ANDERSON, A.R. and LENT, M.D. 2019. Enterprising the rural: creating a social value chain. Journal of rural studies [online], 70, pages 96-103. Available from: https://doi.org/10.1016/j.jrurstud.2017.08.020

Enterprising the rural: creating a social value chain.

ANDERSON, A.R., LENT, M.D.

2019

Paper accepted for Journal of Rural Studies, 28th August 2017

Alistair R Anderson and Monica (Diochon) Lent

Enterprising the rural; creating a social value chain

Introduction

We explore and try to explain how a social enterprise, Farmstore, addresses problems associated with rural poverty. Our longitudinal study of the evolution of this Kenyan social enterprise demonstrates how organising different stakeholders' interests and abilities enabled entrepreneurship, allowing poor farmers access to technical advances that alleviate poverty. Poverty alleviation, according to Colquitt and George (2011), is one of the grandest challenges for academics (Vermeire and Bruton, 2016). Although much has been theorised about social enterprises as hybrids, little has been explained the about the applications of business practices. Hence an understanding of how this social enterprise works may be useful (Steinerowski, Jack and Farmer, 2008). Farmstore's entrepreneurial organising created microfranchises, a social innovation that was rural, small and local, but benefiting from the Farmstore's buying power and specialist knowledge. The franchisees became empowered with capability, and enabled to be entrepreneurial in addressing the unmet needs of poor farmers. For these farmers, we argue that being both poor and rural compounds the problems of distance- remoteness from markets as customers or as suppliers combines with economic and social distance from institutional support. Poverty diminishes options for overcoming this distancing.

For poor rural farmers these conditions are manifest in the lack of access to quality farming inputs which could substantially improve their livelihoods. We try to explain how Farmstore's development of informed, local agri-supply micro-franchises bridges gaps experienced by these poor farmers. Importantly, we believe that increased food security may help the farmers grow their own way out of poverty (Carter and Barret, 2006).

We conceptualise, and thus understand the problem of poverty and rural distance as creating gaps; gaps that limit access to resources (Steiner and Atherton, 2015). As Chamber (2014) succinctly puts it, rural poverty is remote. Moreover, Mair, Marti and Ventresca (2012) describe how the poor are often situated in institutional voids. The rural problem of remoteness also negatively affects the scale and scope of provisions, compounding the handicaps of poverty. Okwi et al's (2007) Kenyan study of the spatial determinants of poverty clearly demonstrate these detrimental effects of distance. Accordingly we were very interested in whether, and how, this social innovation of micro franchising worked to bridge these gaps. Moreover, Ellis and Freeman (2006) suggest that centralised policies for poverty alleviation may work less well at the micro level. In sub Saharan Africa, over a trillion U.S. dollars has been provided in aid over the last 50 years (Lupton, 2011), yet poverty persists. Top down initiatives may not work well because, (Simanis et al, 2008:1) they remain "alien to the communities it intends to serve." Although social, conventional even informal (Anderson et al, 2013) entrepreneurship demonstrates resilience (Steiner and Cleary, 2014; Anderson et al, 2010) and adaptability (Korsgaard et al, 2016) context can constrain enterprise (Anderson and Obeng, 2017). This notion of being socially connected, as well as spatially connected, appears as a significant problem in rural areas that are characterised by scattered populations. Scale works best in urban concentrations; so we ask, how it is possible to have scale of provision with rural, but locally embedded business.

Farmstore's micro franchises seem to reach across these gaps. They use the scope of the franchisee's own reach and power, but focus it locally and specifically on those who are likely to benefit most (Somerville and McElwee, 2011), the alienated poor farmers. They work as an entrepreneurial link and as social innovation. Moreover, Bock, (2016: 3) "social innovation offers an interesting approach to research into rural development and, in particular, marginalisation". In other words Bock proposes that social innovation can reach those marginalised. More broadly, the issue and problematic might also be conceived as how organising- a management practice- can benefit the poor. We believe that our contribution goes some way towards addressing Bruton's concerns (2010) by showing and theorising how ‘management’ might help alleviate poverty at the base of the pyramid; how business, and in particular how enterprise, can be part of the solution for the world’s poorest citizens.

The paper contributes to the literature by considering and conceptualising how rural poverty is a function of distance; physical distance, social distance and importantly economic distance. Indeed as we argue later, these combine to create and maintain poverty. Perhaps more importantly, we offer a practical contribution in showing how the logic of business can be applied to ameliorate poverty. Farmstore’s business model empowers their franchisees to become better entrepreneurs by facilitating their ‘business’ ability. We suggest this can be conceptualised as Farmstore creating a value chain that has potent economic benefits. The theoretical essence is ‘reach’; how a social enterprise can use commercial logic to reach, physically and economically, the very poorest who are often beyond institutional reach.

The social enterprise literature emphasises the hybridisation of the social and the commercial, but is rarely specific about how synergy is realised. We contribute to addressing this gap by showing how the qualities and drive that can characterise small business (Anderson and Ullah, 2014) are harnessed by Farmstore’s social mission to produce welfare for others. Moreover, we show how not- for profit can work, hybridise, with profit making businesses. Our specific contribution to this special issue lies in our account of the rural as context for social enterprising. Recently we have seen more recognition of the importance of context (Welter, 2011) and the role the rural context plays in shaping enterprise (Gaddefors and Anderson, 2017), but especially social enterprise (Eversole et al, 2013). The ‘extreme’ rurality of our case enables us to theorise how the rural can isolate people and their productive efforts. In turn we also show how the reach of a social enterprise can reduce this isolation.

We continue by reviewing the literature about the nature of poverty in the rural context and how this affects poor Kenyan farmers. We describe our research context, explaining the extent of the problem. The next section explains our methods and longitudinal approach and is followed by the exemplary case story of Farmstore, supplemented by interviews with franchisees and other respondents. We offer a thematic analysis of what Farmstore does and conceptualise this as Farmstores organising a social value chain. This chain not only links stakeholders and bridges rural gaps. It also enables each link to add value so that the chain, the organised whole, delivers benefits. We see this as entrepreneurially driven, so offer this is an exemplary case of enterprising the social.

