‘The influence of local governments on scaling hybrid organizations in a BoP context’

– Master thesis –

Abstract

Consisting of the poorest two-thirds of the world economy, the Base of the Pyramid (BoP) is the biggest market in the world with still a great potential. Characterized by low margins and powerful local governments, most organizations struggle to acquire a proper size in the BoP segment. Based on a theoretical framework, this research provides more understanding of how African governments influence the scaling process of hybrid organizations. This type of organization combines the two objectives of delivering social impact and generating profits simultaneously. With evidence from hybrid organizations, documents and Dutch embassies, a holistic perspective is applied to gain more insights into the main governmental influences on scaling hybrids. Results from the cross-case analysis show that corruption does not always has to negatively impact the scaling process of hybrid organizations. The main difference between worse- and better performing governments is the level of interference. Most negative governmental influences on scaling hybrids are the demand of local value addition and profit sharing. Most positive governmental influences are the reduction of import/export restrictions and pro-active collaborations with the private sector.

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Introduction

At the Base of the Pyramid (BoP) lies a highly underestimated market with a great potential for enterprises that strive both for profitability and social objectives. BoP is defined as the poorest two-thirds of the world economy and consists of roughly 4 billion people (Borchardt et al., 2019). The BoP market is characterized by a relatively young population with constant scarcity of resources and mostly competition of unbranded organizations (London, Anupindi, & Sheth, 2010). The attractiveness of this segment for organizations appears from multiple studies (Christensen, Craig, & Hart, 2001; Danse, Klerkx, Reintjes, Rabbinge, & Leeuwis, 2020; Hamilton, 2013; Prahalad & Hart, 1999). And although the value of the BoP context was already recognized in (1999) by a study from Prahalad and Hart, it still has a big potential as the biggest and fastest growing market in the world (London & Hart, 2004). Within this global BoP market, there are a lot of differences across continents. Africa does not have the biggest BoP market with an income of 429 billion dollars compared to a global BoP market income of 5 trillion dollars (Hammond et al., 2007). Albeit relatively, the BoP market in Africa includes by far the most people in its region, namely 95%. In comparison to Eastern Europe (64%), Latin America (70%), and Asia (83%). Moreover, Hammond et al. (2007) mention that unlike other regions, the BoP market in Africa is the most dominant consumer market in its region. More specifically, the poorest region in the world is Sub-Saharan Africa (SSA), excluding countries such as Egypt and Morocco (The Economist, 2004). The Economist (2004) even stated that SSA is the only continent in the world that became poorer over the years. Hence, this research focusses on SSA, as this region is left behind and still has a lot of potential to grow economically.

Private sector involvement can create a social impact by helping the poor (Mangnus, 2019). This involvement can, for example, reduce malnutrition, according to Maestre, Poole and Henson (2017). On the other side, this low income BoP market also provides advantages for organizations, such as growth opportunities and a good reputation (Christensen, Craig, & Hart, 2001; Hamilton, 2013). According to Goyal, Sergi and Jaiswal (2015), hybridity is one of the most successful approaches that organizations can apply in a BoP context. A hybrid organization can be defined as an organization that operates in the vague space between the two worlds of for-profit and non-profit (Boyd et al., 2009). More specifically, organizations need to be inclusive to create a social impact. An inclusive business model is mainly characterized by including the poor as, for instance, producers or consumers (Derks, 2020), but also emphasizes the role of the local government (Bonnell & Veglio, 2011). Gradl and Jenkins (2011) even states that the inclusive business approach helps organizations scale in BoP markets.

Hybrid organizations need to scale their inclusive businesses because of the substantially lower margins that are available in the low income BoP market. Prahalad and Hart (1999) state that low income focussed organizations have to have strategies that are driven by high volume, reaching as many people as possible. Many businesses have already failed to succeed because of the lack of scalability in their organizations (Bocken, Fil, & Prabhu, 2016). Complemented by Danse et al. (2020), who found that by far the most cases active in the BoP sector have a main pricing strategy of big volume and a low margin. Thus, it is important for organizations to scale their inclusive businesses to be able to produce in a high volume and survive. Still, a clear BoP model resulting in scalability is lacking in the literature (Heuer, Khalid, & Seuring, 2020). Emphasized by Bocken et al. (2016), it is still rather unclear why only a rare minority acquires a proper size. With this, the success factors of scaling organizations in a BoP context remain rather unclear.

Factors that do play a major role and can have a huge influence on the scaling process of hybrid organizations are local factors, such as the local government and the local population. Whereas collaboration with the local people is important for success, the local governments show that they have the most influence on organizations in their countries. Accentuated by Rangan, Chu, and Petkoski (2011), who explain that avoiding the government causes most businesses to fail. Albeit, previous research advised organizations to exclude the local government from their operations (Hart & London, 2005). The huge influence of local governments in the BoP context is emphasized by Bittencourt Marconatto, Barin-Cruz, Pozzebon, and Poitras (2016). Despite the huge impact of local governments, not much research has been devoted to how exactly local governments influence the scaling process of hybrid organizations. Emphasized by Siebold (2020), who calls for more explanation about local governments and their influences on scaling businesses. Practically, this study will contribute by creating a better understanding of why hybrid organizations fail to reach a proper size. Which is essential, because more successful inclusive organizations will result in, for example, more employment, higher quality products, and eventually, stronger African economies. Hence, the goal is to obtain more insights into the influences of African governments that are relevant for the success of scaling hybrid organizations. Therefore, the following research question is answered:

‘How do local governments in Africa influence the scaling process of hybrid organizations in a BoP context?’

