Step-Change: Micro-Entrepreneurs’ Entry into the Middle-Class Market

Falylath Babah Daouda, Paul T.M. Ingenbleek and Hans C.M. van Trijp
Marketing and Consumer Behaviour Group, Wageningen University, Wageningen, The Netherlands

ABSTRACT
With upcoming middle classes in Africa, micro-entrepreneurs witness new opportunities that can potentially lift them out of poverty. Exploiting these opportunities requires entrepreneurs to make a ‘step-change’ away from the bottom of the pyramid to middle-class markets. This process hosts potential conflicts between informal-sector and formal-sector stakeholders as it requires both new resources and continued access to existing resources. By taking a strategic marketing perspective, this study labels and defines the phenomenon of step-change and offers an explanatory conceptual framework for it. The article draws implications for business development, the gender debate, as well as academic research.

INTRODUCTION
In many sub-Saharan African (SSA) countries, nine out of 10 workers operate as self-employed micro-entrepreneurs in the large informal sector with a focus on survival (Fields, 2011; Jamison, 2003). Building on modest skills and operating with small sums of start-up capital (Otoo, Ibro, Fulton, & Lowenberg-Deboer, 2012), these micro-entrepreneurs sell in outdoors locations accessible from the street, targeting customers at the base of the income pyramid (BoP) (Prahalad & Hart, 1999). New middle classes are however arising that create new opportunities for these entrepreneurs (Dadzie, 2013; Ravallion, 2010). According to Ncube, Lufumpa, and Kayizzi-Mugerwa (2011) the African middle class had already reached 34% of Africa’s population in 2010. Upcoming middle-class (UMC) customers are willing and able to spend more on products of higher quality (Banerjee & Duflo, 2008). Except for some imported consumer goods, there are however few products and services that meet their preferences (Chikweche & Fletcher, 2014). Although multinational companies increasingly cater for SSA countries, the greater part of the product assortment is still offered by local businesses (Sheth, 2011). The mismatch between BoP-supply and UMC markets’ demand is not only a problem for micro-entrepreneurs who fail to seize new market opportunities but also for UMC customers who could potentially enjoy higher-quality market offerings as a reward for their efforts to climb up to the new middle class.
To improve their livelihood and potential to move out of poverty, micro-entrepreneurs could seize opportunities arising from the middle class by taking a step upwards away from subsistence-marketplace target customers to focus on UMC customers. For example, in food processing, a business may upgrade from ready-made food sold in a small shed on the street to a simple restaurant built with durable materials to operate in a market context where subsistence marketplace practices, such as bargaining and purchasing on credit, are no longer customary practice. To take such a step, however, requires entrepreneurs to cross several barriers. In particular, they would need to acquire additional resources, of which some, such as capital and insurance, require registration at a Chamber of Commerce and inclusion in the tax-payment system (de Soto, 2000; Spring, 2009). Taking a step upwards may further be complicated by the fact that micro-entrepreneurs may feel locked into social mechanisms of reciprocal one-to-one relationships, characterized by borrowing and lending, that enable survival but constrain growth (Rutashobya Allan, & Nilsson, 2009; Viswanathan, Rosa, & Ruth, 2010).

The existing literature has addressed business growth of micro-enterprises in different ways. Yu and Kwan (in press 2015) find that micro-entrepreneurs can exploit narrow margins by targeting even smaller petty businesses that are too small for the distribution networks of multinationals. From an economic perspective, Fiamohe, Alia, Bamba, Diagne, and Amovin-Assagba (2015) argue that micro-entrepreneurs are unlikely to grow their businesses unless governments do more to protect domestic markets. Others suggest that micro-entrepreneurs can increase their potential by developing innovations with substantial (export) market potential, like Mitticool, a cooling device created by an Indian potter made with clay and which doesn’t need electricity (Makanyeza & Dzvuke, 2015; Radjou, Prabhu, & Ahuja, 2012). Except for Sridharan, Maltz, Viswanathan, and Gupta (2014) who recently extended earlier research by studying what they call ‘transformative subsistence entrepreneurship’, none of these streams of literature has studied how micro-entrepreneurs can climb up the social ladder by exploiting the opportunities arising from their present environments. By studying transformative entrepreneurs, Sridharan et al. (2014) offer a ‘bottom-up’ insight into micro-entrepreneurs who managed to thrive and grow their businesses by, among others, improving their entrepreneurial capabilities and developing new business models.