The socio-economic context of rural poverty

Being rural does not cause poverty, but it has the effect of exacerbating the related conditions that increase vulnerability and limits opportunities to escape poverty (Anderson and Obeng, 2017; Alvarez and Barney, 2014). Distance from markets and limited resources create disadvantages (Anderson, Wallace and Townsend, 2015) whilst relative isolation and dispersed populations may also allow neglect of the problems caused by social and economic distance. Distance can render the poor less visible, and certainly renders them harder to reach. Indeed, Brass (2012) demonstrates how the numbers of Kenyan NGOs dramatically diminish with distance from the capital, Nairobi. Riddell et al (1995) bluntly summarise NGO interventions; many failed to reach the very poorest. The rural thus seems an appropriate context for social enterprise because entrepreneurial solutions offer opportunity to create positive change (Diochon, 2013). However, surprisingly little is known about the actual mechanisms that enable entrepreneurship to address persistent social problems (Bruton, Ketchen and Ireland, 2013). Moreover, there is as Steinerowski and Steinerowska-Streb (2012) point out, limited understanding of how rural social enterprises work and research about African social enterprise is nascent and fragmentary (Littlewood and Holt, 2015).

The context for Farmstore's activities epitomises rural poverty. Rural folk and rural businesses often operate in marginal places, but few contexts are more marginal than rural Sub-Saharan Africa. Consequently rural small holders in Kenya face persistent and entrenched problems. Some are natural, for example drought; others are socio-economic and largely about limited access to resources and markets. Together these problems create vulnerability (Christiaensen and Subbarao, 2005). Great strides have been made in Africa, some claiming that Africa is no longer a basket case (Rodric, 2014) and moving from hopeless to hopeful. However this progress is largely urban (Obeng-Odoom, 2015) and the rural poor are mainly excluded and lack market power. Banerjee and Duflo, (2007) note how the poor have very limited access to efficient markets and quality infrastructure and a common image of the extremely poor is that they have few real choices to make (Ssendi and Anderson, 2009). Moreover, Tennent and Lockie (2011) explain how smallholders are marginal to modern agricultural systems. Although marginalised and only weakly connected to markets and institutions, the number of people affected is substantial.

In Kenya between 70 and 80 percent of the population is dependent on agriculture (Bryan et al, 2013; Kibaara, 2006). More than three quarters of the population live in rural areas and rely on agriculture for most of their income; they are predominantly small-scale farmers (Kinyua 2004). Unfortunately, agricultural productivity is notoriously low (Andersson and Gabrielsson, 2012). One consequence is poverty, the Kenyan poverty rate is 52 percent (Bryan et al, 2013) and the poverty headcount ratio of $1.25 a day is 43.4% (World Bank 2015).

The rural development literature shows that Kenyan remote places are poorer, less productive and less integrated with input and output markets (Chamberlin and Jayne,2013). Physical access is the principal defining characteristic of remoteness, captured largely by the quality of roads, the costs of transportation, travel time to urban markets and other transactions costs including information. de Janvry et al (1999) conceptualise these problems as a lack of 'geographic capital', the multidimensionality of remoteness. The poorer the infrastructure, the less competitive the marketing systems, the less information is available; all result in poorer efficiency of the agricultural production. Farmstore franchises typify this situation, they are located in small towns or villages that are typically 'off the tarmac'; in other words places that are relatively remote from service providers. In Kenya, even the main roads are poorly maintained and smaller places can be very difficult to reach and impossible in the rainy season (Lent et al, 2015). The aim is for farmers' smallholdings to have reasonable access to the stores. Farmers are often able to walk to Farmstore or get a lift on a motorbike. Some stores now offer a motorbike delivery service.

We offer two examples of how the farmers experience remoteness. One farmer explained that because he has no access to credit, he must wait until he has enough cash to make a purchase. Since he has very little money, he can only buy a fraction of what he needs at any one time. He has no form of transportation to get to the village (5 kms away) and must wait until someone with a motorcycle is going into the village and is also willing to buy what he needs. Our second example is now a franchisee. But prior to Farmstore, he was an independent agrodealer. He told us that it would take him an entire day to go to Nairobi to procure what he needed. Interestingly, access to mobile phones has reduced some of the impact of remoteness, but phones are not always available.

Poverty, especially this deep rooted, chronic poverty, prevents rural farmers from improving their livelihoods (Ulrich et al, 2012). As subsistence farmers, they are largely excluded from opportunities to take a place in the production chain and are often stuck in a vicious circuit of deprivation. Fischer and Qaim (2012) explain how the constraints small-scale farmers face impede them from taking advantage of markets. Often living in remote areas with poor infrastructure, they face high transaction costs. This holds true for both agricultural input and output markets. Odame and Musnge (2011) described the potential of the Green Revolution to increase agricultural productivity, but cite access to high quality farming inputs such as seed, fertilizer and pesticides as a barrier; thus identifying the role of agro dealers as crucial. Poor farmers lack knowledge about agricultural advances and money to buy the improved inputs. Worse still, access to good informed suppliers in rural areas is rare. Farmers make do with, and are dependent upon, whatever is locally available. It seems that a key part of the rural problem is that rural poor farmers lack access and choice.

Farmstore was set up to address these problems. Farmstore itself operates as a knowledge hub of effective small scale farming practices and as a supplier of reliable agro products. Farmstore is a not-for-profit social enterprise. Currently it relies on charitable grants, but aims to become self-financing. However, to reach out into rural areas and engage local farmers, it has organised a group of for-profit micro franchisees. These local individuals operate entrepreneurially with 'independent' modern small agro-stores; but are closely supported with operational and product advice by Farmstore. Franchisees become knowledgeable suppliers of high quality farming inputs operating from attractive well laid out stores. Farmers have choice of inputs, but importantly, sound advice on how best to use them. The scale for delivering is very local and immediate, but the scope of useful knowledge and products is broad. Poor farmers are enabled to improve their production. As we see it, this is not only an economic or market solution. Poor seeds means poor harvest; for the most vulnerable this can mean hunger. We turn now to consider how social enterprise in general might address this marginality and disconnection.