In the following chapter, a theoretical framework is introduced based on previous research about governmental mechanisms. This framework is applied to acquire and to analyse relevant information. In the methodology chapter, all data sources are introduced and comprehensively discussed. Followed by the elaboration of all obtained results per government. At the end of this chapter, a cross-case analysis is conducted, which compares the measured governments and the main findings. At the end, the discussion and conclusion are described. Including the main results compared to previous studies and the expectations.

Theoretical framework

One of the biggest challenges for hybrid organizations is scaling their social impact in a BoP market (Cannatelli, 2017; Scheuerle & Schmitz, 2016). The social impact is defined as the support of lagging, forgotten or highly disadvantaged groups of people (Martin & Osberg, 2007). Hybridity appears to be an effective approach towards the creation of social impact in the BoP segment (Goyal et al., 2015). Furthermore, research that links scalability and hybrid organizations is scant (Ometto et al., 2018). Most attention went to scaling for-profit organizations and NGO's (Bocken et al., 2016). General research about social entrepreneurship did focus on the characteristics of the social entrepreneur (Bradach & Grindle, 2014). In addition, a study by Bloom and Smith (2010) created a model (SCALERS) about organizational capabilities in an attempt to operationalize social entrepreneurial activities. In a broad way, hybridity can be defined as organizations that apply multiple established organizational categories and forge them together into a new organizational form (Battilana & Dorado, 2010). Boyd et al. (2009) explain hybrid organizations as businesses that combine the objectives of generating profits and delivering social impact. An interpretation of hybridity that is supported by multiple studies in different words (Doherty, Haugh, & Lyon, 2014; Haigh & Hoffman, 2014). Subsequently, hybrids have even been called social enterprises (Holt, 2011), companies that use their profits to reach the company's objective, instead of gathering profits on its own as a primary goal (Grove & Berg, 2014). An example is Bauwens, Huybrechts and Dufays (2019), who studied social enterprises as hybrid organizations. It may even be so that businesses are legally structured as for-profit or non-profit organizations, but in essence, apply both in their core activities (Haigh & Hoffman, 2014). From now on, all of these mentioned organizations are referred to as hybrid organizations.

Inclusive business model

In general, all stakeholders involved during the development of the business in a BoP context have to be taken into account together with their objectives (Boons & Lüdeke-Freund, 2013; Brehmer, Podoynitsyna & Langerak, 2018; Matos & Silvestre, 2013). More specifically, an important factor that characterizes a successful strategy for the BoP segment is collaboration with non-traditional partners, such as non-profit organizations, local governments and community groups (London & Hart, 2004). These partners offer a lot of relevant information that traditional partners simply do not possess (Rondinelli & London, 2003). In fact, ignoring the local situation, including the local stakeholders, can even lead to conflicts resulting in lower social impact and a higher chance that the hybrid business will fail (Bittencourt Marconatto et al., 2016; Dembek, York & Singh, 2018; Oskam, Bossink, & de Man, 2018). This is also the reason that the concept of inclusive business models is gaining ground in developing environments (Wach, 2012), engaging the poor in the supply chain as, for example producers or consumers. Emphasized by Gradl and Jenkins (2011), who stated that the inclusive business approach may be the way to reach scale in a BoP market. This collaborative approach applies a financially profitable business model through which a positive development impact is created (Wach, 2012). Additionally, Gradl and Knobloch (2010) add that inclusiveness contributes to the improvement of the local people, environment and local businesses. Besides, the poorest do not necessarily have to be included only as consumers. An example is the inclusive business model of Friesland Campina WAMCO, a dairy company that is settled in Nigeria. One of its goals is to link local smallholder breeders to its own milk collection points, including them not only as consumers, but also as producers (Ekumankama, Ezeoha, & Uche, 2020). Thus, an inclusive business approach towards the BoP market is necessary in order to enter and develop impact in the BoP segment. Especially local-, non-traditional partners are invaluable and essential for hybrid organizations to survive and thrive.

Scalability

The term scalability from a business perspective can be defined in various ways. It has to be clear which amount of growth is expected from a company in order to state that they scaled successfully. Furthermore, what aspect of a hybrid business is leading in deciding its scaling progress. For instance, most studies associate scaling with expanding income or geographical regions (Han & Shah, 2019). More specifically, scaling social impact is often measured by the growth of the organization (Dees, Anderson, & Wei-Skillern, 2004; Han & Shah, 2019). Unlike growth, scalability addresses the multiple possibilities that businesses have, to raise more social impact (Bauwens, Huybrechts, & Dufays, 2019). Therefore, the word scalability is purposely used instead of growth. Dees et al. (2004) describe scaling as a process through which the social impact of the business is maximized. Further, they emphasize the importance of social impact evaluation for monitoring the process of scaling. Although, it can be difficult to find evidence for the growing impact. Still, stakeholders are likely to ask for the social performance of a business (André & Pache, 2016). The definition of Bocken et al. (2016) even includes that millions of people have to be reached in order to be considered as a fully scaled business. This clarification is not perfect for hybrid organizations, because often, they do not even share the aspiration to grow to their full potential (Blundel & Lyon, 2015). Therefore, the definition of Dees et al. (2004) is followed, where the maximization of the social impact in a certain area or region is leading by looking at the organizational growth.

