

Microfranchising alternative service delivery configurations – creating economic and energy resilience with the iShack

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of Master of Philosophy in Sustainable Development in the Faculty of
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Declaration

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Abstract

This thesis emerges from the transdisciplinary work of the Enkanini Research Centre Association. Since 2011 this Association has focused on incremental informal settlement upgrading using Enkanini, Stellenbosch as a case study. This thesis explores whether management techniques and operational practises of microfranchising can support the establishment of alternative service delivery configurations in the context of *in situ* informal settlement upgrading. Following a transdisciplinary and multiple-case study research methodology, the theoretical argument is presented that a synthesis of the strengths and vulnerabilities of contemporary innovations from the urban development field augmented by the principles and management techniques of microfranchising could strongly influence future *in situ* informal settlement upgrading.

In exploring this argument two sub-questions are analysed in two free standing journal articles. The first article explores the potential synthesis of the fields of microfranchising and incremental urbanism, specifically alternative service delivery configurations in the context of *in situ* informal settlement upgrading. The literature on incrementalism and microfranchising originate from diametrically opposite ideological traditions, namely contemporary urban development and the management sciences. However it is argued that convergent patterns highlighted by points of coherence and convergence between the fields indicate that the proposed amalgamation has strengths potentially useful in addressing mutual weaknesses inherent to both perspectives. The intersection between these two distinct theories has potential to stitch together a new community fabric, deliver basic services, promote economic and social development and integrate the oppressed into the formal economy.

Building on this theoretical synthesis the second article explores potential best practice microfranchising cases. Three microfranchising cases are reviewed, Unjani Clinics NPC, African Honey Bee and Nuru Energy. Each case presents specific within-case lessons and microfranchising techniques. Cross-cutting themes from all three cases highlight knowledge, that when bolstered by everyday urbanism thinking, could be instrumental in developing a microfranchising consolidating, operating and scaling model for the iShack and the continued testing of the proposed synthesis.

Keywords: alternative service delivery configurations, everyday urbanism, heterogeneity, *in situ* upgrading, iShack and microfranchising.

Opsomming

Hierdie tesis het ontstaan uit die transdissiplinêre werk van die *Enkanini Research Centre Association*. Sedert 2011 het hierdie vereniging gefokus op die inkrementele opgradering van informele nedersettings, deur van Enkanini wat net buite Stellenbosch geleë is, as 'n gevallestudie gebruik te maak. Die studie ondersoek of die bestuurstegnieke en operasionele praktyke van die mikrofranchisebedryf die vestiging van alternatiewe dienslewingskonfigurasies in die konteks van *in situ* opgradering van informele nedersettings kan ondersteun. Na afloop van 'n transdissiplinêre en meervoudige gevallestudie navorsingsmetodologie word 'n teoretiese argument gevoer dat die samevoeging van beide die sterk- en swakpunte van die huidige innovasies van die stedelike ontwikkelingsveld aangevul sal word deur die beginsels en tegnieke van die mikrofranchisebedryf. Hierdie tegnieke en praktyke het die vermoë om in die toekoms *in situ* opgradering van informele nedersettings sterk te beïnvloed.

In die verkenning van hierdie argument word twee sub-vrae in twee vrystaande tydskrifartikels ontleed. Die eerste artikel ondersoek die potensiële samevoeging van die velde van die mikrofranchisebedryf en inkrementele stedelikheid, met spesifieke fokus op alternatiewe dienslewings konfigurasies in die konteks van *in situ* opgradering van informele nedersettings. Alhoewel daar in die literatuur oor inkrementalisme beweer word dat die mikrofranchisebedryf afkomstig is van lynregte teenoorgestelde ideologiese tradisies, word daar aangevoer dat konvergente patrone uitgelig word deur punte van samehang. Ooreenkomste tussen die velde dui daarop dat die voorgestelde samesmelting sterkpunte het wat potensieel nuttig kan wees om wedersydse swakhede wat inherent aan beide perspektiewe is, aan te spreek. Die samesmelting van hierdie twee afsonderlike teorieë het die potensiaal om 'n gemeenskap te bou, basiese dienste te lewer, ekonomiese en maatskaplike ontwikkeling te bevorder, asook om die onderdrukte in die formele ekonomie te integreer.

Geskoei op die voorafgaande teoretiese samevoeging, ondersoek die tweede artikel die potensiële beste praktyke in die mikrofranchisebedryf. Drie mikrofranchisebedryfgevalle word hersien: UnjaniKliniekeNPC, Afrika Heuning By en Nuru Energie. Elke geval bied spesifieke binne-geval lesse en tegnieke in die mikrofranchisebedryf. Deurlopende temas van al drie gevalle beklemtoon kennis, wat met die ondersteuning van alledaagse stedelike denke, instrumentele waarde vir die ontwikkeling van 'n mikrofranchisingkonsolidasie, bedryfstelsel en skaalmodel vir die iShack, asook die deurlopende toets van die voorgestelde samevoeging, kan inhou.

Sleutelwoorde: alternatiewe diensleweringkonfigurasies, alledaagse stedelikheid, heterogeniteit, *in situ* opgradering, iShack en mikrofranchisebedryf.

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List of Acronyms and Abbreviations

AAPS	Association of African Planning Schools
ACC	African Centre for Cities
AHB	African Honey Bee
BOOT	Build, Own, Operate, Transfer
BoP	Base of the Pyramid
CORC	Community Organisation Resource Centre
CSR	Corporate Social Responsibility
ERCA	Enkanini Research Centre Association
GDP	Gross Domestic Product
ICSF	International Centre for Social Franchising
IEMS	Informal Economy Monitoring Study
iShack	Improving Shack
MDG's	Millennium Development Goals
MSET	Mobile Solar Energy Transaction
NGO	Non-Governmental Organisation
NPC	Not-for-Profit Company
NQF	National Qualifications Framework
NRF	National Research Foundation
SAQA	South African Qualifications Authority
TD	Transdisciplinary
TsamaHUB	Transdisciplinary, Sustainability, Analysis, Modelling and Assessment Hub
UISP	Upgrading of Informal Settlements Programme

VLE Village Level Entrepreneur

WIEGO Women in Informal Employment: Globalising and Organising

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Chapter 1 – Introduction

1.1 Introduction

“The triple challenges of poverty, inequality and unemployment continue to affect the lives of many people” - Zuma (2014)

It is the intention of this thesis to explore the economic and social aspects of an improved macro-operating system for the incremental establishment of alternative service delivery configurations in informal settlements. Taking as a lead the 2014 State of the Nation Address, by President Jacob Zuma, the focus will be firmly on alternative energy delivery configurations and the importance of “radical socio-economic transformation” (Zuma, 2014). President Zuma stated that South Africa must “respond decisively to the country's energy constraints in order to create a conducive environment for growth” (Zuma, 2014). The President called not only for “an injection of capital and human resources into the energy sector” but “innovative approaches to fast-track the delivery” of services to the people (Zuma, 2014). Progressive development “will not come about without some far-reaching interventions” aimed at battling the “triple challenges of poverty, inequality and unemployment “ (Zuma, 2014).

The thesis will present the argument that recent work around the heterogeneity of everyday African urbanism (Jaglin, 2014, 2008; Simone, 2013; Sliber, 2014; Kelbaugh, 2001; Shepard, 2013) has opened the conceptual and empirical space to explore social enterprise models that have the potential to bolster urban development and the upgrading of informal settlements. This thesis will address one specific social enterprise institutional configuration that may prove useful, namely microfranchising.

It is apt at this point to highlight that this is not a normative thesis aimed at preaching a free market solution (microfranchising) to developing world challenges. In fact this thesis is not aimed at a unified truth or perfect solution at all. It intends to open a conceptual and empirical space for further incremental development of a potential synthesis of the two concepts. This combination of service delivery and microfranchising should not be envisioned as being in competition or as a replacement for government participation, but instead as a possible part of a whole that is better able to deal with the difficult reality of modern developing urban centres. It is the fusion of the normative preferences drawn from these diverse fields that matters to the future of developing cities in the Southern Hemisphere (South).

Although incremental everyday urbanism and microfranchising have roots in dramatically different ideological fields, it will be argued that when integrated the strengths of the one could be useful in addressing the weaknesses inherent in the other perspective. This synthesis opens up a new field of research that could result in the development of a new generation of institutional arrangements for driving incremental upgrading in Africa's growing urban slums. At a local level, an understanding of this potential combination could support the attempts of the iShack, the Enkanini Research Centre Association and the University of Stellenbosch to make a substantial contribution to the theoretical, practical and applied research regarding the upgrading of informal settlements.

1.2 Background to this Study

1.2.1 The University of Stellenbosch HOPE Initiative & the TsamaHUB

This thesis finds its place within a six year journey of development at the University of Stellenbosch. In 2008 the University of Stellenbosch, taking its cue from international developmental goals, initiated the HOPE project (Botman, 2011). This project is aimed at facilitating cutting edge research into the real world challenges of reducing poverty, improving human dignity and health and supporting democracy, human rights, peace, security and sustainable development (University of Stellenbosch, 2010). From the HOPE project the TsamaHUB (Transdisciplinary, Sustainability, Analysis, Modelling and Assessment Hub) was created.

The TsamaHUB is an institute designed to respond to the complexity of modern reality and real world challenges by seeking contemporary ways of 'knowing' and producing knowledge that traditional research is unable to achieve (TsamaHUB, 2013b). The TsamaHUB acts as a coordinating and facilitating mechanism, utilising connections with numerous University faculties and departments, to build the potential for transdisciplinary research at the University of Stellenbosch (TsamaHUB, 2013a). This approach to research focuses on the integration of both the scientific and societal understanding of a problem, with the aim of creating solutions together with the individuals for whom the knowledge outcomes are intended (Swilling, Tavener-Smith, Keller, von der Heyde & Wessels, 2013: 1-10).

1.2.2 The Enkanini Research Centre Association

In 2011, the National Research Foundation (NRF); an independent government organisation developed to encourage, facilitate and support research in South Africa, began a funding relationship with the TsamaHUB (National Research Foundation, 2013). Using this funding, the TsamaHUB, partnering with the Sustainability Institute, created a transdisciplinary group of researchers, known as The Transitions Collective (now referred to as the Enkanini Research Centre Association (ERCA)). The ERCA is a small team of dedicated transdisciplinary researchers who are seeking to answer the question; “What does *in situ* upgrading, as specified by the Upgrading of Informal Settlements Programme (UISP), mean in practice from the perspective of the average shack dweller in South Africa” (Swilling *et al.*, 2013:1) Traditionally the idea of post-apartheid urban development is to trust and wait for formal upgrading (Swilling *et al.*, 2013: 1-18). The ERCA however, believes that residents can do something, while they wait, to initiate and maintain an incremental process of development (Swilling *et al.*, 2013: 1-18).

The ERCA is based in an illegal informal settlement known as Enkanini. The settlement is located less than 10km from the centre of Stellenbosch, Western Cape. In Enkanini, members of the ERCA have initiated co-produced interventions focused on energy poverty (iShack), sanitation (The Sanitation Cooperative) and waste management (The Bokashi Waste Project). In each case, forging deeper than surface level interventions by developing transdisciplinary knowledge on how peri-urban slum dwellers can themselves begin to intervene in the configuration of infrastructure and basic service delivery systems.

1.2.3 Micro, Social & Developmental Franchising Explosion

This research comes at a time when micro, social and developmental franchising is being brought to the fore by many influential parties around the world (terms often used interchangeably). Throughout the development field microfranchising is being praised as the next big poverty alleviation and development tool. The drive for microfranchising has not missed South Africa. South Africa is now home to many successful microfranchise companies as well as the world's first Social Franchising Accelerator (FranchisingPlus, 2014).

The Social Franchising Accelerator is an initiative set up by the UCT Graduate School of Business, the Bertha Centre for Social Innovation and Entrepreneurship, FranchisingPlus and the International Centre for Social Franchising (ICSF) (FranchisingPlus, 2014). The program is funded by the Rockefeller Foundation and is set up as an academic-NGO-private sector partnership (FranchisingPlus, 2014). It is created with the aim of reaching vulnerable people at the bottom of the economic pyramid by supporting and scaling proven social impact organisations across the country under the auspices of social franchising (FranchisingPlus, 2014).

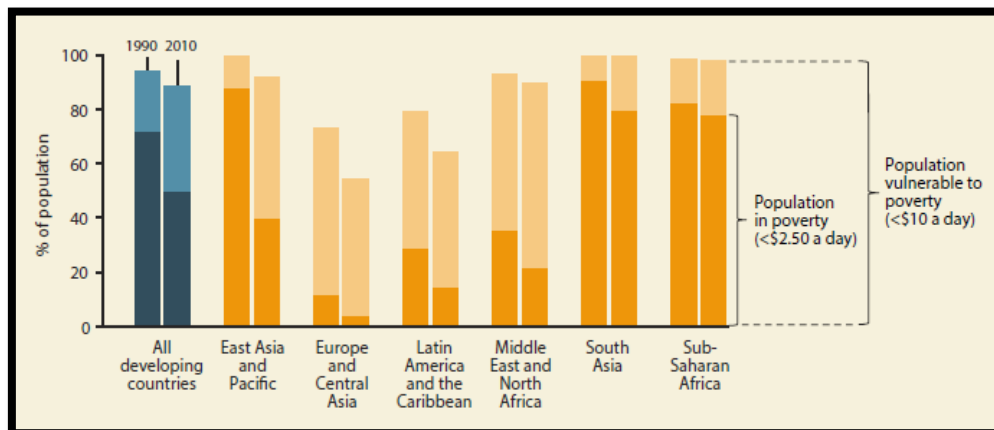
This drive to grow microfranchising and social franchising by well-respected institutions (UCT, Bertha Centre and ICSF) in combination with the success of existing microfranchising companies in South Africa is slowly cementing the path for the future development of this tool. This research comes at an opportune time; at the very ground floor of large scale microfranchising growth in South Africa and the developing world. However, this also means that the theory around this field is somewhat embryonic with many flaws that need to be ironed out before it can truly be tested. As a nascent, emerging concept microfranchising theory will benefit immensely from information-sharing and the exploration of practical best practice examples already in operation.

1.3 Motivation for this Study

1.3.1 Splintered Societies: Developing World and South Africa

Globally more than 50% of the population survive on less than \$2.50 a day, while 89% of the developing world's population is classified as being vulnerable to poverty as they live on less than \$10 a day (The World Bank, 2013: 58). At a local level it is estimated that 45.5% of the population or approximately 23 million South Africans are impoverished (Statistics South Africa, 2014a). This is an estimate of individuals that fall below the upper-bound poverty line of +/- R620 per capita per month (2011 figure) as set in 2012 by the South African Government (Statistics South Africa, 2014a). When analysing figures of extreme poverty, which in South Africa is estimated using the food poverty line (an income level below which individuals are unable to afford an adequate diet) estimates show roughly 20% of the population or 10 million individuals fall into this category (Statistics South Africa, 2014a).

Figure 1: Share of population in developing countries living in poverty



Source: The World Bank (2013: 58)

Although there has been a marked improvement between the 2006 and 2011 poverty figures, the recent financial crisis has dramatically slowed the pace of poverty reduction (Burand & Koch, 2010: 24-40; Statistics South Africa, 2014a). It is now estimated that in order to reach the poverty target (eliminating all poverty below the lower-bound line) of the National Development Plan an additional investment of approximately R31.7 billion per annum will be required. Inequality in South Africa remains a massive problem. Making use of the Gini coefficient, which is a metric that measures inequality (a number between 0 and 1, 0 being complete equality and 1 being absolute inequality), South Africa is given a rating of 0.69 (2011) one of the highest in the world (Statistics South Africa, 2014a). This is indicative of the fact that 20% of the richest individuals in South Africa account for roughly 61% of national consumption and the poorest 20% for only 4.5% (Statistics South Africa, 2014a).

Building on this broad backdrop, Stellenbosch and Enkanini provide a tangible example of inequality and poverty in a splintered urban environment. Stellenbosch has a Gini coefficient of 0.55 with about 19% of the population falling below the poverty line (Stellenbosch Municipality, 2014). The juxtaposition of the un-serviced slums of Enkanini with the wealth of Stellenbosch is a good example of inequality in the developing world. This is just one example that highlights the fact that in much of the developing world urban dwellers exist in an already largely splintered social environment (Kooy & Bakker, 2008:1843–1858). Arguably urban environments continue to splinter as the gap between poor and wealthy increases, however this gap is now wide enough and the rate of change slow enough that the majority of developing urban contexts must be considered as already predominantly splintered, unequal and unjust.

1.3.2 The Rising Tide of Service Delivery Protests

Since 2005 South African urban centres have experienced on average more than 8000 protest incidents per year (Bond, 2010: 1). This direct political action is born from the dissatisfaction with the speed and quality of the state provision of basic services (Turok, 2012: 36-37). The majority of strikes are aimed at local governments with accusations of misconduct and incompetence (Turok, 2012: 36-37). These demonstrations, in a direct manner, draw attention to persisting poverty, inequality and injustice, fuelling the understanding that local municipalities in South Africa are in crisis, unable to provide basic services (Turok, 2012: 36-37). “There are many municipalities that are in deep distress. This distress refers to their faltering ability to deliver services, to manage their institutions, and to engage with communities...” (Department of Cooperative Government and Traditional Affairs, 2009: 34-35).

1.3.3 A Lack of Research on Informal Settlements in South Africa

The modern world is one of excess, gluttony and wealth built upon foundational technologies that a mere one hundred years ago, only existed in the imaginations of science fiction writers. Despite this profusion, throughout the developing world poverty and resultant informal settlements remain intractable issues, challenges that will continue to confront humankind for many years (London, 2007: 4-6). For decades massive amounts of resources have been streamed into the fight to alleviate this poverty with little or no visible results (Del Mistro & Hensher, 2009: 333-354). In 2010 it was estimated that approximately 62% of urban Africans live in informal slum settlements (UN-Habitat, 2010). According to Pieterse & Hyman (2014: 194) this total proportion will remain the same as the urban population doubles. Estimates by the South African Cities Network 2011 report indicate that there are roughly 2700 informal settlements in South Africa with about 1.2 million households and this number is constantly growing. This trend seems to be tracking across the developing world.

In response to this growth of informal settlements and worsening poverty, governments have begun to develop and enact state-driven poverty alleviation and informal settlement upgrading programs and policies. Extensive international research has been undertaken, in different developing world contexts, aimed at understanding these policies and reflecting on poverty alleviation, site-and-service options and informal settlement upgrading (Marais & Ntema, 2013: 85-86).

South Africa has followed a similar path. In 2004 the Upgrading of Informal Settlements Programme (UISP) was introduced as part of the new South African housing policy; “*Breaking New Ground: A comprehensive plan for the development of informal settlements*” (Del Mistro & Hensher, 2009: 333-354). The enactment of this policy brought to the fore the concept of reducing entrenched vulnerabilities, eradicating poverty and promoting social inclusion in South African informal settlements. It is postulated that these three underlying objectives are attainable through appropriate land rehabilitation instead of eradication and relocation (tenure), supporting and developing economic sustainability, addressing vulnerability by providing social and economic facilities, developing incremental or interim services (electricity, water etc.) and promoting inclusion of slum dwellers through participatory development (Marais & Ntema, 2013: 85–95). Essentially the UISP aims to support settlement development through providing improved access to basic services, sustainable economic development and the integration and empowerment of the oppressed.

Despite this shift in policy in South Africa it seems that in practice little has changed. There remains an emphasis on the “eradication” and “zero tolerance” mind-set of the past (Marais & Ntema, 2013: 85–95). Huchzermeyer (2009: 59-73) adds that the drive for *in situ* upgrading is, in many cases, not present in most municipalities. This is due in part to the fact that even though experts from around the world consider *in situ* upgrading as a genuinely transformative approach to development, the process by which this transformation is to take place is not yet sufficiently understood in a South African context. Research on South African informal settlements and the possibility of and process by which *in situ* upgrading and development is to take place remains sparse (Marais & Ntema, 2013: 85).

The research that does exist comprises of once-off short-term case studies which pay little attention to long-term monitoring, evaluation and assessment of the informal settlement upgrading programs (Marais & Ntema, 2013: 85). Research within the South African context is only beginning to emerge, and the inclusion of a participatory element in informal settlement upgrading is a new concept rife with challenges. This lack of effective implementation as well as limited research and the embryonic nature of the field are key motives behind this study. These three factors will allow this research to make a potentially meaningful contribution to the field as a whole.

1.3.4 Enkanini & Stellenbosch: Basic Services

Enkanini embodies both the need for upgrading and the lack thereof in South Africa. Enkanini is an illegal, informal settlement on the periphery of the town of Stellenbosch, Western Cape. The name Enkanini directly translated as meaning 'taken by force' is misleading. The settlement was founded in early 2006 through a Government decision and not illegal invasion. Given the population growth of the neighbouring legal settlement of Kayamandi, the local Municipality took a decision to build an additional school. Unfortunately the land that had been ear marked for this development had been invaded by a small number of illegal settlers. These few settlers were given permission to move from this ear-marked land to an area +- 250m away. From these legally relocated +- 50 households the settlement rapidly grew.

Over the next six years (2006-2012) the settlement grew by an astounding 5000% to approximately 2500 households housing about 8000 residents (the exact number is fiercely debated). This unforeseen growth quickly highlighted the lack of existing basic services in the area and resulted in an eviction warrant being issued for the settlement, authorising the forced eviction of the residents. It has been suggested that the reason that this eviction notice was issued was due mainly to the difficulty that would be faced in upgrading Enkanini (steep topography, no effective leadership structure and a fraught relationship with the municipality).

Even though the Stellenbosch Municipality is mandated and backed by progressive national subsidies, their ability to deal with the massive growth of settlements like Enkanini has been outstripped by the rapid urbanisation of the area. The Palmer Development Group corroborates this statement by concluding that, although Stellenbosch is an affluent community, the reality for the majority of the population is massive infrastructural backlogs and an ever dwindling municipal capacity and willingness to provide even the most basic of needs to its growing population.

Enkanini is a good example of this dwindling municipal capacity in reality. During the latest enumeration process undertaken by the Community Organisation Resource Centre (CORC) in 2012 they found that the settlement of Enkanini is home to roughly 8000 people or 2500 households and is 8 years old. As of 2014 the settlement is serviced by 70 toilets in 7 centralised blocks (114 people per toilet not taking into account functionality of toilets), 28 taps, 7 rubbish skips or collection points and no formal electricity grid (Tavener-Smith, 2013). These basic services are not sufficient to support the growing population of Enkanini.

1.4 Research Context

1.4.1 Enkanini Research Centre Association & the iShack

This thesis emerges from the work of the ERCA, which has since 2011 focused on effective incremental upgrading in Enkanini. This specific study is building on from the work being done by a project that emerged from the heart of the ERCA, the iShack. The iShack project is an *in situ* development intervention which has developed an incremental alternative approach to energising informal settlements. This is done by installing a modern Direct Current multi-grid solar system within a client's shack for a minimal installation fee (Swilling *et al.*, 2013: 7-10). The client then makes use of the solar energy for lighting, cell phone charging and a TV. This service functions much the same as traditional pay-as-you-go electricity. The team also emphasizes the importance of education and skills development as energy operators are trained to maintain and run small hubs of clients. This design allows for swift and flexible electrification of a settlement (Swilling *et al.*, 2013: 7-10).