Micro franchising

Micro franchising is a novel market based approach (Burand & Koch, 2010), that focuses on assisting the impoverished at the bottom-of-the-pyramid where infrastructure is weak and resources are limited. Micro franchises are an innovative social strategy, a new way of combining the advantages of scale with localised delivery. Working from a model not unlike McDonald's burger chain, the social franchisor has a well developed branded business model which is 'leased' to the franchisee. This scales up the efforts of individual franchisees, yet scales downwards the knowledge and expertise of the franchisor. Micro-franchising reduces the agency problem and moral hazards of simply opening branches of the parent company. In Farmstore's case we see how the drive, enthusiasm and local knowledge of the franchisees is able to be used more effectively by incorporating the knowledge of the franchisor. Moreover, when expert knowledge is scarce, the transfer of expertise is particularly beneficial (Smith and Seawright, 2015). Just as a McDonald franchisee is 'trained' to cook good French fries, but has to buy the 'tested' potatoes from McDonalds; Farm Store franchisees learn good practices and are supplied with appropriate quality 'tested' products. As with burgers, Farmstore also offers a reputable branding.

Beckmann and Zeyen (2014:503) explain how micro franchising uses Hayekian economic logic (Hayek,1988), "social franchising can be understood as the attempt to separate and then recombine the distinct logics of the small group needed for the local delivery of mission-driven services and the big-group logic driving the scaling process to the social system level". To indulge in some armchair theorising, we can identify Adam Smith's hidden hand of economic organising, but grasping a social mission.

Social enterprises in their theoretical and explanatory context; boundary spanners

Social enterprises are strange but interesting creatures. Whilst no longer exotic nor rare (Defourney and Nyssens, 2008), they have proved difficult to taxonomise conceptually because of their hybrid nature (Powell, 1987). They are neither the fish of commerce, nor the fowl of social welfare. Indeed for Teasdale, Lyon and Baldock (2013) they take on chameleon like properties as the very idea of social enterprise changes shape in response to shifting ideologies and contexts (Smith and Seawright, 2013). Yet they are aspirational; Haugh (2007) describes the simultaneous pursuit of economic, social, and environmental goals by enterprising social ventures. This simultaneity helps explain the expanding appeal of social enterprise; the combining of business logic and method to welfare problems is spiced up with enterprise and innovation. Paradoxically, social enterprise attracts ideologies of both left and right. The socialised way of addressing market failures appeals to the left, yet the notion of helping others to help themselves is a familiar of the individualism of the right. Nicholls (2010) describes how the institutional logic of social enterprise resonates with the cooperative, communitarian traditions of left-wing politics. In contrast, Dart (2004) points to how well social enterprise fits neoconservative, pro-business, and pro-market political and ideological values. Accordingly, Bacq and Janssen (2011) suggest the idea of social enterprise holds both normative and cognitive appeal. For Zahra et al, (2009) social entrepreneurship offers innovative solutions to complex and persistent social issues by applying traditional business methods; yet also provides an alternative to a culture of greed and selfishness. Certainly as Dey and Steyaert (2010) point out, in the “rise” of the social entrepreneur (Leadbeater, 1997) and the “spring” of social entrepreneurship, social enterprise is usually evaluated very positively; almost as a panacea (Dart, 2004).

Notwithstanding this approval of social enterprise, defining the phenomena is problematic (Defourny and Nyssens, 2010). We don’t want to join the definitional debate because it has proved relatively fruitless (Diochon and Anderson, 2009) and often tautological (Santos, 2012); circling around applications of “social” and “entrepreneur(ship)”. Dacin, Dacin and Matear (2010) found 37 different definitions of social entrepreneurship, but most “defined” by juxtaposition of the social and enterprise. This circularity also lacks categorical rigour. Santos (2012) explains that all economic value creation is inherently social because actions that create economic value also improve social welfare through a better allocation of resources. Moreover, all economic action takes place in a social relational context (McKeever et al, 2014). Furthermore, social enterprise means different things to different people across time and context (Teasdale, 2011). This suggests that trying to define and delineate social entrepreneurship by the conjunction of two value-laden normative and socially constructed concepts is taking boundary spanning a little too far.

Nonetheless, social enterprise occupies an ambiguous domain, spanning between fields, whilst not belonging to either. Indeed for Teasdale, Lyon and Baldock (2013) social enterprise is a contested concept whose meaning is politically, culturally, historically and geographically variable. Moreover, Mair and Martı (2006) note the fuzzy boundaries with other fields of research. Accordingly, conceptually locating social enterprise is problematic. Austin, Stevenson and Wei-Skillern (2006) point out how social entrepreneurship can span the non-profit, business, or governmental sectors and as we discussed earlier, social enterprise is characterised by the simultaneity of objectives, duality of practices and dichotomies of outcomes. This can be conceived as a liminal space (Mair, Marti and Ventresca, 2012); betwixt and between (Anderson, 2005) that explains the fluid boundaries of social enterprise. However, we argue that it can be seen as the opportunity space for social enterprise, to couple and connect, especially where markets have failed to reach.

Boundaries and boundary spanning are certainly a predominant feature of social enterprise enquiry and boundary issues have been explored at conceptual, institutional, sectoral and practice levels. For example, Kivleniece and Quelin (2012) comment on the blurring of distinctions between public and private and the roles that actors play. Similarly Bacq and Janssen (2011) describe blurring of traditional boundaries between practices of private and public. Conceptually, Nicholls (2010) suggest social enterprises occupy a fluid institutional space for actors to shape and exploit. More specifically, Short, Moss and Lumpkin (2009) see the conceptual boundaries of social enterprise as lying in the overlapping domains of entrepreneurship, social issues in management and public/non-profit management. But other authors see the boundaries as less distinct, (Domenico, Haugh and Tracy, 2010). Nonetheless, Peredo and Mclean, (2006) contend that the border of profit and not for profit should not be regarded as fundamentally important. Yet for Dart (2004) the boundary effect helps explain what social enterprises do; they blur boundaries to enact hybrid activities. Shaw and Carter (2007) reflect on the need for open and porous boundary practices because of the multi-agency environment in which social enterprises operate. These observations generate a strong case supporting Bacq and Janssen's (2011) argument it is this blurring of boundaries that gives birth to social enterprises.

This recurring characteristic of social enterprise as spanning numerous conceptual, theoretical, institutional and physical boundaries gave rise to how we could answer our research question. We originally asked, 'how can a social enterprise address the problems of rural poverty?' Our literature led discussion indicated that the problems of both poverty and rural was one of being disconnected, not well linked or connected. Our discussion on the nature of social enterprise was that it was characterised as boundary spanning; in other words bridging gaps- which we had argued was a cause of rural poverty. The 'clue' led us to reframe our research question to (how) does Farmstore connect the gaps that create poverty. Our analysis, detailed later, shows that it not only reaches across gaps, but that it creates a strong value chain to do so. However first we describe our methods and approach.