In order to scale successfully, multiple factors have to be taken into account. According to Aspen Institute (2008), one of the key factors for scaling hybrids is the involvement in strategic partnerships. Emphasized by multiple studies that highlight the value of collaboration (Bradach, 2003; Datar, Epstein, & Yuthas, 2010; Drumwright & Duchicela, 2010). Moreover, the role of the operating country is important for providing general services and ensuring quality (Bradach, 2003), such as the overall infrastructure. Also, with regards to the government, lobbying is mentioned as a success factor for the scaling process (Datar et al., 2010; Bloom & Chatterji, 2009). Although, Bloom and Smith (2010) tested the relationship between lobbying and scaling and found it invalid. Other studies underline the importance of access to sufficient resources (Hynes, 2009), such as adequate funding (Curtis, 2001; Jenkins & Ishikawa, 2010).

Local governments

Hybrid organizations require non-traditional partners, such as non-profit organizations, local governments and communities (London & Hart, 2004). Arguably the most important one of these partners is the local government. Governmental support is crucial for the development of hybrid entrepreneurship (Stephan, Uhlaner, & Stride, 2015) and in some contexts, collaborating with a local government can ensure that hybrid entrepreneurs can more effectively tackle social problems (Desa & Koch, 2014; Griffiths, Gundry, & Kickul, 2013). In this study, local government signifies the overall public authority of a certain country in Africa, and thus, 'local' does not refer to a certain level of government intervention. The level of intervention that is examined is country government (Bozhikin, Macke, & da Costa, 2019).

Local governments are a key stakeholder because they often possess additional resources, either directly or indirectly via collaborations with organizations active in their countries (Siebold, 2020). Local governments can help organizations to overcome some of the main obstacles while developing their businesses, which are laws and regulations, poor infrastructure, lack of financial resources, poverty, and low demand for products and services (Okpara & Wynn, 2007). Thereby, they support hybrid initiatives by providing resources such as land, professional skills or facilities (Onyx & Leonard, 2010). These additional resources form an essential necessity for hybrids during the scaling process (Bloom & Skloot, 2010), but state resources are not the only reason for hybrids to partner up with local governments. According to Hsu and Jiang (2015), another beneficial reason for cooperation with governments, is the possibility to interfere and convince them to pass more convenient legislations for their businesses. The opportunity to lobby for favourable laws is emphasized by Siebold (2020). Although, Hsu and Jiang (2015) also mention this as a reason for some organizations to not collaborate with the government, because it is possible that an organization gets too dependent on the state, and therewith, cannot criticize them, for example, for being incompetent or corrupt. However, completely avoiding a partnership with the local government appears not to be beneficial for any business (Rangan et al., 2011). On top of that, it is hard to ignore a stakeholder with such a huge influence in a BoP context (Bittencourt Marconatto et al., 2016). The governments' valuable network (Siebold, 2020) consists not only of companies, but also involves links to the local population with which they can connect hybrid organizations (Nel & McQuaid, 2002). Therewith, benefitting the inclusive business model of hybrid organizations.

Another reason why this research focusses on the influence of local governments instead of other non-traditional partners, is the lack of scientific studies that have examined the nexus between local governments and (scaling) hybrid organizations (Bozhikin et al., 2019; Siebold, 2020). Bozhikin et al. (2019) recognized a lack of explanation about various governmental regulatory mechanisms. Especially African governments require more research. As Bozhikin et al. (2019) stated: "Therefore, the researchers could focus more on Africa … in their future studies to understand how African governments contribute to SE (social entrepreneurship) development there" (p. 736). Complemented by Siebold (2020), who called for more exploration into different actions of stakeholders such as governments in combination with effectively growing the organization. Herewith, the future research requests of both Siebold (2020) and Bozhikin et al. (2019) are taken into account. Although, there has been some limited research about local governments in a BoP context. Bittencourt Marconatto et al. (2016) did describe some of the main influences of local governments in a BoP market in Brazil. Making a distinction between legitimation, feasibility & attractiveness, and creation & support. In a general way, they explain some of the powers that these local governments have. These influences are in line with the literature review of Bozhikin et al. (2019), that contains multiple regulatory systems of governments from all over the world with regards to hybrid organizations. Most evidence comes from governments in developed economies, such as the UK and the USA.

First, the legitimation of a hybrid organization is evaluated. Local governments can either agree or disagree with the way an organization treats its employees, the prices that are being asked for products, and, for example, its value proposition (Rangan et al., 2011). The local governments' main influence here is their institutional power. This includes the overall control of the government over the media, with which they can improve or damage a certain company or even a complete industry (Bittencourt Marconatto et al., 2016). First off, it is researched how multiple local governments in Africa each apply the activities from figure 1. Thereby, it is researched if these activities either have a positive or negative influence on the scaling process of hybrid organizations. The relation from the figure below is either positive or negative, depending on how a government brings these activities to practice.

