judgments through which to evaluate potential exchange partners.

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Moreover, as network-based business exchanges are deeply embedded in the history of social exchange, they can be easily set up and lead to quick market penetration, but at the cost of high sales volume (Ellis 2011). (Huggins 2000, 2010) argued for the importance of social networks in the establishment and growth of entrepreneurial ventures. Additionally, according to Uzzi (1996), the network type, an organisation's position in the network structure and the type of ties maintained amongst firms determine access to and utilisation of business opportunities beyond an entrepreneurial firm's national borders. Close and embedded organisational and personal ties produce a network of exchange, while loose and distant ties form a market-like structure (Powell 1990). Social embeddedness is a logic based on the former type of ties. Both organisational and personal networks exist for the purposes of exchange; hence, social ties shape opportunities in a different way than markets. This leads us to the hypothesis that social ties are highly dependent on context and thereby enforce the constraints that shape behaviour within a network. Given that individuals constitute firms and organisations and that individual networks have a bearing on firm networks, narrowing down to individual interpersonal networks in the analysis of entrepreneurial ventures proves fruitful for understanding the influence of such networks within foreign, unfamiliar and difficult environments.

Witt (2004) echoed that the typical unit of observation should be an individual who usually has information-related contact and exchange relations with other individuals or firms, organisations, authorities or institutions. Based on network theory, embeddedness refocuses network actors' short-lived intentions to obtain immediate economic gains into long relationships based on trust and reciprocity. While differentiating between network exchanges and markets, (Larson 1992), as cited in (Anderson, Park, and Jack 2007), pointed out that key and otherwise inaccessible information about strategy, production knowledge, costs and profit structure is

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transmitted through embedded networks, leading to learning and coordinated production in ways that exchange of only market price information could not do.

To understand business models in BOP markets, (Heuër 2017) studied the adoption of green energy solutions in those markets. Importantly, this study outlined the critical role that socially and environmentally oriented SMEs play in fostering the adoption of green innovations in difficult environments through close connections with female entrepreneurial groups and other extended local networks. (Ellis 2011) studied the recognition of international opportunities and social ties of firms in emerging economies undergoing internationalisation, concluding that the use of social networks as a means of identifying international entrepreneurial opportunities leads to highly valued exchanges, and thus to high sales volume, unlike opportunities identified through means other than social networks (Ellis and Pecotich 2001; Ellis 2011). (Björkman and Kock 1995) did a study focusing on China and highlighted that social networks play a crucial role in a firm's decision to open new businesses in emerging and transition economies characterised by low levels of trust, weak institutions and poor infrastructure. They mentioned that ties with others are critical and required to initiate exchanges in emerging economy environments. The findings of this study were in a domestic context, and (Björkman and Kock 1995) explained that social networks are only beneficial when establishing businesses locally. Due to lack of exposure to international markets, local managers are at the receiving end in terms of use of local social ties to initiate business activities beyond national borders due to lack of exposure to international markets.

However, there exist contradictory findings from prior studies on the influence of social networks on business activities. For example, (Calton et al. 2013) pointed out that in economically and socially excluded environments, such as BOP markets, deep and socially embedded networks are quite relevant. Businesses could leverage these networks and connections to reduce the costs

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of doing business and acquiring relevant market information as well as building trust and providing access to societal resources, which are key for business growth. Others suggest that such networks are less likely to promote enterprises unless the excluded people possess enough financial resources and experience to benefit from the established contacts. Moreover, some scholars (for example, (Casson and Della Giusta 2007) argue that entrepreneurs value time so much that they work beyond normal hours. Therefore, emphasising network relevance would lead owners of businesses to spend too much time networking and less time attending to critical business issues, which would lead to business failure. Network-based business activities mainly benefit from firms' embeddedness in a context characterised by trust between partners who know each other and/or between a partner and a collaborator referred by someone who is familiar to the other party (Uzzi 1996) .

In contrast, (Root 1994) queried tie-based exchanges, using business partner identification to justify his argument that tie-based exchanges are of poor quality in terms of business partner identification as compared to non-network ways of identifying tradeable opportunities outside one's national borders. Although the vast social network literature seems to be informative about the apparent role of networks in entrepreneurial ventures, the manner and conditions under which these networks become beneficial have received less attention thus far. Moreover, strategies for implementing difficult and risky business environments through business models that leverage social networks warrant much attention, given the emphasis on the potential of global south markets (Prahalad 2004, 2012).

3. RESEARCH METHODOLOGY

3.1 Case selection

The main criteria for inclusion of cases in this study was based on, international entrepreneurial firms with operations in BOP markets and are working to contribute to any developmental goals. Since we knew these might be difficult to identify, as their activities are not well documented and readily available, we employed the strategy of referral by informants (Yin 1994; Denzin and Lincoln 2005). Commercially driven international entrepreneurial firms mainly focusing on rural customers within BOP markets that have either attained or are close to economic viability are rare and only recently emerged in developing countries in Africa (IFC 2012). With this in mind, we consulted the SEED² website and database to identify local African SMEs involved in the development of sustainable solutions that suit local needs.

This was an easy task since one co-author was researching local SMEs in Africa and had previously communicated with some of the SMEs in the SEED database. We were convinced that these local SMEs would have knowledge about foreign SMEs operating within the same business environment. Through this approach, we obtained information about two foreign SMEs, which confirmed earlier assertions made in a report by the International Finance Corporation (IFC 2012). One of the SMEs operated in Zambia, and the other operated in Kenya. Subsequently, we sent emails to the two SMEs, followed by telephone calls asking to conduct Skype interviews with them. Only one of the SMEs responded, and following (Ramachandran 1998) in (Siggelkow 2007), we paid much attention to this case, comparing it with a local SME to provide a basis for explaining foreign SMEs' activities in BOP markets in relation to their local social networks. Our case company was unique in that it was operating in a typical BOP environment (rural markets in Zambia). It provided more insight into the phenomenon under investigation compared to other

firms since we also wanted to identify conditions under which social network embeddedness would be valuable to SMEs. The case pre-selection criteria were as follows: i) international entrepreneurial firms that have operations in BOP markets and are contributing to any developmental goals, ii) SMEs in the same industry, iii) SMEs that are running a successful entrepreneurial venture and iv) SMEs that have been operating for at least three years.