Methods

Our qualitative approach built and analysed a case study of social enterprise formation over a four year period (Pettigrew, 1990). This offered us a methodological advantage for capturing changes over time, allowing us to see how one thing led to another in the process of emergence (Jarzabkowski and Balogun, 2009). Our conceptual lens was informed by an entrepreneurial ontology (McMullen and Shepherd, 2006; Karatas-Ozken et al, 2014) where entrepreneurship is the creation or extraction of value from an environment (Anderson, 2015). Our lens focused on how the rural context, in its social, economic, spatial and practice manifestations interacted with entrepreneurial agency in Farmstore itself, but also with the franchisees. In essence, we attempt to contextualise social entrepreneurship in its rural setting (Steiner and Atterton, 2015).

We collected data by interviewing, observation and documentary analysis. Our guiding technique was first to ask, "what is going on here", then to ask of this descriptive account, "how can we explain it". Our analysis was interpretative, an inductive iteration by identifying patterns in the data- the constant comparative method (Glaser, 1965; Jack et al, 2015). Throughout the analysis, emerging ideas about themes were constantly held up against each other and the literature. The constant comparative method is similar to the analytical induction element of pragmatic grounded theorising (Suddaby, 2006: Glaser and Strauss, 1967; Alvesson and Sköldberg, 2000), but more open to theory. We thus developed two analysis stages with increasing degrees of abstraction. The first was roughly descriptive themes and the second, explanatory accounts of these descriptive themes.

Our primary data were a series of formal recorded interviews with Farmstore's founders and franchisees and conducted annually since 2011. We had annual field trips to Kenya to observe

Farmstores activities. The four annual long interviews with the franchisors were supplemented by 21 franchisee on site interviews. We held one focus group with customers, largely to establish and check if and how they had benefitted from the presence of Farmstore. We did not quantify these focus group data.

We collected supplementary data from conversations during site visits to Farmstore and to franchisee's agro stores. These site visits were used for observing what was happening in situ and for generating questions about change processes. We also collected supplementary data from documents and websites. We wrote up these supplementary data as case notes and theoretical memos. The initial rounds of interviews were largely about getting a sense of the organisation and its components. Later rounds became more sharply focused on themes we found in our preliminary analysis. We sought out contradiction rather than confirmation in the interests of rigour and we frequently modified our thematic categories. We chose manual techniques of iteration, trial and error in connecting data to themes, and themes to explanation and theory. We had, of course, the luxury of time; four years exposure, immersion even, in the research problem allowed us time to reflect on events, processes and explanation.

Farmstore's Emergence- the case story

The idea for Farmstore came together in 2007 when Freddy and Michael started thinking about how poor rural farmers suffered because of distance from suppliers and markets. Both founders had social enterprise expertise, but from different backgrounds; Freddy in NGOs and Michael was in corporate finance. They became acutely aware of the problems poor farmers had in sourcing good seeds and inputs and the problem of reaching the rural poor, but each saw it a little differently. For Michael it was a logistic concern, distribution over distance; whereas Freddy saw it as an issue of achieving a viable scale in a rural area. A farmer had explained to us, "*You go and buy maybe 1 kg and you go and plant a small area and then after some days you go and buy another* *one*". The scale of provision had to be small enough to cope with low volumes, but required a larger scale to be viable. Thus some way of combining, bulking together, low levels of demand into viable volumes was needed. Rural areas were serviced, albeit badly, by existing small agro-dealers. These retailers carried very limited, and often poor quality stock, and served customers from behind a wire screen. Freddy explained, "*Most are run like kiosks on the side of the street and there is no difference between selling sugar and the person selling seeds*". Not only was the stock poor quality, but the vendor had no knowledge of how to use the products. Freddy continued, "*Smallholder farmers are stuck in a situation where the extension services officer doesn't offer the right kind of advice and the person selling the farm inputs doesn't know the products either. Farmers are relying on rumours and half-truths to make decisions about the seed variety and agro chemicals they should use. That is not how agriculture should work in the 21st century*."

Michael and Freddy had the novel idea of developing a central hub of quality products and expertise that could be micro-franchised to deliver quality locally. Farmstore would have buying power and technical expertise that could be distributed through a chain of franchises. Farmstore's image was a small supermarket, well-lit with shelves full of a range of quality products that customers could inspect and handle, "*Farmers appreciate they can walk in and pick the product, whatever they want".* Informed staff would advise customers how to select. In turn, farmers would be able to grow better crops. The plan was to use the local knowledge of the existing agro-dealers, but to convert them to franchised Farmstore outlets. These would remain for profit enterprises, but would be able to offer much more to the farmers; good quality stock and sound advice. This major shift from an independent to franchise would be sweetened by credit for stock and store refurbishment, augmented by considerable training and marketing advice. We will describe the franchisees' experiences later, but in general it was very positive with increased confidence and often remarkable growth in revenue and profits.

Funding for social enterprise brings out the similarities and differences with a conventional start up. Broadly speaking a good case has to be made for bridging the gap between ideas and imagination and projected outcomes. For conventional businesses, the story has to be about how profits will be made and sustained. For social enterprise, the story emphasises how welfare benefits will be generated and sustained and for whom. Moreover, a key problem for foreign donors to social enterprises is that they cannot actually reach their intended beneficiaries directly, but have to act through an "aid chain" of other organizations (Watkins, Swidler and Hannan, 2012). Convincing donors about Farmstore's innovative model of 'for profit' franchisees had to bridge a normative gap in some funders expectations of what a social enterprise should do. For some, the idea of selling to the poor was anathema; worse still was the notion of individual franchisees profiting from these sales. As Freddy explained about negotiating donor relationships, "*it's a very, very delicate, well-orchestrated dance."* In 2010 Farmstore secured funding of $220,000 from a Canadian Foundation to pilot the concept and launch four shops. This 18 month pilot demonstrated the business model worked. It confirmed that local farmers would purchase from the shop; identified the resources needed for the shops and by the local franchisees; developed relationships with suppliers; determined how best to market the products and services. At this point Farmstore had two employees and two franchised stores.