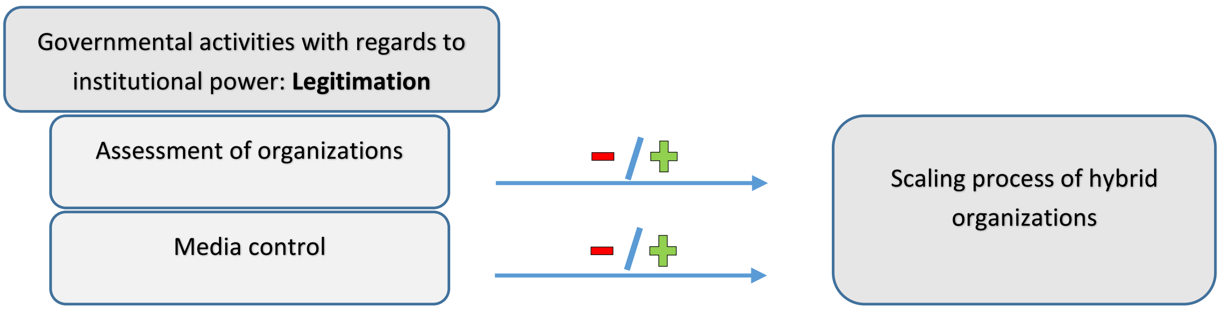

Figure 1. Governmental activities regarding legitimation and their influence on scaling hybrid organizations.

Secondly, Bittencourt Marconatto et al. (2016) describe the feasibility & attractiveness. Especially with laws and regulations, governments can heavily influence the feasibility & attractiveness of a certain sector for hybrids (Bocken, Short, Rana, & Evans, 2014; Rangan et al., 2011; Siebold, 2020). According to Bozhikin et al. (2019), one of the most commonly used regulatory powers are laws and regulations (e.g., Altinay, Sigala, Waligo, 2016; McCarthy, 2012). Other studies mention taxes (Qiao, 2015; Stephan et al., 2015). Here, same as for legitimation, it is researched how multiple local governments in Africa each bring the activities mentioned in figure 2 to practice. Subsequently, the influence of these activities on the scaling process of hybrid organizations is researched per government.

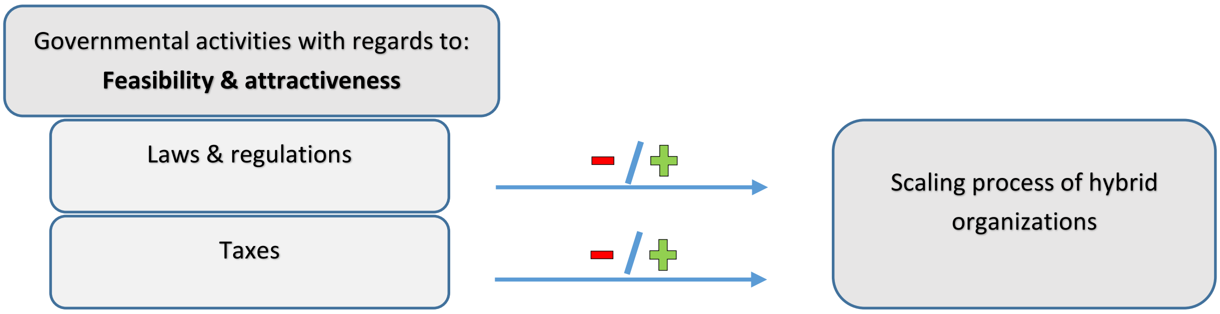

Figure 2. Governmental activities regarding feasibility & attractiveness and their influence on scaling hybrid organizations.

The third influence of local governments in a BoP context is their power of creation & support by collaborating with organizations (Rangan et al., 2011; Stubbs & Cocklin, 2008). More concrete, local governments can provide financial support, so that hybrids can gain profits or at least ensure that their costs are covered to allow them to build up and scale their businesses (Rangan et al., 2011). Financial support is one of the most commonly used regulatory powers, according to Bozhikin et al. (2019), such as funding (e.g., Biggs, Westley, Carpenter, 2010; Stecker, 2014; Tracey, Phillips, Jarvis, 2011). Other studies mention public private partnerships (Desa, & Koch, 2014; Nel, & McQuaid, 2002). In addition, transfer of knowledge is also a way in which governments can support businesses (Siebold, 2020; Wilson & Post, 2013), which can be seen as part of partnerships between governments and organizations. Less researched mechanisms that are also taken into account are contracts, fees, and resources such as good infrastructure, land, skills, and equipment (Bozhikin et al., 2019). The activities mentioned in figure 3 are researched on how multiple local governments in Africa each apply them. In addition, the influence of these activities on the scaling process of hybrid organizations is researched.

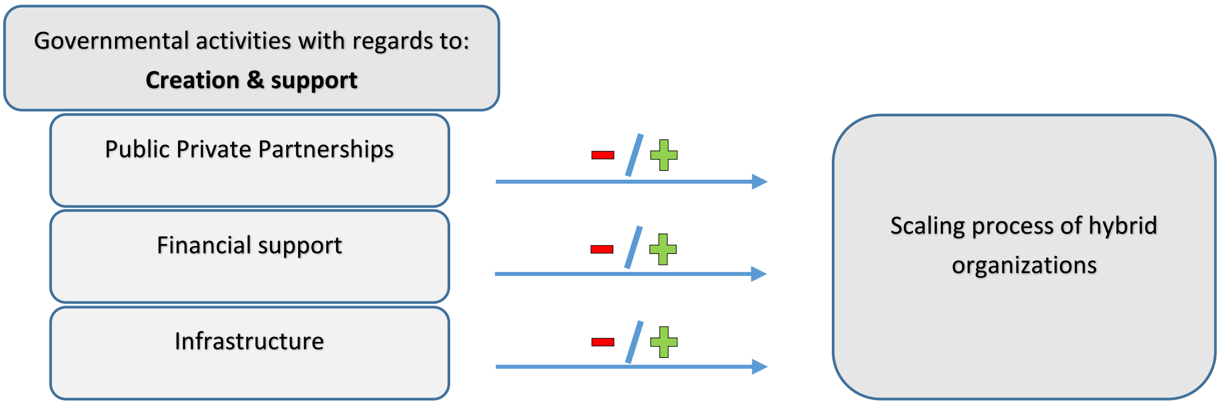

Figure 3. Governmental activities regarding creation & support and their influence on scaling hybrid organizations.