3.2 Case companies

3.2.1. *Emerging Cooking Solutions Sweden (Zambia)*

A Swedish SME established in 2010 but started commercial operations within the energy sector in Zambia in 2012. The enterprise does not have operations in Sweden but started operations in Zambia with a subsidiary, Emerging Cooking Solutions Zambia (ECSS). It was co-founded by two Swedish nationals with different educational and professional backgrounds; one co-founder used to be an actor, while the other is a Harvard University dropout who worked for Doctors without Borders in countries such as Sierra Leone, Senegal and Afghanistan. To offset the use of firewood and charcoal by low-income households, the company is deeply involved in the design, development and distribution of low-cost gasifier stoves and biomass pellets as well as complimentary solar lighting and charging solutions within rural Zambia. Through its *home energy system*, the company thrives by eliminating inefficient, unhealthy and environmentally degrading methods of cooking and heating used by a significant proportion of the population in Zambia and most other African countries. Its goal is to build a sustainable energy infrastructure in Zambia and extend this model to other African countries. As of summer 2018, the company permanently employs 40 people and contractually employs many agents. Its main branch is in Lusaka, the capital city of Zambia, and it has branches in other provinces such as Northern Copperbelt, Monze

and the Eastern region. In Zambia, the company uses the brand *SupaMoto*, which in the local language translates to strong fire. Pellets are compressed biomass material that cleanly burns in a more efficient manner than firewood, reducing cooking time by approximately 75%.

According to the information provided by ECSS, SupaMoto pellets are 30–40% cheaper than charcoal, the major source of energy used by most low-income households in Zambia. In addition to rural and partly, urban households, the company targets institutions such as schools, universities, hospitals and food retailing brands. The company creates and enacts strategy for product distribution to final consumers mainly through community agents who are responsible for recruiting customers, signing monthly payment agreements with them, carrying out after-sales service and facilitating group payments and mobile payment schemes. Distribution also occurs through retail chain stores. Although the company focuses on what they refer to as ‘building energy infrastructure’ within Zambia, of late they have also been exporting gasifier stoves and pellets to countries such as Kenya, Tanzania, Rwanda and South Africa. As it has been difficult for the company to obtain external funding, their financing strategy involves ground funding and partnership with a considerable number of other private companies and institutions.

3.2.2. *Ekasi Energy (South Africa)*

The second SME is a South African start-up formed in 2013 by a South African entrepreneur. The founder has a lot of entrepreneurial experience from involvement in bringing Microsoft to South Africa and setting up distributor networks throughout the country since 1990. The company focuses on the provision of innovative, low-cost and efficient energy solutions through converting biomass into pellets that used for household energy needs through gasifier stoves. Their business model focuses on empowering local small entrepreneurs by creating entrepreneurial ventures

based on small-scale franchising of pellet-making plants operating within communities identified to have a lot of biomass waste. This is a localised business approach that creates employment opportunities for local communities through participation in every stage of the biomass value chain. Most of the activities of this SME are still in the early stages of development, and it is starting to enter into the market with pilot projects in Cape Town. The enterprise targets informal urban settlers with low income who are unable to pay for either electricity or liquid petroleum gas in towns. It plan to expand into the rest of Africa by the second half of 2019.

3.3 Data collection and analysis

To justify our arguments, we employ a qualitative case study approach based on semi-structured Skype interviews with the CEOs of the selected SMEs. Following (Ghauri 2004)’s suggestion to use a case study methodology when one collects data within uncertain international environments, we adopted a qualitative case study approach. Moreover, since the study aims to both examine and understand abstract concepts while complementing existing theoretical concepts (Locke 2001), a qualitative approach is appropriate (Denzin and Lincoln 2005). Case studies are known to provide rich insights when exploring ‘how’ and ‘why’ questions, especially in a rarely studied and new context (in our case, BOP markets) (Yin 1994; Eisenhardt and Graebner 2007). The study used two for-profit case SMEs operating in Zambia (foreign SME) and South Africa (local SME) within the same industry (energy). Both SMEs are involved in the design, development and distribution of industrial and household gasifier stoves, biomass pellets and complimentary household solar lighting products for BOP customers, especially those in rural locations and informal urban settlements who use firewood and charcoal as their main sources of energy for cooking, heating and hygienic purposes. In April, we conducted an interview with a local SME in South Africa.

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Through the founder of this SME, we obtained information and followed up with the foreign SME operating in Zambia.

The study focuses on foreign SMEs operating in BOP markets. Due to a lack of information on these SMEs, we employed the identification by informants method, ultimately using interview data collected from the local SME for comparison with the foreign SME. Interviews lasted between one hour and one and a half hours. Data analysis followed the general inductive approach to grounded theory building, and we iterated upon the interview scripts, literature and theory on social embeddedness (Miles, Huberman, and Saldana 2013). We partly followed guidelines and suggestions proposed by (Gioia, Corley, and Hamilton 2013). Whereas structured methodologies impose restraints, an inductive approach allows concepts and findings to emerge from interview data (Silverman 2000). Initially, we examined the transcribed interviews several times independently. We also coded and generated first-order themes from the interviews based on how the principal informants responded to the interview questions about their views of their world (Wiseman 1979). After coding the transcripts into first-order themes, we examined social embeddedness theory to integrate first-order themes into themes that we identified and developed through literature. We ultimately developed a coding framework that conceptualised business models in BOP markets based on the social embeddedness theory. While analysing the data, we constantly compared the foreign SME and local SME based on the framework presented in Appendix A.