This article takes a complementary theoretical ‘top down’ approach. Drawing on marketing theories (Ingenbleek, 2014) it develops a conceptual framework to identify the role of strategic marketing in social mobility of micro entrepreneurs (referred to as a step-change into the middle class), thus making ‘us aware of what we have been missing and why it is important’ (MacInnis, 2011, p. 138). Specifically, this article defines and explains this phenomenon of step-change. A step-change is the process by which an entrepreneur from a subsistence marketplace makes a successful transition to a new target market at the UMC, thereby climbing up to the middle class her- or himself. From a marketing perspective, this article conceptualizes the step-change as a process of resource accumulation to create a new value proposition that enables the entrepreneur to enter a new middle-class target market. We draw on stakeholder literature (Mitchell, Agle, & Wood, 1997) to add relational dimensions of legitimacy, power and urgency to the relational aspects such as interpersonal relationships and affective commitments.
that are frequently studied in the subsistence marketplace literature (e.g., Viswanathan, Echambadi, Venugopal, & Sridharan, 2014). The step-change process can be conceived of as a specific case of marketing’s contribution to social mobility. It creates new insights into how global inequality can be reduced, which is one of the greatest challenges of our time (Narayan, 2014). Furthermore, because previous studies have observed that in developing and emerging markets women are overrepresented in micro-enterprises (Otoo et al., 2012; World Bank, 2012), we also draw implications for the gender debate in development (e.g., Kuada, 2009; Madichie, 2009).

In the remainder of this article, we depart from a social capital perspective, which is a common and popular approach to entrepreneurship at the BoP (Ingenbleek, 2014). From there we explain the step-change phenomenon and the general approach of our framework, which draws on the resource-based view of the firm. Next, we introduce the conceptual framework. We then explain the different parts of the conceptual framework and formulate propositions that formally state the relationships between its concepts. In doing so, we draw on explanatory approaches from the strategic marketing literature, like stakeholder and relationship marketing. The article finishes with conclusions and implications for business development and future research.

The social capital perspective on entrepreneurship at the BoP

The great majority of micro-entrepreneurs live in subsistence conditions, meaning they barely have sufficient resources on which to live (Otoo et al., 2012). Their situation is characterized by, among others, inadequate infrastructures and a lack of support from formal institutions (Burgess & Steenkamp, 2006). Micro-entrepreneurs adapt to these conditions through social networking, which enables them to survive by making efficient use of scarce resources (Kuada, 2009; Rutashobya et al., 2009). Hierarchy and embeddedness, such as strong cultural norms, therefore represent important informal institutions that characterize BoP (Burgess & Steenkamp, 2006).

Social network and social capital theories have been used to describe these dense connections between micro-entrepreneurs and their immediate peer groups and kin (Narayan, 2002). Social relationships characterized by connections of trust and commitment enable cooperation and knowledge sharing, and they produce results that members would not be able to accomplish individually (Coleman, 1988). Ties that are inside a network, so-called bonding ties, provide their members with a common sense of identity and a common purpose of emotional and companionship support by helping each other to ‘get by’ (Kristiansen, 2004). Micro-entrepreneurs at the BoP have such bonding ties, for example, with family members, friends and neighbors (Banerjee & Dufflo, 2007).

Although bonding social capital helps micro-entrepreneurs at the BoP to survive, it may also lock them into their current social networks (Kuada, 2009; Rutashobya et al., 2009). Micro-entrepreneurs may be limited by their current networks when, for the implementation of new business opportunities, they seek new information or resources that are currently unavailable in their existing network. Furthermore, when relationships deepen, micro-entrepreneurs may become less independent, potentially leading to ineffective decision making (Rutashobya et al., 2009; Villena, Revilla, & Choi, 2011). Micro-entrepreneurs may, for example, give too much credit to customers because
these customers can place considerable noneconomic claims on their sense of obligation such as reciprocity and reputation claims (e.g., Dussuc & Geindre, 2012). As a consequence, micro-entrepreneurs may not look beyond their current social network for opportunities or resources.

The literature has therefore emphasized that micro-entrepreneurs are also in need of ‘bridging social capital.’ Bridging ties are ties beyond micro-entrepreneurs’ immediate networks or beyond their community and that enable micro-entrepreneurs to link into other networks (Woolcock & Narayan, 2000). Through bridging ties, micro-entrepreneurs can access, for example, new or different equipment and knowledge (Woolcock & Narayan, 2000). Bridging ties are required for a step-change because they enable micro-entrepreneurs to see opportunities in the UMC market. Sridharan et al. (2014) for example reported that some successful Indian entrepreneurs helped starting entrepreneurs to grow their businesses by giving them loans and advice. Such new relationships helped to generate organic growth in their communities (Sridharan et al., 2014). Through bridging ties, micro-entrepreneurs will therefore more likely enter into middle-class markets where economic opportunities are more promising (Woolcock & Narayan, 2000).