This study builds further on the conclusion of 'cope with central governments' (Bittencourt Marconatto et al., 2016) by researching the relation between the main influences of local governments and the scaling process of hybrid organizations. Figure 4 shows the theoretical framework that is used to research the main influences and their effect on scaling hybrids per government. This framework is filled in by describing how a government has applied the three main influences concretely in its country. Followed by describing what the either positive or negative effect on scaling hybrid organizations is. Lastly, the findings per government are compared in a cross-case analysis using the theoretical framework below.

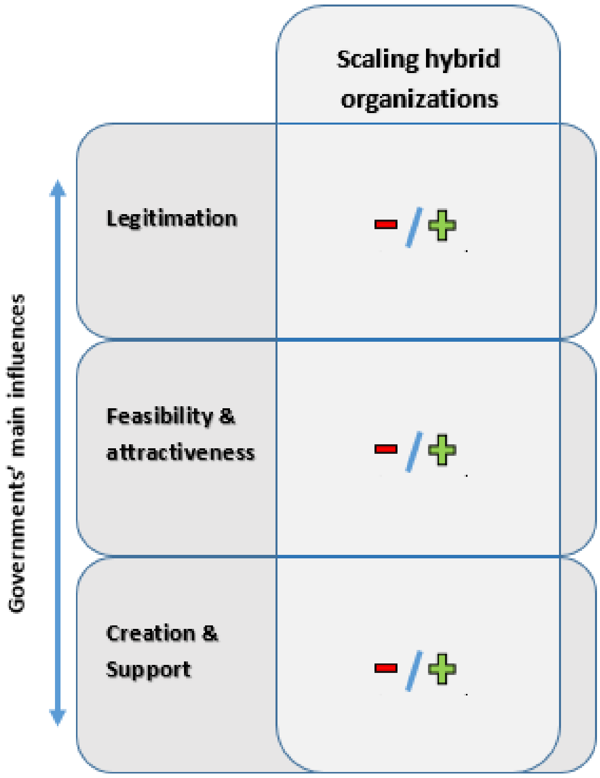

Figure 4. Theoretical framework of the main governmental influences on scaling hybrid organizations. Based on Bittencourt Marconatto et al. (2016).

Methodology

Method of data collection

The overall approach to this research is qualitative, because of the complexity of gaining insight into the relevant governmental actions. The qualitative research design is an explorative, multiple case study, because the goal is to gain more in-depth insight into the influence of African governments on the scaling process of hybrid organizations. This is in accordance with Yin (2014), who states that an explorative case study is appropriate for gaining more in-depth knowledge. Subsequently, this method is used to explore causal links that are complex and lack prior research (Yin, 2014). The multiple cases are different African governments that are analysed on macro-level. The governmental influences are charted from multiple perspectives in order to create a holistic view. Hence, triangulation is applied, combining desk research with interviews that contain the perspectives from Dutch embassies and hybrid organizations. These data sources are used this way to eventually draw conclusions at the level of African governments. After the results, the multiple cases are compared to each other.

Cases

To understand how different local governments operate and to be able to compare, four African governments have been researched. These nations are: Rwanda, Kenya, Namibia and Uganda. The business environment of Rwanda was ranked 38th on an 'ease of doing business' list from the World Bank Group (2020).[1] The only African country that was placed higher is Mauritius[2] (13th). Hence, Rwanda is a promising economy for organizations and therewith, it is beneficial to research their regulatory decisions made and their future plans.

After Rwanda and Mauritius, Kenya is the highest placed sub-Saharan Africa (SSA) country for doing business, according to the World Bank Group (2020), ranked 56th from a total of 190 economies measured worldwide. To put these numbers into perspective, from the ten lowest placed economies, seven are African. Subsequently, 27 of the 40 lowest placed countries are from Africa (World Bank Group, 2020). The other two nations that have been researched are Namibia and Uganda. These countries have implemented significantly less regulatory reforms that benefit the ease of doing business in their countries, than Rwanda and Kenya. On the other side, the economies of Namibia (104th) and Uganda (116th) score far above the countries that are at the bottom, when evaluating their business environment (World Bank Group, 2020). The bottom includes countries such as Somalia and South Sudan. These African economies have not been researched due to them not being safe. In fact, for the past years they have been ranked as the most fragile states in the world by the Fund for Peace

[1] A report from the World Bank Group that compared the regulations of 190 economies, based on multiple factors such as, starting a business, paying taxes, enforcing contracts and trading across borders.

[2] A very small island in the Indian Ocean. Officially, Mauritius is part of the African continent, but it is not a country in mainland Africa, and therefore, its government is not researched.

(Glawion, de Vries, & Mehler, 2019). Therefore, Namibia and Uganda have been selected, as their business environments show improvement over the years and because they are relatively safe. An overview of all data sources used per government can be found in table 1. Only the number of organizations involved are mentioned, in order to keep them anonymous. 'Other organizations involved' in table 1 refers to organizations that have been mentioned by the Dutch embassies, but have not been interviewed directly. Besides, 'number of documents' refers to the amount of documents from desk research that have been gathered and used per country.