4. RESEARCH FINDINGS

The analysis yielded twelve second-order themes identified through literature on social embeddedness, (Granovetter 1985; Anderson and Jack 2002; Granovetter 2005), social business models, (Yunus, Moingeon, and Lehmann-Ortega 2010) and entrepreneurial networking, (Manolova, Manev, and Gyoshev 2010). We categorized the twelve-second order themes into two, out of which, seven items aggregated into what we labelled ‘socially embedded entrepreneurial models,’ and five items aggregated into five items, which we labelled ‘embedding context and mechanism’. The findings on socially embedded entrepreneurial models shows that seven items (knowledge generation process and method; social structure effect recognition; social partnerships; social networking; social structure maintenance; shared value production and extraction and legitimacy and credibility for mutual benefits) play an important role in social entrepreneurship. This is due to the role of embedded ties and partnerships with both traditional and non-traditional partners. Through literature and the cases, we identified that embedded ties and partnerships act as a conduit through which entrepreneurs in new markets can better understand customer needs and the most effective distribution channels, for business survival and growth (Sánchez, Ricart, & Rodríguez, 2005). Specific local needs, market location and context, societal and market configuration and business environmental attractive, aggregated into ‘embedding context and mechanism’. Appendix B presents the main findings, including second-order themes, aggregated themes and informant quotes. The sections that follow presents and discuss the main themes and quotes from informants are useful for illustrating their meaning.

4.1 Socially embedded entrepreneurial models

4.1.1 Knowledge generation process and method

Foreign entrepreneurs starting operations in BOP markets are required to understand the local social structures to thrive in these new markets. As a foreign firm, a major driver of knowledge that is key for initiating entrepreneurial activities is an understanding of the natural and community environment. It is imperative for firms to understand social structures because they foster knowledge generation about the target market. For example, one respondent mentioned that local structures fundamentally influenced the way they started their activities: *‘It was very important because [...] otherwise, we would not know who our customers were, their, needs and interests’* (CEO ECSS). Foreign firms also generate knowledge to foster business activities through experimentation with business models. The co-founder of ECSS mentioned that, to reach customers who would purchase their products under poor local conditions, experimenting with different approaches helped them penetrate the market. In addition, support mechanisms that functioned through collaboration with locals and support from the embassy fostered and empowered their business activities in the local market. With the local SME, the manager of Ekasi Energy linked local structures to local politics, mentioning that understanding local politics and aligning them to the firms’ business activities was essential for sustaining business in informal locations in small towns. All the informants highlighted that it is essential to understand local structures, which in turn influence the kind of business model and strategy that the firm adopts. (Anderson and Jack 2002; Ansari, Munir, and Gregg 2012), concurred claiming that one becomes part of a social structure by first understanding the nature of that structure.

4.1.2 Social structure effect recognition and enactment

A significant aspect of socially embedded business models is social structure enactment (Johannisson 1988; Granovetter 2005; Chua et al. 2012), which shows that the entrepreneur understands the social structure and its effects on business activities, especially in foreign markets. Enactment and recognition require one to develop business models that are based on and informed by extant social structures. Socially embedded business models show how entrepreneurs leverage consumers’ tactical manifestations (Ladd 2017). The results of this study highlight that managers in a foreign context recognized and enacted prevailing social structures by associating with social figures such as traditional leaders and members of the community to gain trust and access to the local markets as well as local suppliers: *‘...the whole trust thing. [...] if you have the trust of a chief, and if a chief endorses you, you know, everyone will have a look. So these structures are very important. [...] I would say they (social structures) are much more important than retail chains, [...] hence; we almost only work with traditional structures’* (ECSS CEO). The co-founder of ECSS also mentioned that a combination of social structure networks and relationships greatly influenced their operations.

The location of entrepreneurial activities and the methods and approaches adopted by the company to organise and showcase their products to customers was determined by the company’s social networks: *‘I think that they have a lot to do with how we organize our demos, for example. Demonstrations and payment groups. [...] for example. [...] a lot of our demos a lot of our outreach is happening through Chiefs, traditional structures, farmer collectives, et cetera’*. The local entrepreneurial firm (Ekasi Energy) seemed to use a different approach in which the firm is not directly involved with customers. Rather, it considers itself a technology partner that recruits community agents, who then connect directly with consumers. The respondent articulated his

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company understands the consequences of working without knowledge of local social structures. Hence, the company recruits local agents within social structures who deal directly with final customers because of a lack of information about the structures and market conditions: *‘We would rather just be a technology partner to that person. We would rather say, “Look, we bring technology to the party. We will help you re-engineer and build your business, but at the end of the day, it's that person's business because it's them that understand the market conditions for the product.” So, it's a very much, a localized model’* (Ekasi Energy CEO).

4.1.3 Social partnerships and social networking

Evidence from the data shows that SMEs enact social structures in foreign BOP markets through business models that leverage on social partnerships and networks. For example, for ECSS, partnerships and cooperation with local entrepreneurs who were in the same line of business but operating at a very small scale but with a foothold in the Zambian market was instrumental for initial market entry. In other words, by collaborating with small-scale local entrepreneurs, ECSS leveraged partner relationships in the local market. This helped them to gain knowledge and information about how to manage its operations in foreign, distant BOP markets which they had less knowledge about; *‘we met Zambians who [...] basically already were working with biomass waste in the Copper belt region close to Kongo, and they were already trying to do something similar to what we had, you know, [...]. And then when we met them, [...] that was very exciting because they recognized the potential of what we were doing. And all of a sudden, we had friends and partners in Africa, in Zambia, who were willing to work with us, and to do all the stuff on the ground in the beginning, that we could not do ourselves because we did not live there’*. (CEO ECSS). The *co-founder* of ECSS also mentioned that the company's various social partnerships and network arrangements (chain stores, private companies and local entrepreneurs) with various

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organisations formed the basis for business transactions and provided information that was crucial for establishment and management of a new venture in a dynamic and uncertain foreign market. In addition to the need for embeddedness in social networks, (Chell and Baines 2000) mentioned that being socially embedded helps one assemble information and resources and compensate for various environmental constraints.