Even with this proven business model, Farmstore had to work hard to add $50,000 from another North American donor to continue the expansion of the number of franchisees to four in 2012. Freddy explained, "*we've jumped through every hoop they've asked us to, we've answered every question perfectly, they've met as a committee, but we still don't have the cash in hand."* The problem of bridging donor expectations surfaced regularly; "*with regard to the donors, it's difficult because I don't think every donor is looking at us from the same perspective".* Freddy explained, "*I'm working with multiple donors who have different perspectives of who we are, what we do as an organization".* Farmstore's response was, "*it's second nature to report this to one donor, report that to that donor, and talk about something else with the other donor.* Moreover, the next rounds of funding highlighted again how Farmstore had to bridge donor expectation gaps. Donors are always concerned with evidence that the projects are delivering results. For example, Farmstore had a simple, but effective monitoring of sales in each franchise and used this to record progress. However one donor was very unhappy about 'sales to the poor' as inappropriate for their mission. Farmstore altered this performance indicator to simply counting 'contacts' with farmers and satisfied the donor. As Freddy summed up, "*everybody* is *telling us they're very innovative and very entrepreneurial – none of them are."* Nonetheless, the strategy worked. In 2013 a new funder provided $250,000 and another new funder, recognizing how well the system was working, added $850,000 and several substantial funding possibilities are in the pipeline. The number of franchises increased to 36 by May 2015.

The adaptation (the connecting) to different funder's logics and mission was also reflected in the operational changes made to respond to other stakeholders' interests. One interesting example was the major change to the business model. As is typical of franchising, a franchise fee was originally levied. However it became apparent that franchisees strongly disliked this fee. The original model was adapted to increase the wholesale margins and the fee was discontinued. However, financing remained a problem, "*we had staff who weren't paid for two months. I had to put $50,000 in from my pocket which I had no idea whether I would ever get it back."* Another adaptation, in response to cash flow problems, was to sell the loan book. Farmstore had originally lent to franchisees to upgrade the stores. However, a local micro credit unit took over the loans and released cash for Farmstore's day to day expenses and freed up longer term capital. Thus the story of emergence was one of continuing adaptation to unfolding circumstances which could not have been planned or anticipated. Essentially, Farmstore realigned what they did to stakeholder's logics.

The results are impressive. There are now more than 50 franchised Farmstores. Some franchisees have remained in the system, but there have also been changes. Several franchisees did not want to comply with the rules laid down by Farmstore and dropped out. The remaining franchisees now operate a simple, but modern stock control system on a tablet computer linked to the internet. They know their daily profitability and their customers and can plan rather than simply respond. For Farmstore, Michael is proud of what has been achieved, "*I think the direction is… we're moving in the right – we have forty suppliers now. And the numbers are growing and discounts are coming in. With the feed companies in particular, I think we've done a spectacular job."*

The franchisee's perspective

Rural agro-dealers are typically cottage industries and run informally. Moreover, banks consider agro-dealers risky because they are so small and not run professionally enough to inspire confidence. The lack of proper systems and processes creates even more challenges. In contrast, Farmstore franchisees are well informed and use professional management systems. Indeed Farmstore's mission is to transform agro-dealers from passive players in the agricultural sector to a more active and engaged body that influences decisions both upstream and downstream of the value chain. Local dealers understand local conditions and can fill a 'knowledge gap' upstream by informing manufacturers; they can also act as knowledge brokers informing downstream farmers about new discoveries and information. As we see it, the local dealers move from supplying a very basic service to becoming entrepreneurial and informed franchisees.

We offer the example of a recent franchisee who had originally been a veterinary assistant. Mary is a mature lady with previous small business experience. She is realistic, *"I have been on my own and have seen the challenges,"* but ambitious, "*with entrepreneurship you can go as far as your mind can take you."* Yet despite trying construction, maize milling, a general store and eventually, "*changed from a hardware store to animal feed",* she had not been very successful, "*sales were very low*". Hence Mary had practical and business knowledge and was aware of opportunity, but had not been able to realise her aspirations. Farmstore appealed to her. "*I thought this was the perfect thing for me because here was an organization that could help me set up a business, they could support me in marketing and other things that could help me reach my objective".*

Asked about differences from her independent operation, Mary identified marketing support, "*marketing has been the most beneficial item that I have acquired".* However support was more than marketing, "*whenever I have a problem, I know where to go. Whenever a farmer comes to me with a problem, I know who to approach*." Knowledge sharing was important, "*Farmstore helped me with educating the farmers"*… "*I took some lessons*". Farmstore franchise system has worked well for Mary, "*before Farmstore came in I was doing KS1000 [a day] but today KS7000…maybe KS12,000".* She seems satisfied, "*I'm so happy about it… I was able to access credit, I was able to access products. When I call at whatever time of the day. I'm assisted in that*". Moreover she adds, "*the customers are very happy".*

We see this as an illuminating example of how Farmstore had responded to the logic and needs of this franchisee. Mary had seen, but not clarified opportunity. She had experience, but not much expertise. Indeed Mary's store has sold much the same sort of thing as her new franchise, but now it does it so much better. It seems that Farmstore engaged directly with Mary's entrepreneurial logic and circumstances by enhancing her ability and enabling capability to mobilise her potential.

Whilst empowering is sometimes criticised as an overworked term in the social enterprise literature, it seems a fair description of Mary's experiences. She was empowered to be more entrepreneurially effective. As we see it, she became better connected through Farmstore; connected up to information and reliable supplies and better connected down to her customers by good marketing practices.