Government	Dutch embassy interview	Organizations interviewed	Other organizations involved	Number of documents
Rwanda	Yes	3	1	12
Kenya	-	2	-	6
Namibia	Yes	2	-	6
Uganda	Yes	2	-	5

Table 1. Overview of data sources per government.

Desk research

Desk research has been conducted to collect relevant evidence about mechanisms that were enforced by the governments and their future plans for their nation. This secondary data provides an indication of what the governments are up to, nationwide. Hence, the desk research has been done first which also benefits the interviews, because more prior knowledge has been present, which resulted in more in-depth interviews.

To acquire the right information about the local governments, search engines have been used such as Google, Scopus, Web of Science, and Google Scholar. Firstly, 'corruption' has been used as a keyword. Because governments of developing economies may be plagued with corruption (Hart & London, 2005), which can have a huge impact on the scalability of organizations. For instance, governments can sell important contracts to hybrid organizations. Other than that, the following keywords have been used per government: 'future plans', 'private sector development', 'private sector collaboration', 'infrastructure improvement', 'business taxes', and 'laws for organizations/businesses/companies'. Another data source used during desk research is the World Bank Group, who annually researches economies worldwide. They analyse specific governmental reforms that influenced the overall business environment in their region. As mentioned, the main objective of this initiation phase, was to get more insights into the status of the governments in preparation of the interviews. Among the most important documents that have been found are papers about the corruption in SSA and reports from the World Bank Group that compared 190 economies regarding their ease of doing business.

In addition, more desk research has been conducted based on the interviews, in order to support some of the statements from the interviewees and research documents they referred to. This also included research about the organizations that are mentioned by the Dutch embassies. The collected information consists of, amongst others, the agriculture transformation plan, a paper about the special economic zones and more data from organizations such as online published interviews. An overview of the number of documents used per country can be found in table 1. Additionally, mentioned terms have been verified, such as multiple boards and tax offices from the governments that were mentioned. These verifications are not documents, and therefore, are not represented in table 1.

Dutch embassies

To obtain a holistic view of the business environment per country, Dutch embassies have been included as an important source of information. Embassies fulfil a mediating role by bringing together multiple organizations, such as the local government, NGOs and a foreign company that is looking for a business opportunity. Thus, building partnerships (Rana & Chatterjee, 2011). Embassies form a key link for these foreign organizations that want to enter an African country, because they speak both languages and know the country already very well. Hence, this is why embassies have a lot of experience with both multiple businesses and African governments. The necessity of embassies for foreign organizations in developing countries is also acknowledged by Rana and Chatterjee (2011). For example, to overcome local barriers, such as local regulations, standards and cultural aspects.

For the Dutch embassies of Rwanda, Namibia and Uganda, already existing interviews have been analysed. These interviews were conducted by Tamara Oukes, whose research is focussed on developing a tool to support key stakeholders in collaborative business model innovation for inclusive business. The interviews contain valuable information about various companies and the local governments. These semi-structured interviews were conducted online, one-on-one. The prepared questions from before the interviews can be found in Appendix I. The interview of the Dutch embassy in Rwanda took place on April 17th, 2020 and the summary can be found in Appendix II – Dutch embassy in Rwanda. The interview of the Dutch embassy in Namibia took place on April 28th, 2020 and the summary can be found in Appendix II – Dutch embassy in Namibia. The interview of the Dutch embassy in Uganda took place on July 6th, 2020 and the summary can be found in Appendix II – Dutch embassy in Uganda. Unfortunately, the Dutch embassy of Kenya did not respond to an interview request. As a replacement, two online published interviews with the Dutch embassy in Kenya have been used.

Hybrid organizations

As sample, scaling or scaled hybrid organizations are required. Unfortunately, the number of successful inclusive businesses in a BoP context is scarce. Which is also one of the reasons why this research is relevant. For this research, representatives of four different organizations have been interviewed about their experiences with the African governments. All interviews were one-on-one and took place in August 2020, online via Microsoft Teams. The interviews were semi-structured and covered the three main governmental mechanisms as described by Bittencourt Marconatto et al. (2016): legitimation, feasibility & attractiveness, and creation & support. The goal of these interviews is to expose the relationship with the government and how strong their bond is. Likewise, to what extent do these organizations depend on the government. In general with their daily business, but also the governmental impact on deciding whether or not to expand to a certain country. In addition, more general questions were asked about the business model, and the products and services that they provide. A full overview of all the structured questions can be found in appendix III.

In addition to these four, one other organization (F) have been added and analysed by using already existing interviews that have not yet been published online. These interviews were also conducted by Tamara Oukes. They were also conducted one-on-one and were semi-structured. The interviews contain information about the organizations' business models and their stakeholders, such as the local government. In appendix III, a description of these structured questions is given.

The duration of all interviews lies between the 30 and 60 minutes. They were all recorded and transcribed. The selected organizations are shortly introduced below, but will remain anonymous. They have been selected based on the following criteria:

- The organization has been scaling their business for at least one year or has already been scaled to a proper size.
- The organization is active in at least one of the selected countries.
- The organization has experience with the local government as a stakeholder.

The first organization (**organization A**) is active in multiple African countries, from which Rwanda, Kenya, Namibia and Uganda are relevant. This organization was found via the project database of the Netherlands Enterprise Agency (RVO) and contacted by mail and phone. They are active in the agriculture sector. The interviewee is a project manager and business developer with a main focus on Africa. The summary of this interview can be found in Appendix IV – Organization A.