Therefore, embeddedness facilitates the entrepreneurial process. Founder for the local SME highlighted the need for collaboration with various organisations that support and provide business consultation and networking opportunities. The CEO of Ekasi Energy stated that networking with several organisations is the optimal model for managing their business activities, especially in the local market environment. It is interesting to note that both SMEs recognized the critical need to establish, nurture and maintain social networks at various levels (formal and informal) in facilitation of enhanced venture operations. The results showed that the case SMEs capitalised on their social networks to identify potential product sales agents in communities through either their direct links or other key social structures, such as tribal chiefs, churches and community groups: *‘We are building an expert group of agent networks all over the country... and they approach churches, farmers, communities, groups. [...] and we have good connections with several tribal leaders, the Kings and they can help us ...Also almost all our sales happen through, [...] the trust of these, informal institutions and we often choose our agents in, you know, in these groups.’* (CEO ECSS). Founders of both case SMEs also claim that establishing networks significantly facilitated their business and financial transaction processes. Hence, they put effort into maintaining established social structures through, for example, after-sales services and adoption of mobile payment systems that can be adapted to the local market.

4.1.4 Shared value production and extraction

Interestingly, an integral part of both SMEs’ business models was the implementation of sustainable and local economy value creation with participation by local community members for mutual benefits. This supports the argument by, for example, (Anderson and Jack 2002; Patzelt and Shepherd 2011; Bidit et al. 2016) that entrepreneurs create and extract value through the way they draw upon the existing environment while developing and establishing a business. A notable aspect of this feature was the manner in which the business is established in line with its contribution to the local community. Benefits for the local community could arise through the creation of more income activities for local people, such as recruiting distribution agents. Within the same perspective, the SMEs developed and maintained customer relationships through shared value chain strategies.

ECSS did so by entering into unconventional collaborations regarding trade and payment methods, like barter exchanges. For example, the company negotiates with and finances local small-scale farmers, who are also its customers, to grow and exchange peas as a form of payment for the company’s energy products. In return, ECSS resells the peas and also buys the peas stalks and residues for use as raw material for pellet making: *‘[...] we are working directly with customers and with other organizations to help farmers start growing peas also in parallel with maize, most people just grow maize and some vegetables. [...] and we can get paid in peas. [...] We try to create a deeper, sustainable business relationship and environmentally much healthier approach and also financially better for our customers and nutritionally also better for our customers because they will have more protein.’* (CEO ECSS).

4.1.5 Legitimacy and credibility for mutual benefits

Social embeddedness as a process is key in the establishment of businesses in foreign BOP markets. As a new entrant into the business environment, a firm ought to conduct itself in a manner that legitimises its activities and creates credibility if the business is to succeed. In this regard, it is important to understand the nature of local structures and showing commitment to maintaining them through involvement in and fostering of those structures. Legitimacy and credibility create trust for the entrepreneur and his or her business within the environment in which he or she is operating. This involves engagement in activities that is akin to care for the welfare of the community: *‘[...] becoming Zambians to some extent and that creates trust. And, that sort of long term, you know, that you stick with it, you know, through thick and thin. [...] now my colleague live in Zambia, they have Zambian residence, so they have a Zambian child [...] he was taken from his mother who was mentally very ill, living in the streets. Where he was a nuisance.’ (CEO ECSS)*. Showing willingness to be associated with these structures and that the relationship is not short-term but long-term by, for example, entrusting some of the venture activities to the community and its members generates the required credibility and legitimacy, as does engaging in business activities that create both social and environmental benefits for the community, which occurred in both cases.

4.2 Conditions for embedded business models

4.2.1 Specific local needs

Understanding specific local needs for BOP customers is important for business ideation and ultimate business localisation. To generate this understanding, social embeddedness is key. As has been highlighted before, embeddedness is a necessary condition for information acquisition and

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knowledge generation in BOP markets since these markets are very dynamic and heterogeneous. Embeddedness helps entrepreneurs gain an insider perspective on solving market challenges. Therefore, socially embedded business models must seek to understand local consumers' needs and aspirations.

4.2.2 Market location and context

Based on empirical evidence from the studied cases, SMEs embed themselves into local social structures due to peculiar, specific and contextualised markets, which are very different from developed markets. Becoming deeply embedded in social structures allows for better understanding of which conditions to leverage and which ones require support mechanisms to ensure the success of entrepreneurial ventures. Some conditions and contexts present opportunities for doing business, while others manifest as constraints on doing business. For example, slow urbanisation means that innovative and low-cost ways of providing energy to BOP consumers open opportunities for profitable businesses, as in the case of the two studied SMEs. In contrast, since the BOP business environment is risky and features customers who are located in areas that are hard to reach due to poor infrastructure and lack of modern communication systems, it is challenging for SMEs' starting business in these markets to embed themselves into and leverage social structures. Regarding market location and the contextual features of BOP markets and their implications on venture activities and approaches to doing business, Ekasi Energy's co-founder highlighted that; *'[...] when we looked at the reality in Africa, we realized that, firstly, the roads do not exist. And if we did say, built a pellet plant in Bulawayo (city in Zimbabwe) and say we are gonna supply all of Zimbabwe, it wouldn't be that practical.'* So we are focusing primarily on the informal housing market in the urban areas. In those areas, we believe there is a lot of poverty'.

4.2.3 Societal and market configuration

Evidence from our international case SME shows that society is configured in such a way that it is necessary to be part of the system and structures to understand how the system operates and the implications of such systems and settings on business ventures. In addition, firms perceived to be of foreign ownership mostly face the liability of foreignness. This is most profound in emerging and quickly expanding economies (Acheampong and Dana 2017). Foreign firms in new markets face discriminatory and incidental costs, such as lack of local information and relationships, cultural differences and failure to make generic changes within the host country's institutional environment (Gorostidi-Martinez and Zhao 2017). Social relationships and ties therefore become key for buffering the influence of the aforementioned costs and uncertainties.