After recognizing the opportunity in the UMC market, entrepreneurs should accumulate resources to exploit those opportunities; this is what entrepreneurs do when making a step-change. In a resource-scarce environment, gaining access to resources is likely to be a critical factor. We therefore focus our framework on how entrepreneurs can access the resources required to make the step-change.

**Conceptual framework**

We define step-change as the market entry of an entrepreneur, previously targeting a BoP market, into an UMC market. Entrepreneurs enter the UMC market by developing a new value proposition based on access to and/or development of new resources. A step-change therefore represents a critical step in the process of organic growth of micro-entrepreneurs developing into small- or medium-sized firms. Although businesses can also grow by expanding into other BoP markets, such a strategy would require substantial investments in scale and thus constitutes a far more difficult route for business growth than moving into the growing markets of UMCs. If the step-change is successful, it provides a strong basis for the entrepreneur’s upward social mobility. (S) he will have a more profitable business and gradually become a member of the UMC her/himself. Step-change can therefore be seen as an antecedent of social mobility (Krishna, 2014; Phelan, 2006). The literature on social mobility has identified two main sets of antecedents of social mobility: people’s individual characteristics and the structural characteristics of the society in which they live (Baulch & Hoddinott, 2000; Woolard & Klasen, 2005). With respect to the latter, the societies of SSA countries are, in general, not favorable for social mobility because resources are scarce and often highly unevenly distributed (Hvistendahl, 2014). This renders individual-level factors such as, education, experience, gender, and age a decisive determinant of the process of climbing up the social ladder (Krishna, 2014; Sørensen, 1975). Consistently, our conceptual framework focuses primarily on individual-level variables, including the relationships that individuals have with others to access resources that are needed for a step-change.
In the conceptual framework (Figure 1), the dependent variable, step-change, is explained by the resources accessed by micro-entrepreneurs (resource stock). We distinguish two categories of resources. In addition to some of the resources that entrepreneurs already exploited to serve their current clientele of customers at the BoP (resource continuity), making a step-change from BoP to middle-class markets requires access to resource extensions, notably competences, capital and insurance, to improve the value proposition. In a subsistence context, entrepreneurs usually do not own all the existing resources, but they obtain them on the basis of credit (Viswanathan, Sridharan, Ritchie, Venugopal, & Jung, 2012). The micro-entrepreneur’s relationship-management competence determines the extent to which he or she can obtain the resources that are required for their step-change. In this process, micro-entrepreneurs need to scrutinize, prioritize, and establish the suitable mix of relationships necessary for achieving their goals (accessing resources) (Gummesson, 1994). As the relationships between actors are embedded in a social network, the literature on relationship marketing argues that the relation between entrepreneurs’ relationship competence and access to resources is contingent on the configuration of all other stakeholders (Moura & Teixeira, 2010; Payne, Ballantyne, & Christopher, 2005). Stakeholders’ configuration refers to the total set of stakeholders and their influences on entrepreneurs (Lee, 2011). The configurations can be such that they create potential or actual conflicts between stakeholders (Mitchell et al., 1997). We discuss these relationships in more detail below.

**Step-change as a strategic marketing decision**

From a strategic marketing perspective, the step-change from BoP to UMC markets leads entrepreneurs into (1) a new target market to which (2) a new value proposition is offered. When put in terms of Ansoff’s (1965) growth matrix, a step-change would thus be labeled as a diversification strategy: delivering new products and services in new market(ing) context.
New target market

When making a step-change, entrepreneurs are substituting their subsistence-level customers for UMC customers. The concept therefore implies by definition a change in the target market. Opportunities to find customers in UMCs are rising because of the high economic growth being experienced by many SSA countries in the last decade (Dadzie, 2013). The growing income, urbanization and progress in living standards in SSA countries has led to an upcoming middle class, which further stimulates economic growth because of higher spending power (Chikweche & Fletcher, 2014). Middle classes consist of people who have a steady well-paid job, spend more on durables and leisure activities, buy differentiated products, and pay more for quality and prestige (Banerjee & Duflo, 2008; Chikweche & Fletcher, 2014). Within the middle class, further sub-divisions can be made. The upper middle class consists of people who can spend between US$10 and US$20 a day, whereas the lower middle class can spend between US$4 and US$10 a day. The most vulnerable group is the so-called floating middle class, consisting of people who can spend between US$2 and US$4 a day (Deloitte & Touche, 2012; Ncube et al., 2011). The floating middle class is slightly above the developing world poverty line of US$2 person per day but nonetheless poor by US standards (Banerjee & Duflo, 2008; Ravallion, 2010).