Mary's experiences were similar to the other franchisees we interviewed. Joyce added that she kept the store open for longer to serve customers better. But she also explained that she was rewarded for this extra effort by new sales. Jordan talked about his new sense of confidence in what he did, especially because the availability of back up. He was particularly pleased with repeat custom, "*they keep coming back*". He explained how he was confident enough to now offer a delivery service, *" I have a motor cycle now".* Jordan reflected, "*I set up a shop some years back – 2007. I was not able to* *do much. I closed the business after about two years. So if I compare what I am doing now to what I was doing at that time, I would say I'm in a better situation now"*……"*we can give them information*"……….*"training has helped us*". On average, a shop becomes profitable and generates a positive cash flow within the first couple of months of converting. Prior to joining Farm Shop a typical agro-dealer would have monthly sales of $600 (50,000-60,000 KS); as a franchisee monthly sales of $3,000-$5,000 are the norm. The top performers , those who are really committed and follow the program closely, have monthly sales of $20,000 to $30,000. We did not collect quantitative data about how much the farmers had benefitted, our focus was on Farmstore. Nonetheless one farmer told us that for the first time, he will "*sell some maize and potatoes for cash"*. Another explained how he had benefitted, "*Your own seeds don't grow very good and then some dealers make fake seed*s"

Analysis and discussion

We explained earlier that our analysis had two elements; first the description of what was happening and secondly, how we can explain this. The case stories above describe what Farmstore has created, or rather co-created with others. At a descriptive level, it is simply a good supply chain that reaches the rural poor. However when we ask how and why does it work, we have to move to a more abstract, theoretical level. For us, Farmstore has *organised* their stakeholders and created a *value* chain. Chains are strong but flexible and this chain stretches up to the donors, down through Farmstore to the franchisees to connect the farmers. It joins up those who are in some ways marginalised or remote. The funders need to be connected to those they want to help; the franchisees need to be connected to knowledge and reliable supplies as do the famers. Farmstore operates as a knowledgeable hub of superior products and practices. The chain analogy allows us to see each link as a component of value production, yet also to distinguish the chain's unity of purpose.

For example, we argued that the franchisees were able to add value to the supply chain. Similarly, donors funding becomes more valuable because the application by Farmstore amplifies what this funding does. The individual links in this value chain have different value logics and produce different types of value, but Farmstore strategically connects up these values as interdependencies. This chain is greater than each link because interdependency amplifies value productions. Had Farmstore operated the stores themselves, the franchise would have lost the entrepreneurial drive associated with ownership. Had Farmstore merely decided what to do without responding to stakeholders, the strategic fit to circumstances (and change) would be lost. Had donors merely donated to needy farmers, sustainability over time would be lost. Values are augmented as they cascade through the chain. This indicates that the combining, hybridising, has made the chain much stronger and more productive than its components. In so doing, the much discussed dichotomy of commerce and social purpose in social enterprise becomes a complementary pairing.

Conclusions

Reflecting on the literature and on understanding how a social enterprise works, we see several contributions. First our review enabled us to help explain how African rural poverty is compounded by distance; institutional remoteness as well as physical distancing. In turn this analysis of market driven commercial and institutional remoteness offered a theoretical proposition that social enterprise could reach the impoverished. Whilst much of the social enterprise literature discusses how market gaps are an opportunity for social enterprises as hybrids; less has been explained about detailing how combining business logic with altruistic mission can operate. We are able to show how a not-for-profit can harness the for-profit energy of individuals to deliver a valuable local service. Our concept of a social value chain is established in the literature (Mair and Marti, 2006) but we are able to show how each link adds value in this context.

Although our account seems to elaborate and explain how entrepreneurship is employed in this social enterprise, we are very aware that this is but one case. It may be unique and thus not generalisable. However we hope that the notion of an entrepreneurially driven social value chain may be usefully transferrable to other situations. Certainly the idea of social enterprise 'reach' may offer conceptual purchase. As we noted at the beginning of this paper, a critical academic role is to better understand how poverty can be alleviated. These concepts may be instrumental in explaining how such alleviation might be achieved.

References

Alvarez, S.A. and Barney, J.B., 2014. Entrepreneurial opportunities and poverty alleviation. *Entrepreneurship theory and practice*, *38*(1), pp.159-184.

Alvesson, M. and Sköldberg, K. (2000). *Reflexive Methodology: New Vistas for Qualitative Research*. London: Sage Publications.

Andersson, E. and Gabrielsson, S. (2012). '"Because of poverty, we had to come together": collective action for improved food security in rural Kenya and Uganda'. *International Journal of Agricultural Sustainability*, 10**,** 245-62.

Anderson A. R. and Obeng B. (2017) Enterprise as socially situated in a rural poor fishing community, *Journal of Rural Studies*, 49:23-31

Anderson, A. R., 2015. Conceptualising entrepreneurship as economic 'explanation' and the consequent loss of 'understanding'. *International Journal of Business and Globalisation*, *14*(2), pp.145-157.

Anderson, A. and Ullah, F., 2014. The condition of smallness: How what it means to be small deters firms from getting bigger. *Management Decision*, *52*(2), pp.326-349.

Anderson, A., Harbi, S.E. and Brahem, M., 2013. Enacting entrepreneurship in 'informal' businesses. *The International Journal of Entrepreneurship and Innovation*, *14*(3), pp.137-149.

Anderson, A.R., Osseichuk, E. and Illingworth, L., 2010. Rural small businesses in turbulent times, impacts of the economic downturn. *The International Journal of Entrepreneurship and Innovation*, *11*(1), pp.45-56.

Anderson, A. R. (2005). Enacted metaphor; the theatricality of the entrepreneurial process. *International Small Business Journal*, *23*(6), 587-603.

Anderson, A. R., Wallace, C. and Townsend, L., 2015. Great Expectations or Small Country Living? Enabling Small Rural Creative Businesses with ICT. *Sociologia Ruralis*. 56(3), 450-468

Austin, J., Stevenson, H. and Wei-Skillern, J. (2006). 'Social and commercial entrepreneurship: same, different, or both?'. *Entrepreneurship Theory and Practice*, **30**, 1-22.

Bacq, S. and Janssen, F. (2011). 'The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria'. *Entrepreneurship & Regional Development*, 23, 373-403

Banerjee, A.V. and Duflo, E., 2007. The economic lives of the poor. *The journal of economic perspectives*, *21*(1), pp.141-167.

Beckmann, M. and Zeyen, A., 2014. Franchising as a strategy for combining small and large group advantages (logics) in social entrepreneurship: A Hayekian perspective. *Nonprofit and Voluntary Sector Quarterly*, *43*(3), pp.502-522

Bock, B. B. (2016). Rural marginalisation and the role of social innovation; a turn towards nexogenous development and rural reconnection. *Sociologia Ruralis*. DOI: 10.1111/soru.12119

Brass, J.N., 2012. Why do NGOs go where they go? Evidence from Kenya. *World Development*, *40*(2), pp.387-401.

Bruton, G.D., 2010. Letter From the Editor: Business and the World's Poorest Billion--The Need for an Expanded Examination by Management Scholars. *The Academy of Management Perspectives*, *24*(3), pp.6-10.