Other international business studies (Daamen et al. 2007) suggest that acculturation and localisation reduces liability of foreignness, mainly attributed to market and societal configuration; hence, under conditions of high social and cultural configurations such as the BOP, embeddedness correlates to localisation and acculturation. Evidence from this study shows that firms starting operations in BOP markets have to gain an understanding of who is influential in a certain social structure and create relationships with them in order to create a network of beneficial exchanges: *‘And then, we have like a Zambian uh, chairman. [...] he has become more and more important because he has developed connections with for example... [...]. And also obviously, you have to start on a very high level. You have to go to the top to be able to do anything... [...] all the countries in the region are very hierarchical. [...] in Zambia its super hierarchical. So if you get like the trust of someone who has authority, who has the ears of the community or his employees, then everything open up.’* (ECSS CEO).

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4.2.4 Business environment attractiveness

Both cases show that investment and financing in BOP markets by big firms and financial institutions is a challenge due to the perception that the market is not viable and difficult to deal with. Additionally, the business environment is dynamic, with large changes happening within short periods, thus making planning for business difficult. Firms therefore have to be in constant contact with the market to gain critical information in a timely manner and make necessary adjustments. As the market is agrarian, cash inflow for consumers is dependent on agricultural seasons. Hence, strategies have to be in place for every situation and at any given time. The data also revealed that BOP projects have long payback periods and high start-up costs; ECSS had not fully recovered all the invested financial resources, five years after starting operations.

4.2.5 Need for customer financing and inclusive approach

Consumers in BOP markets are always willing to have products and services that they need. The challenge mostly is their ability to pay for the products and services; high financial constraints limits consumers' purchasing power. Under such conditions, the empirical cases show that firms have to develop and implement innovative and inclusive customer financing strategies to enhance customers' payment capacity while ensuring business sustainability and growth: *'[...] but that means that we have to become a bank which means that we have to have funding to be able to, you know, to give people credit. We have to invest in all the materials, and then sell it. And then, we have to wait for the money to come in. So, we have to become a microfinance bank for our customers.'* (ECSS CEO).

This analysis has illustrated that, because of the conditions and context of BOP markets, internationalising SMEs align their business activities and enact social structures to develop socially embedded entrepreneurial models that ensure business growth.

5. CONCLUSION

The study explores the influence of social networks on the activities and business models of SMEs internationalizing to BOP markets. The BOP contextual focus is about a Zambian SME and a local South Africa SME. The use of case analysis through semi-structured interview provided insights on the role of social networks through the social embeddedness perspective. Based on the two cases we established that socially embedded business models are important for the implementation of business activities within BOP markets. We identified that ties and partnerships with traditional and non-traditional partners provide new firms that are unfamiliar to the business environment with information about customer needs and best product distribution channels while also acting as a platform for legitimizing business. The comparative analysis also showed that foreign SMEs embed themselves and largely depend on social networks and both traditional and non-traditional partnerships more than local SMEs. However, based on our findings, the cases did not reveal a comparative social network advantage as we had earlier hypothesised. More so, in line with other studies which explored emerging market contexts and the impact of social entrepreneurship in resource constrained environments (Bhatt and Altinay 2013), We also identified that BOP market conditions require entrepreneurs to create and maintain strong social relationships to be successful. Evidence from the case SMEs allowed identification of conditions under which SMEs design and implement socially embedded business models. The findings further illuminated that social ties are important for, i) recognition and utilization of market opportunities, ii) foster access to

community and intangible resources that are not accessible without social ties and iii) survival and growth of BOP business ventures.

5.1 Implications for theory

Extant studies have mainly focused on the activities of multinational enterprises and the implementation of business models that are external to the BOP market context, known as the top-down approach, for example (London 2008; Schuster and Holtbrügge 2012). Although some studies have thus far explored entrepreneurial activities within the emerging markets context they have mostly done so with limitations. For example being at conceptual level and with core focus on the domestic market, or from a single country context, (Rivera-Santos and Rufin 2010; Bidit et al. 2016; Acheampong and Dana 2017). Recent studies on social embeddedness and social entrepreneurship in India and Bangladesh suggests that early development, scaling and growth of social entrepreneurial ventures are important phases driving innovations, social and sustainable entrepreneurship in the emerging market context, necessitated by social networking, (Bhatt and Altinay 2013; Bidit et al. 2016).

Thus this study empirically contributes to theory by comparatively exploring BOP activities of two countries and by introducing the international entrepreneurship perspective and providing a basis for explaining the influence of social networks on BOP business models. Second, the paper answers the crucial question concerning the role of social networks and structures in penurious environments of BOP markets and the conditions under which network embeddedness improves the success of a venture. Thirdly, we contribute to the conceptualization of social embeddedness by coming up with new dimensions that are in line with social networks and constructs as identified by (Bidit et al. 2016). Correspondingly, we identify a connection between

international entrepreneurship literature and embeddedness theory in terms of context since we found that, in BOP markets, the process involves recognition of the effect of social structures, production and extraction of shared value, (Esposito, Kapoor, and Goyal 2012) and achievement of legitimacy and credibility for mutual benefit, (Agarwal et al. 2018; Randrianasolo 2018). We also posit that foreign entrepreneurs (actors) starting ventures in BOP markets need not be part of the social structures, as highlighted by (Anderson and Jack 2002). However, their activities should be legitimate and deeply embedded in existing social structures and they should take into account BOP consumers’ mental models instead of altering them.