From 1990 to 2005, an extra 1.2 billion people joined the developing world’s middle class (Ravallion, 2010). According to Ncube and Shimeles (2013), the size of the middle class increased from approximately 5 to 15% from 1990 to 2011. Over the next 40 years, the middle class in Africa is expected to grow to 42% (Deloitte & Touche, 2012). The UMC markets can therefore be a significant business opportunity for entrepreneurs.

New value proposition

UMC customers have needs and wants that are different from those of BoP customers; a step-change therefore requires a new customer value proposition. Customers from middle classes can spend $2 to $20 per day on non-essential items such as leisure, entertainment and durable goods (Africa-In-Fact, 2014). Successful offerings for these customers are therefore likely to be differentiated in terms of quality and prestige. Chikweche and Fletcher (2014) found, for example, that Botswana, Ghana, Kenya and South Africa’s middle-class consumers appreciate aesthetics.

Following the resource-based view in marketing, customer value is created by integrating business resources (Vargo & Lusch, 2004; see Madichie, Hinson, & Ibrahim, 2013, for an application to SSA). Madhavaram and Hunt (2008) define resources as consisting of financial, physical, legal, human, organizational, informational, and relational resources. All these types of resources may be needed to adequately serve UMC customers, and their availability cannot be taken for granted in subsistence contexts. Assuming that entrepreneurs do not start from scratch when they make a step-change, it will often be most efficient to continue the access to existing resources (resource continuity), such as the physical resources (e.g., raw materials) needed in operations. Entrepreneurs already have access to these (existing) resources, the supply of which is based on long-term relationships between entrepreneurs and their subsistence-context stakeholders, such as employees and suppliers. To create a
higher-level value proposition, however, resource extension is likely to be necessary. We propose that three types of resources are missing by definition when a step-change is made: capital, insurance, and competences that enable the integration of resources into higher-quality value propositions.

First, human resources such as competences are essential to deliver the required quality of products and services. Competences are overarching resources that combine other resources by enabling a person or a business to accomplish a particular task (Danneels, 2008). For instance, customer competences include human resources such as the knowledge of customer needs, customer purchasing procedures, competitors, distribution and sales access to customers, customer willingness, and communication channels that enable an entrepreneur to serve a particular customer group (Danneels, 2008). When making a step-change, entrepreneurs may lack the required competence to serve UMC customers. They may therefore consider acquiring competences (1) through education, (2) with the help of customer feedback, and/or (3) from experts. Entrepreneurs can develop their competences in the education system (Ghina, 2014). However, for many micro-entrepreneurs such trainings are too expensive. Therefore, the development of competences would depend on them being financed up front by third parties, or competences should be developed in other ways. Entrepreneurs can learn from customers’ recommendations and complaints to improve their value proposition (Grönroos, 2006). Although such adaptive learning may help to optimize existing competences, it may be less effective in the development of new ones for which generative learning is required (Slater & Narver, 1995). In addition, entrepreneurs can learn from experts, who can be trainers associated with development organizations, their former employers, or trained employees.

Second, once entrepreneurs have decided how to implement their new value propositions, they are in need of other resources, such as physical resources, qualified labor, equipment, higher-quality raw materials, and well-located outlets (Chikweche & Fletcher, 2014). For instance, entrepreneurs may need to use electrical appliances instead of hand-driven equipment, and these new appliances require investment. In that respect, the level of capital for running a business in UMC markets is significantly higher than what is needed at the BoP (Spring, 2009). The required financial resources will often be beyond the level that can be invested by their savings and their traditional investors, such as families, friends, community members, business contacts, and rotating savings and credit associations (Banerjee & Duflo, 2007; Bell, 2014). Entrepreneurs who are making the step-change will therefore rely more on bank overdrafts and donor loans (Bell, 2014; Spring, 2009).

Third, insurance issues come into play due to the growth of the investments on new equipment and materials required by the new value proposition. Entrepreneurs will need to protect those investments against risks. As their informal networks have only a limited ability to deliver such protection (Banerjee & Duflo, 2007), entrepreneurs need insurance to secure their investments. Insurance is also obligatory to the process of obtaining a loan from a bank (Bell, 2014).

In sum, to allow them to make a step-change, entrepreneurs need to build on their existing subsistence marketplace contacts while simultaneously extending resources that enable them to create higher-quality value propositions. We therefore propose:
Entrepreneurs’ likelihood of making a step-change increases with the extent to which they can access (a) competences, (b) capital, (c) and insurance and (d) can do so without losing access to existing resources.