Bruton, G.D., Ketchen, D.J. and Ireland, R.D., 2013. Entrepreneurship as a solution to poverty. *Journal of Business Venturing*, *28*(6), pp.683-689.

Bryan, E., Ringler, C., Okoba, B., Roncoli, C., Silvestri, S. and Herrero, M. 2013. Adapting agriculture to climate change in Kenya: Household strategies and determinants. *Journal of Environmental Management*, 114, 26-35.

Burand, D., & Koch, D.W. (2010). Microfranchising: A business approach to fighting poverty. *Franchise Law Journal, 30*(1), 24-34.

Carter, M.R. and Barrett, C.B., 2006. The economics of poverty traps and persistent poverty: An asset-based approach. *The Journal of Development Studies*, *42*(2), pp.178-199.

Chamberlin, J. and Jayne, T.S., 2013. Unpacking the meaning of 'market access': evidence from rural Kenya. *World development*, *41*, pp.245-264.

Chambers, R., 2014. *Rural development: Putting the last first*. Routledge. Oxford

Christiaensen, L.J. and Subbarao, K., 2005. Towards an understanding of household vulnerability in rural Kenya. *Journal of African Economies*, *14*(4), pp.520-558.

Colquitt, J.A. and George, G., 2011. Publishing in AMJ—part 1: topic choice. *Academy of Management Journal*, *54*(3), pp.432-435.

Dacin, P. A., Dacin, M. T. and Matear, M. (2010). 'Social entrepreneurship: Why we don't need a new theory and how we move forward from here'. *Academy of Management Perspectives*, **24**, 37.

Dart, R. (2004). 'The legitimacy of social enterprise'. *Nonprofit Management and Leadership*, **14**, 11-24.

de Janvry, A., Fafchamps, M., Sadoulet, E., 1991. Peasant households with missing markets: some paradoxes explained. *Economic Journal*, 101, 1400– 1417.

Dey, P. and Steyaert, C. (2010). 'The politics of narrating social entrepreneurship'. *Journal of Enterprising Communities: People and Places in the Global Economy*, **4**, 85-108.

Defourny, J. and Nyssens, M. (2008). 'Social enterprise in Europe: recent trends and developments'. *Social Enterprise Journal*, 4, 202-28.

Di Domenico, M., Haugh, H. and Tracey, P., 2010. Social bricolage: Theorizing social value creation in social enterprises. *Entrepreneurship theory and practice*, *34*(4), pp.681-703.

Diochon, M., 2013. Social entrepreneurship and effectiveness in poverty alleviation: A case study of a Canadian First Nations community. *Journal of Social Entrepreneurship*, *4*(3), pp.302-330.

Diochon, M. and Anderson, A. R. (2009). 'Social enterprise and effectiveness: A process typology'. *Social Enterprise Journal*, **5**, 7-29.

Ellis, F. and Freeman, H.A., 2004. Rural livelihoods and poverty reduction strategies in four African countries. *Journal of development studies*, *40*(4), pp.1-30.

Eversole, R., Barraket, J. and Luke, B., 2014. Social enterprises in rural community development. *Community Development Journal*, *49*(2), pp.245-261.

Fischer, E. and Qaim, M., 2012. Linking smallholders to markets: determinants and impacts of farmer collective action in Kenya. *World Development*, *40*(6), pp.1255-1268.

Gaddefors, J. and Anderson, A.R., 2017. Entrepreneursheep and context: when entrepreneurship is greater than entrepreneurs. *International Journal of Entrepreneurial Behavior & Research*, *23*(2), pp.267-278.

Glaser, B. G. and Strauss, A. L. (19572007). *The discovery of grounded theory: Strategies for qualitative research*. New York: Aldine.

Glaser, B. G. (1965). 'The constant comparative method of qualitative analysis'. *Social Problems*, **12**, 436-45

Haugh, H. (2007). 'New strategies for a sustainable society: The growing contribution of social entrepreneurship'. *Business Ethics Quarterly*, 17, 743–49.

Hayek, F. A. (1988). The fatal conceit: The errors of socialism (W. W. Bartley, Ed.). Chicago, IL: University of Chicago Press.

Jack, S.L., Anderson, A. R., Drakopoulou Dodd, S. and Moult, S., 2015. Using the Constant Comparative Technique to Consider Network Change and Evolution. *Handbook of Qualitative Research Techniques and Analysis in Entrepreneurship*, p.21 -Claire Leitch and Helle Neergaard, (eds) Elgar, Cheltenham

Karatas-Ozkan, M., Anderson, A.R., Fayolle, A., Howells, J. and Condor, R., 2014. Understanding entrepreneurship: challenging dominant perspectives and theorizing entrepreneurship through new post positivist epistemologies. *Journal of Small Business Management*, *52*(4), pp.589-593.

Kinyua, J. (2004). 'Towards Achieving Food Security In Kenya'. In *Proceedings of the Perspectives for East and Central Africa Conference*, Kampala, Uganda, 1-3 April.

Kivleniece, I. and Quélin B. V. (2012). 'Creating and capturing value in public-private ties: A private actor's perspective'. *Academy of Management Review*, **37**, 272-99.

Korsgaard, S., Anderson, A., and Gaddefors, J., (2016). Entrepreneurship as re-sourcing: Towards a new image of entrepreneurship in a time of financial, economic and socio-spatial crisis. *Journal of Enterprising Communities: People and Places in the Global Economy*, *10*(2), pp.178-202.

Leadbeater, C. (1997). *The Rise of the Social Entrepreneur*, London, Demos.

Lent, M., Anderson, A.R. and Ghore, Y. (2017) Microfranchise emergence and its impact on entrepreneurship, *International Entrepreneurship and Management Journal*, 13(2), 553-574

Jarzabkowski, P. and Balogun, J. (2009). 'The practice and process of delivering integration through strategic planning'. *Journal of Management Studies*, **46**, 1255–88.

Littlewood, D. and Holt, D., 2015. Social Entrepreneurship in South Africa Exploring the Influence of Environment. *Business & Society*, p.0007650315613293. forthcoming

Lupton, R. D. (2011). *Toxic charity: How churches and charities hurt those they help (and how to reverse it)*. New York: Harper Collins.