The second organization (**organization B**) mainly operates in Uganda, but is also active in Kenya and Rwanda. The name of the organization and contact details were shared via the Dutch embassy in Uganda. This organization is focussed on education. Subjects such as agriculture, health and entrepreneurship. The interviewee has had a leading role in this organization, and besides, currently has a prominent position in the third organization (**organization C**). Hence, the same contact details were used. This third organization is characterized by helping African businesses develop. Connecting them to opportunities worldwide. Hence, the interviewee has experience with a lot of developing organizations in Africa. The summary of this interview can be found in Appendix IV – Organization B & C.

The fourth organization (**organization D**) is a big consortium that is focussed on the agriculture sector in Rwanda. Besides Rwanda, similar projects are active or have been active in 25+ other countries worldwide. The name of the organization and contact details were shared via the Dutch embassy in Rwanda. The interviewee is a project manager. The summary of this interview can be found in Appendix IV – Organization D.

The fifth organization (**organization E**) is analysed by using two already existing interviews. This organization is active in the agriculture sector and operates from Rwanda. Both interviews were held with the same interviewee, who is someone with a leading role within this organization. Thereby, they both took place in March 2019. The summaries of these interviews can be found in Appendix IV – Organization E.

In addition to these five, another organization (**organization F**) that has not directly been interviewed is involved in this research. This organization was described comprehensively by the Dutch embassy in Rwanda. Based on that knowledge, desk research is conducted to complement with more detailed information. This large organization is active in the agriculture sector and first started in Tanzania. At this moment, they are also active in Rwanda.

Method of analysis

For the analysis of all the collected data, the framework method (Ritchie et al., 2013) is applied. This method creates a new data structure that helps to highlight the most important information with a clear overview, and therewith, supports answering the research question (Gale et al., 2013). All interviews were transcribed first. After that, during the content analysis, all information related to African governments was put into summaries per interview. A complete overview of all the summaries can be found in appendix II (embassies) and appendix IV (organizations). Based on these summaries, codes were made and clustered into the three main influences, namely: legitimation, feasibility & attractiveness, and creation & support. A more comprehensive description of the codes is given in the previous chapter. For legitimation, codes such as institutional power and the media were used. For feasibility & attractiveness, codes were mainly related to laws and regulations, including tax regulations. For creation & support, codes were related to any form of financial support or collaboration with the private sector. Thereby, infrastructure is also part of this group. After clustering all data acquired from the interviews, the desk research data was clustered by applying the same codes. As mentioned, this data is used to support and complement the information from the interviews.

Results

In accordance with the theoretical chapter, all information is divided into the three main governmental influences, namely: legitimation, feasibility & attractiveness, and creation & support. These influences can somewhat overlap each other. Legitimation refers mainly to the level of institutional power applied by the governments. To what extent are scaling organizations being controlled or influenced by actions of the government through punishments or rewards. Feasibility & attractiveness refers to the laws, regulations and taxes in the countries that are relevant for the scaling process of hybrid organizations. Creation & support refers primarily to the governmental collaborations with hybrid organizations that support their scaling ambitions, financial support for these organizations, and the overall quality of the infrastructure. As mentioned, these main influences have to be relevant for the scaling process of hybrid organizations, positively or negatively.

General factors

Sub-Saharan Africa (SSA) economies are growing rapidly. A report from the World Bank Group (2019) showed that four African countries were in the top ten out of 190 economies that improved the ease of doing business the most in their country. Albeit, this research has also shown that the overall regulatory efficiency and regulatory quality of SSA as a whole, has the lowest scores in the world. The ease of doing business is based on multiple key performance indicators. Compared to the best performing economies, the biggest gaps are trading across borders, getting electricity and resolving insolvency (World Bank Group, 2019).

Another important subject is corruption, which plays a major role among all SSA governments. Corruption most certainly has an influence on (scaling) organizations, “Thirty-nine percent of firms in the region perceive bribery as a major obstacle when doing business with the government” (Ufere et al., 2020, p.94). Thompson et al. (2017) also noted that corruption is one of the common constraints that hinders the scaling process of organizations. On the other side, almost half of all questioned SSA organizations admitted they pay bribes to obtain, for instance, governmental contracts or services, according to the World Bank Enterprise Surveys (WBES) database of 5989 SSA companies, analysed by Ufere et al. (2020). Meaning that corruption can also benefit the scaling process if an organization succeeds to acquire important contracts or services through briberies. Although, corruption is non-transparent and does affect the overall reliability and trust in a government and the economy. Especially for hybrid organizations, that are often represented by MNEs that do not want to get involved in corruption (scandals) that may affect their own business. Hence, hybrid organizations in particular mostly do not benefit from corruption.

Despite the fact that in developed economies governments often provide financial support to help organizations (Bozhikin et al., 2019), SSA governments do not because most often, they simply do not possess enough financial resources on their own. This is also one of the reasons why corruption is present (Ufere et al., 2020). As it provides a source of income for governments in exchange for certain privileges for organizations. According to organization A and C, SSA governments do get some financial resources from institutions such as the World Bank, the UN, GIZ and the MasterCard Foundation. However, organization C states that these are unpredicted money flows, they are never really fair or transparent. Both organization A and C do not expect any support from African governments in the form of subsidies. Which is a real concern, because financial support for organizations in Africa can really increment their scaling process and help them to increase their social impact. In combination with corruption, most of this money will not reach the intended organizations that could really benefit from these resources.