5.2 Managerial and social implications

The study provides logic for SMEs managers vying for and operating within the energy sector of African BOP markets. Firstly, a focus on community-centric BOP approach would help to enhance and foster community members’ capabilities while improving their income status with positive feedback effects on the BOP venture through shared value. Secondly, localised and socially embedded business models that consider ways to improve the lives of poor customers are part of an important strategy for gaining credibility and legitimacy as intangible scarce but critical resources that firms should possess when operating in BOP markets. Moreover, adoption of unconventional pro-customer methods of financing that consider consumers’ economic status are highly rewarding given the long payback periods of BOP projects and the agrarian and seasonal nature of the markets. In this study, we argued that, through embeddedness, SMEs are able to obtain rich private information about the lives of key individuals within stakeholder groups and other informal institutions. This, in turn, helps them to organise activities and business processes in a manner that shapes and sustain business.

5.3 Limitations and future research

Though the study produced many insights about the implementation of business models for BOP markets in the energy sector, the results should be interpreted with caution given a number of issues that might limit its generalisability to theory. First, the number of cases used might affect how generalisable the study findings could be to theory. Again, the South African SME was still on the start-up stage, we obtained limited but insightful data. The other issue is about the likely limited breath of the study due to constraining the number of internationalizing case SMEs to one. We faced the same challenge as noted by the (IFC 2012) report. International entrepreneurial firms mainly focusing on rural customers that have either attained or are close to economic viability are rare and emerged only recently in developing countries in Africa (IFC 2012). We were strongly convinced that we would get rich information given, i) the mode of its internationalization in which operations started within the BOP market without being headquartered in the home country, ii) its market focus, which is mostly the rural areas and iii) being ‘close to’ economic viability. This one international SME essentially became our “talking pig” (Ramachandran 1998) in (Siggelkow 2007, 20). Second, the identified differences in the level of embeddedness could be because of differences in country context since case SMEs from two different countries—Zambia and South Africa— were used. Future studies could increase the number of cases and explore relationships through quantitative studies in order to improve the generalisability of the results. In addition, studies looking at BOP markets outside Africa and in various industrial categories could yield different results. Further, future studies could examine how entrepreneurs operating in BOP markets respond to and enact social structure changes, such as those due to dissolution of a social group or exit of a social group member.

FOOTNOTES

¹ This term is used to describe markets involving approximately 4 billion consumers worldwide who have an annual per capita income of less than \$1500 and survive on \$2 per day (Prahalad 2004), while also living near the poverty datum line—approximately \$3975 per year—in purchasing power parity (World Bank 2012b).

² SEED is a sustainable development oriented organisation founded in 2002 through partnerships between United Nations Environmental Program, United Nations Development Program and International Union for Conservation of Nature, to promote and tap into the full potential of market-based sustainable solutions that avert environmental degradation and foster social inclusiveness (SEED 2018).

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LIST OF APPENDICES

APPENDIX A; SME Comparisons

	Internationalizing SME/foreign context	Local SME/ local context
First order themes		
partnering knowledgeable locals	✓	✓
local market knowledge & intelligence	X	✓
at least three years in the market	✓	✓
prior visits & market based learning	✓	X
incremental business growth	✓	✓
long experimentation & business model changes	✓	X
Initial discussions with friends and related companies	✓	✓
venture location	✓	X
social & cultural structures	✓	✓
community based sales agent identification	✓	X
knowledge of customer income activities	✓	✓
product demonstrations	✓	X
partnerships with chain stores	✓	X
networking with and support from diplomatic missions	✓	X
partnering with NGOs & MNEs	✓	X
partnerships with private businesses	✓	✓
family & co-founder relationships	✓	✓
networking with local entrepreneurs	✓	✓
distribution and sales networks	✓	X
networking with churches	✓	X
networking with tribal & traditional leaders	✓	✓
networking with farmer organizations and community groups	✓	X
social initiatives and programs	✓	X
personal customer and supplier relationships	✓	X
relationships with traditional competitor companies	✓	X
access to academic research	✓	✓
after sales service and mobile payments administration	✓	X
product payments tracking systems	✓	X
customer group purchases	✓	X
market adaptation strategy	✓	✓
localized and customer-centric payment model	✓	X
cradle-to-cradle and circular economy strategies implementation	✓	✓
sustainable business approach	✓	✓
waste as a resource and responsible business	✓	✓

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extended value chain and shared value business ecosystem	✓	X
localized value creation and capture	✓	✓
product costs and benefit structure	✓	✓
business for social and environmental change	✓	✓
consistency & exemplary business	✓	✓
Simple & low cost product development	✓	✓
human centered approach	✓	✓
entrepreneur knowledge and trust	✓	X
entrepreneurial identity and association	✓	X
social and humanity roles	✓	X
contextualized & customized opportunities	✓	✓
societal leaders problem realization	✓	X
business ideation	✓	✓
Efficient resource utilization in Africa	✓	✓
need identification	✓	✓
slow urbanization	✓	X
risky business environment	✓	X
unserved and underserved markets	✓	X
agrarian societies & poor customers	✓	X
distant markets	✓	X
poor customer access and infrastructure	✓	✓
product accessibility and affordability	✓	✓
hierarchies in cultural and social structure	✓	✓
product & sales strategy & changes	✓	X
market unpredictability & dynamics	✓	X
lack of business financing & working capital	✓	✓
long payback time	✓	X
high startup costs	✓	✓
community based production	X	✓
community empowerment and participation	✓	✓
product constellation marketing and value chain	✓	✓
payment plan and terms	✓	X
Customer financing	✓	X
upfront investment on customers' behalf	✓	X
customer mind models and aspirations	✓	✓
enhanced customer purchasing ability	✓	X
<i>NB. ✓ - theme identified, X - theme not identified</i>		