The initial pilot project of the iShack, as well as the first round of rollouts has been successful. The team believes that the iShack concept has the potential to be a locally-based form of enterprise development, which while conceptualising and providing alternative service delivery, will also build adaptive resilient communities around the installed technical infrastructure. However this is a pilot project limited to one community. This thesis is inspired by a key question that emerged from the iShack project: how does the iShack social enterprise go to scale and create the most meaningful impact?

1.4.2 Co-producing and Refining the Research Question

It took approximately one year (Jan – Nov 2013) to develop and refine the research topic. This is due to the transdisciplinary knowledge development approach taken while developing the question. Research of this nature requires the integration of both scientific and societal knowledge, transcending traditional disciplinary paradigms (Cronin, 2008: 1-20). Instead of approaching the overall challenge (informal settlement upgrading) with preconceived ideas as to potential questions and solutions, the researcher immersed himself within the context.

The rationale behind this approach is made clear by Regeer & Bunders (2009: 10-20). They state that when confronted by real world complex challenges not easily overcome, questions and their solutions will only be found in processes of learning characterised by an integration of knowledge from many diverse stakeholders (Regeer & Bunders, 2009: 10-20). By working as a member of the ERCA, spending week after week in the settlement working on projects ranging from building an ecologically designed research centre, co-producing sanitation drawing workshops and digging drainage trenches the researcher was able to, in collaboration with affected stakeholders, better understand the context as well as the questions that need to be addressed. The combination of the researcher's immersion in the context, initial desktop research and discussions indicated a significant opportunity and a gap in knowledge and resulted in the research problem, questions and objectives.

1.5 Research Problem, Questions and Objectives

The developing urban world is a unique, complex and inherently difficult context. Due in part to rapid, almost explosive urbanisation, millions of people in the developing urban South live in poor conditions in informal slums characterised by a lack of access to basic services. This creates a need to create contemporary *in situ* development, fostering income-generating activities and promoting individual and community development all the while providing basic services. This is easier said than done. Although well-articulated and in the case of national policy enacted, few projects that embrace the concepts of incrementalism, alternative configurations and *in situ* upgrading are successfully implemented at scale (Keller, 2012: 1-5). Experts around the world consider these fields to be part of a genuinely transformative approach to development. However the process by which this transformation is to take place is not sufficiently understood.

Many well-written and influential papers within these fields champion their respective concepts, define them, argue their case and state their economic, social and environmental benefits, yet fail to address the means of actually achieving these transformative development concepts (Jaglin, 2014, 2008; Sliber, 2014; Huchzermeyer, 2009; Avni & Yiftachel, 2014; Del Mistro & Hensher, 2009). Very few of these significant writings move beyond a focus on the pilot phase and the positive aspects of an intervention and give insufficient attention to a consolidating, operating scaling system that will haul this incremental, alternatively configured machine along its prefigured stepladder to scale. There is however evidence to suggest that this system already exists and has been developing over the past few decades. Potential exists but links between isolated theories and 'field languages' in the management sciences and development fields have yet to be significantly explored.

This thesis aims to explore whether microfranchising, an offshoot of traditional franchising, has potential as an operating system for formalised alternative service delivery configurations for informal settlements, driven and maintained from within by the people it is serving. Essentially it represents an economically sustainable, incremental *in situ* development that provides improved access to basic services, sustainable economic and community development and a means of integrating the oppressed poor into the formal economy.

1.5.1 Research Question

a. Main research question:

Can the management techniques and operational practises of microfranchising support the establishment of alternative service delivery configurations, in the context of a framework for heterogeneity in terms of service delivery systems?

b. Article one:

Is there potential for a synthesis of the fields of microfranchising and incremental urbanism, specifically alternative service delivery configurations in the context of *in situ* informal settlement upgrading?

c. Article two:

What lessons can be drawn from potential best practice companies in the microfranchising field and be bolstered by everyday urbanism knowledge to assist in the development of a business model to scale the alternative service delivery project known as the iShack?

1.5.2 Research Objectives

a. The key objectives of this research are to:

- Develop a foundational conceptualisation of the potential synthesis of microfranchising and incremental urbanism, specifically alternative service delivery configurations in the context of heterogeneity in terms of service delivery systems.
- Gain a cross cutting practical understanding of microfranchising that can add to knowledge of potential best practices and information sharing within the theory and practice of microfranchising.
- Present the iShack team with practical knowledge and lessons regarding a potential microfranchising business model for the project.
- Contribute to the ongoing general upgrading of Enkanini by adding to the knowledge base held by the Enkanini Research Centre Association.
- Motivate continued theory development and empirical research into the potential synthesis of the principles of microfranchising and alternative service delivery configurations within the context of *in situ* informal settlement upgrading thus adding to the literature available on incremental upgrading of informal settlements.

1.6 Importance of the Research

In Sub-Saharan Africa it is estimated that the labour force in urban areas will treble in the next 40 years from approximately 400 million to 1.2 billion. Currently roughly 28% of the labour force are in stable jobs (Pieterse, 2014). Projecting these numbers forward it becomes clear that there will be rapid slum growth within the next decades at a scale that developing nations are currently unable to handle. Pieterse (2014) from the African Centre for Cities believes the only way to deal with this projected growth will be by building social enterprises that work with market dynamics and take advantage of state resources to drive both community building and the provision of basic services (Pieterse, 2014). There is a need for contemporary experimental research involving residents and municipalities, that explores workable alternatives that fast-track delivery of services to the people, build community and drive enterprise development. This research forms part of this contemporary drive for workable alternatives.

On a local level this research is primarily important to the residents of Enkanini and other similar informal settlements. This research will add to the continued upgrading of Enkanini, moving the research team closer to informing municipal polices and the effective implementation of informal settlement upgrading in this case. The researcher also hopes that the findings can practically and realistically inform the discourse around improved *in situ* informal settlement upgrading in general. On a larger scale developing an improved form of *in situ* development bolstered by the management practices of microfranchising could contribute to broader sustainability objectives of the Millennium Development Goals (MDG's) and the development of socially just and ecologically sustainable urban centres.

1.7 Key Concepts

- **Alternative service delivery configurations** – Socio-technical additions to the service delivery network in the form of context-appropriate extensions or off-network assemblages to extend the function of the service to those who are currently inadequately serviced (Jaglin, 2014: 434-445; Fernández-Maldonado, 2008: 1884–1896). Alternative service delivery configurations are created by a heterogeneous configuration of tools, institutions, actors, knowledge and values catering for a specific context (Jaglin, 2014: 434-445).
- **Basic service delivery** – Term used for describing the provision and distribution of basic resources.
- **Basic services** – Resources people need to survive such as electricity, water, sanitation infrastructure and housing.
- **Bottom/base of the Pyramid** – There is no universal definition of the term. The most widely accepted definition describes it as a socio-economic concept that allows for the segmentation of the world's poorest people into a 'vast invisible box' or socio-economic class (Calton, Werhane, Hartman & Bevan, 2013: 721-723).
- **Developmental franchising** – Due to a lack of agreement on a potential difference, this is a term used interchangeably with *microfranchising*.
- **Everyday urbanism** – Everyday urbanism is a form of urban development which builds on the difficult daily reality of urban life instead of the pretence of an ideal built environment (Kelbaugh, 2007: 12-19). It embraces the “multiplicity, cacophony and simultaneity” of the everyday urban reality, exploring means of improving what already exists in an incremental way, creating a dynamic urban form that evolves from within (Kelbaugh, 2007: 12-19; Sliber, 2014: 1-22).

- **Franchising** - The concept of 'renting' the rights to sell a product or operate a business, in a specific area, to an entrepreneur and providing them with training and support in exchange for a fee (Illetschko, 2011:9-21). Generally speaking there are two main branches of franchising, product franchising and business format franchising (Magleby, 2007: 133-148). There are however numerous variations of these main branches that also fall under the term franchising, for example conversion, area and tandem franchising.
- **Heterogeneity** - In this context it is a term used to describe a framework that embraces the need for a multitude of non-uniform service delivery systems each catering for a specific context.
- **In situ** – In the original place. In this context it refers to development that takes place where the informal settlements are located (opposite of relocation).
- **Incrementalism (incremental)** – “A policy or advocacy of a policy of political or social change by degrees: gradualism” (Merriam-Webster, 2014a). Within the context of this work, it describes the progressive or gradual step by step journey followed in the social and physical development or upgrading of informal settlements.
- **Informal Settlement** – “A contiguous settlement where the inhabitants are characterised as having inadequate housing and basic services, the area is not recognised and addressed by the public authorities as an integral or equal part of the city” (United Nations Human Settlements Programme, 2003: 11). There is no universal definition of informal settlements as they are complex, constantly changing and are dependent on the local context.
- **Informal settlement dweller** – A person living in an informal settlement.

- **Informal settlement upgrading** – This is an internationally contested term but for the purpose of this work it is understood as the actions undertaken by an external stakeholder, in partnership with informal dwellers, to socially and physically improve the living standards in an informal settlement.
- **Infrastructure** – The basic physical and organisational structures that facilitate the socio-metabolic flow of energy, information and resources (basic services) into, through and out of a city.
- **iShack project/business/venture** – The improving shack is a business focused on using “solar electricity to show how slums can be incrementally upgraded in a sustainable and socially just way” (The iShack, 2014). The project wishes to go beyond just providing a technical solution to a pressing problem by developing an “enterprise development model recognising the significant existing social, human and physical capital within slums” (The iShack, 2014).
- **Microfranchising** - An enterprise development and poverty alleviation tool that makes use of the tested and proven business and operational concepts of franchising to support enterprise and the provision of goods and services within developing markets (Stoker, 2007). In the context of this work the definition is limited to a small scale enterprise based at the bottom of the social and economic pyramid with a mission to directly better the lives of its target market. The important element of this definition for this discussion is the fact that a microfranchise offers products, services, enterprise development, training and support that directly increase the quality of life for the community in which they operate. Social benefits are created in line with revenue generation.
- **Operating system** – The management and operational practices and principles as well as the structure and support framework that allow for the constitution, consolidation and scaling of a venture.

- **Participatory** - The Merriam-Webster dictionary defines it as “providing the opportunity for people to be involved in deciding how something is done” (Merriam-Webster, 2014b). In the context of this work it is the process of allowing slum dwellers to be a part of and make decisions concerning their own development (participatory development).
- **Peri-urban**—the outskirts or hinterland of urban centres.
- **Slum** - Due to a lack of agreement on a universal definition, this is a term used interchangeably with *informal settlement*.
- **Slum dweller** - A term used interchangeably with *informal settlement dweller*.
- **Social enterprise** – A business or venture creating social value and community impact. Value is placed on social impact as much, if not more, than on profit.
- **Socialfranchising** - Due to a lack of agreement on a potential difference, this is a term used interchangeably with *microfranchising*. However, some theorists propose a potential difference, namely that socialfranchising has a purely social aim while microfranchising places value on both social impact and profit creation so as to remain financially sustainable.
- **Urban** - A term used to describe something “in, relating to, characteristic of or constituting” a built up, heavily populated town or city (Merriam-Webster, 2014c).
- **Urbanisation** - The “process by which towns and cities are formed and become larger as more and more people begin living and working in central built-up areas” (Merriam-Webster, 2014d).
- **Urbanite** – A person living in an urban area (large town or city).

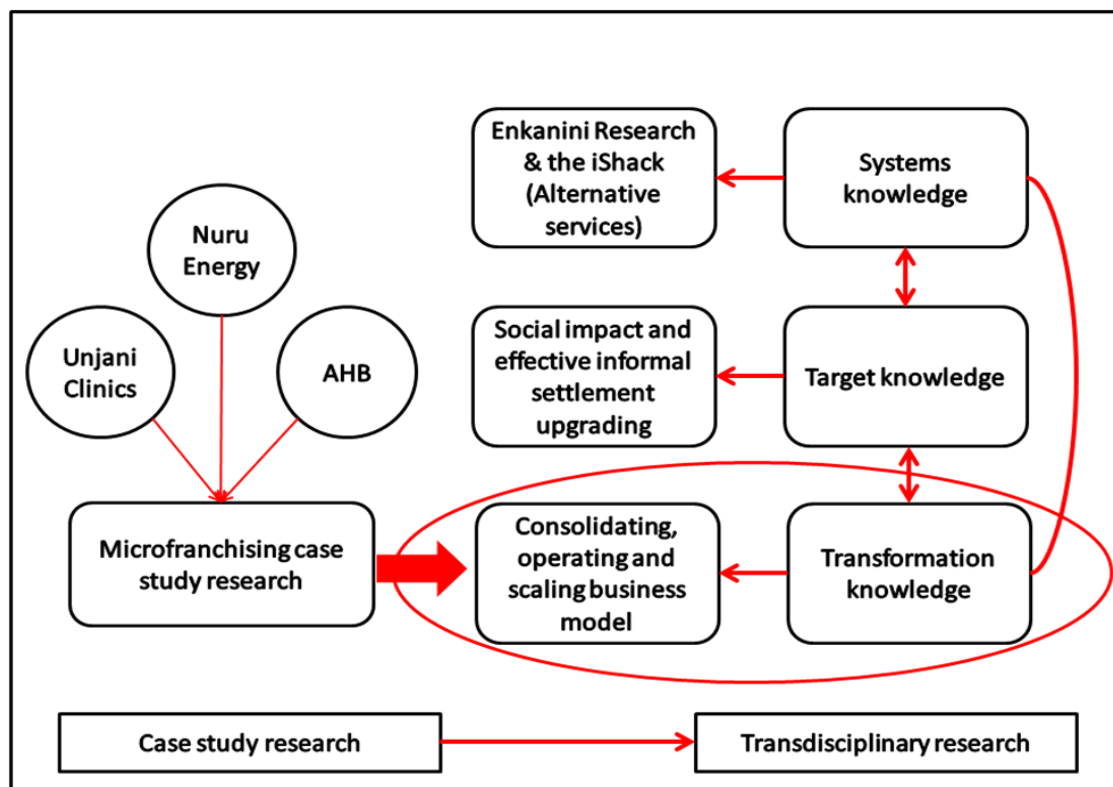
1.8 Methodology

This thesis follows a transdisciplinary and case study research methodology. The study falls within the larger transdisciplinary (TD) methodological journey that the ERCA has been travelling over the past three years. This thesis is specifically focused on the initial stages of one of the three main phases that a TD research process falls into and the corresponding knowledge set as described by Wickson, Carew and Russell (2006:1046-1059). A multiple-case study approach informs the research within the larger TD methodology. The specifics of each phase and stage of the transdisciplinary TD methodology and the case study approach are discussed in this section.

Researchers such as Mollatt (2014), Keller (2012), Swilling *et al.* (2013) von der Heyde (2014) and The iShack (2014) have each set the stage for this research study. They have done this by collaboratively creating knowledge about the current system and the challenges of informal settlement upgrading and with the help of Enkanini community members envisioned a desired future state of incremental upgrading. However the process by which the needed transformation is to take place is not yet sufficiently understood. This identifies a substantial gap in current research. Additional research was required to explore the transformational process that must be followed as part of the shift from the current challenge to the future desired outcome.

The rationale behind selecting two methodologies (TD and case study) from diverse disciplinary epistemologies is found as part of the defining characteristics of a TD research process. The practice of drawing elements from a variety of disciplinary epistemologies and methodologies and combining them in a single approach, as an evolving methodology, is accepted as a defining characteristic of TD research (Wickson, Carew & Russell, 2006: 1050). This point is also emphasised by Horlick-Jones and Sime (2004: 441–457). In dealing with real world complex challenges there is a need for a “fusion’ or interpenetration of methodologies” in an evolving or dynamic process of research (Wickson, Carew & Russell, 2006: 1050). This ‘interpenetration’ of methodological approaches allows the study to fuse knowledge and perspective from different disciplines (management sciences and everyday urbanism (urban development)) and engage with stakeholders from varied backgrounds (Horlick-Jones & Sime, 2004: 441–457).

Figure 2: Research methodology structure



Source: Author (2014)

A TD methodological approach was chosen for this study for three reasons. Firstly it is the overarching approach of the research group (the ERCA) of which this researcher is a member. Secondly the thesis presents an argument based on a synthesis of literature and practise, originating within diametrically opposite ideological traditions (management sciences and contemporary urban development). This search for “coherence, correspondences and ‘ridges’ across the differences, generating knowledge by finding, identifying and communicating patterns across diverse disciplines and discourses” is a defining characteristic of the integrative nature of TD research (Wickson *et al.*, 2006: 1053). Thirdly, the majority of the objectives of this research (as discussed in section 1.5.2) are based on bringing about some degree of real world change in the field of incremental informal settlement upgrading or microfranchising. Hirsch Hadorn *et al.* (eds.) (2008: 3-20) state that transdisciplinary research is an approach to research that is able to contribute to the development of solutions for real world problems thus making an actual difference in a crisis-ridden world.

The case study element was included in the overall methodological approach as it represents an effective research tool to efficiently study complex and dynamic phenomena within their contexts (Baxter & Jack, 2008: 544-559). Many believe that effective multi-case study research has an important role to play in both of the overall themes of this study namely management practices at the base of the pyramid and African urban development. The Association of African Planning Schools believes that the practical and concrete knowledge that is often gained from a deep integration of cases will be greatly influential in the field of African Cities research (AAPS, 2010: 5). In addition, Schiele and Krummaker (2011: 1137–1145) indicate that this approach to research contains powerful means of producing knowledge in the management field.

Despite criticism many experts believe case study research to be a valuable method for researchers when developing theory, building interventions and evaluating programs through investigating the ‘how’ and ‘why’ of complex real life phenomena (Baxter & Jack, 2008: 544-559; Schiele & Krummaker, 2011: 1137–1145). This form of research allows for a deeper interrogation and a nuanced understanding of the selected context, that goes above and beyond theory (AAPS, 2010: 5). Given the embryonic nature of the theory of microfranchising, the practical lessons learned from successful microfranchising cases regarding the ‘how’ and ‘why’ within the context will be invaluable in informing both theory and practice.

The study draws on both empirical and theoretical methods as part of the TD and case study processes. The empirical methods used include a transdisciplinary research design and question development process (section 1.1.2), field observations (direct and participant) as well as collection of physical artefacts and semi-structured interviews. The theoretical methods used include document and archival analysis of case studies and a literature review. These multiple methods allow for the ‘triangulation’ of findings in order to increase the study’s validity and analytical generalisability.

1.8.1 Transdisciplinary Research

Humanity exists in an inherently dynamic world, characterised by complexity and uncertainty. There is a growing need for science to make meaningful contributions towards solutions for persistent real world challenges. Many of these challenges are encompassed in the drive for economically, socially and environmentally sustainable development, which covers a wide range of challenges from climate change to poverty alleviation, biodiversity and governance (Jager, 2008: 1-2). In the case of most, if not all, of these challenges the journey to developing a solution has been slow. Despite the plethora of available scientific knowledge, little of it has translated into meaningful action (Jager, 2008: 1-2).

It is this disconnect between knowledge development and action that lies at the heart of the drive for transdisciplinary research. Transdisciplinary-orientated research is able to overcome the current disconnect between knowledge creation and the demand for that knowledge to make meaningful contributions towards solutions for societies greatest challenges. This shift has major implications for research and society. It becomes necessary to transcend traditional academic departmental boundaries. Researchers following a transdisciplinary (TD) approach will have to leave the safety of the lab or research centre and immerse themselves in a mutual learning process (Hirsch Hadorn *et al.* (eds.), 2008: 19-43). This is not a new science but instead a new way of 'doing' science. This is achieved through the integration of both scientific and societal understanding of a problem, with the aim of creating solutions together with the individuals for whom the knowledge outcomes are intended (Swilling *et al.*, 2013: 1).

Three elements of this approach make it truly unique. Firstly, it is problem-focused since the approach is undertaken with the explicit intent of solving real world complex and dynamic challenges. Secondly, there is no single prescribed methodology for TD research. A methodological approach undertaken as part of a TD research process must be understood as being an evolving methodology. This is because in dealing with real world complex challenges, there is a need for a "fusion' or interpenetration of methodologies" in an evolving or dynamic process of research (Wickson, Carew & Russell, 2006: 1050). Lastly, TD is a collaborative (embedded) process. TD is a collaborative knowledge generation process between disciplinary fields, theorists, practitioners, researchers and society (Wickson, Carew & Russell, 2006: 1052 -1053). Overall, TD involves the ability to articulate knowledge in one's own discipline, compare this to other approaches and generate a synthesis in order to create a holistic understanding of a real world challenge (Cronin, 2008: 13). A key theme of this research approach is "cognitive flexibility - a willingness to see beyond one's own discipline" (Cronin, 2008: 13).

Pohl & Hirsch Hadorn (2007), Lang *et al.* (2012) and Hirsch Hadorn *et al.* (2008a) allude to three distinct research process phases into which TD work can fall. Although the papers use different names for the individual phases, the content is the same. It is important to note that this is not a linear process and requires constant reflection and iteration.

The first phase is the problem framing and structuring phase and includes questions about the “genesis, further development and interpretation of a problem in the life-world” (Hirsch Hadorn *et al.* (eds.), 2008: 30-31). The second phase is the problem analysis phase which includes questions “determining and explaining the need for change, desired goals and better future practises” (Hirsch Hadorn *et al.* (eds.), 2008: 30-31). The third and final phase is aimed at bringing research results to fruition and includes questions regarding “technical, social, legal and cultural change that will transform existing practises and introduce desired ones” (Hirsch Hadorn *et al.* (eds.), 2008: 30-31). The questions posed within each phase correspond with a particular form of knowledge that a researcher seeks to produce.

These corresponding knowledge sets are:

Phase One - Systems Knowledge – current system or problem situation; what is currently happening within the context (Hirsch Hadorn *et al.* (eds.), 2008: 30-31).

Phase Two - Target Knowledge – future goal or desired future state (a business model) (Hirsch Hadorn *et al.* (eds.), 2008: 30-31).

Phase Three - Transformation Knowledge – the means of reaching the desired future state including technical, cultural and institutional changes (Hirsch Hadorn *et al.* (eds.), 2008: 30-31).

This phase and knowledge set model allows for the coherent placing of the research study within the transdisciplinary processes. As stated, the iShack, the Enkanini Research Centre Association and other researchers have, for the past three years, studied the system and target knowledge of the context and the overarching question. However the process by which the intervention (iShack) will shift from the current state to the desired one represents a marked gap in current research. Therefore this thesis specifically addresses the initial stages of the third phase of the TD process; bringing results to fruition, and the corresponding transformation knowledge set. The thesis seeks to explore the possibility of institutional, cultural and social change arrangements (transformation knowledge) that can be applied to the iShack project within the context of everyday urbanism and informal settlement upgrading to assist in the consolidation, operation and scaling of the project (target knowledge). The following research methods formed part of this section of the study.

a. Transdisciplinary research design & question development process

This process was discussed in section 1.4.2, which covered the year-long immersion and collaborative process whereby the research design and questions were developed through formal and informal interactions and collaborations with Enkanini community members, iShack employees, fellow researchers and University of Stellenbosch professors. This immersion process in addition to continual literature review formed a vital element of this study.

b. Literature review: process & search strategy.