The role of relationship management

The adequate management by entrepreneurs of stakeholder relationships is essential to ensure both continuity of existing resources and acquisition of resource extensions. In their statement about stakeholder marketing, Bhattacharya and Korschun (2008) argue that marketing can make a unique contribution to the stakeholder management discussion because it offers specific knowledge on how such relationships can be managed. Relationship management refers to all business activities directed towards initiating, establishing, maintaining, and developing successful long-term relational exchanges with social ties and systems in which the business prospers (Grönroos, 1994). These relationships take time to be built and also require time to be maintained, highlighting the importance of their management (Gummesson, 1987). As long as those business activities are profitable to both parties in the relationship (entrepreneurs and stakeholders), the relationship can progress from transactional to relational with an increasing involvement and mutual commitment of the parties (Lindgreen, Palmer, Vanhamme, & Wouters, 2006). It is therefore up to entrepreneurs to dynamically manage their relationships with stakeholders to attain the desired state (transactional or relational). They may have to trade off the costs and benefits of the relationships. Entrepreneurs should know which relationships to invest in further or divest themselves of, and which relationships to keep on a transactional level because they lack reciprocal value (Gummesson, 1994; Moyes, Whittam, & Ferri, 2012).

In the context of making a step-change, entrepreneurs may develop five activities to access resources and maintain a low cost of network maintenance: assessing relationship value, scanning relationship opportunities, developing new relations, continuing relationships, and abandoning former relations (Grönroos, 1994; Gummesson, 1987). These five activities require relational competences, such as communication capabilities, leadership capabilities, group membership capabilities, partnership capabilities and cognitive abilities to bring changes in one’s business such as detecting missing knowledge or information for improvement and where and how to obtain it (Agarwal, 2010; Kabeer, 2005). These relational competences can be developed over time. For instance, prior exposure to empowering programs has led women to be outspoken in public forums (Agarwal, 2010), and those with strong leadership capabilities have performed well in gaining institutional support for their projects (Das, 2014). By strengthening their connections to groups, women can increase their exposure to new ideas and their bargaining power (Das, 2014). Good skills in communication will link entrepreneurs to other fellows and institutions and to establish relationships between them. Communication helps to develop, bring together, and disseminate knowledge among people (Duncan & Moriarty, 1998). Additionally, microfinance program membership has connected isolated entrepreneurs to social networks that are far larger than their personal ones (Sanyal, 2009). Likewise, meeting new people in training sessions has fostered entrepreneurs’ group membership (Das, 2014). Solidarity groups together with
institutional support may allow entrepreneurs to fight back power configurations, norms and perceptions that constrain relationships (Das, 2014). Entrepreneurs who master the abovementioned relational competences are more likely to prevent and/or successfully address (potential) stakeholder conflicts (Moura & Teixeira, 2010).

\[ P_2: \text{As an entrepreneur’s relationship competence becomes more developed, the likelihood that he or she can access the resource extensions needed to make a step-change increases.} \]

The role of stakeholders’ configuration

In contrast to existing resources from entrepreneurs’ informal sector’s contacts, resource extensions will often be accessed through relationships with actors in the formal economic sectors, such as banks, educational institutions, and insurance companies. Given that these resource extensions are necessary to make a step-change from BoP to UMC markets, the step-change will also involve a step towards the formal economy, which requires paying taxes and a subscription at a Chamber of Commerce. This situation can be complex to manage because stakeholders may have fundamentally different perceptions of what is legitimate, who is powerful, and whose interests are most urgent. Legitimacy, urgency and power are three defining dimensions of stakeholder configurations, according to stakeholder theory (Mitchell et al., 1997). Because what is seen as legitimate in informal sectors may not be considered as legitimate in formal sectors and vice versa, entrepreneurs that try to make a step-change may face a potential stakeholder conflict. When combined with a high level of urgency of stakeholder claims, the potential conflict can become an actual conflict. Whether this conflict has negative consequences for the entrepreneur depends on the power of the stakeholders.

Legitimacy is a widespread perception or assumption that an actor’s actions are appropriate or proper within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995, p. 574). Legitimacy in the informal sector may be different from legitimacy in the formal sector. In formal contexts, legitimacy is based on the fact that businesses are formally signed in at the Chamber of Commerce, pay taxes, and operate within legal boundaries (de Soto, 2000). Businesses from the informal sector may therefore lack legitimacy in the eyes of formal-sector institutions, and they may witness challenges in accessing resources of formal-sector stakeholders, such as banks. The microfinance literature has discussed potential solutions to this problem, particularly the use of group-based micro-loans (Gbinlo & Soglo, 2003). The relatively small group-based micro-loans will, however, often be insufficient for a step-change, which requires an amount of capital that is usually offered only in personal loans (Spring, 2009). To make a legitimate call for such loans, entrepreneurs should formally register their businesses. This registration may in turn increase the legitimacy perception among other formal-sector stakeholders, such as UMC customers who demand traceable financial transactions through invoices and receipts.