Appendix B; data table

AGGREGATE THEMES 2 nd Order Themes	Representative Quotes
SOCIALLY EMBEDDED BUSINESS MODELS	
1. Knowledge generation process & method	<p>“[...] we started very slowly with a pilot study. We took our first visit to Zambia in 2010. And we met some Zambians who completely understood the potential... [...] things take time, because you try all kinds of methods and then things do not work. So it's a long, long experimentation I would say.” [...] we just got a lot of support from the Swedish embassy and particularly from these two Zambian individuals.”(ECSS)</p> <p>“[...] so one of our areas is to work in those smaller towns. And we do not understand the politics of those smaller towns and I would prefer that a local entrepreneur and a local person would provide us with the market intelligence from that market. Our focus has been to work with existing distributors and to understand them. [...] there are people that are already working in the market.” (EE).</p>
2. Social structure effect recognition	<p>“[...] these structures are very important. [...] they have a lot to do with how we organize our demos, for example, we are in Monze because we have strong relationships there, and Eastern, we started because we have partnerships with a Dutch organization that work with a big group of farmers. [...] the Dutch organization has been kind of the entry to the Eastern. In Southern, because of our friends and all the social networks.” (ECSS).</p> <p>“[...] we would rather just be a technology partner to that person. We would rather say, "Look, we bring technology to the party. We will help you re-engineer and build your business, but at the end of the day, it's that person's business because it's them that understand the market conditions for the product.” So, it's a very much, a localized model.” (EE).</p>
3. Social Partnerships	<p>“[...] all of a sudden, we had friends and partners in Africa, in Zambia who were willing to work with us...[...] the reason why we ended up there in the first place was simply because, the Swedish embassy invited us to come down and talk about our ideas and technology, and there are some French business leaders that are important. We have Lafarge and these companies, you know, TOTAL. TOTAL, the gas company, is a very important partner to us... [...].” (ECSS)</p> <p>“We have partnerships, as in, we're working with a number of people- We have a number of organizations that entered competitions. I am working with seed organization and I am working with a number of organizations that are giving us business advice and networking, to help network us with the right people e.t.c, e.t.c, etc...[...].” (EE)</p>
4. Social Networking	<p>“[...] you know, quite a big staff of sales people. And, we are building an expert group of agent networks all over the country... lot of network, a lot of network. We approach, like churches, we approach farmers, communities, groups, you know, tribes and sometimes we have good connections with several tribal leaders, the Kings and they can help us by calling people together. They are really, really, important. [...] almost all our sales happen through the trust of these informal institutions. And we often choose our agents in these groups... [...] and i made friends here with a Zambian Princess, she has been staying in Sweden for many years and, the fact that she's a Princess opened up doors to some of the Paramount chiefs. Her father is a Paramount chief... [...] so, that connection did help a lot. [...] you know to open up new possibilities and new connections where we got much deeper into the traditional structures than we had been before. A very big step for us and an important one.” (ECSS).</p> <p>“[...] there are a number of relations that we're building, but yeah it's one-by-one, [...] so our hope is that we can work with local authorities, link with local chiefs, work with, local, grassroots and civic society to educate people...[...] i have associates and people that...i am working with in Uganda. So we have spoken to people in Kenya about using, coffee bean husks. So there are other opportunities.” (EE)</p>
5. Social structure maintenance	

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“[...] that agent will be someone that we train to, to demonstrate things and to do the after-sales service and to handle the mobile payments and make sure that the right persons get the right fuel and that they pay... [...] we have a whole platform. A big IT platform called Angaza, that Angaza system is the payment system that keeps track of all the payments. And the mobile money payments are registered there so we have all our customers in that system so we know where they're at and payment status, and the dates of payment at cetera” (ECSS).

“[...] because I think, you must never underestimate if you were to work against existing fuel chains and existing value chains you're going to pick up adversity, and there could be various ways that those people sabotage your business in ways I guess you wouldn't understand.” (EE).

6. shared value production and extraction

“[...] we're developing a deeper relationship also in terms of biomass. [...] one of the things that my colleagues have been working a lot with lately is to try to introduce, a new crop, which is pigeon peas. So, basically we are working directly with customers and with other organizations to help farmers start growing peas also in parallel with maize. Most people just grow maize and some vegetables, but we are trying to create a situation where they actually grow peas because we can trade with peas. If they do not have cash, we can get paid in peas. And we can sell the peas and also the residues from peas, the stalks of peas, and the beanstalks are a very good raw material for pellets. So that's how we try to create a deeper, sustainable business relationship and environmentally much healthier approach and also financially better for our customers and nutritionally also better for our customers because they will have more protein.” (ECSS).

7. legitimacy & credibility for mutual benefits

“Because we started the whole business to create social development. Social change and environmental change. [...] the whole drive behind this is to create change for the better, and then business is the means. [...] becoming Zambians to some extent and that creates trust. And, that sort of long term, you know, that you stick with it, you know, through thick and thin. Moreover, we have had all kind of troubles and disasters. We had a fire that destroyed everything a couple of years ago. We had to start all over. Uh, and but, we did. And that, and then people start to trust you because you are just, you are not just this someone who comes from the. [...] and then disappears. [...] now my colleague live in Zambia, they have Zambian residence, so they have a Zambian child who, was from a... basically he was abandoned by his; he was taken from his mother who was mentally uh, very ill, living in the streets. Where he was a nuisance.” (ECSS).

“So that is really our mission, 'how do we use biomass in a responsible way, so that we can provide energy for the masses?' [...] our model is this; we do have a full profit model. [...] we believe in that the social benefits should be equitable to all the people in the value chain. Because at the end of the day, we are not going to be making pellets. At the end of the day, we are going to be selling equipment that will be used by a person to make pellets so we believe that those particular enterprises in the different villages will be socially enterprises. So i do not really necessarily say that I will be a social enterprise but I will be enabling social enterprises to make money. My job is not to keep all the wealth to myself, my job is to empower other people to partner with me, i want to be able to empower them to make money and to be sustainable and to become wealthy.” (EE).