According to Hart (1998) a comprehensive literature analysis is an integral component of successful academic research. It succeeds in exposing the researcher to existing academic discourse, previous research and critical theory (The Sheppard-Worlock Library, 2012: 1-5). A review of appropriate literature was undertaken as part of the transdisciplinary research design and question development process as well as the formal research proposal and main study. This was done in order to broaden the researcher's understanding of the subject matter, ensure the 'researchability' of the proposed topic within existing literature, and assist in the rationalisation of a potential gap within contemporary thinking (Mouton, 2008: 26-36).

The researcher drew from numerous bodies of research referring to the fields of micro and social franchising, social enterprise development, base of the pyramid (BoP) ventures, alternative service delivery configurations, everyday urbanism, energy poverty, *in situ* and incremental upgrading of informal settlements, prefigurative politics and research. This analysis was conducted at both the University of Stellenbosch Bellville Park Campus Information Centre and the J S Gericke Library, the central library of the University of Stellenbosch. The researcher made use of both the physical and online resources of the respective libraries. Interactions with staff at both locations proved important during the research process and literature search. Table 1 contains a list of search words and phrases that were used as part of the literature search strategy.

Table 1: Literature search - keywords and phrases

Main search keywords and phrases	Alternatives & Additions
Franchising	Microfranchising (Micro franchising, Micro-franchising) Social franchising Developmental franchising Traditional franchising Business format franchising Product franchising
Social enterprise development	Build, Own, Operate, Transfer (BOOT) enterprise Market approaches to poverty alleviation Base/bottom of the pyramid initiatives Base/bottom of the pyramid initiatives 2.0
Alternative service delivery configurations	Basic service delivery Everyday urbanism
Informal settlements	Slums/Urban Slums
Upgrading	Development

<i>In situ</i>	
Incremental	Incrementalism
Infrastructure	
Energy poverty	
Prefigurative politics	
Transdisciplinarity	
<p>Examples of search terms:</p> <p><i>“In situ + Incremental + upgrading + Informal settlements (slums/urban slums)”.</i></p> <p><i>“Microfranchising (Micro franchising, Micro-franchising) + base of the pyramid initiatives”</i></p> <p><i>“In situ + Incremental + upgrading + Informal settlements + microfranchising (Micro franchising, Micro-franchising) + base of the pyramid initiatives”</i></p>	

Source: Author (2014)

The researcher made use of these main search phrases and the listed alternatives in different combinations to create search terms which were then entered into various e-resources, databases and search engines (The Stellenbosch University online library, Science Direct, Sage Journals and Academic OneFile proved most useful). In conjunction with this ‘search term’ strategy the researcher also made use of formal and informal, structured and unstructured interactions with industry professionals and academics to source appropriate readings.

Using these search strategies, readings were selected based solely on the researcher's first impression of their titles, keywords and where they were published (impact ratio was taken into account). A similar process was followed for hardcopy resources. Introductions of selected chapters were read and appropriate readings were photocopied and filed in a lever arch file. The following thematic categories were used: *alternative configurations and infrastructure, franchising, in situ incremental upgrading, poverty & energy, social enterprise development & market approaches to poverty alleviation and methodology.*

The abstract and introduction of each reading was analysed, relevant articles were moved to the 'new article' folder while irrelevant readings were moved to the 'discarded articles' folder (some of these proved useful as the study developed and evolved beyond the primary proposal). A similar process was followed for hardcopy resources. Introductions of selected chapters were read and appropriate readings were photocopied and filed in a lever arch file. The following thematic categories were used; *alternative configurations and infrastructure, franchising, in situ incremental upgrading, poverty & energy, social enterprise development & market approaches to poverty alleviation and methodology.*

In addition to the two search strategies previously discussed a third search strategy was implemented using selected readings. The researcher undertook an ancestry search in which citations from studies and readings included in the review, and from non-included but analysed readings, were reviewed for their potential usefulness for the study. In combination these three literature review search strategies allowed for an extensive search which located a broad scope of literature and triangulated the findings thus increasing their reliability and validity.

1.8.2 Multiple-Case Study Research

Case study research is a research approach designed to facilitate improved exploration of a phenomena within a specific real-world context (Baxter & Jack, 2008: 544-559). A multiple-case study research design is a variation of this traditional case study research approach. This approach analyses two or more cases which display the same phenomenon. This thesis was interested in one specific complex context-embedded institutional phenomenon, namely microfranchising. Due to the embryonic nature of current research regarding this phenomenon the aim of this study is inductive knowledge and theory construction instead of theory testing. A qualitative approach such as this is appropriate when examining a somewhat under-researched phenomenon (Perry, 1998: 785-802). The use of multiple cases allows the researcher to confirm emerging constructs and reveal contemporary aspects of the phenomenon that goes beyond or addresses challenges in current theory (Baxter & Jack, 2008: 544-559).

The study focused on maintaining three key research quality factors to ensure the effectiveness of the study. These were validity, reliability and generalisability. These are three key criteria when judging the quality of case study research design (Phondej, Kittisarn & Neck, 2011: 126). To ensure validity the researcher aimed to convey a balanced, fair and honest account of each case. To guarantee this the researcher had each participant, as well as an external party, read the case report once it was completed and provide guidance and comments regarding the recorded information.

The practice of 'triangulation' was used to ensure the reliability of the information for each case. A range of data sources (semi-structured interviews, field observations and archival and document review) were used to minimise errors and bias in the study. Finally, the concept of generalisability is concerned with whether the exploration of a small number of cases can or cannot be extrapolated to a larger universal case (statistical generalisation). This however was not the purpose of this study. The purpose of this study was not to generate perfect statistical generalisability of the findings but instead theory-related analytical generalisation as described by Yin (2009: 38–39). This form of generalisation is appropriate in the conceptualisation and development of preliminary theory. With this as the aim, the generalisability of the results is accepted as valid and largely reliable (Yin, 2009: 38–39). This having been said the small number of observed cases, resulting in lack of overwhelming practical evidence for the researcher's claims, does represent a limitation of this study and further research is required.

a. Aim

This study aimed to investigate elements of good practice in microfranchising companies at the base of the economic and social pyramid. This is in order to gain cross-cutting and within-case lessons regarding an effective consolidating, operating and scaling model for alternative service delivery configurations (specifically the iShack project) in the context of informal settlement upgrading. The study also aims to highlight existing links, as well as the space where additional links can be developed, between microfranchising in practice and the concepts of everyday urbanism, in support of the proposed amalgamation.

b. Design

A multiple-case study research design (Chmiliar, 2010: 583-585) was adopted with three South African microfranchise companies (Unjani Clinics, African Honey Bee and Nuru Energy) representing three different microfranchising models; a corporate social investment initiative (backed by a large company), a social entrepreneur and a small & medium sized enterprise. Each case had three sources of information. They included direct observation of microfranchising activities, semi-structured interviews (with the microfranchisor) and document and archival information analysis. Data were collected in 2014. Cross-cutting and within-case data analysis was conducted to generate convergent findings across the three cases, highlighting common themes and practical microfranchising lessons.

c. Case selection

A purposive sampling technique (Tongco, 2007: 147-150) was used to select the three cases used in this study. This technique was based on a four stage selection process. Firstly, the business model used by the companies had to be based on the principles of microfranchising. Secondly, cases had to conform to the chosen definition of microfranchising as discussed in Article One in the microfranchising section. This definition is a small scale enterprise based at the bottom of the social and economic pyramid with a mission to directly better the lives of its target market. The third selection criterion was that the company had to fall within one of the following business model classifications: corporate social investment (backed by a large company); social entrepreneur; and small & medium sized enterprise. The final selection criteria assessed the ease of access to information and interviewees (based in South Africa) and the willingness of companies to participate in the study. Each participant was provided with an information sheet regarding the aim and purpose of the study. Each participant gave written consent to participate in the study. No conflict of interest is declared by the researcher. The majority of the companies that were explored but not selected for the study were unwilling to form part of the research.

d. Data collection

The data were collected in 2014. Three data sources (semi-structured interviews, field observations and archival and document review) in three phases were used to minimise errors and bias in the study. Phase one included a desktop archival and document review of the selected cases and intended interviewees. Newspaper articles, previous case studies, journal articles and electronic media were used to gain an initial understanding of the cases. This preparatory background information was used to guide phase two.

In phase two, semi structured interviews with the highest ranked individual in the company and field visits (where possible) were used. Both these interactions were undertaken, keeping in mind the following themes set up as a form of guiding structure: the microfranchising business model, microfranchisees, brand management and success factors. All interviews and visits were conducted in privacy at a location and time that best suited the participants and lasted between one and two hours. All interviews and interactions were audio recorded using a cellular telephone and transcribed verbatim into Microsoft word on the same day to ensure accuracy. The final phase was a second document and archival review. This phase focused on information and documents provided to the researcher by the interviewees combined with continued email and telephonic communications. Table 2 provides the details of conducted interviews.

Table 2: Main case study microfranchisor interviews

Date	Interviewee & position	Topic
25 th March 2014	Sameer Hajee & Simon Treneer, CEO & Director of Manufacturing, Nuru Energy	Microfranchising, Nuru Energy
25 th May 2014	Peter Shrimpton, Founder, Heart Capital	Microfranchising, social franchising
30 th June 2014	Lynda Toussaint, CEO, Unjani Clinics NPC	Microfranchising, Unjani Clinics NPC
11 th July 2014	Guy Stubbs, Founder, African Honey Bee	Microfranchising, African Honey Bee
28 th July 2014	Luvuyo Rani, Founding Director, Silulo Ulutho Technologies	Microfranchising, Silulo Ulutho Technologies

Source: Author (2014)

e. Data analysis

Continuing with the phased approach, the data received from the three cases were analysed on two levels. First, within-case analysis (Paterson, 2010: 971-973) was undertaken whereby data from each data source for each case were merged and triangulated in order to develop an understanding of the microfranchising practices of each case. The within-case analysis that was undertaken involved a pattern matching thematic analysis of the qualitative data, guided by the case guiding themes and question guide (see appendix A and B).

The second level was the inter-case or cross-case analysis (Burns, 2010: 265-267), where the researcher, using the thematic structuring of the within-case analysis, assessed the similarities and differences between the three cases. This allowed for the integration of data into convergent findings across the three cases highlighting common themes. Some key themes that emerged were the importance of the right microfranchisee, importance of training for the 'whole' person, a good brand being vital, that microfranchisees must receive continued support and mentorship, difficulties and solutions to financing microfranchisees and keeping microfranchisees motivated.

1.9 Research Originality

In order to determine whether or not this research is a duplication of previous work a search was conducted of the following databases: Sabinet (Networked Digital Library of Theses and Dissertation), Academic Search Premier on Ebsco, Google Scholar, The Human Sciences Research Council (HSRC) and SUNsearch (University of Stellenbosch). No focused literature on this specific topic or area of interest was located indicating a gap in current microfranchising and everyday urbanism (alternative service delivery) literature.

The following search terms were used:

Micro + franchising + iShack

Micro + franchising + informal settlements

Micro + franchising + informal settlement + upgrading

Micro + franchising + everyday urbanism

Micro + franchising + alternative + service + delivery + configurations

1.10 Ethical Implications of the Research

All researchers, no matter the field, have the responsibility to ensure their research is completed in a manner informed by methodological rigidity, transparency, and reliability. Misrepresentation was avoided at all costs and all research that formed part of this study was conducted in an open, honest and scholarly manner and made known to all appropriate parties taking privacy into account. Given the field of study (business related), a low ethical risk classification was appropriate. It is, however, important that participants in the study understand the processes in which they are involved. The purpose, aims and possible risks involved in the study were made known to all participants. Research was conducted only with participants' informed consent (in their home language and/or verbally explained). All case study participants (iShack, Nuru Energy, Unjani Clinics and African Honey Bee) signed participant consent forms before taking part in the study.

Given that the research took place within the field of *in situ* upgrading, special care was taken to manage expectations regarding the possible outcomes of the research. The researcher was careful not to misrepresent possible or likely outcomes of the process. Respect for the participant's rights (privacy, personal confidentiality etc.) was taken seriously throughout the study. Great care was taken to minimise the participants' (including all of the participating projects) exposure to unnecessary risks.

1.11 Thesis Outline

The thesis follows the format of two free-standing academic journal articles in the layout and style described by the School of Public Leadership in accordance with the requirements of the University of Stellenbosch. Both articles are targeted towards specific journals and were therefore written keeping these journal's goals, scopes, aims and styles in mind. The articles conform to the 'author guidelines' of *Social Dynamics: A Journal of African Studies*, *Habitat International*, *the Service Industries Journal*, *the International Journal of Urban and Regional Research*, *the Journal of Social Entrepreneurship*, and *the Journal of Business Research*. However, where the style restrictions of the University of Stellenbosch and the above mentioned journals clashed (i.e. word count and reference style) the researcher used the University of Stellenbosch's style guidelines. The journal articles are preceded by an overarching introduction and followed by an overarching conclusion which binds the thesis together. It is apt at this point to remind the reader that these articles, although part of a single thesis, are written as standalone articles aimed at different journals, therefore there may be some repetition and cross referencing across the articles. However, the researcher has attempted to keep this to a minimum.

The choice of the two journal article layout has its limitations. The chosen layout limits the amount of information that can be portrayed in the thesis. Given the number of in-depth relationships, intricacies and complexities inherent in this area of research this limitation was a hindrance. The researcher attempted to counteract this limitation and give the research added 'weight' by alluding to the plethora of additional available information on different topics (references), covering a lot of ground in the writing and ensuring the originality and rigour of the study. The possibility that this thesis can be published as separate articles in recognised journals, making a potential difference to the field, outweighed this limitation.

The initial chapter of the thesis is the overarching introduction. This chapter introduces the thesis by establishing the background and motivation for this study as well as the context, questions, objectives and importance of the research, while clarifying key concepts. The thesis is based within the drive to make a substantial contribution to the theoretical, practical and applied research on informal settlement upgrading by the Enkanini Research Centre Association, the iShack project and The Sustainability Institute. This initial section also includes an in-depth discussion of the research methodology (transdisciplinary research informed by case study methodology), research strategy and methods used as well as the ethical considerations and limitations of this study. This research study draws on both empirical and theoretical methods from TD and case study methodological traditions. The empirical methods used include a transdisciplinary research design and question development process, field observations and semi-structured interviews. The theoretical methods used include case studies and a literature review.

The following chapter is Journal Article One (*Governing diversity: microfranchising alternative service delivery in the context of in situ informal settlement upgrading*). This section initially explores urbanisation and the growth of the slum city. This is followed by an argument for everyday incremental urbanism and the development of alternative infrastructure configurations which are suited to the diverse and splintered context of the developing world. The next section explores one aspect limiting the successful implementation of *in situ* upgrading and alternative infrastructure configurations, namely a lack of an effective consolidating, operating and scaling system. The paper then presents the argument that microfranchising has the potential to fill this gap. Taking knowledge from the contemporary urban development concept of African everyday urbanism and bolstering it with the institutional arrangements and business management practices of microfranchising the synthesis allows limitations that currently exist in both fields to be addressed. The conclusion is presented that the intersection of these two distinct theories has the potential to build community, deliver basic services, promote economic and social development and integrate the oppressed into the formal economy.

The thesis goes on to present Journal Article Two (*Conceptualising a microfranchising model for the iShack project: a transdisciplinary case study*) in chapter three. The purpose of this article is two-fold, firstly as empirical (beyond theory) support for the original argument developed in Article one. This is achieved by highlighting existing links between microfranchising in practice and the innovations of everyday urbanism. Secondly the information gained from the study will also assist in the initial stages of the development of a microfranchising model for the iShack, by providing practical knowledge and lessons from the three main microfranchising case studies.

The initial section of this article provides a brief background to microfranchising, everyday urbanism and alternative infrastructure configurations and cross references the arguments from Article one. This section also articulates that the thesis was inspired by a key question: “How does the iShack social enterprise go to scale?” and presents the aim of the article (initial stage of the development of a microfranchising model for the iShack).

Building on this broad background the article presents the iShack case, explaining the project, exploring the current context and its goals. This article then describes three main microfranchising case studies. The three case studies are Unjani Clinics NPC, African Honey Bee and Nuru Energy. The case studies cover a wide range of microfranchising models from a purely social entrepreneurial approach to a medium sized enterprise to a corporate social investment model. The insight gained from these three case studies will support the presentation of practical microfranchising knowledge, lessons and a potential business plan to the iShack project.

The final chapter is the overarching conclusion. In this chapter the key arguments of the study are presented and reviewed and recommendations are made regarding the need for continued theory development and empirical research.

Chapter 2 (article one) – Governing Diversity: Microfranchising Alternative Service Delivery in the Context of *in situ* Informal Settlement Upgrading.

2.1 Introduction

It is argued in this paper that recent work on the urban heterogeneity and everyday urbanism (incrementalism) has created conceptual and empirical space for contemporary research on alternative service delivery systems (Jaglin, 2014, 2008; Simone, 2013; Sliber, 2014; Kelbaugh, 2001, 2007; Shepard, 2013). This includes research that explores various social enterprise-based service delivery models that could complement traditional public service delivery through market-based delivery systems. This article addresses one specific institutional configuration that may prove useful, namely microfranchising.

The literature on incrementalism and the literature on microfranchising originate from within diametrically opposite ideological fields namely contemporary urban development and management sciences. Despite this it will be argued that when combined the strengths of the one could be useful in addressing the weaknesses inherent in the other perspective. This article is not aimed towards a unified 'truth', instead it seeks to assimilate the divergent 'knowledges' from these two fields by searching for coherence and correspondences across the similarities/strengths and differences/weaknesses. In this way it seeks to identify and communicate convergent patterns across the disciplines. This synthesis opens up a fresh new field of research that could result in the development of a new generation of institutional arrangements for driving incremental upgrading in Africa's growing urban slums.

2.2 Urbanisation and the Growth of the Slum City

Today it is estimated that approximately half the population of the planet exists within an urban setting (Robinson, Swilling, Hodson, *et al.*, 2013: 4). The stark reality is that this urbanisation wave shows no signs of slowing. During the 20th Century there was a global increase of urbanities from 220 million at the beginning of the century to 2.84 billion in the year 2000 (Pieterse & Parnell, 2014: 1-11). This massive influx of urban dwellers over the past century is now expected to be matched in less than four decades, with the developing world accounting for 93% of the growth (Pieterse & Parnell, 2014: 1-18). Over the past few decades this rate of modern urbanisation has been at the core of many political and city agendas (Parnell, 2014: 431-433). What is clear from contemporary research and raging debates in the urban studies field is that the southern urban revolution is firmly underway (Madlener & Sunak, 2011: 45–50). This revolution is driven and maintained by multiple, interlinked and complex phenomena such as globalisation, population growth, rural decline and the search for economic and social opportunities in an urban setting (Turok, 2012: 15; Madlener & Sunak, 2011: 45–50).

Building on this broader backdrop, focusing specifically on Africa, projections suggest that the continent's population will double from about 1 billion in 2010 to more than 2 billion by 2050 (Pieterse & Hyman, 2014: 194). Currently the continent has approximately 414 million urban residents or urbanites (Pieterse & Parnell, 2014: 1-18). This figure represents roughly 40% of the total population of Africa (Pieterse & Parnell, 2014: 1-18). During the period of population growth from 2010 to 2050, Africa is expected to move from being 40% urbanised to approximately 60%. African urban centers, traditionally characterised by vast underinvestment in basic services and massive infrastructure backlogs, will be put under huge pressure.

In order to better understand this pressure, one can analyse the level of informal settlement prevalence in Africa. In 2010 it was estimated that roughly 62% of urban Africans lived in informal slum settlements (UN-Habitat, 2010). According to Pieterse & Hyman (2014: 194) this total proportion will remain the same as the urban population doubles. This means approximately 744 million people will be living in underserved, peri-urban informal settlements in Africa by 2050 compared to the current population of approximately 248 million.

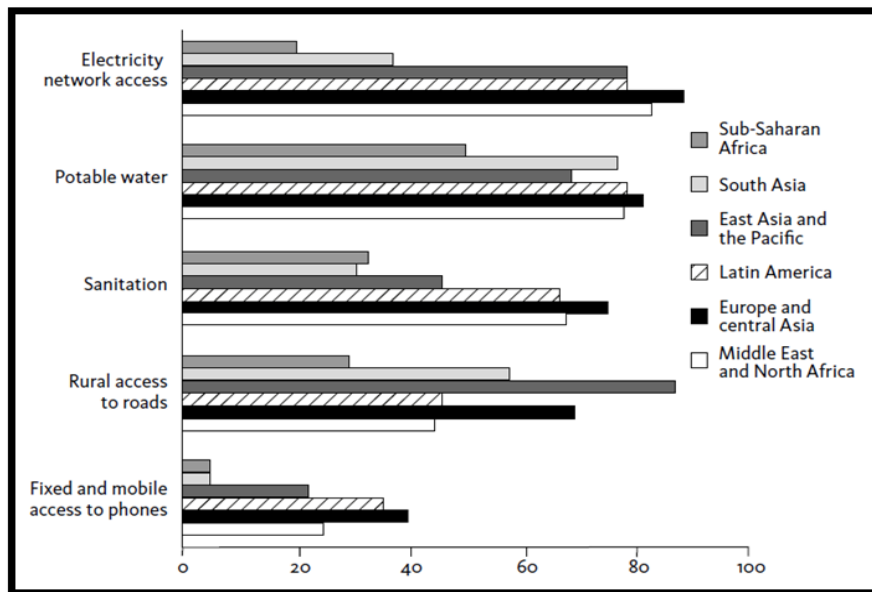
Pieterse (Director of the African Centre for Cities (ACC)) believes that by projecting these numbers forward it is clear there will be rapid slum growth within the next few decades, growth at a scale that developing cities are currently unable to socially and economically deal with and organise (Pieterse, 2014). The amalgamation of this growth with other complex variables creates the unique cities of the developing South, these being even more difficult to manage and understand than their developed Northern counterparts (Parnell, 2014:431-433; Pieterse & Parnell, 2014: 1-18). These cities are non-linear “pre-eminently emergent outcomes of complex interactions” between variables which are in a state of continual evolution and development (Swilling & Anneck, 2012: 107-136; Simone, 2013: 245). They are characterised, and will continue to be so, by a lack of access to basic services (water, electricity, sanitation etc.), inequality, permanent informality and complexity. South Africa is no stranger to this developing world complexity, urban explosion and slum growth. South African cities attract thousands of people annually from all corners of the continent, in search of a better way life (Richards, O’Leary & Mutsonziwa, 2007:375-388). Many people have no other option than to call informal slums home.