In informal contexts, legitimacy is based on the prevailing cultural norms (Molyneux, 2002) that often emphasize the embeddedness of social relationships and
the local hierarchy (Burgess & Steenkamp, 2006). Embeddedness refers to a desirable relationship between an individual and a group which helps maintain the status quo and limits actions that might disrupt group solidarity or a traditional order (Licht, Goldschmidt, & Schwartz, 2005; Schwartz, 2006). Hierarchy refers to a cultural emphasis on obeying role obligations within a prescribed and legitimately unequal system of distribution of power, roles, and resources. These obligations help guarantee responsible behaviors that preserve the social fabric (Licht et al., 2005; Schwartz, 2006). According to Licht et al. (2005), cultural hierarchy also grants power to authorities, who are charged with controlling the uncertainty that is typically associated with resource scarcity and regulative gaps at the BoP. Such cultural norms can be present in the cultures of professional and economic networks largely formed on the basis of gender, social roles or religion (Branisa, Klasen, & Ziegler, 2013).

The difference in what is seen as legitimate creates a potential conflict between formal- and informal-sector stakeholders. Whereas for informal-sector stakeholders, the social obligations to others may weigh heavily in the hierarchy of the informal network, formal-sector stakeholders are more concerned that the entrepreneur fulfills the legal and contractual obligations. Claims based on legitimate arguments in the different worlds may not necessarily match. Entrepreneurs will find it difficult to explain to formal-sector stakeholders why they should obey the norms of informal-sector stakeholders, and vice versa. As long as the entrepreneur can satisfy both stakeholders, the potential conflict will not turn into an actual conflict. This status quo changes when stakeholders’ claims on the entrepreneurs’ business become more urgent.

Urgency is the degree to which the stakeholder claims call for immediate attention (Mitchell et al., 1997). Urgency captures the dynamics of the time-sensitive (Maignan & Ferrell, 2004) and critical nature of stakeholders’ interactions (Hult, Mena, Ferrell, & Ferrell, 2011). Urgent claims in informal contexts may, for example, take the form of employees who cope with a sick person in their families and ask for early payments of their wages to cover expenses for medical aid. In contrast, in a formal context, urgency can take the form of a deadline for a payment. These injunctions from formal-context stakeholders should become entrepreneurs’ first priority because they imply a risk of being sued in court for the non-fulfillment of engagements. If entrepreneurs also still depend on resources from the informal sector, they run the risk that their access to their suppliers will be withdrawn if they do not fulfill the urgent claims of informal-sector stakeholders. If such claims occur simultaneously, the entrepreneur will not be able to satisfy both stakeholders. The conflict between formal- and informal-sector stakeholders is then no longer potential, but it has become actual. The extent to which this actual conflict has consequences for the entrepreneur depends, however, on the power of the stakeholder.

The power of one actor over another is the capacity of that actor to influence the behavior, acts, attitudes or decisions of the other actor (Johnson & Johnson, 2011). A stakeholder has power over an entrepreneur if the entrepreneur is more dependent on the stakeholder than the stakeholder is on the entrepreneur (Deutsch, 2011). Formal and informal stakeholders can both have power over entrepreneurs, but the sources of their powers may be different. In informal contexts, stakeholders have power when they can influence the capacity of the entrepreneur to access resources.
(Ibarra & Andrews, 1993). These can be both stakeholders that have a direct relationship with the entrepreneur, such as an employee who decides to quit, or an influential person in the network who forbids others to provide the entrepreneur with resources. For resource continuity, the entrepreneur may depend on relationships with key members of their informal networks. If those key members use their power to weaken the entrepreneur’s capacity to access resources, the latter will have greater difficulty making a step-change.

In formal contexts, the same processes may occur, but stakeholders’ power is additionally determined by rules and regulations. When entrepreneurs do not respect the arrangements with their formal stakeholders, they may be vulnerable to legal action. Consequently, they may wane their capacity to access resource extensions and see their collaterals confiscated. In some SSA countries, legal institutions are however not always capable of implementing such actions (Burgess & Steenkamp, 2006), thus weakening the power of stakeholders from the formal sector. If stakeholders from the formal and informal sectors both have the power to weaken entrepreneurs’ capacities to access resources, entrepreneurs will find themselves confronted with critical situations. Given that making a step-change requires both resource continuity and resource extensions and that such a change will require losing either one of them, the step-change is only possible if entrepreneurs have a very strong relational competence and anticipate such conflicts. They can do so by sorting out whether stakeholders understand the legitimacy differences between the two sectors and assessing their commitment to act accordingly. Stakeholders that are deeply rooted in the subsistence marketplace culture may, for example, have difficulty understanding the obligations for formal-sector stakeholders, whereas those that have several acquaintances that run formally registered enterprises may understand. Likewise, formal-sector institutions may vary in the degree to which they understand how people can be interconnected in the informal sector (Elaydi & Harrison, 2010). In addition, entrepreneurs can assess who has power over their stakeholders and when and why this power will be exercised. If powerful actors have influence over all suppliers in a certain community, they can develop relationships with suppliers from a different community to decrease their dependency. Entrepreneurs can also build social capital, so that in case of a conflict of interest, they can leverage their credit on the social capital balance to solve the problem (e.g., Coleman, 1988).