EMBEDDING CONTEXT & MECHANISM

1. Specific local needs

“[...] it was very important, because otherwise we wouldn't know who our customers were, and what their, you know, needs were, and, and interests... [...] we are targeting everyone who cooks who pays for bad fuel; we are targeting, people who pay for charcoal. We are not targeting people who cook free on firewood and who have no money at all, because we cannot. So, if they have no money at all, we cannot sell anything to them. [...] you know many of the traditional leaders are worried about the deforestation and the poor health of people that they feel responsible for. So they often really wanna help us get exposure.” (ECSS).

“[...] our decision-making is - the very rural market is not our market. So the rural market where there is no economy does not make any sense. So, if they can afford the product, that is fine, but we are not focusing on the very rural market. The market we are focusing on is the urban market... the informal urban market.[...] there are many fake towns around the cities, in these fake towns, people live little shaky houses...and there is no place to cook outdoors because it is dangerous outside, as well as there is no space there. The space between the houses is very small. And those people would normally move to the cities because there will be some form of income. It might be informal income, they might be taxi drivers, they might be fruit traders... the informal trade in those environments is fairly high. And so what we are

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saying is: it is those environments that paraffin is used, it's in those environments where charcoal is used, and it's in those environments where a fire is very dangerous because it spreads too fast. So we're focusing primarily on the informal housing market in urban areas.” (EE).

2. Market location and context

“We can't wait for electrification, because that's not going to happen. It is worse over time.... [...] i would say in Lusaka, it is like 70% of the population, 70-80% of the population, it is the same situation, and you have a minority that is rich enough to have a good electric stove. And then you go out in the countryside, it is the same picture there”...“[...] because they (investors) were aware, the business was too risky to work with. Too much money involved in investing in production and then just poor customers, they are busy with core business, and they do not want to experiment with something that might not work out, far away on the other side of the planet. [...] we had friends and partners in Africa, in Zambia who were willing to work with us, and to do all the stuff on the ground in the beginning, that we could not do, because we did not live there. [...] our agents know about the regional variations and about how did the maize crop go this year, the fishing community, re they having a good year or a bad year, when are the school fees due...things like that, people need to save for school fees and then they can't buy anything.” (ECSS).

“[...] when we looked at the reality in Africa, we realized that, firstly, the roads do not exist. And if we did say, built a pellet plant in Bulawayo (city in Zimbabwe) and say we are gonna supply all of Zimbabwe, it wouldn't be that practical.” So we are focusing primarily on the informal housing market in the urban areas. In those areas, we believe there is a lot of poverty... [...] it is seasonal. So it is seasonal so it might not be all year round. But certainly, the benefit of densification or compressing biomass is that it does not just have to be wood. You can use other resources.” (EE).

3. Societal and market configuration

“And then, we have like a Zambian chairman. [...] he has become more and more important because he has developed connections with for example... [...] and obviously, you have to start on a very high level. You have to go to the top to be able to do anything if you want to work with the...[...] and a lot of things, you know, in Zambia and I assume Zimbabwe, I don't know, but I assume this goes for all the countries in the region are very hierarchical. Very much hierarchical much more so than Sweden for example. But in Zambia its super hierarchical. So if you get like the trust of someone who has authority, who has the ears of the community or his employees, then everything open up...[...] many changes all of the time. Big changes. We changed; the stoves that we work with. We changed the payment models completely, we changed sales strategies completely.” (ECSS).

“[...] that we can work with local authorities, link with local chiefs, work with, um, local, uh, grassroots and civic society.” (EE).

4. business environment attractiveness

“[...] and we have been dependent on ground funding, simply because there is no commercial funding available for something like this. The banks are closed; investors do not touch these countries...and in terms of selling to our customers, we are doing- I would say we are doing well. ... - after all these years we have not reached break even.” (ECSS).

“[...] up until now unless we prove that they're repeatable models it's gonna be very, very difficult to get that kind of funding into Africa. We are all self-funded. Self-funded at the moment. [...],... We do not have financial partners yet in the market place...it's something we'd like to achieve. I believe that once we have put out our first pilot, and our first pilot is successful, I believe that we will be in a position... So, my goal would be to raise money and look for financial assistance, probably early in 2019. I do not believe we are at financial stability yet, or understand our business model... [...].” (EE).

5. inclusive business approach & customer financing

“so, we're working now with a good store where we get people between six and twelve months' payment terms. Often they buy the stove and the solar system, and pellets for about 12 months. And then they pay off, you know, over 12 months. The payment plans are often carried through agents, whom are local... belong to the community. [...] we, try to identify someone who wants to be an agent in the community.”... [...] I think also the name "Emerging", because I think one of the things that we got, an important principle for us was not to force an idea on someone, but you know, how solutions emerge because you see there are conditions and potentials... [...] we do have customers who otherwise cook with firewood, but they also want to have a cleaner healthier solution. So yeah, that is what we do. But that means that we have to become a bank that means that we have to have funding to be able to give people credit. We have to invest in all the materials, and then sell it. And then, we have to wait for the money to come in. So, we have to become a microfinance bank for our customers.” (ECSS).

“[...] so, consistency of supply... And we believe by doing it locally in the community, it should be easier to make sure that there is no broken down trucks and broken supply chains because it has been produced close to the market. [...] And as I indicated to you right up front, because the chopper, the person harvesting the wood, the person, processing the wood, the person whole selling it, the person retailing it, are

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all in the local economy that adds a whole of the value in the local economy, which wasn't there before. [...] when people look at our stove, they do want no smoke and they do want healthy things, but one of the things that is really important is the aspirational factor. So if they can be seen as a modern person that is using a modern appliance... so, building a backyard, tinker model does not talk to the aspirational aspect. Because then they will spend that extra money because they can be seen as being modern and, environmentally friendly, etc. e.t.c., [...] so because of that, we are saying is just that we would like a localized product. Where we train up and empower the local community to look after themselves. [...]" (EE)

NB. ECSS – Emerging Cooking Solutions Sweden
EE – Ekasi Energy.

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