Throughout South Africa, Africa and the developing South, these slum settlements occupy disputed space, geographically as well as publically and legally (Huchzermeyer, 2009: 59-73). Governments from all over the developing world, including South Africa, continue to actively attempt to eradicate informal settlements instead of accepting their existence as part of the modern developing city and developing them as such (Rojas & Fretes Cibils, 2011: 7-32). This drive is often justified by a shallow misinterpretation of the MDGs Target 7, which aims to improve the lives of at least 100 million slum dwellers by the year 2020 (Huchzermeyer, 2009: 59-73). Policy makers continue to see informal settlement eradication as the means of achieving this target. However as the percentage of developing world urbanites living in informal settlements has remained constant or grown over the past few decades, it has become clear that the eradication approach has had little or no effect (Rojas & Fretes Cibils, 2011: 7-32).

The reality is that the developing world is no longer black and white but many shades of grey (Avni & Yiftachel, 2014: 487-505). The modern developing urban environment is coloured not only by the 'light' of standardisation, legality and justice but also by the 'dark' of illegality, informality and exclusion as slums become a larger and larger part of city life in the developing world (Avni & Yiftachel, 2014: 487-505). Over the past few years the realisation that informal settlements play a part in organising and housing booming urban growth has highlighted the importance of improving and working with the conditions of said informal settlements. This realisation has initiated a change in thinking towards the integration and upgrading of informal settlements *in situ* instead of their eradication (Abbott, 2002: 303-304). The nonutopian concept of accepting informal settlements as being part of the modern city may seem strange, but many developing cities are unable (or unwilling), socially and economically to deal with or organise projected urban growth. Therefore for the foreseeable future, slums, poverty and informality will remain part of the modern city in the developing world and must be dealt with as such.

Focusing specifically on South African policy, which was revised in 2004, the concept of *in situ* upgrading was made part of the breaking new ground policy. This policy is aimed at incrementally upgrading the lives of individuals living in informal settlements in South Africa (Del Mistro & Hensher, 2009: 333-354). The program seeks to reduce entrenched vulnerabilities, eradicate poverty and promote social inclusion of all informal settlements (Marais & Ntema, 2013: 85–95). Originally this was expected to be completed by 2014, but given the current state of the country's informal settlements the capacity of Government to fulfil these promises must be questioned. The inability and/or unwillingness to effectively deal with booming informal settlement growth (either through eradication or upgrading) has resulted in development, in most cases, not being able to keep pace with urban growth (Madlener & Sunak, 2011: 49-50). “The proliferation of informal settlements in urban areas is a massive obstacle to accelerating basic services” and providing needed infrastructure, an obstacle that is beyond “the capabilities of municipalities to confront by themselves” (DCGTA: 34-35).

Essentially, the explosive urbanisation of southern developing cities has surpassed the capacity of many local governments (South Africa included) to provide adequate infrastructure and services to the peri-urban slum settlements at the scale and quality that is required (Rojas, 2011; Davis, 2004). Individuals living outside of high or middle income enclaves remain isolated and trapped by a lack of access to basic services and infrastructure (Hailu & Tsukada, 2009: 3-5). Figure 3 represents the percentage of individuals with access to basic services and infrastructure in various regions.

Figure 3: Access to infrastructure services

Source: Ajulu & Motsamai (2008: 3)

Although this inability to provide infrastructure and basic services to all urban dwellers represents a significant failure, it also offers a major urban opportunity and has vast implications for how the infrastructure of the future must be conceptualised, designed and operated (Rojas, 2011: 1-5). The infrastructure for these unserved areas has yet to be built; therein lie opportunities to rethink deeply entrenched assumptions regarding a city and equitable development for all. The question is how will developing countries increase access by the poor to basic services while simultaneously reaping the benefits of the related positive externalities such as poverty alleviation, living standard improvements, economic development and reduced social unrest (service delivery protests) to name but a few (Hailu & Tsukada, 2009: 3-5)?

2.3 Diverse Urbanism: Alternative Infrastructure Configurations

Cities are built on vast infrastructure networks that facilitate the socio-metabolic flow of energy, information and resources, everything that urban inhabitants rely on for survival (Jaglin, 2008: 1897–1906). As discussed above, the unimaginable eruption of peri-urban slum settlements has made the provision of this infrastructure and basic services in developing cities more complex and inherently difficult (Swilling & Annecke, 2012: 107-136). It is this difficulty and complexity that makes it clear that, along with many other variables, infrastructure and the provision of basic services represents a key entry point into the discussion around mobility, social power and informal settlement development in the Global South (Hodson & Marvin, 2010; Robinson et al., 2013). In the developing world the basic needs of millions of peri-urban slum dwellers for energy, sanitation and the like, and how these services are to be delivered, will dominate city and national agendas for years to come (Parnell, 2014: 431-433; Jaglin, 2014: 434-445).

Traditionally the majority of services have been provided by interconnected, massively expensive, centrally planned and managed networks that are driven by a monopoly-based public utility (Jaglin, 2014: 434-445). Over the past 40 years the boundaries of service delivery have been stretched and cropped from public to private, commercial to non-commercial through both pro-poor governance and institutional reform, but rarely has this configuration been questioned. Failures and the lack of universal access to infrastructure and basic services have been interpreted as governance and regulation problems or development delays that will be rectified with time. Networked, monopoly-based public utilities continue to be seen as the most efficient manner of providing all urban dwellers with egalitarian access to standard services (inclusive urbanisation) (Graham & Marvin, 2001; Coutard, 2008: 1815–1820).

Graham and Marvin (2001) propose that the ‘unbundling’ of networked infrastructure, which they argue is driven by the privatisation and liberalisation of urban service delivery, results in the social fragmentation or splintering of the modern city (Graham & Marvin, 2001; Coutard, 2008: 1815–1820). In this case being able to access basic services becomes a question of ‘you get what you can pay for’ (infrastructural consumerism), creating uneven access and reinforcing the boundaries between the connected wealthy enclaves and the unconnected poor. This understanding is based on the fixation of recreating, in the developing world, the success of the ‘modern infrastructure ideal’ in the developed world.

The ‘modern infrastructure ideal’ is an inclusive urban environment where services are equally delivered by integrated, government-owned and standardised network infrastructures (Coutard, 2008: 1815–1820). Today, despite evidence of a shift in thinking, any deviation from this prefigured networked path is still met with resistance (Jaglin, 2014: 434-445). Differentiated or ‘unbundled’ service delivery configurations are seen as unsuitable for dealing with past and current inequalities that challenge the developing world (Jaglin, 2014: 434-440). They are seen as simply reproducing the unjust distribution of the Apartheid era, furthering social polarisation (splintering) and inequality inherent in modern developing cities (Jaglin, 2008 : 1897–1906).

However, it is time to question the ‘modern infrastructure ideal’ without falling into the trap of assuming that state withdrawal and privatisation are the panacea. The applicability of this ‘ideal’ universal network is dependent on three main urban dynamic factors: (1) the ability and will of Government to provide the universal service; (2) public control over land occupation and (3) minimal poverty (Coutard, 2008: 1815–1820). With a large majority of urban dwellers in the South living in informal settlements, poverty and land invasion is rampant. In the slum cities of the developing world the rate of urbanisation has, in the majority of cases, outstripped the capacity of governments to provide networked infrastructure at the quality and scale that is needed (Hailu & Tsukada, 2009: 3-5).

This inability or unwillingness to provide the 'modern ideal' to all urbanites fosters the existing social fragmentation, accentuating the gap between the 'haves and the have not's'. In addition, Southern urbanisation cannot be seen as a 'projection' of the developed world. The influx of individuals into urban hubs does not follow a singular global pattern (Jaglin, 2014: 434-445; Parnell, 2014: 431-433) as suggested by the theory of 'planetary urbanisation' (Merrifield, 2013: 909–922). The reality is that modern urbanisation is diverse in structure, experiences and practices, none of which conform to the "one-size-fits-all" mentality of the 'modern infrastructure ideal' (Coutard, 2008: 1815–1820; Mcfarlane & Rutherford, 2008: 363–374). With this understanding, imagining infrastructure as 'seamless', stable and always universally available is problematic. Society must question the applicability of Graham & Marvin's (2001) theory to the complex, malleable and poverty-stricken urban reality of the developing South (Avni & Yiftachel, 2014: 487-505).

Humanity in the developing world no longer exists in a splintering urban social context but in an already largely splintered environment with informal slums on the one hand and wealthy connected enclaves on the other (Kooy & Bakker, 2008:1843–1858). The existing diversity of this splintered urban reality renders network infrastructure and the macro-institutional structures that support them unable to fulfil their role (Jaglin, 2008:1897–1906; Kooy & Bakker, 2008:1843–1858). From critical assessment, in a complex, diverse and poverty-stricken social context, Graham & Marvin's (2001) line of argument is no longer applicable.

However this is not the only way forward. The infrastructure for these un-serviced slums has yet to be built, and therein lies an opportunity to rethink deeply entrenched assumptions regarding the city and its equitable development. Pieterse (2006:285-304) and Swilling & Annecke (2012: 107-136) support this understanding by proposing that the crisis faced by developing countries' cities represents an opportunity to re-envision their future, potentially establishing alternative service delivery configurations within diverse urban systems where traditional approaches have failed.

These alternative configurations fill the gap in the traditional service delivery system and target either ‘well-off’ clientele (seeking an improved service) or the poor excluded from the conventional service delivery due to topographical limitations, a lack of resources or illegal status. Focusing specifically on the energy (electricity) utility and poor communities, these could be illegal or informal connections, off-grid smart solar or renewable energy systems, communal cell phone charging points or battery rentals to name a few (Jaglin, 2014: 434-445). Opposing the one-size-fits-all mentality, these alternative service delivery configurations are created by a heterogeneous configuration of institutions, actors and networks, each bringing into play a specific set of tools, knowledge sets and values catering for a specific context (Jaglin, 2014: 434-445).

Every configuration that is part of this heterogeneity of service delivery systems has one thing in common: the traditional networked infrastructure has failed satisfactorily to reach the end user. It therefore requires socio-technical additions in the form of context-appropriate extensions to the network or off-network assemblages to extend the function of the service to those who are currently inadequately serviced (Jaglin, 2014: 434-445; Fernández-Maldonado, 2008: 1884–1896). It is the combination of these diverse alternative configurations, tailored to their context which, together with traditional networked services, represents a developing world’s nonutopian adaption to explosive urbanisation.

This is everyday urbanism which embraces and builds upon the difficult reality of daily urban life, instead of the pretence of a ‘modern ideal’ built environment (Kelbaugh, 2007: 12-19). It embraces the “multiplicity, cacophony and simultaneity” of the everyday urban reality, exploring means of improving what already exists in an incremental way and creating a dynamic urban form that evolves from within (Kelbaugh, 2007: 12-19; Sliber, 2014: 1-22). Essentially, residing beneath and between the uneven landscape of the networked city, there could exist alternative service delivery configurations that, instead of reifying existing skewed service distribution and power relations, reconfigure normative systems and infrastructure, establishing space for a heterogeneity of service delivery systems to flourish (Shepard, 2013: 483-494).

It must be made clear that this does not describe an environment of competition between alternative and state-driven networked infrastructure configurations as they are considered two parts of the same whole. A whole that in a complex diverse reality, is better able to reach all urban inhabitants, providing them with basic services needed to survive. A whole, that understands situational urban development and that is brought into existence through everyday urban life (Shepard, 2013: 483-494; Sliber, 2014: 1). In this way alternative service delivery configurations allow for a new, non-utopian understanding of inclusive urbanism, one that does not necessarily mean ‘everyone gets the same thing delivered in the same way’ but that everyone receives similar basic services but through diverse delivery means, adapted and developed for the specific context (diverse inclusive urbanism). In an already splintered context a heterogeneous configuration of service delivery systems has the progressive potential to respond to the complexity and existing diversity that constitutes modern Southern cities, providing services to a much greater number, thus lessening the gap between isolated communities and wealthy connected enclaves (Jaglin, 2008: 1897–1906).

This understanding of the importance of a heterogeneity of delivery systems links closely with, and supports, the emerging theory of incremental infrastructure development and the drive for *in situ* upgrading of informal settlements. *In situ* upgrading is aimed at incremental social and physical ‘in place’ development of informal settlements, in partnership with the individuals for whom the development outcomes are intended (Del Mistro & Hensher, 2009: 333-354). The concept seeks to reduce entrenched vulnerabilities, eradicate poverty and promote social inclusion of informal settlements. This is achieved through participatory incremental land rehabilitation, supporting and developing economic sustainability, addressing vulnerability and developing alternative service delivery configurations built on the everyday reality of slum living (Marais & Ntema, 2013: 85–95). Heterogeneity in terms of service delivery is paramount to everyday urbanism and incremental *in situ* upgrading of informal settlements. Heterogeneity opens up a contemporary and potentially fruitful means of understanding and pursuing incrementalism in the developing South.

Embracing heterogeneity, alternative service delivery configurations and the resulting participatory incremental development fosters a rethinking of infrastructure configurations as being not only about the flow of basic services but also about the development of people and communities. This form of development has immense emancipatory potential, allowing those stuck in the vicious cycle of poverty to free themselves and potentially create a virtuous circle of development. This would allow for the continued blurring of the lines between the 'haves' and the 'have not's' and the creation of grassroots resilience against the pains of poverty, giving people the means to their own development. In theory, this form of development could potentially provide meaningful opportunities for Southern cities. Why then, in practice, are there so few (if any) projects that put this form of development into practice at scale (Keller, 2012: 28-37)?

2.4 Drive and Support Framework for Alternative Configurations

Reflecting on the work relating to the 'greying' of developing cities, heterogeneity of service delivery configurations and everyday urbanism, it is clear that these fields are developing quickly, being clearly articulated and gaining momentum. This is also true for the policies and programs regarding *in situ* informal settlement upgrading. However, although well-articulated, and in the case of national policy enacted, few projects, in the African and South African context, that embrace incrementalism, alternative configurations and *in situ* upgrading are successfully implemented at scale (Keller, 2012: 28-37). Although the complexity of this field could result in numerous causes being at the heart of this failure, one potential candidate is the lack of institutional arrangements and support frameworks designed to support a heterogeneous configuration of service delivery systems. Although experts from around the world consider everyday urbanism and *in situ* informal settlement upgrading to be part of a genuinely transformative approach to development, the process by which this transformation is to take place is still not sufficiently understood from an institutional perspective.

Many well-written and influential papers within these fields champion their respective concepts, define them, argue their case and state their economic, social and environmental benefits, yet fail to address the means to actually achieving these transformative development concepts (Jaglin, 2014, 2008; Sliber, 2014; Avni & Yiftachel, 2014; Simone, 2013). Very few of these significant writings move beyond a focus on the pilot phase, positive aspects of or argument for an intervention and give sufficient attention to a consolidating, operating and scaling system. As discussed below, there is however evidence to suggest that a potential operating system already exists and has been developing over the past few decades. The potential exists but links between isolated theories and 'field languages' in the management sciences and development fields have yet to be fully uncovered.

Over the past few decades the concept of creating economically viable, well governed and sustainable ventures within heterogeneous, poverty-stricken communities has gained prominence in management science (Calton, Werhane, Hartman & Bevan, 2013: 721-723; London, Anupindi & Sheth, 2010: 582). In this field these communities are referred to as the 'Bottom of the Pyramid' or 'Base of the Pyramid' markets (BoP). Although a universal definition of the term is not clear-cut, this is a socio-economic concept that allows for the segmentation of the world's poorest people into a vast 'invisible box'. This is the largest but poorest group within the global population. They exist below a set living standard and are blocked from the modernity of a globalised society, segregated by a lack of access to basic goods, services, job opportunities and myriad other variables inherent in structural poverty.

Numerous for-profit and non-governmental organisations, many of which can be referred to as social enterprises, are creating ventures within this socio-economic context, providing goods, services and business opportunities to these un-served communities (London, Anupindi & Sheth, 2010: 582). The driving force behind this interest stems from growing social pressures placed on for-profit companies by informed consumers as well as the constant search for competitive advantage and new niche markets. As for the non-governmental organisations (NGO's), a growing frustration with unsustainable and ineffective charity-based interventions has resulted in the need for a more scalable and economically viable form of development and poverty alleviation (Kistruck, Sutter, Webb & Ireland, 2011: 503-520). Whether for profit or not, the majority of these ventures pursue primarily social goals, but seek to accomplish them in a manner that is financially sustainable, instead of relying on government grants or third party donations (Kistruck, Beamish, Qureshi & Sutter, 2013: 31-66).

While in its infancy, the theory of business management in BoP markets was seen as an opportunity to create profit at the Bottom of the Pyramid (Kolk, Rivera-Santos & Ruffin, 2014: 339-341). This understanding received much criticism as being empty rhetoric behind which exploitive management practices were hidden (Arora & Romijn, 2011: 481– 505). Essentially, critics maintained that the social goals of the majority of businesses in BoP markets were empty promises, their main aim remaining financial growth, in many cases at the expense of social upliftment promises (Simanis & Hart, 2008: 1-2). The business remained the central and primary beneficiary of the venture (Simanis & Hart, 2008: 1-2).

This original understanding has subsequently been reframed originally by Simanis & Hart, (2008) and then by London & Hart (2011) and Calton et al.(2013), and is now referred to as 'BoP 2.0'. This reframing resulted in the company being shifted from being the centre of the equation to being one half of a partnership in creating profit with the Base of the Pyramid, thus collaboratively creating and sustaining social and not just private value (Hall, Matos, Sheehan & Silvestre, 2012: 785; Calton et al., 2013: 721-723). BoP initiatives no longer focused solely on satisfying consumer needs of the poor but instead on fostering the local economic and development potential of the communities. These business models involve and empower the poor as business people in a participatory, co-ownership process, aimed at building local capacity through openness, experimentation, flexibility, mutual learning and dialog (Arora & Romijn, 2011: 483-490).

However, a bottom-up participatory market based approach should not be simplistically romanticised or seen as a panacea in this complex social context. It is imperative to appreciate not only the positives but also the limitations and complexities of this type of intervention, instead of simply embracing its desirability. This will require a nuanced understanding of both the strengths and vulnerabilities of the approach rather than a focus on either in isolation. The field continues to be challenged by token participatory interventions, myths of coherent, organised and homogenous communities, and a lack of financial capacity, effective research and competent facilitators within the participatory processes (Smith, 2008: 353-366). However, ignoring warped motives behind many current BoP ventures and embracing both its strengths and weaknesses, it is clear that creating interventions that foster local economic development potential, while still delivering products and services is valuable (Viswanathan & Sridharan, 2009: 1-8). If meaningful social upliftment is sought through participatory collaborations, if communities are understood as emergent, complex entities, if local level capacity limitations are understood and dealt with, and if knowledge of this process is further improved, then this form of development has a contribution to make in the future of the developing world (London et al., 2010: 582–594).

This article is particularly interested in the contribution BoP enterprise models may make to future *in situ* informal settlement upgrading as a potential operating system for the constitution, consolidation and scaling of alternative service delivery interventions. One such BoP business operating system which many believe has the potential to do this and more is franchising referred to as ‘microfranchising’, ‘social franchising’ or ‘developmental franchising’ in this context. Many practitioners and theorists alike see microfranchising as potentially being the next big development tool, operating system and growth strategy for participatory interventions within BoP markets (Kistruck et al., 2011: 503-520).

2.5 Franchising

Driving through major cities of the modern world one would be hard pressed not to stumble upon some form of American fast food restaurant. These physical manifestations of the franchising concept are often jokingly referred to as the 8th wonder of the world (Du Toit, 2014). Yet they are passed by on a daily basis without a second thought. Could it be possible that these icons of the extravagant American consumer culture represent a key intervention in one of the foremost challenges of the 21st century? Could franchising represent a potential macro operating system or ‘motor and chassis’ for the incremental upgrading movement? If there is evidence that this might be possible it could potentially represent a new, formalised alternative service delivery configuration, driven and maintained from within, by the very people it is serving. An incremental *in situ* development that uses a social enterprise model could possibly provide improved access to basic services, build community, support economic development and provide a means of integrating the oppressed into the formal economy.

2.5.1 Traditional Franchising & Franchising in South Africa

The earliest rudimentary signs of the franchising concept can be found as far back as 200 BC in China as part of a local food distribution network (Illetschko, 2011: 9-21). In contemporary thinking however, the word franchising is synonymous with the negative mental image of conventional generic fast food restaurants (Magleby, 2007: 133-148). In reality the franchise business model is much broader and more flexible than this simplistic understanding (Magleby, 2007:133-148). Although originating in the United States it is now practiced in many different industries in all corners of the globe (Illetschko, 2011: 9-21). Franchising has established itself as the most successful business expansion mechanism of the modern world (Gibson, 2007: 17-40). Generally speaking there are two main branches of franchising, namely product franchising and business format franchising (Magleby, 2007: 133-148). There are however numerous variations of these main branches that also fall under the term franchising, for example conversion, area and tandem franchising.

It is widely accepted that modern-day product franchising evolved during the mid-1800's with the invention of the famous Singer Sewing Machine (Illetschko, 2011:9-21). The company, backed by newly developed mass production techniques, quickly saturated the local market (Illetschko, 2011:9-21). In order to deal with this sudden over-supply and dwindling local demand, the company created a new national distribution network of sales outlets by 'renting' out the rights to sell the Singer products. An individual who was part of this network received training and local support and was expected to provide some of the capital needed for the expansion (Gibson, 2007: 17-40). Within a few years their 'franchise' was servicing the entire United States. This concept of 'renting' the rights to sell a product in a specific area to an entrepreneur and providing them with training and support soon spread across industries and the concept of product franchising was born (Illetschko, 2011: 9-21).

It was only in the mid-1900s, with the proliferation of the fast food restaurant in America, that business format franchising emerged (Illletschko, 2011:9-21). The concept is based on the idea of a 'turnkey business in a box'; the franchisor charges a fee for the rights to operate a business under a specific name using a blue-print of proven operating systems and procedures (Gibson, 2007: 17-40). Almost any activity that can be standardised can be successfully brought to the market using a business format franchising system, making this model one of the most prolific in the world (Illletschko, 2011:9-21). In the United States alone, in 2011, franchised activities were responsible for USD880 billion in sales annually from around 900 000 franchised outlets, employing more than 21 million individuals, and accounting for more than 50% of all consumer sales in the United States (Illletschko, 2011:9-21).

No matter the variation, at the heart of the model is a symbiotic relationship between a locally based autonomous entrepreneur and an external (provincial, national or global) supportive enterprise (Kistrucket al., 2011: 503-520). As one develops so does the other; as one creates benefits for themselves the other benefits as well. As part of a franchise relationship the large enterprise (franchisor) benefits from the entrepreneurs' local knowledge, contacts, start-up capital, manpower and monthly fees (Gibson, 2007: 17-40). The locally based entrepreneur (franchisee) benefits from a proven, less risky institutional infrastructure, training and support as well as systems and procedures provided by the franchisor. This symbiotic relationship is driven by the need to overcome traditional agency concerns and resource scarcity, as well as to leverage buying power and standardisation, none of which either the franchisee or the franchisor would be able to do alone (Kistruck et al., 2011: 503-520).

This symbiotic business relationship is not unique to the developed North from where it originates. Research shows that franchising is a prevalent, yet underestimated, business growth strategy in the developing world (Henriques & Herr, 2007: 43-64). In South Africa, for example, in 2013 franchising contributed an estimated 9.7% of the country's Gross Domestic Product (GDP), adding about 3,700 new businesses to the economy in 2012, turning over R302 billion in revenue and employing roughly 300 000 people (South African Franchising Warehouse, 2014).