P3: As actual stakeholder conflict between formal- and informal-sector stakeholders increases, the strength of the relation between an entrepreneur’s relationship competence and his/her access to resources needed to make a step-change decreases.

Conclusion

Drawing on theories of social capital, stakeholder marketing, and relational competences, this article explains when an entrepreneur is more/less likely to make a step-change from BoP to UMC markets. Step-change is seen in that respect as a special case of the vertical upward social mobility of entrepreneurs into higher social classes. From a strategic marketing perspective, step-change is a process of creating access to resources to serve a new target market with a new value proposition. Whereas mainstream
strategic marketing literature sees resources as the drivers of a marketing strategy in resource-abundant contexts, this article addresses a situation in which marketing strategy can be implemented in resource-scarce contexts. The framework developed in this article also highlights the importance of stakeholder management for making a step-change. By making these connections, the framework brings stakeholder management to the context of BoP. Thus far, the stakeholder literature is primarily concerned with the corporate social responsibility policies of large corporations in high-income markets (e.g., Maignan & Ferrell, 2004), but apparently, its relevance can be stretched to microenterprises in SSA countries. Below, we discuss the implications that the framework has for the gender debate in development, for the development of African business, and future research.

The importance of step-change in the gender debate

This framework provides an explanation for why women have more constraints in connecting with the formal economy and why they still dominate the informal economy even though more attractive business opportunities are arising in the formal economy. The framework sees relational competence as a basic driver of why some entrepreneurs are capable of creating access to the resources needed to make a step-change, whereas others are not. Such relational competences seem not equally divided across the two sexes in that they are also shaped by genetics (Baron-Cohen, 2002; Seeley, Gardner, Pennington, & Gabriel, 2003). Research has shown that, compared to men, women relate less often to highly abstract entities, such as groups, institutions, and organizations (Baumeister & Sommer, 1997; Gabriel & Gardner, 1999) because they are less equipped in predicting the behavior of systems (Baron-Cohen, 2002). Given that some resource extensions, such as capital, can often only be accessed through relationships with institutions such as banks, women may face greater challenges in accessing such resource extensions. In addition, relational competence entails activities such as scanning, valuing, developing, abandoning, and continuing relationships for access to resources. Research has found that women are good at continuing relationships, whereas men are better equipped to abandon relationships and to develop new relationships (Kuada, 2009; Little, 2002). Such activities may typically be important for making a step-change. Furthermore, in the context of SSA countries women’s networks are made up more of kin and relatives than of business partners (Boehe & Barin Cruz, 2013), which leads to fewer professional development opportunities (Das, 2014) and consequently to fewer opportunities for business stakeholder relationships. This may reduce women’s opportunities to access resource extensions such as assurance from non-kin stakeholders. Consequently, men may access more resource extensions from non-kin than women do, whereas women may benefit from resource continuity from relatives more than men do. Because resource extension is more difficult to find than using existing resources, men may make the step-change more often than women.

Making a step-change implies addressing formal and informal stakeholders. However, working with formal stakeholders is often a greater challenge for women than for men (Kibanja & Munene, 2009). Women’s activities are often seen as less legitimate than those of men. In certain societies, women face legal restrictions such as the rights to sign a contract, to register a business, to open a bank account, to own a
property, or to work at night (Sadi & Al-Ghazali, 2010; Winn, 2005), whereas men usually hold the powerful positions in the formal economy (Schuler, Hashemi, Riley, & Akhter, 1996). Men dominate political networks (Molyneux, 2002), have more business contacts, and have more contacts at the top of the hierarchy than women (Winn, 2005). In addition, the probability for a male entrepreneur to have a contact in a bank is higher than the chance for a female entrepreneur to have a contact in a bank (e.g., Branisa et al., 2013). This situation may provide an additional advantage to males when it comes to easy access to bank services. As a result, female entrepreneurs may sometimes need the intermediary services of males to extend their resources. In many SSA countries women have therefore difficulties to access resource stocks that are mostly found in the formal sector of the economy (Sadi & Al-Ghazali, 2010; World Bank, 2012).