Mair, J., Martí, I., & Ventresca, M. J. (2012). Building inclusive markets in rural Bangladesh: How intermediaries work institutional voids. *Academy of Management Journal*, *55*(4), 819-850.

Mair, J. and Marti, I. (2006). 'Social entrepreneurship research: A source of explanation, prediction, and delight'. *Journal of World Business*, **41**, 36–44.

McKeever, E., Anderson, A. and Jack, S., 2014. Entrepreneurship and mutuality: social capital in processes and practices. *Entrepreneurship & Regional Development*, *26*(5-6), pp.453-477.

McMullen, J. S. and Shepherd, D. A. (2006). 'Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur'. *Academy of Management Review*, **31**, 132-52.

Nicholls, A. (2010). 'The legitimacy of social entrepreneurship: Reflexive isomorphism in a pre-paradigmatic field'. *Entrepreneurship Theory and Practice*, **34**, 611-33.

Obeng-Odoom, F. 2014. Africa: On the rise, but to where? *Forum for Social Economics*, DOI: 10.1080/07360932.2014.955040, (accessed 18 May 2016)

Odame, H. and Muange, E. (2011). 'Can Agro-dealers Deliver the Green Revolution in Kenya?' *IDS Bulletin*, *42*, 78-89.

Okwi, P.O., Ndeng'e, G., Kristjanson, P., Arunga, M., Notenbaert, A., Omolo, A., Henninger, N., Benson, T., Kariuki, P. and Owuor, J., 2007. Spatial determinants of poverty in rural Kenya. *Proceedings of the National Academy of Sciences*, *104*(43), pp.16769-16774.

Peredo, A. M. and McLean, M. (2006). 'Social entrepreneurship: A critical review of the concept'. *Journal of World Business*, **41**, 56-65.

Pettigrew, A. (1990). 'Longitudinal field research on change theory and practice'. *Organization Science,* **1**, 267–92.

Powell, W. W. (1987). 'Hybrid organizational arrangements: New form or transitional development?'. *California Management Review*, 30, 67-87.

Riddell R., Robinson M., deConinck J., Muir A. and White, S. (1995), Nongovernmental organizations and rural poverty alleviation, Oxford University Press, New York

Rodrik, D. (2014). An African Growth Miracle? Richard H. Sabot Lecture, delivered at the Center for Global Development. Washington, DC, 24 April.

Santos, F. M. (2012). 'A positive theory of social entrepreneurship'. *Journal of Business Ethics*, ***111***, 335-51.

Simanis, E., Hart, S. and Duke, D., 2008. The base of the pyramid protocol: Beyond "basic needs" business strategies. *Innovations*, *3*(1), pp.57-84.

Shaw, E. and Carter, S. (2007). 'Social entrepreneurship: Theoretical antecedents and empirical analysis of entrepreneurial processes and outcomes'. *Journal of Small Business and Enterprise Development*, **14**, 418-34.

Short, J. C., Moss, T. W. and Lumpkin, G. T. (2009). 'Research in social entrepreneurship: Past contributions and future opportunities'. *Strategic Entrepreneurship Journal*, **3**, 161-94.

Smith, I.H. and Seawright, K.W., 2015. Social innovation through development franchising: compensating for a lack of entrepreneurial expertise and connecting to formal supply chains. In *The Business of Social and Environmental Innovation* (pp. 49-62). Springer International Publishing.

Somerville, P. and McElwee, G. (2011) Situating community enterprise: a theoretical exploration, *Entrepreneurship & Regional Development*, 23 (5–6), 317–330.

Ssendi, L., & Anderson, A. R. (2009). Tanzanian Micro Enterprises and Micro Finance, the Role and Impact for Poor Rural Women. *Journal of Entrepreneurship*, *18*(1)pp 1-19.

Steiner, A. and Atterton, J., 2015. Exploring the contribution of rural enterprises to local resilience. *Journal of Rural Studies*, *40*, pp.30-45.

Steinerowski, A., Jack, S. and Farmer, J., 2008. Social entrepreneurship in a rural context: an over-ideological state? *Journal of Rural Enterprise and Management*, Vol. 4, No. 1, pp. 20-38

Steinerowski, A. and Steinerowska-Streb, I., 2012. Can social enterprise contribute to creating sustainable rural communities? Using the lens of structuration theory to analyse the emergence of rural social enterprise. *Local Economy*, *27*(2), pp.167-182.

Steiner, A.A. and Cleary, J., 2014. What are the features of resilient businesses? Exploring the perception of rural entrepreneurs. *Journal of Rural and Community Development*, *9*(3).

Suddaby, R. (2006). 'From the editors: What grounded theory is not'. *Academy of management journal*, ***49*,** 633-642.

Teasdale, S., Lyon, F. and Baldock, R. 2013. Playing with numbers: A methodological critique of the social enterprise growth myth. *Journal of Social Entrepreneurship*, 4, 113-31.

Teasdale, S. (2011). 'What's in a Name? Making Sense of Social Enterprise Discourses'. *Public Policy and Administration,* **27,** 99–119.

Tennent, R. and Lockie, S. 2012. Production relations under GLOBALG. AP: the relative influence of standards and retail market structure. *Sociologia Ruralis*, 52*,* 31-47.

Ulrich, A., Speranza, C.I., Roden, P., Kiteme,B., Wiesmann, U and Nüsser, M. (2012). ' Small-scale farming in semi-arid areas: Livelihood dynamics between 1997 and 2010 in Laikipia, Kenya'. *Journal of Rural Studies***,** 28, 241-51.

Vermeire, A.L. and Bruton, G.D. (2016), Entrepreneurial Opportunities and Poverty in Sub-Saharan Africa: A Review & Agenda for the Future, *Africa Journal of Management,* 2(3). pp 258-280

Watkins, S.C., Swidler, A. and Hannan, T., 2012. Outsourcing social transformation: development NGOs as organizations. *Annual Review of Sociology*, *38*. pp. 285–315

Welter, F., 2011. Contextualizing entrepreneurship—conceptual challenges and ways forward. *Entrepreneurship Theory and Practice*, *35*(1), pp.165-184.

Zahra, S. A., Gedajlovic, E., Neubaum, D. O. and Shulman, J. M. (2009). 'A typology of social entrepreneurs: Motives, search processes and ethical challenges'. *Journal of Business Venturing*, **24**, 519-32.