Despite these impressive statistics, researchers make it abundantly clear that this business expansion mechanism has yet to reach its full potential in the developing world (Henriques & Herr, 2007: 43-64; Illetschko, 2011b: 22-34). These researchers make it clear that the franchising concept is sufficiently flexible to serve the needs of the vast, yet severely under resourced and somewhat forgotten, markets at the bottom of the economic and social pyramid in developing nations (Burand & Koch, 2010: 24-40). The prolific growth of the franchising business model across a wide range of geographic and industry settings has generated interest in its viability in BoP markets (Kistruck *et al.*, 2011: 503-520).

2.5.2 Microfranchising

“Microfranchising offers affordable business ownership, skills training, financial literacy, reliable systems, supplier and market relationships, employment and income and wealth-creation for people and communities at the lower end of the economy”-

Jason Fairbourne

There is no silver bullet, all-encompassing cure for poverty (Burand & Koch, 2010: 24-40). However, as imperfect as many of them are, there are tools that over years, have shown some success in spurring on poverty alleviation and improving living standards at the base of the economic and social pyramid (Burand & Koch, 2010: 24-40). One such tool is the promotion of entrepreneurship through microfinance (lending of capital in the base of the pyramid) in order to drive economic and social development (Woodworth, 2007: 78-89). This development approach accepts that one key to battling poverty is the development of legal, profitable, locally-owned small businesses, servicing the needs of the impoverished while creating employment and community development (Magleby, 2005: 10-16).

One limitation of enterprise development and the promotion of entrepreneurship is that it favours the well-connected, educated and wealthy. The majority of would-be entrepreneurs in the base of the economic and social pyramid do not have the necessary skills and expertise required to succeed in difficult social, economic and political contexts. In the majority of cases slum-dwellers are stuck in intergenerational black holes, in which even the brightest of entrepreneurial flames struggles to light the way. Despite this, given the existing employment shortage in developing nations many individuals are forced to become what are called 'necessity entrepreneurs' (Sireau, 2011:1-7). These are people that would rather be employed, but given lack of opportunities or required skills and education, are forced to create small enterprises (Gibson, 2007: 17-40). Given the context these individuals often do not have the knowledge, skills or capital to allow a business to successfully survive let alone grow (Gibson, 2007: 17-40).

To illustrate the point, the ACC and Women in Informal Employment: Globalizing and Organising 's (WIEGO) Informal Economy Monitoring Study (IEMS) has begun to examine informal economies in developing nations(WIEGO, 2014). This emerging research indicates that South Africa, relative to its size, has one of the smallest informal economies in Africa, despite a stable average national unemployment rate of roughly 25% since 2008 (Statistics South Africa, 2014b). This is due in part to a lack of education, skills, entrepreneurial aptitude, business support and mentorship (Mkhize, Godwin & Skinner, 2013) 18-42; WIEGO, 2014). This leads to the majority of efforts to activate local economies around enterprise development interventions resulting in failure (Pieterse, 2014).

Microfranchising is aimed at these very gaps left by traditional enterprise development. Recent research has indicated that successful microfranchisees more closely resemble 'non-entrepreneurs' than entrepreneurs (Smith & Seawright, 2011: 2). Practitioners believe this is because the model, with an accompanying focus on training and support, compensates for lack of skills, education and entrepreneurial abilities which are characteristic of the majority of the world's poor (Smith & Seawright, 2011: 13).

Microfranchising represents an opportunity to provide individuals that lack business aptitude and natural entrepreneurial ability, with the necessary skills and tools to operate a successful business. Although there is currently no universal definition for microfranchising it is basically an enterprise development and poverty alleviation tool that makes use of the tried and tested business and operational concepts of franchising to support and develop enterprise within developing markets, while meeting a real market need (Stoker, 2007). At its core it is a symbiotic relationship between a local individual or community and a large enabling institution (Magleby, 2005: 20-35).

As with traditional franchising there are several models for microfranchising in the developing world. For the purpose of this article the definition is limited to a small scale enterprise based at the bottom of the social and economic pyramid with a mission to directly better the lives of its target market. The important element of this definition for this discussion is the fact that a microfranchise offers products, services, enterprise development, training and support that directly increase the quality of life for the community in which they operate. Social benefits are created in line with revenue generation. In this way the company remains financially viable while promoting community development and offering vital products and services to previously unserved communities.

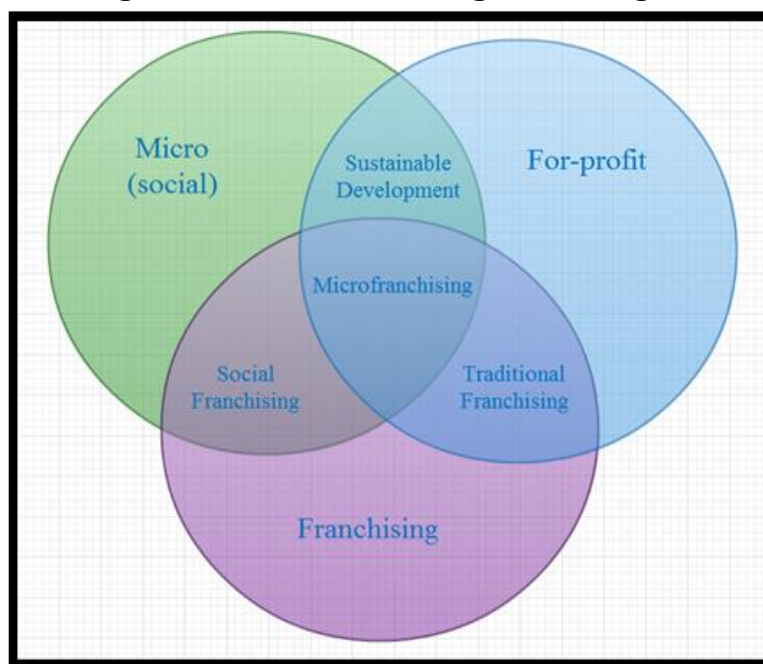
The success of franchising in developed nations is largely due to the in-depth systemisation of processes, operations and procedures and continued support and training to the point where a local individual can run the business effectively and relatively risk free using the tried and tested business model (Rogers, Fairbourne & Wolcott, 2011: 35-49). Microfranchising is much the same, except it leverages franchisee energy and assists those from the base of the economic and social pyramid (Rogers et al., 2011: 35-49). It is thus an innovation that combines the advantages of commercial franchising (combined purchasing power, strong track record, training, systemisation, marketing, and experience) with the strengths of the small scale enterprise (high levels of commitment, motivation and knowledge of the local area) and the passion for social development.

At its core microfranchising addresses three primary challenges that exist in the developing world. These challenges are: (1) a lack of jobs (2); a lack of goods and services for the poor; and (3) a lack of business aptitude amongst those in poverty (Burand & Koch, 2010: 24-40). By design, microfranchising augments livelihoods and deals with traditional noncapital barriers to market entry and employment that other development tools fail to address (Jones Christensen, Parsons & Fairbourne, 2010: 595–601). This model, of which continued training and support is a key element, compensates for some key limitations that hinder the success of traditional enterprise development and microfinance in many developing nations. This is done by providing microfranchisees (locals) access to proven and established networks, marketing tactics, supply chains and mentorship support by the parent company (Jones, Christensen et al., 2010:595–601). Opportunities for both individual improvement of the microfranchisee as well as job creation and community development are clearly defined within this emerging development tool (Kistruck, et al., 2011: 503-520).

The concept is further explained by separating the phrase into its individual components. The 'micro' element of microfranchising is taken from its sister intervention microcredit (also known as microfinancing) and essentially encompasses both its small size (very few employees per microfranchise, not a strictly set number) and its social, co-learning and grassroots intervention base (Rogers et al., 2011: 35-49). It indicates that this tool is created for micro-economies and designed for low income microfranchisees and customers. It also represents the fact that, unlike commercial franchising, value is placed on the well-being and development of the microfranchisee and their community, more so than on financial gains (Sutter, et al., 2011: 503-520). This is a people-centred business model and the continued development and support of the microfranchisee and their community is vital to its success.

The 'franchise' element of microfranchising represents replication to scale and comes from commercial franchising, the most influential business growth strategy of all time (Fairbourne, 2007: 1-14; Gibson, 2007: 17-40). It represents the systematisation of operations and procedures in order to develop a 'turnkey business in a box' that is easily replicable and economically sustainable (Rogers et al., 2011: 35-49). It is based on the principle that management, rather than *entrepreneurism*, is a *teachable skill* (Jones, Christensen *et al.*, 2010:595–601). Figure 4 represents relationships between factors which, when pooled, create microfranchising.

Figure 4: Microfranchising Venn diagram



Source: Fairbourne (2007b: 9)

The concept holds benefits for the local individual or microfranchisee, the community in which enterprise is based and the larger corporation and external investors (Lovasic & Pompei, 2014: 9-10). For the microfranchisor and investor it provides a relatively risk free means of scaling into new markets and providing innovative goods and services to the world's poor (Rogers et al., 2011: 35-49). This is because the microfranchisees are not left to their own devices but instead follow a set proven business model thus potentially increasing the chances of creating financial gains and social impact (Rogers et al., 2011: 35-49). As for the microfranchisee, it provides needed support to the next step up the economic ladder by providing a 'business in a box' along with the training, education and support needed to start and maintain an effective microenterprise (Lovasic & Pompei, 2014: 9-10). For the community in which the microfranchise is based it provides fair and equal access to goods and services (Rogers et al., 2011: 35-49). In addition to keeping local money local, it also successfully injects training, expertise, skills and new ways of thinking into the community, empowering them, generating employment and stimulating the local economy (Alon, 2004: 156-169; Lehr, 2008: 1-7).

2.6 A Franchising Framework for Heterogeneity

Taking into account the potential benefits of microfranchising, the growth of the industry and the success of the franchising business model as a whole microfranchising has the potential to play a part in the future of developing nations. However, it must be clearly stated that this is not an all-encompassing cure (Magleby, 2007: 133-148). The complexity of the context that characterises the market at the base of the pyramid highlights some key limitations of microfranchising (Kistruck et al., 2011: 503-520).

In order to briefly underline potential limitations of the pure 'commercial' microfranchising concept, some tangible examples are appropriate. The Bertha Centre for Social Innovation and Entrepreneurship and some other influential partners have undertaken to assist vulnerable people at the bottom of the economic pyramid by supporting and scaling proven social impact organisations under the auspices of social/micro franchising (FranchisingPlus, 2014). For discussions sake one of the selected social impact organisations is a waste collection company based in informal settlements in the Western Cape.

Four main issues would hamper the success of this business model in this specific context with regards to the microfranchising element. Firstly microfranchising brushes over the heterogenic nature of modern communities (especially the 'poor'); they are often seen as an undifferentiated mass, a single unified society (Henriques & Herr, 2007: 43-64). This fixation of understanding a very complex and emergent 'organism' as a single unified mass results in an ineffective target market analysis, an unrealistic business model and eventual failure.

Secondly, the traditional microfranchising model is built on intensive standardisation and systematisation, two things that are not always possible and may limit the success of this concept in the complex context at the base of the pyramid. Areas where these microfranchised waste collectors will operate may differ drastically. One potential example is the relationship that different cultures have with their waste. This may influence how and when waste should be collected. Creating a venture that seeks scale in this complex context through only the mechanism of standardisation and systemisation is unwise and will limit the venture's impact. The fixation with creating a 'business in a box' must be rethought as a drive to create a 'business in a flexible box'. Co-learning and adjustment must, in many cases, outweigh the drive for replication, allowing for local context adaption and reflexivity (Jones, Christensen et al., 2010: 595–601). The importance of microfranchisee knowledge networks based on shared learning and support should also be part of the definition (Du Toit, 2014). Without this local adaption to standardised systems a business model that works in one area will fail in another.

Thirdly, the microfranchising literature rarely addresses unequal power relations between the functionaries in participatory ventures of this nature (Kistruck et al., 2011: 503-520). The writings in this field fail to acknowledge any struggles around plurality of values, interests, culture and language between diverse actors (Kistruck et al., 2011: 503-520). As in most participatory ventures knowledgeable facilitators are vital to the success of the process (Smith, 2008: 353-366). In the waste collectors example some potential stakeholders may be municipality, informal dwellers, microfranchisees and a larger parent company (microfranchisor).

A microfranchising venture that fails to see the plurality of values, interests and cultures involved and openly address difference from the outset, through skilled and experienced facilitators, will fall into the trap of 'tokenistic' participation or complete communication and interaction breakdown. Token participation is a form of 'window dressing', where even though it may appear that all the stakeholders are participating, in reality the diverse experiences, values and interests of all the stakeholders are not being taken into account but instead are overshadowed by a particular group's interests. A situation like this will drastically limit microfranchising ventures role in poverty alleviation and development.

Lastly, a microfranchised company like the waste collectors example will be hindered by the fact that the bulk of microfranchising literature sees 'communities' as being isolated from their wider politico-economic contexts and down-plays the role that government should play in these ventures (see for example Magleby, 2005: 28). This is one of the field's greatest limiting factors as development will never take place in isolation and without the help of government. A microfranchising venture in the development field that insists on being completely isolated from government will drastically limit its potential impact.

However, if this microfranchised waste collection intervention was more cognisant of the heterogeneity and complexity of the social dynamics in the context and the modalities of engagement with the state, many of the afore-mentioned hurdles could be overcome. Much like with alternative service delivery configurations this institutional concept should not be envisioned as being in competition or as a replacement for government participation and separate from the larger context. Instead, microfranchising should be seen as a contemporary means of engaging with the difficult reality of modern developing urban centers. Consider once again the waste collectors example. If the venture was aware of its inherent 'embeddedness' in the larger social context, the likelihood increases that the complex and emergent nature of the target market will be grasped, co-learning and context flexibility will be initiated, true participation will be possible and the plurality of values, interests and cultures that are present will be appreciated and used to benefit the organisation.

This need for microfranchising to appreciate the heterogeneity and complexity of the social dynamics of the context and the importance of effective state engagement echoes the argument presented by everyday African urbanism as previously discussed. Essentially, in traditional urban literature monopolised state-driven networked infrastructure is assumed to be the norm, and in the BoP literature (microfranchising) pure systematic market driven approaches dominate the discourse. Following the rationale of African everyday urbanism, both are incorrect; it is in fact the fusion that matters. In the case of infrastructure the fusion of networked and alternative configurations, and in the case of development it is the fusion of the strengths and vulnerabilities of market-driven approaches like microfranchising with the support of government that has the ability to have a meaningful impact. The importance of developing this nuanced understanding of public-private partnerships through the vehicle of microfranchising needs to be closely addressed in future research and development practice. It is a notion that must be incorporated into the literature on everyday urbanism that has hitherto tended to be suspicious of normative market perspectives while romanticising what informal operations can do in informal markets.

By taking understanding, innovations and the knowledge of complexity, heterogeneity, participation, grassroots development and the 'embeddedness' of heterogeneity and alternative service delivery configurations, and bolstering it with constituting, consolidating and scaling lessons that can be drawn from the principles of microfranchising there is potential to create a potentially influential urban development tool. A tool developed from a social enterprise model that works with market dynamics while taking advantage of state resources. This synthesis would provide basic services to currently unserved populations and stimulate sustainable economic, community development and integration into the formal economy through a combination of social gain, urban community development, integration and sustainable enterprise creation. Ticking many, if not all, of the boxes of what it requires to incrementally upgrade an informal settlement in place, making the concept of inclusive urbanism a possibility in the complex, challenging context of the developing South. (Rojas & Fretes Cibils, 2011: 7-32).

2.7 Conclusion

The developing urban world is a unique, complex and inherently difficult context. Due in part to rapid, almost explosive urbanisation, billions of people in the developing urban South live in poor conditions characterised by a lack of access to basic services. The only way to deal with this massive growth and existing failures will be with the combination of community management, social enterprise development and the provision of basic services. This may be the only means of developing a model that could be a system of operating within this future. The focus of this article has been on two imperfect systems: on the one hand, alternative service delivery configurations for *in situ* upgrading, and on the other hand, microfranchising.

The article presented the foundational argument that a combination of the strengths and vulnerabilities from these diametrically opposite fields has the potential to address the weaknesses inherent in both perspectives. This fusion of the management practices of microfranchising with the emerging framework on heterogeneity of delivery systems has implications for our understanding of *in situ* upgrading. Instead of assuming that upgrading will be driven by the extension of centralised grids, or by isolated bottom-up experiments driven by NGOs, this synthesis allows for a third option. This synthesis of microfranchising with the emerging framework on heterogeneity creates a standardised model for replicating on scale, a social enterprise approach to informal settlement upgrading within a framework of heterogeneous service delivery systems. Essentially, if used for the right reason, lessons taken from the management practices and development characteristics of microfranchising have the potential to play a role in effective poverty alleviation and *in situ* informal settlement upgrading as a constituting, consolidating and scaling model for alternative service delivery configurations within the emerging framework on heterogeneity.

Ideally, this article will motivate continued theory development and implementation research that explores the potential synthesis of the principles of microfranchising and alternative service delivery configurations within the context of *in situ* informal settlement upgrading. The literature must be supplemented with additional research that seeks to explore this possibility and answer the question of how rather than whether market based BoP approaches can play a role in informal settlement upgrading. Research must now be undertaken that draws practical lessons from microfranchising case studies adding to the currently limited theoretical knowledge base.

Chapter 3 (article two) – Conceptualising a Microfranchising Model for the iShack Project: A Transdisciplinary Case Study

3.1 Introduction

This article emerges from the work of a transdisciplinary research group that has, since 2011, focused on incremental upgrading using Enkanini informal settlement in Stellenbosch as a case study (Keller, (2012), Swilling *et al.* (2013), Mollatt, (2014), von der Heyde, (2014), and Radmore (2014a)). Research conducted by members of this group resulted in a social enterprise known as the iShack (The iShack, 2014). The iShack aims to demonstrate a financially sustainable alternative service delivery configuration which can potentially drive incremental upgrading whilst building local enterprise capacity in the targeted community (Keller, 2014). This is, however, a pilot project, limited to a single community (Enkanini). This article was inspired by a key question that emerged from the transdisciplinary research group and the iShack project; how does the iShack social enterprise go to scale? Seeking an answer to this question resulted in the realisation that there is common ground between the literature on incrementalism and heterogeneity and the literature on microfranchising (Radmore, 2014b).

This article investigates elements of good practice in microfranchising companies in the base of the economic and social pyramid. The three cases discussed, Unjani Clinics, African Honey Bee (AHB) and Nuru Energy, provide practical cross-disciplinary knowledge and examples of potential microfranchising good practice within a framework of heterogeneity. This exploration is undertaken to assist in the conceptualisation of a consolidating, operating and scaling microfranchise model for the iShack project.

The article gives a brief background to everyday urbanism, alternative infrastructure configurations and microfranchising, presenting the argument for a synthesis, in the context of heterogeneity, as proposed in Radmore (2014b). Building from this broad background the article presents the iShack case, explaining the project, exploring the context and its future goals. The article then describes three microfranchising case studies. The cases cover a wide range of microfranchising models from a social entrepreneur and a medium-sized enterprise to a corporate social investment initiative backed by a large company. The final section details insights gained from the study, including practical microfranchising knowledge and lessons for the iShack project and a potential iShack microfranchising business plan.

3.2 Background

The modern world is predominantly urban with more than half of the global population calling urban areas home (Robinson, Swilling, Hodson, *et al.*, 2013: 4). Rapid Urbanisation is observable in both developed northern and developing southern nations. Cities that are being affected by this explosive urbanism are built and dependent upon vast infrastructure networks, facilitating the continual socio-metabolic flow of basic resources (energy, water, sewage etc.) into, through and out of the city. Conventionally these resources and services are provided by interconnected, expensive, centralised networks, driven by monopoly-based public utilities (Coutard, 2008: 1815–1820).

In most developing nations however, the rate of urbanisation and the resultant urban sprawl has outstripped the capacity of governments to provide basic services to the growing urban population (Rojas, 2011: 1-5). This has resulted in a splintered environment with vast, underserviced, peri-urban informal settlements on the one hand and connected enclaves on the other. In Africa, informal settlements are home to more than 62% of urbanites (UN-Habitat, 2010). Pieterse & Hyman (2014: 194) believe this percentage will remain the same as the urban population doubles. The existing disparity of the splintered urban reality and the booming growth renders network infrastructure and the macro-institutional structures that support them unable to fulfil their role (Jaglin, 2008:1897–1906).

Rectifying the existing service delivery and infrastructure challenges that face many developing nations is of utmost importance and represents one of the greatest challenges of the 21st century. It is important to note that the traditional networked approach is not the only means of delivering services and building infrastructure for growing urban populations. The failure of networked infrastructure to provide universally accessible services to all urbanites creates an opportunity for alternative urban development that is adapted to a complex, diverse southern reality; that is, development not fixated on recreating, in the developing world, the urban delivery systems of the developed world.

Alternative service delivery configurations fill gaps where traditional service delivery fails, and often targets the poor excluded from conventional services. These service delivery systems are created through heterogeneous configurations of organisations, stakeholders and networks, each bringing a specific set of tools and knowledge, creating tailor-made services for a specific niche market (Jaglin, 2014: 434-445). Heterogeneity within the service delivery industry will allow for context appropriate socio-technical additions to traditional network infrastructure in the form of extensions which widen the function of the service to all urban dwellers. This everyday urbanism concept embraces, and incrementally builds upon, the fraught reality that is daily urban life, instead of on the pretence of a perfect built environment (Kelbaugh, 2007: 12-19). This is a developing world adaption to rapid urbanisation and in a diverse, complex and splintered urban context, alternative service delivery configurations have the progressive ability to shrink the existing gap between wealthy enclaves and the disconnected poor (Avni & Yiftachel, 2014: 487-505). A multiplicity of incrementally developed alternative service delivery systems has drastic implications for future informal settlement upgrading.

One challenge facing a heterogeneity framework in terms of service delivery is the lack, at present, of an effective means for consolidating, operating and scaling projects aimed at establishing alternative service delivery systems (Radmore, 2014b). The case for a symbiosis of diverse delivery systems is clear. What is not clear, in a messy complex context, is how these delivery systems are constituted, operated and scaled beyond well-meaning pilot projects.

Recently the question of how to develop sustainable operating and scaling models for ventures based in this complex context has been successfully addressed in the management sciences (London, Anupindi & Sheth, 2010: 582). Both for-profit and not-for-profit companies have developed business models that foster the potential of impoverished individuals while providing the community with needed goods or services. Although growth of sustainable ventures in the Base of the Pyramid (BoP) has been extensive, this field is still challenged by limitations. In fact, many critics believe the majority of current BoP ventures are masks to hide exploitive business practices (Arora & Romijn, 2011: 481– 505). This form of intervention is not without limitations and should not be naively romanticised. However this is an approach that arguably has a role to play in poverty alleviation and development. This article will address one BoP business model in particular, namely microfranchising.