**Implications for African business development**

The step-change concept that is at the heart of this article is a fundamental strategic marketing decision that expresses an entrepreneur’s commitment to business growth, which may subsequently lead to social mobility of the entrepreneur. Step-changes may therefore be a part of the solution that marketing offers to SSA’s development. A general implication of this study is that African countries must find ways to develop an environment that enables and promotes individuals to make a step-change (Bijaoui, 2012). In terms of implications, the step-change framework provides several directions that may help to do so.

The step-change framework highlights the importance of relational competences for access to the resources required for a step-change. The reinforcement of entrepreneurs’ competences in relationship management may be the key to facilitate their access to resources and to bridge the potentially conflicting interests of stakeholders (Yan & Chew, 2011). Trainings aimed at entrepreneurs that are in the process of step-change might therefore focus on the valuation process of relationships, and how to establish new relationships as well as how to let go relationships that are no longer important. Such trainings could include how to take the lead in scanning relationship opportunities beyond one’s informal context and how to establish oneself as a significant potential business partner (Grönroos, 1999). In their educational policy, decision makers in SSA countries may have to emphasize those types of trainings.

In this article, it has been observed that working with stakeholders in their formal contexts requires entrepreneurs to formally register their businesses to gain legitimacy. Importantly, the choice of registering a business signifies a larger commitment than the choice not to do so (Autio & Fu, 2015). For example, in some SSA countries such as Benin, the current registration policy requires from entrepreneurs a number of steps and documents, including birth certificates. However, as simple as this document can be in most high-income countries, some micro-entrepreneurs do not have their original birth certificate because they were born at home and nobody took the time to declare their birth. Thus, the state’s business policy in SSA countries could revise the formalities and the procedures for business’ registration to stick to the reality of their citizens (micro-entrepreneurs).

Capital is one of the resource extensions required for making a step-change, and the current microfinance policy widely adopted by SSA countries cannot in all cases
provide sufficient capital for entrepreneurs such as those in a step-change process (Bruton, Ahlstrom, & Si, 2015). Those microfinance institutions prioritize group lending to ensure good repayment rates (Gbinlo & Soglo, 2003), but such group lending implies a small amount of money for each individual entrepreneur. This may cause problems for entrepreneurs who aim to grow individually. Financial institutions should therefore specifically target entrepreneurs in their processes of step-change to contribute to their upward social mobility. Those institutions may have to offer special credits to these entrepreneurs, such as higher individual amount of loans with longer repayment times.

**Future research**

The conceptual framework developed in this article suggests several directions for future research. The present study explains the conditions in which micro-entrepreneurs are likely to be able to make a step-change, which in turn will potentially help them to climb up the social ladder. None of these conditions has however been empirically investigated. A first direction for future research constitutes, therefore, an empirical investigation of the relationships in our model. We do want to emphasize, however, that our article merely offers an approach for studying step-change rather than a complete model. It is therefore probably more interesting to conduct empirical studies that don’t just confirm or falsify the proposed relationships but that further enlighten the process. In particular, qualitative studies may shed light on the triggers of the process of step-change. Such studies may investigate a group of entrepreneurs that successfully went through the step-change process and look back with them on their life stories.

Longitudinal quantitative surveys could provide more insight into the evolution of the overall process of making a step-change, such as which resources are accessed, from whom and how. The results from the surveys may show the ups and downs witnessed by entrepreneurs on their way of making step-change and how they overcame/reached these. In addition, surveys may highlight the determinants of successfully making a step-change.

Future research can also focus on the effect of trainings on entrepreneurs’ abilities to make a step-change. The marketplace literacy initiative in South India, for example, trained micro-entrepreneurs’ in their understanding of marketplaces (Viswanathan, Gajendiran, & Venkatesan, 2008). Likewise, trainings that specifically focus on the functioning of middle-class markets may potentially help entrepreneurs to make a step-change. Strengthening entrepreneurs’ relationship-management competence can for example be implemented as a treatment variable to see whether, compared to a control group (which does not benefit from such training), there are differences in making the step-change. Such an experiment can help to justify and set up interventions for micro-entrepreneurs in SSA.

Finally, future research can investigate the broader social consequences of step-changes. In that respect, future research may, for example, investigate how the rules for small and medium-sized businesses stimulate step-changes. It may also show how step-changes in turn put pressure on the legal system to ease formal subscription rules and decrease taxes for small businesses. In particular, such studies create insight into
how step-changes change the regulative institutional environment of countries, possibly revealing how business processes that are, in essence, marketing-based interact with the institutional environment.

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