Microfranchising is a development tool that uses the tried and tested business and operational concepts of franchising to support and develop enterprise within developing markets, while meeting a real market need (Stoker, 2007). This is achieved by giving individuals access to a ‘turnkey business in a box’ that is easily replicable (less risk) and economically sustainable. However, as opposed to commercial franchising, value is placed on the well-being and development of the microfranchisee and their community; in most instances, more so than on financial gains (Kistruck *et al.*, 2011: 503-520). The concept combines the advantages of commercial franchising with the strengths of small scale enterprise and the passion of social development. However, microfranchising is not without its own challenges. The concept is substantially hindered by many of the same limitations that challenge traditional BoP ventures as described by Radmore, (2014b: 20-26).

Accepting the strengths and limitations of both service delivery heterogeneity, which has emerged from urban studies, and the BoP approach that has emerged out of management science, there are potentially fruitful connections that could result in a useful synthesis. Taking knowledge from African everyday urbanism and bolstering it with the institutional arrangements and management practices of microfranchising could address the weaknesses inherent in both perspectives. Identifying and understanding convergence patterns that appear across these diverse discourses creates the opportunity to explore a social enterprise configuration that could assist in the establishment and scaling of alternative service delivery configurations.

If the argument for this synthesis of microfranchising and alternative service delivery systems is accepted as a means of delivering 'public services', by definition the practice of microfranchising becomes embedded within that wider notion of heterogeneity. In this case, microfranchising becomes a means of explicitly engineering an institutional arrangement that reinforces heterogeneity. In the complex and splintered environment of developing urban centres, a diverse configuration of service delivery systems, that are brought to market through the tried and tested institutional arrangement of microfranchising, in partnership with state resources and traditional networked infrastructure, has the progressive potential to ensure that a diversity of service needs are better met.

3.3 The Study

3.3.1 Aim

This study investigates elements of good practice in microfranchising companies with a purpose to directly improve the lives of their target market in the base of the economic and social pyramid. This study is undertaken to gain cross-cutting and within-case knowledge regarding effective consolidating, operating and scaling microfranchise models for alternative service delivery configurations (specifically the iShack project) in the context of heterogeneity.

3.3.2 Design

A multiple-case research design (Chmiliar, 2010: 583-585) was adopted for this study. The study focuses on three separate South African microfranchise companies covering a wide range of microfranchise models. The unit of analysis is the individual organisation. Data were collected in 2014. Cross-cutting and within-case thematic data analysis was conducted to generate convergent findings across the three cases, highlighting common themes and practical microfranchising lessons. Three sources of information were used for each case to assist in increasing reliability and validity through triangulation. These sources were: direct observation of microfranchising activities, semi-structured interviews, and relevant document and archival information analysis.

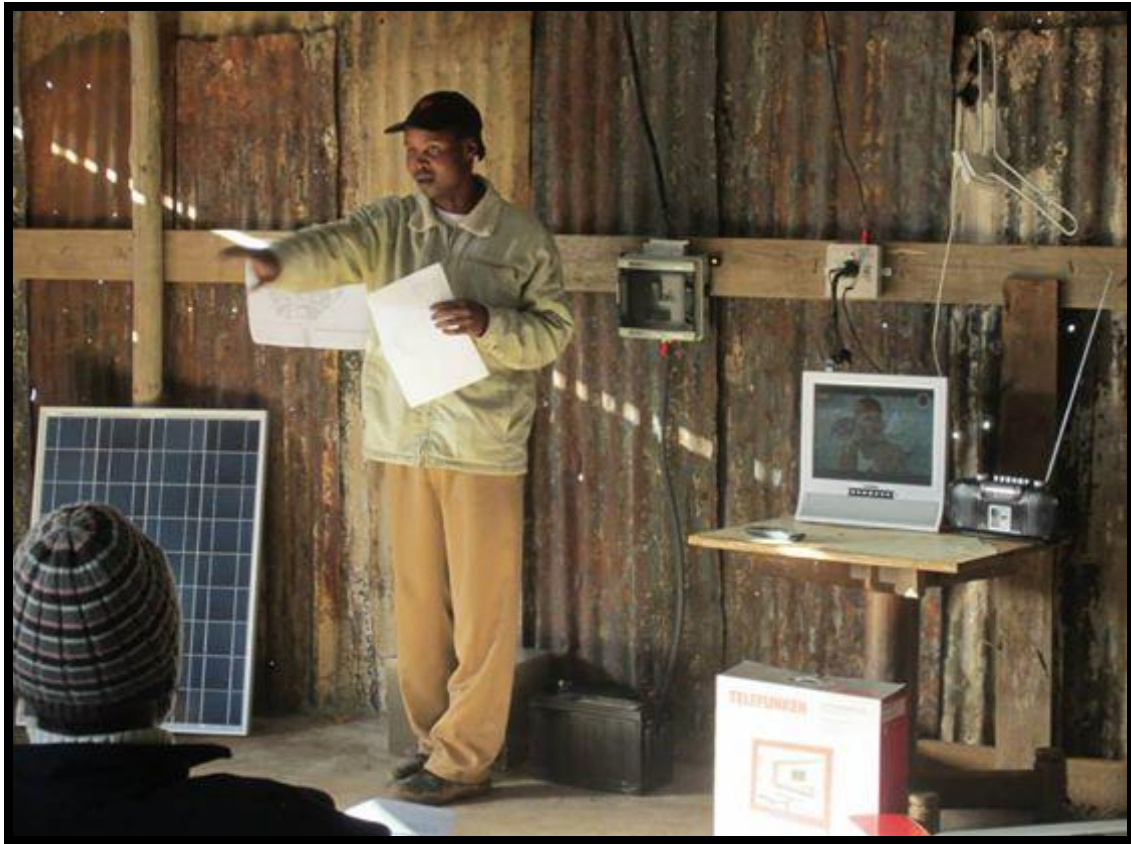
3.3.3 Primary Alternative Service Delivery Case –The iShack

In the developing world it cannot be assumed that traditional networked infrastructure development has the capacity instantaneously to provide standardised services to all urban inhabitants. This results in ever-growing, unserved urban informal slums. This inability of local governments to provide the booming urban populations with adequate infrastructure and services at the scale and quality that is required represents both a significant failure and an opportunity.

Enkanini, Stellenbosch is a good example of how the failure of municipality to provide desperately needed public services has resulted in an opportunity for new alternative incremental development. Enkanini is an illegal informal settlement within walking distance of Stellenbosch. The settlement is home to roughly 8000 people and as of 2014 is serviced by 70 toilets in 7 centralised blocks, 28 taps, 7 rubbish collection points and no formal electricity grid (Tavener-Smith, 2013). For the past few years the Enkanini Research Centre Association (ERCA) has been exploring aspects of urban development and *in situ* informal settlement upgrading in Enkanini.

In response to an opportunity created by the previously discussed service delivery 'vacuum' (i.e. an informal settlement with energy needs that could not be met by the municipality), members of the ERCA created the iShack project. The iShack or 'improving shack' is an enterprise-based *in situ* development intervention that follows an incremental alternative approach to energising and upgrading informal settlements. This alternative service delivery configuration embraces the everyday difficult reality of peri-urban slum settlements and is exploring ways of incrementally improving that which already exists. This is achieved through a socio-technical addition that extends the function of energy services to those who are currently inadequately serviced. In the case of the iShack the socio-technical addition is a modern Direct Current multi-grid solar system that is installed in a client's shack for a minimal joining and monthly fee (Swilling *et al.*, 2013: 7-10). Each home solar system generates enough energy to power lights (internal and external), a TV and DVD player, a radio and a cell phone charging point. However the system is scalable and has the potential to power appliances like fridges and water heaters as well.

Figure 5: iShack agent with a home solar system



Source: The iShack (2014)

In 2013 the project received a substantial grant from the South African Green Fund in order to provide this service to more than 1500 client households in Enkanini. This fund is being used to simulate capital that could potentially be drawn from government subsidies and impact investment funds. The team is currently providing energy services to roughly 500 households in the previously un-electrified settlement (this number growing on a daily basis by on average four units per day).

Although this venture primarily focuses on provision of energy services, this is not the sole aim. The team believes the iShack concept has the potential to be a locally-based form of enterprise development which, whilst conceptualising and providing alternative service delivery, will build adaptive, resilient communities around the installed technical infrastructure. The project team believes the development of local enterprise capacity for self-service delivery is fundamental to future success. By understanding existing social, human and physical capital in informal settlements, and building on it, the iShack hopes to demonstrate a model that is able to improve both socially and physically the living standards of people living in informal settlements. According to Andreas Keller (the visionary behind the iShack), the iShack Agents are vital to the success of this particular objective (Keller, 2014).

iShack Agents are locals living in Enkanini who are selected, trained and supported to install and maintain the solar systems. There are currently 5 employed agents. These agents will undergo continual training in order to support the process of bottom-up incremental development in their communities. It is hoped that these agents will be able to become independent solar business owners in order to service, on an ongoing basis, the set of technologies that are employed (microfranchisees). In this way the project would not only provide a needed service but also foster local development potential, support the local economy and drive effective *in situ* informal settlement upgrading from within.

Even though the pilot project of the iShack has been successful, there are weaknesses in the project model. Most importantly, the concept lacks an operating and scaling institutional design that will haul this incremental, alternatively configured social enterprise along a future pathway of mass replication. Secondly, the process by which the agents are selected remains unclear, as do the characteristics of a 'good' agent. Thirdly, the training process has yet to be finalised; this is also true for the monitoring and evaluation procedures. In addition, this is a pilot project limited to a single unique community. As the project has evolved and these limitations and challenges have arisen, the iShack management team have realised that the project could be suited to the institutional arrangement of microfranchising and have begun to explore this possibility.

3.4 Microfranchising - Within-case Knowledge and Lessons

This section briefly details results of the initial stage of envisioning a microfranchising consolidating, operating and scaling model for the iShack project. The focus of this section is on the identification of cross-cutting microfranchising lessons and potential best practices in the BoP context. This is achieved through exploration of three microfranchising case studies covering a wide range of possible models. It is important that this exploration stimulates further implementation research into the applicability of this management concept in the case of the iShack. The researcher hopes to pursue this research at a PhD level.

Three different microfranchising models were identified based on existing literature and one case for each model was analysed. Each model finds its place along a spectrum of heterogeneity from full autonomy (pure market driven approach), partnership with the state (the hybrid approach as discussed in Radmore 2014b) right through to purely state driven approaches or somewhere in between. The model's location on the spectrum has consequences for the venture and the wider context. The identified microfranchising business models are:

Corporate Social Responsibility – Microfranchisor is backed by a large multinational company as part of a Corporate Social Responsibility initiative.

A Social Entrepreneur – Microfranchisor is either a for-profit or not-for-profit enterprise. However, value is placed as much, if not more, on social impact than on financial gain.

A Small & Medium Sized Enterprise. – Microfranchisor is a relatively small for-profit company offering a diverse range of products or services that are based in one or two regions or countries.

Table 4 provides an overview of the participating case studies and case studies reviewed but not selected. Overall six cases were explored and three selected. The companies differ in model used, age, offerings, profit status, region of operation as well as position on the before-mentioned spectrum, thus ensuring the study covers a broad segment of the field. What unites the companies is the fact that they offer enterprise development, training and support that directly increases the quality of life in the community in which they operate, while delivering previously lacking products or services through the mechanism of microfranchising.

Table 3: Case study participants

Cases reviewed and not selected			
#	Case study	Franchisor	Product/service offered
1	Heart Capital	Small & Medium Sized Enterprise (backed by a large company)	Foodpods, Hubspace, Ekhaya, Wonder Plant, Dam Good Fish, Wines with Heart, Flour Power
2	Silulo Technologies	Small & Medium Sized Enterprise	Computer training and technology hub space
3	The microfranchising accelerator (The Clothing Bank)	Social Entrepreneur	Clothing
Cases reviewed and selected			
#	Case study	Franchisor	Product/service offered
1	Unjani Clinic NPC	Backed by a large company (CSR initiative)	Primary healthcare at the base of the pyramid
2	African Honey Bee	Social Entrepreneur	Sustainable beekeeping/ Organic and fair-trade bee products
3	Nuru Energy	Small & Medium Sized Enterprise	Nuru Lights (plus other off-grid products) and a recharge service (POWERCycle, Octopus Charger)

Source: Author (2014)

In order to overcome the limitation of space, this section provides only a brief description of each case. For additional quantitative data and an in-depth description of the business model, financing procedures, microfranchisee selection, characteristics of a successful microfranchisee, training, monitoring and evaluation methods as well as within-case highlights and challenges of each case please see the Sustainability Institute website (<http://www.sustainabilityinstitute.net/>).

3.4.1 Case One: Corporate Social Investment – Unjani Clinic NPC

Unjani Clinic NPC is a non-profit company without members, which makes use of a Board of Directors and an Advisory Board. This legal structure provides maximum benefits to all stakeholders, through funding and relevant tax exemptions (Toussaint, 2014b). This is not legally a microfranchise but a social enterprise that was developed using the principles and management techniques of microfranchising. The words ‘microfranchise’, ‘microfranchisee’ and ‘microfranchisor’ are used in this case for ease of comparison with the other case studies.

Unjani Clinic NPC empowers nurses to take charge of community healthcare and development by providing a tried and tested ‘clinic in a box’. Essentially, the company empowers the local nurse to provide improved healthcare through a stable business, supported and funded by a multinational company (Toussaint, 2014b). At the clinic side of the service, the “microfranchise” business model has been rigorously tested to ensure commercial viability and social impact. Owner operators are provided with on-going training, development and support to ensure profitability and impact.

This “microfranchise” delivery system is a completely new model of care in South Africa and was born from a need for transformation within public healthcare (Toussaint, 2014a: 1-4). The current curative-care model is overburdened and struggling. It is unable to deal with the complexity and scale of the increasing healthcare burden at an acceptable standard of quality and access. By creating community-based clinics at the point of need the intervention is intended as an extension of this overburdened public healthcare system (Toussaint, 2014a: 1-4).

Figure 6: An Unjani Clinic (picture)

Source: Unjani Clinic NPC

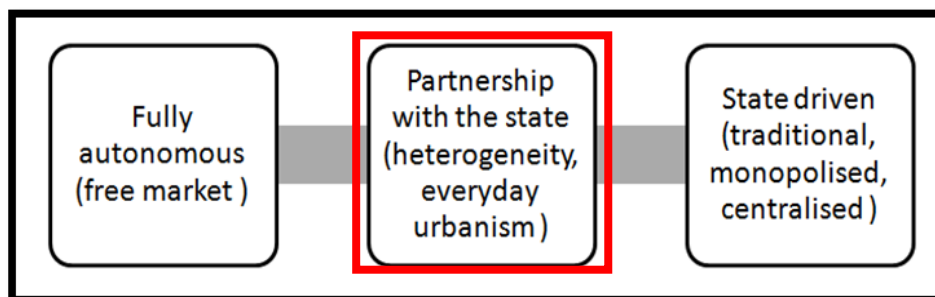
The company targets individuals in low income, under-served communities who can afford some level of payment towards their own private healthcare but lack affordable, accessible options. It costs +- R 372 500 to start up a clinic. All microfranchisees have to pay a R10 500 joining fee, which is invested directly into their initial training, as well as R2667 monthly franchising fees (an infrastructure recovery fee). Given that microfranchisees are professionally trained, the initial joining fee is in most cases sourced from private funds. Microfranchisees charge between R120-R150 per visit (this includes consultation and medication) and require +-400 patients per month to become profitable.

A key success factor for Unjani Clinic NPC is the selection of the right microfranchisee. The company uses a three-stage selection process to ensure the candidate is the right fit for the company. This intensive selection process includes, amongst other things, psychometric tests, background and criminal checks, panel interviews and presentations. Through this selection process the company is seeking a candidate with business acumen and problem solving ability, and who is outspoken, sociable and connected to the community.

Microfranchisees attend a 5-day training course on the day-to-day running of the clinic (understanding the operations manual) as well as software (ordering and patient management software) training. Follow-up training focuses on human resource and business management and financial training. Continual training, mentoring and network support in combination with a two-tier monitoring, evaluation and quality control system allows the microfranchisor to maintain the company's excellent quality (a good brand is key to microfranchising success).

Unjani Clinic falls in the centre of the afore-mentioned heterogeneity spectrum. The company is cognisant of the social dynamics of the context and the modalities of engagement with the state and its inherent 'embeddedness' in the larger social context. The company does not believe that a purely free market approach is appropriate, nor is their goal to follow the overburdened state-driven, monopolised, centrally managed public healthcare system. Unjani Clinics is seeking a third option, an option that combines the strengths of both approaches to create a hybrid. The company does not believe that their intervention is a transitory measure that will exist only until traditional state-lad facilities are able to provide the service at an acceptable standard. Unjani Clinic believes that their microfranchising model is a plausible, permanent means of establishing an alternative service delivery system that reinforces heterogeneity and extends the function of an over-burdened public service system.

Figure 7: Heterogeneity spectrum: Unjani Clinic



Source Author (2014)

3.4.2 Case Two: Social Entrepreneur – African Honey Bee (AHB)

In Africa, rural communities live in areas rich with prime honey producing vegetation. Having realised this opportunity, many development agencies have attempted to develop BoP interventions focused on this potential supply, but have failed. However, African Honey Bee (AHB), using the principles of microfranchising, has established a sustainable social enterprise that provides beekeepers with market access, equipment, funding, training and support, and consumers with quality honey (African Honey Bee, 2014: 3-4). AHB is a Christian based social enterprise, which by creating a network of beekeeping incubator farms hopes to sustain and support thousands of microfranchisee beekeepers throughout Southern Africa. Profitable incubation farms are set up to produce viable volumes of honey, enabling critical mass and thereby providing microfranchisee beekeepers with access to appropriate technology, infrastructure, training, quality control, logistical support and access to markets (Stubbs, 2014). This social enterprise model fulfils two main needs: the need for skills, jobs and small business development in the rural areas; and the global demand for high-quality bee products.

Figure 8: Microfranchisee beekeepers (picture)



Source: African Honey Bee (2012: 9- 24)

African Honey Bee Kruger Park (Pty) Ltd is the commercial company owning and operating the incubator farms. This company is set up as follows: 30% is owned by a Stakeholder Trust (all microfranchisees are stakeholders), 60% by AHB (with 30% reserved for impact investors) and 10% by the African Beekeeper Development Trust. The Stakeholder Trust is used to incentivise loyalty through producer ownership in the value chain (community ownership of the whole asset). The African Beekeeper Development Trust (NPO and PBO) is used to generate grant funding and ensure the continued support, training and development of microfranchisees.

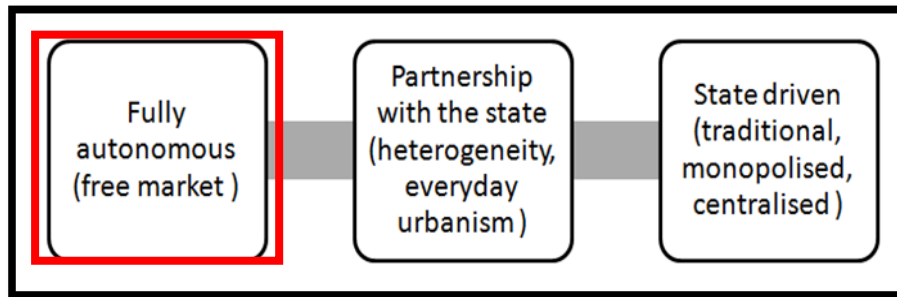
AHB targets rural subsistence low-income households. It costs +- R20 000 to set up a microfranchisee with 30 hives. Given the high initial capital costs, AHB assists microfranchisees with a grant or loan. A certain percentage of the purchase price that AHB offers the microfranchisee for their honey goes towards the loan repayment. Monthly running costs will be on average R50 if no transport costs are incurred. Once a microfranchisee's 30 hives are strong and performing they can produce between 20-30 kg of honey per hive per year. A microfranchisee will receive approximately 70% of the wholesale price of this honey. AHB uses the remaining 30% as a franchising fee to fund the continued training and development of the microfranchisees. With this small business a microfranchisee can generate the same income as the minimum wage.

The company uses a relatively simple milestone selection process which has proven very successful in eliminating the participants who are just being opportunistic while still allowing every individual an opportunity. Selecting the right microfranchisees is vital to the company's success. African Honey Bee is looking for individuals who are fit and strong, who have business acumen (don't need to be entrepreneurial), that are connected to (and benefitting from) the community and are loyal and devoted.

Selected bee keepers are recruited to participate in the AHB incubation programme. They spend between 4 to 18 months (depending on their prior knowledge and experience) in an incubation programme during which time they are officially employed as salaried working interns. During their incubation, the interns complete an AHB developed SAQA accredited NQF level 1 Learnership in beekeeping. They also gain practical experience by working under the guidance of senior beekeepers on an AHB commercial bee farm.

The incubation and ongoing training that microfranchisees receive is based on training for the 'whole' person. It is not only focused on business training but also on basic farming and normal day-to-day skills (driving licence, basic literacy and maths training, entrepreneurship, nutrition and family management). AHB partners with local NGOs and other interventions to ensure the development of the 'whole' person. The company believes strongly that this 'whole' person growth training is vital in true poverty alleviation and the development of successful and passionate microfranchisees. This continual training in combination with cutting edge mobile traceability and management systems create the company's two tier monitoring, evaluation and quality control system.

AHB falls in the left hand side of the afore-mentioned spectrum. The company follows a purely market-driven approach (commercial microfranchising). However, even though the company does not actively participate in traditionally state-led services, the lessons learnt from this commercial example of microfranchising will have implications for the synthesis of heterogeneity and microfranchising. Knowledge around a possible synthesis will also have implications for the future business of AHB and their microfranchising business model.

Figure 9: Heterogeneity spectrum: African Honey Bee

Source: Author (2014)

3.4.3 Case Three: Small & Medium Sized Enterprise – Nuru Energy

Millions of people in the developing world do not have access to grid electricity. Having seen an opportunity created by this ‘vacuum’, Nuru Energy was founded. Nuru Energy is a privately owned for-profit energy microfranchise that targets off-grid rural subsistence households in Africa and India (Hajee, 2014a). The company has created an alternative energy delivery system which embraces the heterogeneity framework as discussed in Radmore (2014b) and uses a unique microfranchising business model to distribute rechargeable off-grid products and to offer a recharge service. The company makes use of a simple business model with three levels: the microfranchisor (Nuru energy), field staff and the microfranchisees (referred to as Village Level Entrepreneurs (VLE)) (Hajee, 2014a).

VLE’s make use of a one-of-a-kind, robust and simple to use off-grid platform (the Nuru POWERCycle pedal generator) to offer a recharge service for their solar task lights. With the energy produced from just 20 minutes of easy pedalling the system can recharge five Nuru lights each lasting between 18 hours and 1 week depending on use. The cost of the recharge service is roughly R2 per recharge. A typical VLE has 150 Nuru Lights which are recharged 3 times per month. A VLE typically earns up to R10 in 20 minutes (Hajee, 2014a). The company recently added the Nuru Octopus Charger to their product line allowing for charging of up to five USB charged devices, including mobile phones. The company makes use of an intensive low price penetration and market saturation strategy in low income rural markets to ensure the profitability of the recharge service.

In order to become a microfranchisee, VLE's pay an initial joining fee of R1000 (\$100). The company insists that the joining fee is divided up between 5 and 10 potential microfranchisees who self-select. The company has realised the value of co-learning and believe the support received from the group is very important. The joining fee is either sourced from personal savings or borrowed from family or community stokvels(Hajee, 2014b). The company assists VLE's with a loan if they are unable to raise the money. This loan is sourced from a company-run social investment fund (Hajee, 2014b). Using this social investment fund, VLE's are set up with 150 LED lights, a POWERCycle pedal and Octopus Charger. This equipment is not owned by the VLE but rented in exchange for their franchising fee. Nuru charges a built-in franchising fee with the purchase of energy credits. VLE's make a small income from the sale of Nuru lights and the recharge service. This is meant as an additional income stream and not a primary source.

Figure 10: Village Level Entrepreneur (POWERCycle pedal generator) (picture)



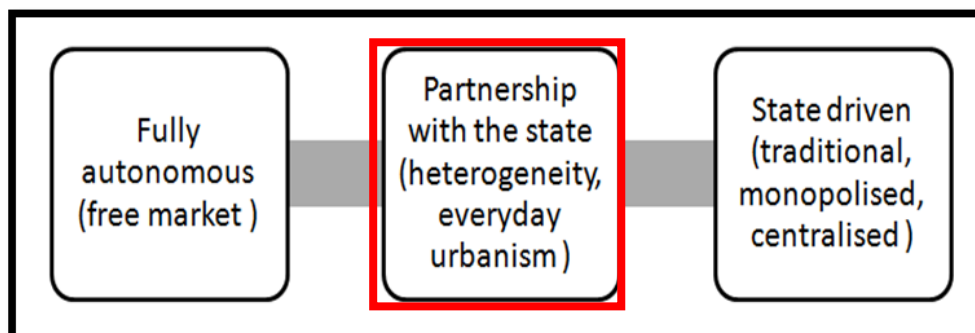
Source: Nuru Energy

Nuru Energy looks for microfranchisees with strong sales abilities and who are opinion leaders in the community (outgoing and articulate). They do not necessarily have to be the best entrepreneur (it can be difficult to make them stick to the system) but rather hard-working people who follow instructions well. Field staff promote the microfranchise business opportunity at co-operatives and village meetings and through these interactions microfranchisees self-select (Hajee, 2014a). This is a significant limitation to this model as selecting the right microfranchisee is a key success factor of microfranchising. Given the poor performance of some microfranchisees and a low retention rate the company is rethinking selection criteria based on successful microfranchisees.

The company believes training, monitoring and quality control is very important. The majority of training takes place when the business is set up. This consists of a one or two day workshop on how to use the equipment and basic marketing techniques. Currently performance is being monitored using the proxy income of VLEs and the number of solar task lights sold per VLE. In addition, field staff uses well-maintained relationships with the VLEs to assess service quality from time to time.

Nuru Energy is an example of an alternative service delivery configuration being established through the institutional mechanism of microfranchising within a framework of heterogeneity. As with Unjani Clinic, Nuru Energy falls in the centre of the afore-mentioned heterogeneity spectrum. Nuru Energy is a socio-technical off-network assemblage that extends the function of the service to those who are currently inadequately serviced. The company is making use of a free market approach (microfranchising) in partnership with traditional state services, within the framework of heterogeneity, to ensure universal access to energy. By embracing the innovations and the knowledge of complexity, participation and development encompassed in alternative service delivery configurations, and bolstering them with the operation and management principles of microfranchising, Nuru Energy has created a social enterprise alternative service delivery system that may have the potential to be an influential urban development tool.

Figure 11: Heterogeneity spectrum: Nuru Energy



Source Author (2014)

3.5 Cross-cutting Knowledge and Lessons

Across the three microfranchise models reviewed, cross-cutting themes highlight knowledge and practical microfranchising lessons. Many of the lessons gained from the cases correspond with knowledge from the everyday urbanism and alternative service delivery literature. These coherences or 'ridges' between divergent knowledge sets identify the possibility of convergent patterns across the disciplines, supporting the argument for a synthesis. The following section details this critical cross-disciplinary knowledge and lessons that should be considered prior to developing a microfranchising consolidating, operating and scaling model for the iShack.

3.5.1 Viable and Adaptable Microfranchising Business Model

In order for a franchise to be successfully replicated and scaled it is imperative that the model is not franchised too early. The power of franchising lies in replication. However, a company replicates not only its strengths but its weaknesses and problems as well. The creation and testing of a sound business model before full-scale franchising is critical. Typically it takes several attempts to develop the right model, it is important that the process is not rushed. In addition flexibility and adaptability are essential. Unlike traditional franchising, flexibility and adaptability are much more relevant in microfranchising given both its size and its social, co-learning and grassroots intervention foundation. Much the same as in everyday urbanism, an incremental, context-specific, participatory approach is critical.

3.5.2 Profitability and Local Economy Development

Given the social nature of this model, financial sustainability will always be an issue. Financial sustainability for both the microfranchisor and microfranchisee is a necessary factor to ensure continued impact. For the microfranchisor income stream diversification is vital (s/he cannot rely on franchising fees alone). The use of subsidies, company owned outlets, corporate social and patient capital investment funds or two tier investment systems are good examples of possible income stream diversification. The use of state resources is a plausible funding source within a framework of heterogeneity and must be explored in future research.

With regards to the microfranchisee, a well-organised income structure must be implemented to ensure they become profitable quickly. Also the income received must be relative to the effort put in and it must be periodic instead of a once-off lump sum. By injecting this added income into the community and keeping the source of goods and services local the concept stimulates the local economy, assisting individuals to become part of their own development. If this is possible informal slums can be seen as crucial integration paths for impoverished individuals into the formal economy.

3.5.3 Local Knowledge Networks

The importance of remaining firmly fixed within a specific context and understanding its inherent complexities was an important point raised by all three companies. The use of local NGOs, community groups and other established networks operating in an area can prove useful when exploring the context, assessing a need and identifying and selecting microfranchisees. They can be a vital link between the franchisor, franchisee and the target market. These groups can also be microfranchisees or microfranchisors who are supported by a larger parent company.

3.5.4 Microfranchisee Selection and Retention

Selecting and retaining the right microfranchisees is highlighted by all three companies as one of the keys to a successful microfranchise. All three companies preferred to use local individuals as microfranchisees. Microfranchising seeks to continually improve the quality of life for the community in which they operate and using local microfranchisees, who are part of family and local networks, forms part of this approach. This is opposed to the development approach taken by many microfinance companies. These companies prefer non-locals, in order to avoid network pressure.

Different techniques can be used to select appropriate local microfranchisees. One of the common initial screening techniques is some form of group activity. Monopoly-style board games and group activities can help to identify possible candidates. Background and criminal record checks also help to raise red flags. A franchise joining fee and milestone selection process can eliminate participants who are just opportunistic. Other selection practises include psychometric tests and panel interviews.

Microfranchisee retention was raised as a challenge by all three companies. Incentivising loyalty is a critical success factor. This can be achieved using many different techniques, one of which is a commitment fee (joining fee). Ensuring microfranchisees can break even or become profitable relatively quickly will also enhance commitment. Other possible techniques are cash gap funding (fund the difference between current turnover and breakeven point) and community ownership of assets. These techniques assist in continually supporting the microfranchisee and the community along their developmental path.

3.5.5 Microfranchisee Demographics

The majority of microfranchisees from the reviewed cases are black women between the ages of 18-32. The companies indicate this is mainly due to two reasons: (1) the importance of empowering women through social development; and (2) the belief that women will funnel income directly into the family. However, the race and age should be directly determined by the context and business.

3.5.6 Characteristics of a Successful Microfranchisee

In selecting microfranchisees the following characteristics were common across the three cases. Companies looked for outspoken, articulate and sociable candidates. Applicants must have business acumen (not necessarily entrepreneurs as it is difficult to make them stick to the system) and they must be family-driven and connected to, and benefitting from, the community. In addition, the character traits of loyalty, devotion and 'grittiness' were evident in a successful microfranchisees.

Using the Myers-Briggs Type Indicator Assessment these people can be broadly classified as ESFJ (Extravert, Sensing, Feeling, and Judgment) personality type (Toussaint, 2014b). Essentially, this means that these people are often extroverts that enjoy being around people are hardworking, sensible, caring, diligent, and pragmatic and devoted. Companies indicate the importance of the right characteristics in microfranchisees. However, given the complex and inherently difficult context a company must not fall into the trap of 'cookie cutting' microfranchisees. Keeping true to the nature of heterogeneity and everyday urbanism it is important to allow for diversity, as each individual brings into play a specific set of tools, knowledge and values in order to cater for a specific context. However, selection techniques and personality type indicators can assist in reducing subjectivity and help assess an individual's fit with the goals and vision of a microfranchise.

3.5.7 Microfranchise Fees and Financing

a. Microfinancing for a microfranchisee

Given the context, financing of microfranchisees will almost always be required. All of the companies assessed provided the required financing. According to the companies this is due mainly to difficulties experienced by microfinancing in the South African market. In the cases of AHB and Nuru, the loan was used to cover initial capital outlay while Unjani Clinics used it to assist the microfranchisee with cash gap funding while they grew their business. Funds are recovered using periodic small built-in fees to ensure credit collection. All three companies made use of social investment funds to generate the needed capital. The microfranchising concept is well respected amongst social investors as it uses proven systems (less risky), has a wide variety of uses and a scalable impact. This need for constant funding is a limiting factor of microfranchising.

b. Joining fee

The joining fee is an important show of commitment by the microfranchisee (part of selecting and retaining). It should cover only a small part (5-10%) of the capital or initial training costs and must come from the franchisee.

c. Microfranchising fee (monthly)

In contrast to commercial franchising, monthly franchising fees are not collected from microfranchisees as a separate royalty. These are collected using a built-in recovery system, often as part of a product or service that the microfranchisee sources from the microfranchisor. This results in less administrative work, avoids disagreement around royalty amounts and ensures payment.

3.5.8 Microfranchisees Training, Support, Monitoring and Evaluation

Microfranchisees must be monitored and evaluated constantly to ensure quality. A good brand and image is important. One bad experience can destroy a reputation that takes years to build. Initial business systems and continued development training is of the upmost importance in microfranchising, given that the majority of microfranchisees lack the necessary skills and experience to run a business. Microfranchisees never operate entirely independently and require constant training and support to ensure development and retention. The use of peer-to-peer learning and support networks and hands-on field staff was evident in all cases reviewed. As with traditional franchising the concepts of Build, Operate, Own then Transfer and the use of incubation programs in company owned outlets, is also effective in microfranchising.

3.5.9 Social and Microfranchisee Impact

Given that the majority of microfranchisees live in poverty, the relationship between the microfranchisee and microfranchisor must go beyond a narrow business focus. This is a people-centred business model therefore many microfranchisors employ 'whole' person growth and training strategies that include social empowerment, hygiene and health education, and self-esteem and literacy development. This is an important element of effective microfranchising as it allows the venture to influence not only the microfranchisee, but their family and community as well.

3.5.10 Maintaining and Operating a Successful Microfranchise

In maintaining a successful microfranchise the following characteristics were common across the three cases. Firstly, all three cases made use of standardised yet revolutionary and disruptive technology (product/service) in combination with a focus on efficiency and simplicity. Selecting the right local microfranchisees is vital. Along with selecting the right microfranchisees, it is also important to incentivise loyalty and community building. In addition quality control is imperative, the company's image with microfranchisees and consumers is very important. Continued training and development is essential in developing well-rounded microfranchisees. Lastly, community buy-in will determine success; therefore the community must want the service/product that the company is offering.

3.5.11 Business Model: Weaknesses and Threats

It is vital not to romanticise this business model; it has many limitations. These include over fixation with systemisation at the expense of reflexivity, a long lead time/time to market (it takes time and money to find and test the right model), large financing needs, a lack of current best practices and a lack of awareness resulting in regulatory and political issues. The future of microfranchising and the role it can play in development rests in a responsive approach by government policymakers who recognise its strengths and weaknesses.

3.6 Conceptualising a Microfranchising iShack Business Strategy

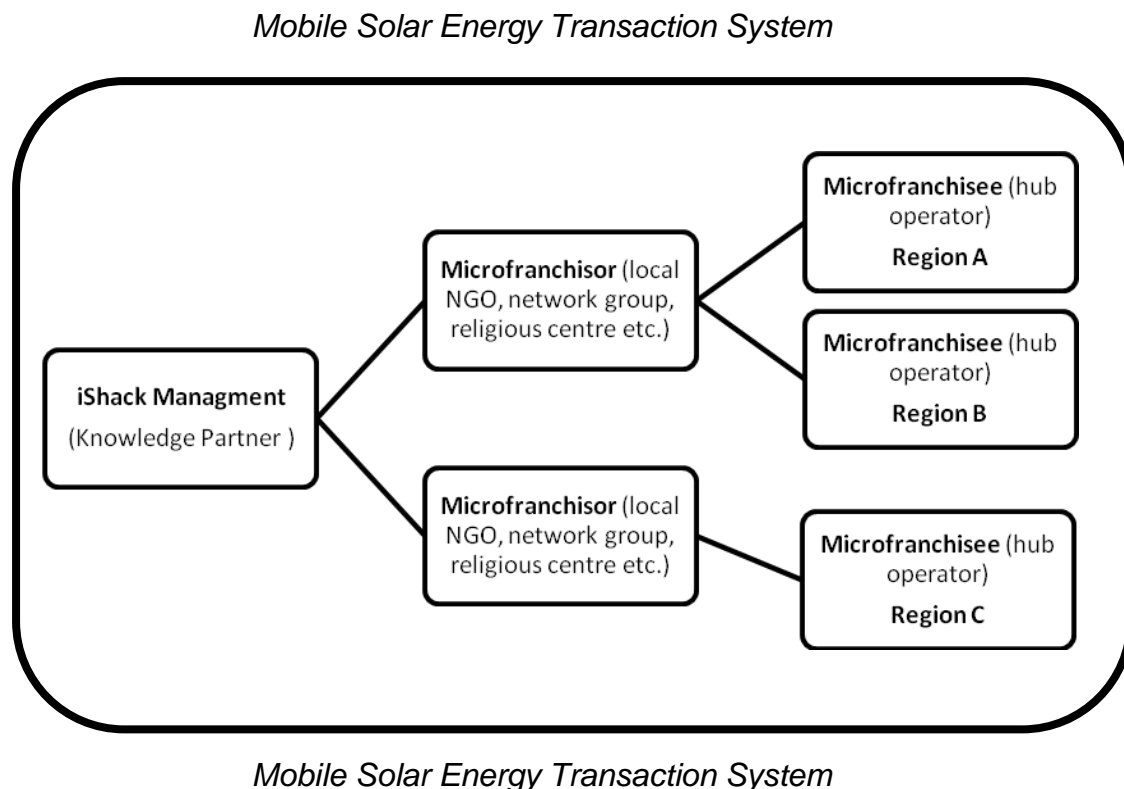
The iShack is a good example of an alternative service delivery system. Given the configuration of the intervention, if the iShack wants to go to scale, microfranchising is one possible path. Using the within-case and cross-cutting lessons gained from the analysis of the three microfranchising cases, intensive document review and communications with the iShack management team (Damian Conway and Andreas Keller) this section seeks to briefly detail a somewhat 'blue sky' microfranchising plan for the iShack project.

The business plan is designed to follow the key themes highlighted through the case analysis and literature review. These themes are the overall business model (ownership and financials) and microfranchisee selection, financing, training, support and mentorship, monitoring and evaluation. This is not a faultless strategy, but rather it represents the initial stages of conceptualising what a microfranchising consolidating, operating and scaling model could possibly look like for the iShack project given different assumptions. As this strategy continues to develop a detailed narrative will be available on the Sustainability Institute website.

3.6.1 Microfranchising Business Model

The structure of the iShack microfranchising venture would be as follows:

Figure 12: iShack microfranchising hierarchy



Source: Author (2014)

The iShack microfranchising venture would be a Non-Profit Company that makes use of a knowledge partner (current iShack management team) as an advisory board. It would also be supported by the Mobile Solar Energy Transaction grid that would be managed by a separate central agency. The knowledge partner would sell the microfranchising rights to existing local networks (NGO's, religious centres etc.) and train them to operate as microfranchisors. This is seen as the way forward for the majority of microfranchisees. This legal structure provides maximum benefits to all stakeholders, through funding and relevant tax exemptions. Microfranchisees would be considered as Exempted Micro Enterprises (100% black owned and their annual turnover is less than R10 000 000) and they would fulfil the new Department of Trade and Industry Scorecard requirements. All funders could be provided with the relevant BBBEE Affidavits for tax reasons.

The knowledge partner would take on a developmental function and assist the different microfranchisors in setting up their business and establishing individual microfranchisees (sourcing necessary equipment, infrastructure and finance as well as training, support and mentorship for microfranchisors and microfranchisees). The microfranchisor would take on the 'back office' responsibilities of microfranchisee selection, internal finance (between microfranchisor and microfranchisee), monitoring, evaluation and IT. The iShack knowledge partner, every microfranchisor and all of their microfranchisees would be connected by a centralised cellphone and financial transaction grid, the Mobile Solar Energy Transaction (MSET) system, which is managed by a central agency.

The MSET system would be a finance and technology system managed by a central agency that tracks and deals with the management (payments, monitoring, activation and deactivation) of all solar systems in the field through the Electricity Control Unit attached to each system. The MSET system would use a similar metering structure to traditional prepaid electricity, except what would be purchased would be energy days (days the system can be used for) and not an amount of energy. An effective metering system, that ensures a consistent service between network and off-grid services, is the key technological innovation that will make adaptation to heterogeneity viable.

a. Ownership

The iShack knowledge partner would be a separate non-profit entity from the microfranchisors and microfranchisees. The microfranchisors would be set up as follows: 20% would be owned by the iShack knowledge partner as a form of franchising fee (fee paid for the right to be a microfranchisor), 70% by the microfranchisor themselves (with 20% reserved for impact investors) and 10% by the Microfranchisee Trust.

The Microfranchisee Trust would be used to incentivise loyalty through producer ownership in the value chain (community ownership of the whole asset) and every microfranchisee will be a stakeholder in this trust. Microfranchisee businesses would be fully owned and operated by the individual microfranchisees from the outset of the contract. However, the iShack knowledge partner would maintain ownership of the infrastructure and other equipment indefinitely.

b. Target market

The iShack microfranchising venture would target individuals in low income, under-served urban communities who can afford some level of payment towards their own energy service but lack affordable, accessible options.

3.6.2 Financials and Technology Selection and Development

It would cost +/- R 40 000 to start up a microfranchisee with a small hub and the needed equipment (informed assumption). Contributing towards this initial capital outlay, all microfranchisees would have to pay a R2500 joining fee (which is invested directly into their initial training) as well as R1000 monthly franchising fees. This fee is not a separate amount but rather it would be collected through a built-in recovery cost managed by the MSET system and the attached agency.

Figure 13: Solar system – Enkanini (picture)

Source: Swilling, Tavener-Smith, Keller, et al. (2013: 9)

Clients would be charged a R300 joining/installation fee and purchase electricity on a pay-as-you-use basis. In order to activate the system a client would use a cell phone, ATM or registered vendor to purchase pay-as-you-use energy credits from the MSET system. Once a client has purchased energy credits they use the voucher code (token), which would be sent to their cell phone, to activate the home solar system, for the purchased number of energy days, using a key pad on the system. As soon as the number of energy days runs out the system would deactivate and automatically notify the local microfranchisee.

The income received from the joining fee and energy credits would cover the operational cost of the knowledge partner and microfranchisor as well as VAT, the TV licences, a component for battery replacement and microfranchisee income (10-15%). As a client electronically pays their joining fee or purchases pay-as-you-use energy credits, the MSET system would automatically assign the specific percentage of the income that is owed to the different parties. The breakeven point for a microfranchisee would be between 200 to 250 clients (informed assumption). While microfranchisees reach the breakeven point they would receive cash gap funding so their gross income remains at an acceptable level (above minimum wage).

(It is important to note that the revenue from user-fees will vary dramatically from place to place and this will impact the level of service and the degree to which the microfranchisees will be able to implement all the operating systems that the iShack have developed. The model must allow for local adaption and flexibility.)

Even though this is an alternative service delivery system, by definition it should offer a similar service to that which is received through the centralised grid. The entry level system (+R8 500 per system (informed assumption)) that the client receives would generate sufficient energy to power lights, a TV and DVD player, radio and a cell phone charging point. However, the system would be set up in such a way that the technology can be constantly adapted to suit the requirements of heterogeneity (similar service for all through diverse means of delivery) and market dynamics. The installed solar system would be scalable and have the potential to be incrementally developed, creating the possibility of powering appliances like fridges and water heaters as the client's needs increase.

3.6.3 Financing Microfranchisees

Due to a lack of affordable microfinancing options in South Africa, the majority of microfranchisees would most likely not make use of formal money lending opportunities (microfinance or traditional bank loans). However, in most cases microfranchisees would make use of informal lending opportunities, for example stokvels or family lending, to raise the required commitment fee (see microfranchisee selection). Given the high initial capital costs required to set up a microfranchisee, the iShack knowledge partner would assist the microfranchisor and microfranchisees with raising a grant or loan. The iShack microfranchising venture would always require separate, 3rd party (preferably state) funding due to the high equipment costs (solar systems). The generated funding would be used to cover the initial capital outlay as well as the equipment costs and operational support funding for the microfranchisee. Operational support or cash gap funding is calculated by the difference between current monthly turnover and breakeven point for the microfranchisee. This funding is provided to ensure that the microfranchisee is earning a fair income from the outset (i.e. to incentivise loyalty).

In addition to state funding the iShack microfranchising venture would set up a two-tier investment fund (microfranchising fund). The first tier would be meant for investors who are seeking a quick return on their money. The iShack microfranchising venture would sell this investor a 'microfranchising licence' (similar to traditional franchising licence) for R40 000. Within the second tier the knowledge partner would locate social investors with patient capital to buy this 'microfranchising licence' from the original investor at a premium (enough to train and set up a microfranchisee +- R50 000 (assumption)).

The original investor would receive a good return on their investment and may reinvest, and every six months the social investor would receive money back from the microfranchisee. Given that these are social investors the money would usually be reinvested into the fund, creating a virtuous circle of investment with a constant flow of income at two points (assumption). An additional investment option would be for an investor to buy 20% (a percentage that is reserved for impact investors) of the microfranchisor and assist in that way. Accessing subsidies from municipality and continual crowd funding would also contribute greatly as funding sources.

3.6.4 Microfranchisee Selection

A key success factor in microfranchising is the selection of the right microfranchisee. The iShack microfranchising venture would have two distinct selection processes. When selecting microfranchisors the iShack knowledge partner would not look for applicants but instead interested local networks or community groups that would like to become microfranchisors would approach the company and apply. This applicant must suggest a potential location, perform a needs survey and get the 'buy-in' from the local community and ward counsellor.

Once a microfranchisor is selected and trained they would use a three-stage selection process to ensure the correct microfranchisees are selected. The knowledge that the local community group or network (now the microfranchisor) has of the context would be invaluable in this process.

a. Stage one:

- A show of interest in becoming a microfranchisee at open days and other community meetings.
- Background and criminal checks - a small questionnaire can be used to raise red flags (shack ownership, employment (who, where, how long), dependants etc.).
- Personal financial checks – indication of ability to manage money.

b. Stage two:

- Group assessment day – individuals that are still part of the process are brought together to play a monopoly type game that allows the microfranchisor and knowledge partner to assess them on business acumen, communication and interpersonal skills.
- Psychometric tests - using a Myers-Briggs type assessment the microfranchisor and knowledge partner are able to select individuals that have specific character traits that suit the environment and task.

c. Stage three:

- Panel interview (other microfranchisees from existing hubs and the knowledge partner must form part of the panel).
- The final selection criterion would be to raise and pay the R2 500 commitment fee.

3.9.5 Characteristics of a Successful Microfranchisee

The iShack microfranchising venture would seek people who are hardworking, articulate, diligent and pragmatic with business acumen. Individuals must also be caring, loyal, family driven and connected to, and benefitting from, the community in which they are operating. In searching for these character traits the iShack microfranchising venture would not seek to 'cookie cut' microfranchisees but instead they would use these traits as indicators to assist in reducing subjectivity and assessing an individual's fit within the goals and vision of the iShack.

3.9.6 Training Microfranchisees

All successful applicants would attend a 7-day intensive training course which covers the day-to-day running of the business (operations and process manual) as well as software training (ordering and client management software). Beyond this the iShack microfranchising venture would train selected microfranchisees using a hybrid Build, Operate, Own, Transfer and Incubation development model. Profitable or well-run microfranchisors and their microfranchisees would be used as incubation centres. Prospective microfranchisees would be selected to participate in an incubation programme (6-12 months) during which time they are officially employed by the microfranchisor. During their incubation, the 'interns' complete a classroom based learnership offered by the knowledge partner and also gain practical experience by working as an employee of a successful microfranchisee.

Ongoing training (day-to-day) would be undertaken using peer networks and field staff that are employed by the knowledge partner. All of the training that microfranchisees receive would be aimed at developing a well-rounded person. In addition to learning more about the business itself, microfranchisees would also be assisted with driving licences, literacy and entrepreneurship training, nutrition and family management, etc. This 'whole' person training is based on the acceptance of being embedded in the larger context. By injecting these added skills into the larger community the iShack microfranchising venture would potentially accelerate its social impact.

3.9.7 Monitoring and Evaluation Methods and Quality Control

The iShack microfranchising venture would make use of a three-tier monitoring, evaluation and quality control system. Effective brand management is one of the most important elements in effective microfranchising.

Firstly, every time a microfranchisee interacts with a client (installation, servicing or other call out) the client would fill in a basic form in their home language on the microfranchisee's smart mobile device. This form covers the basics of customer care, quality of service, costs and experience. Once completed the form would be automatically uploaded to the company's data base. Secondly, using a mobile traceability and management system software a microfranchisee would use his smart device to log any activity with his/her clients (installing systems, services, complaints etc.). This information in combination with the automatic location data can be used by the microfranchisor and knowledge partner in developing the system and for future training and mentorship. Finally, trained field support officers (one for every ten microfranchisees) would visit every iShack microfranchisee to assess their performance using an evaluation form on their smart mobile device. These field staff members would also assist the microfranchisee with day-to-day issues that are highlighted by the mobile traceability and management system.

3.7 Conclusion

This article made use of a multiple-case research design to explore three separate South African microfranchise companies covering a wide range of microfranchise models. Each model finds its place along a spectrum between full autonomy (pure market driven approach), partnership with the state (the hybrid approach as discussed in Radmore (2014b)) right through to a purely state driven approach. The article explored within-case and cross-cutting elements of practical microfranchising, within the context of heterogeneity, from each case. This analysis was undertaken to assist in the initial stages of conceptualising a microfranchising model or business strategy for the iShack project.

The iShack model was born from a need for a change in thinking and is intended as an extension of the overburdened public service provision system. The development approach taken by the team accepts that neither a purely free market approach that romanticises the image of the free market nor a normative centralised public grid approach is the answer to the developing world's service delivery crisis. It is in fact the fusion that matters. The fusion of networked and alternative service configurations in combination with the fusion of free market and state driven interventions in the context of heterogeneity has the ability to have a meaningful impact. It is the combination of projects like a microfranchised iShack, tailored to their context which, together with traditional government driven networked services, represents a developing world's non-utopian adaption to explosive urbanisation.

The lessons gained, the themes explored and the initial strategy conceptualisation highlighted the existing links, as well as the space where more can be developed, between microfranchising in practice and the concepts of everyday urbanism, heterogeneity and alternative service delivery configurations. Additional implementation research is needed but the lessons taken from this article could prove invaluable in beginning to answer the question: how does the iShack social enterprise go to scale and create the most meaningful impact?

Chapter 4 – Conclusion

This paper has reviewed urban development, alternative service delivery configurations in the context of heterogeneity, informal settlement upgrading and microfranchising with a view to exploring what constitutes a successful synthesis of the fields. In order to frame the conclusion it is necessary to recap the original research questions, aims and objectives of the study. The goal for this thesis was to answer the following questions:

Main research question:

Can the management techniques and operational practises of microfranchising support the establishment of alternative service delivery configurations, in the context of a framework for heterogeneity in terms of service delivery systems?

Article one:

Is there potential for a synthesis of the fields of microfranchising and incremental urbanism, specifically alternative service delivery configurations in the context of *in situ* informal settlement upgrading?

Article two:

What lessons can be drawn from potential best practice companies in the microfranchising field and be bolstered by everyday urbanism knowledge to assist in the development of a business model to scale the alternative service delivery project known as the iShack?

Key research objectives:

- Develop a foundational conceptualisation of the potential synthesis of microfranchising and incremental urbanism, specifically alternative service delivery configurations in the context of heterogeneity in terms of service delivery systems. This objective is addressed in Article one.
- Gain a cross-cutting practical understanding of microfranchising that can add to knowledge of potential best practices and information sharing within the theory and practice of microfranchising. This objective is addressed in Article two.
- Present the iShack team with practical knowledge and lessons regarding a potential microfranchising business model for the project. This objective is addressed in Article two.
- Contribute to the ongoing general upgrading of Enkanini by adding to the knowledge base held by the Enkanini Research Centre Association. This objective is addressed by the thesis as a whole.
- Motivate for continued theory development and empirical research into the potential synthesis of the principles of microfranchising and alternative service delivery configurations within the context of *in situ* informal settlement upgrading. Thus adding to the literature available on incremental upgrading of informal settlements. This objective is addressed by the thesis as a whole.

4.1 Answering the main research questions

The overarching purpose of this study was to explore whether or not the BoP concept of microfranchising could support the establishment and scaling of alternative service delivery systems, assuming that heterogeneity in terms of service delivery systems is more than likely to remain the norm for a long time to come. The coherence across the theoretical and practical aspects of microfranchising and everyday urbanism indicates that the management techniques and operational practises of microfranchising have the potential to support the establishment of alternative service delivery configurations within the emerging framework of heterogeneity.

Article one

The concept of developing diverse service delivery systems has immense implications for future *in situ* upgrading of informal settlements. In combining the co-learning and grassroots beginnings of everyday urbanism and the resulting innovations with the operating and scaling mechanisms of microfranchising, the tool that is created has the potential to provide improved basic services in informal settlements. In addition this fusion could support local enterprise development, strengthen the social fabric of developing communities and assist in integrating the marginalised into the formal economy. This combination could tick many of the boxes that define what it means to incrementally upgrade an informal settlement, reimagining them as 'escalator areas' and not life sentences for the poor.

Article two

This article took the proposed synthesis one step further by exploring within-case and cross-cutting microfranchising lessons in order to conceptualise a business strategy for the alternative service delivery project, the iShack. The objective of the iShack project is to develop an incremental, enterprise-based, *in situ* development intervention that takes an alternative approach to energising and upgrading informal settlements. To this end, the project seeks not only to provide a needed basic service but also to support local enterprise development. There are however weaknesses within the project model.

Each case presented valuable within-case lessons on different microfranchising processes and procedures that could prove invaluable in improving on and possibly rectifying the iShack's weaknesses. However, the strengths of the iShack's everyday urbanism, co-learning and grassroots beginnings must not be forgotten. If the operational and management practices of microfranchising are taken up by the project and are used to bolster the existing strengths and knowledge, the team will be able to achieve their goal of providing an alternative basic service and driving local enterprise development.

4.2 Outline of Core Logic and Argument

This thesis undertook to assimilate divergent 'knowledges' from two vastly distinct fields by searching for coherence and correspondence across the similarities and differences. This was done in order to identify and communicate convergent patterns across the two disciplines which could indicate that a fusion has the potential to address mutual weaknesses within each. Based on the in-depth examination of existing literature, interviews conducted with key stakeholders and ongoing transdisciplinary and case study research, there is potential for a fruitful synthesis between the emerging concepts of alternative service delivery systems and microfranchising within the developing framework of heterogeneity.

The author began the search to explore this claim by investigating the notion that the developing world is currently experiencing the rising pressure of the second mass urbanisation wave. The mass urbanisation wave is a process of human migration which has resulted in millions of people flooding into already bulging urban centres. The majority of this urbanisation is taking place in the developing world. In this section the study concludes that this rapid urban population explosion has become an un-scalable hurdle to developing world governments when it comes to providing universally accessible public services.

The author states that this population growth in combination with a dwindling government capacity or willingness to provide adequate services for the population has resulted and will continue to result in rapid informal slum growth. This growth will take place at a scale and pace that developing cities are currently unable to deal with or organise, further limiting the capacity of an already over-burdened public service system. This section of the study concluded that the drive to recreate the modern infrastructure ideal, that has been successful in the developed world, has failed in the complex and splintered developing world context.

This study shows that the spinoff of this mounting failure is that a space has been created where an opportunity exists to move away from the 'modern infrastructure ideal', towards a service delivery system that embraces heterogeneity and everyday African urbanism. These two concepts and the resulting notion of alternative service delivery configurations allow for an entirely new means of incrementally addressing expanding informal settlements. The combination of diverse service delivery configurations that are tailored to a specific context, combined with traditional networked services, accepts and builds upon the complexity and diversity that exists in the developing world city. Heterogeneity in the service delivery industry allows, within a splintered, complex and diverse urban environment, for the needs of more people to be adequately met than would otherwise be possible via centrally managed unitary service delivery networks.

The argument is presented that the concept of microfranchising represents one potential operating system that could support the establishment of alternative service delivery configurations. If this is to happen, and microfranchising becomes a means of delivering traditional 'public services', by definition it becomes embedded within the wider notion of heterogeneity as a key means of ensuring that a diversity of needs are met. Therefore much like alternative service delivery systems this institutional concept, if placed in the context of heterogeneity, cannot be seen as being in competition or as a replacement for government participation.

Essentially, this argument postulates that this synthesis allows the BoP literature to move beyond a normative free market approach which is about attacking the state with an over-romanticised image of the free market. In terms of a development discourse, the synthesis allows the literature and practice to move beyond a normative fixation with recreating the modern infrastructure ideal or a pure focus on grassroots development. Following the rationale of African everyday urbanism, each approach in isolation is insufficient and in fact it is the fusion of approaches that matters.

This combination of microfranchising and alternative service delivery configurations is essentially a synthesis of two distinct ‘fusions’ that creates a third hybrid option. In the case of infrastructure it is the fusion of networked and alternative configurations and in the case of development it is the fusion of the limitations and strengths of a market driven approach with the support of government. It is this notion of a hybrid option of traditional networked infrastructure, in combination with alternative configurations, established through state–supported, market-based approaches that must be incorporated into the literature on urban development in southern cities. Urban development literature has hitherto tended to be suspicious of both alternative means of service delivery and normative market perspectives while romanticising what the traditional modern infrastructure ideal can achieve in this splinted context.

This synthesis will require the field to come to terms with their current limitations and accept changes that ideologically they may have traditionally opposed. This is not a simple process and the success of this synthesis is dependent on a sensitive approach by policymakers and a drastic change of thinking in local government. The combination of alternative service delivery configurations and microfranchising will require all involved, including government, to reconsider outdated mind-sets around roles, responsibilities, capabilities and investment. If developing world governments are to create systems that operate successfully in a very difficult future, they must adopt new approaches to development, collaborate with non-traditional partners, support alternative service delivery, promote local capacity building efforts and embrace socially oriented metrics. If supported by these changes, microfranchising has the potential to be the cornerstone in effective poverty alleviation, urban development and *in situ* informal settlement upgrading by constituting, consolidating and scaling sustainable alternative service delivery systems.

This study also has implications for the field of microfranchising. As is the case with urban development, microfranchising must also come to terms with its current limitations and accept changes that theorists in the field may have opposed. If microfranchising is truly aimed at meaningful development and poverty alleviation, interventions cannot be managed from only a commercial perspective. Microfranchising in the base of the economic and social pyramid must be more cognisant of the diversity and complexity of the context in which they are operating and the modalities of engagement with the state.

To this end, co-learning and systems that allow for local context adaption and reflexivity should be accepted as part of the definition for a 'business in a flexible box'. If a microfranchising venture is aware of its inherent 'embeddedness' in the larger social context, the likelihood increases that the complex and emergent nature of the target market will be grasped, co-learning and context flexibility will be initiated, true participation will be possible and the plurality of values, interests and cultures that are present will be appreciated and used to benefit the organisation. In this way the advantages of commercial franchising can be combined with the strengths of a small scale enterprise and the passion of social development.

Beyond these theoretical implications the lessons gained from the practical microfranchising cases should be taken into account in current and future microfranchising ventures (including the iShack). Particularly important are the lessons gained regarding microfranchising financing procedures, microfranchisee selection, characteristics of a successful microfranchisee, training, monitoring and evaluation methods as well as within-case challenges experienced by the individual cases. A statement made by one of the case study participants supports this point. Sameer Hajee said "I would not wish the last five years on anyone, the lessons we have learnt are invaluable." As the iShack business develops the lessons and theoretical argument presented in this thesis may play a key role in the path that the venture follows. On a larger scale, as a nascent field any attempts to develop the concept of microfranchising or use it as a business model will benefit immensely from information-sharing and the exploration of potential best practice examples in the field. This study forms part of this drive for information sharing.

4.3 Limitations and Recommendations for Future Research

As is true for any study, this thesis has limitations. This study was the researcher's first true experience with academic research, possibly resulting in some weaknesses. Awareness was exercised and a reflective approach was taken throughout to ensure that the researcher's inexperience did not have a negative impact. An additional limitation was time. This research was completed in 2014. Given the relationships, intricacies and complexities of the field of study, time drastically limited the scope that could be covered. In a similar vein the choice to complete this thesis as two freestanding journal articles also limited the scope of the study. The use of only three main case studies also weakens the results. The researcher would have preferred to have more time and space to further explore each field in more depth and locate and analyse a greater number of microfranchising and alternative service delivery cases. Despite the limitations the researcher believes that this work provides insights and adds to the body of research on African everyday urbanism, alternative service delivery configurations, in situ upgrading and microfranchising. However, the limitations experienced in this study are some of the issues that future research needs to address.

Future research should seek to take the iShack microfranchising model forward. There is evidence to suggest that the iShack project could benefit from microfranchising knowledge. The core ideas in the two articles could now be extrapolated into a fully-fledged implementation research project and business model. This research must investigate the legal requirements of microfranchising in South Africa as it pertains to the iShack and extend the initial business model. In particular, this research would have to address the following issues in greater detail: the microfranchising business model, financing procedures, microfranchisee selection, characteristics of a successful microfranchisee, training, monitoring and evaluation methods, technology selection and development as well as within-case strengths and challenges. The researcher hopes to pursue this research at a PhD level.

On a larger scale, comprehensive research is required that further explores the proposed synthesis. This research must debunk the belief that either centralised service delivery or a pure market based approach in isolation is the answer to developing world challenges. Research must cement the notion that there is a fruitful hybrid that has emerged. Another important area of research would be to locate and explore more cases of microfranchising in the public sphere (sanitation, water, waste, security, transport) where government has responsibility but microfranchising could play a role. What this research would explore would be the nexus that exists between the spreading trend of heterogeneity and microfranchising as a support structure or key dimension of it. This would help to cement the proposition that heterogeneity in developing cities has a future and that microfranchising can be an important element of this future.

In the introduction to this thesis it was stated that President Jacob Zuma made a call for South Africa to “respond decisively to the country's energy constraints in order to create a conducive environment for growth” through “an injection of capital and human resources into the energy sector” and “innovative approaches to fast-track the delivery” of services to the people (Zuma, 2014). A synthesis of microfranchising and alternative service delivery systems in combination with state-lead interventions has the potential to be one possible innovative approach to fast-track the delivery of basic services to all South Africans.

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Appendices

Appendix A: Microfranchisors Questions and Interaction/Case Guiding Themes

Case study guiding themes (microfranchisor perspective)

The following questions and themes were used only as a guide and not a set structure. Interviews and interactions were allowed to flow freely.

- Microfranchising business model
- Microfranchisees
 - Selecting
 - Financing
 - Training, support and mentorship
 - Monitoring and evaluation
- Brand management
- Success factors/ weaknesses

Table 4: Company information questions

Personal information
Name:
Date:
Position held:
Length of employment:
Company information
Name:
Age:
Size (number of franchisees):
Location/s:
Market served and product/service offered:

Source: Author (2014)

1. If possible please provide a brief overview of your business model.
2. How would you describe most microfranchisees in the company?

Table 5: Demographics questions

<p>Average age range?</p> <ul style="list-style-type: none"> • Under 18 years _____% • 18-24 years _____% • 25 – 32 years _____% • Over 32 years _____% 						
<p>What percentage of microfranchisees is female and what percentage is male?</p> <ul style="list-style-type: none"> • Male _____% • Female _____% 						
Phases		Primary	Senior Primary	Middle	High	Tertiary
Education: (grades)	None _____ %	1-3 _____%	4-6 _____%	7-9 _____%	10 – 12 _____%	University _____%

Source: Author (2014)

3. How does your company select a potential microfranchisee?
4. What are the characteristics of a successful microfranchisee in your organisation?
5. Do your microfranchisees receive any training and if so when is it provided?
6. How long does it usually take to have a person independently operating as a microfranchisee?
7. How does your company obtain the necessary buy-in from the local communities?

8. Without divulging confidential information, can you provide an idea of the financial operations of a typical microfranchisee in your company at start-up and during operations? E.g. joining fee, monthly costs & income.
9. How do the majority of microfranchisees raise the needed capital to become part of the business?
10. If the microfranchisor assists in financing microfranchisees, please give a basic idea as to how?
11. What information do you collect to keep track of microfranchisee performance?
12. How do you ensure the quality of the work that the microfranchisee is doing?
13. What does it take to create a successful microfranchising business?

Appendix B: Microfranchisees Questions and Interaction/Case Guiding Themes

Case study guiding themes (microfranchisee perspective)

- Skills and education
- Previous experience
- Microfranchisor
 - Selection processes
 - Financing (source of finance)
 - Training
- Strengths and weaknesses

Table 6: Microfranchisees questions

1. Demographic Information:							
Gender :						MALE	FEMALE
Age:							
Education: (grades)	None	1-3	4-6	7-8	9-10	11 – 12	University
Number of people in your household							
2. Where did you receive an income from before you became a microfranchisee?							
3. What training did you receive when starting your microfranchise?							
4. What problems have you encountered in operating as a microfranchisee?							
4. Has this business improved your family income?							
5. How long did it take your business to become profitable?							
6. How did you raise the money to become part of this business?							

Source: Author (2014)

Appendix C: Unjani Clinics NPC

Table 7: Unjani Clinic NPC – company information

Personal information of interviewee
<p>Name: Lynda Toussaint</p> <p>Position held: Chief Executive Officer</p> <p>Length of employment: Since 20 January 2014</p>
Company information
<p>Name: Unjani Clinic NPC</p> <p>Age: Company Registered 6 May 2014; some of the pilot clinics have been operative for 4 years</p> <p>Size (number of franchisees): 7 clinics (3 employees each)</p> <p>Location/s: South Africa</p> <p>Market served: Low-income urban and rural subsistence household.</p> <p>Product/service offered: Primary healthcare</p>

Source: Toussaint (2014b)

Table 8: Unjani Clinic NPC – microfranchisee demographics

Average age range						
Under 18 years		0 %				
19 – 32 years		40% (First time nurses)				
Over 32 years		60% (Retired public nurses)				
Race						
Black		100%				
Gender						
Male		0%				
Female		100%				
Education						
Phases		Primary	Senior primary	Middle	High	Tertiary
(grades)	None	1-3	4-6	7-9	10 – 12	University 100%

Source: Toussaint (2014b)

Appendix D: African Honey Bee

Table 9: African Honey Bee – company information

Personal information of interviewee
<p>Name: Guy Stubbs</p> <p>Position held: Founder (Christian Social Entrepreneur)</p> <p>Length of employment: 7 years</p>
Company information
<p>Name: African Honey Bee (AHB)</p> <p>Age: 7 years</p> <p>Size (number of franchisees): 64 established beekeepers (10 beekeepers in incubation)</p> <p>Location/s: South Africa</p> <p>Market served: Low income rural subsistence household.</p> <p>Product/service offered: Sustainable beekeeping/ Raw bee products</p>

Source: Stubbs (2014)

Table 10: African Honey Bee – microfranchisee demographics

Average age range						
Under 18 years		0 %				
18-24 years		40%				
25 – 32 years		40%				
Over 32 years		20%				
Race						
Black		100%				
Gender						
Male		50%				
Female		50%				
Education						
Phases		Primary	Senior primary	Middle	High	Tertiary
Grades	None 90%	1-3 5%	4-6 5%	7-9	10 – 12	University

Source: Stubbs (2014)

Appendix E: Nuru Energy

Table 11: Nuru Energy – company information

Personal information
<p>Name: Sameer Hajee & Simon Treneer</p> <p>Position held: CEO & Director of Manufacturing</p> <p>Length of employment: 5 years</p>
Company information
<p>Name: Nuru Energy</p> <p>Age: 5 years</p> <p>Size (number of franchisees): 1200 microfranchisees</p> <p>Location/s: Rwanda, Kenya, Uganda</p> <p>Market served: Off-grid rural subsistence household (<\$2 per day)</p> <p>Product/service offered: Nuru Lights (plus other off-grid products) and a recharge service (POWERCycle, Octopus Charger)</p>

Source: (Hajee, 2014a)

Table 12: Nuru Energy – microfranchisee demographics

Average age range						
Under 18 years		0 %				
18-24 years		25%				
25 – 32 years		25%				
Over 32 years		50%				
Race						
Black		100%				
Gender						
Male		70%				
Female		30%				
Education						
Phases		Primary	Senior primary	Middle	High	Tertiary
Grades	None 100%	1-3	4-6	7-9	10 – 12	University

Source: (Hajee, 2014a)