Government of Rwanda

Rwanda is one of the SSA economies that is improving fast, by implementing a lot of regulatory reforms that benefit the growth of companies in the private sector. Its ambitious objectives for the future are mainly focussed on growth and poverty reduction, realised by private sector-led development and driven by competitiveness and entrepreneurship, according to Rwanda's 2050 vision (Dutch embassy, Rwanda, 2019). The Rwandan government even made an agriculture transformation plan, which is called PSTA. Prioritizing horticulture as one of the key sectors for growth and development, was also one of the main reasons for organization D to start a project in Rwanda. As it shows the pro-activeness of the Rwandan government to support organizations in this sector to thrive, and therewith, providing the right business environment for organization D to expand.

A considerable concern, as mentioned above, is corruption. According to Ufere et al. (2020), bribery to acquire government contracts or services is not so prevalent in Rwanda (21%). Especially in comparison to other regions, such as Congo DR (85%) and Mauritania (84%). Emphasized by a representative from organization D, who experienced no corruption that hindered them while scaling. Meaning that organization D did not experience any influence of corruption in the form of bribery or concessions on their expansion to multiple regions in Rwanda. According to the Corruption Perceptions Index (CPI) (2019) from Transparency International, Rwanda and Namibia are among the best performing countries in SSA. This most widely used indicator of corruption worldwide placed Rwanda 51th and Namibia 56th out of the 190 countries measured in 2019. In comparison, Kenya and Uganda were placed 137th.

Legitimation

In consultation with the minister of agriculture and the president of Rwanda, organization F bought a concession, according to the Dutch embassy in Rwanda. Herewith, the government interfered with the private sector by wiping out competition by creating a monopoly. Stated by the interviewee of the Dutch embassy, the government sold more concessions, showing their institutional power. This form of corruption sustains the monopoly position of a few major players in specific markets (Thompson et al., 2017). This way, making it extremely difficult for other hybrid organizations to scale to a proper size, because they simply do not get the chance to compete in some markets. Although, the one organization that acquires the permission, scales automatically further very easily because there is no competition left. Still, the government can be seen as unpredictable and unreliable from the viewpoint of scaling organizations, because besides money, it is rather unclear on what terms an organization is selected. An organization can exclusively acquire a permission to use land in a certain region to scale, while at the meantime, gets refused to enter another region because another organization obtained that concession. Hence, these concessions are a decisive factor. They can be a key driver for the scaling process of one organization, but mostly, these interferences with the private sector are a constraining factor for scaling organizations in general. Overall, the Rwandan authorities still have to get used to giving space and freedom to the private sector. As they are slowly moving towards a more facilitating role, which includes removing bottlenecks for organizations, says the Dutch embassy in Rwanda.

Feasibility & attractiveness

A research from the World Bank Group in (2019) has shown various beneficial reforms from the Rwandan government. In 2019, they reduced the import and export time by removing duties and other restrictive regulations. The minister of agriculture continuously seeks for policies that would benefit Rwandan organizations and boost their productivity or, for example, improve the distribution of fertilizers (Organization D). Albeit, the Dutch embassy in Rwanda also states that, during the governments' progression towards a less intrusive character, they sometimes implement strange and inconvenient reforms. For instance, import restrictions or detrimental tax regulations from the Rwanda Revenue Authority (RRA), the Rwandan tax office. Import and export are both essential aspects of scaling organizations. As organizations grow further, more resources are needed, which they often need to import from other African countries or even developed countries in Europe or America. For instance, Organization E (2018) found that there were simply not enough farmers in Rwanda to produce enough for their own production, and therefore, has to import from other countries. Additionally, to further develop the scaling process and reach more customers, eventually export becomes inevitable. So obviously, fewer import- and export restrictions really benefit the scaling process of hybrid organizations.

Creation & support

Probably the most beneficial action from the government in recent years for hybrid organizations, was the creation of Special Economic Zones (SEZ). These zones are characterised as an area inside a country in which special laws and regulations apply to attract foreign investors. Moreover, these regions facilitate water, internet access, roads made from asphalt and access to the road network (Dutch embassy, Rwanda, 2019). Of course, these zones support organizations to establish their businesses in Rwanda, but also help organizations thrive with regards to their scaling process. Because of their physical location, they are surrounded by other (potential) partner organizations. Complemented by Steenbergen and Javorcik (2017), who state that the close proximity to other SEZ organizations in other industries can lead to economies of scale. Moreover, they found that SEZ benefit the overall performance of organizations that are active in these zones. Realizing economies of scale is an important benefit for scaling organizations, taken into account the relatively low margins in African markets. Organization E is one of the companies that is located in and has benefited from this area in Kigali, Rwanda (Organization E, 2018). By and large, SEZ seem experimental and very ambitious, but the outcome of good functioning SEZ is, amongst others, more export, more African employment and more competitiveness (Bräutigam & Xiaoyang, 2011).

In order to scale as a hybrid organization, it is important to reach more people to increase the number of sold products. Due to the low margins in BoP markets, a high volume strategy is by far the most applied approach to scale in this low income market (Danse et al., 2020). To acquire these high volumes, the local communities have to be reached. Therefore, organization A highlights the importance of a good infrastructure to be able to scale the business. Not only roads to physically reach potential customers, but also a well-maintained electricity grid to, for example, connect via internet. “Rwanda has a well-developed infrastructure that is inviting for scale-up companies.” (Dutch embassy, Rwanda, 2019, p.8). Evidence from the World Bank Group (2019) and (2020) also show that Rwanda aims to improve their power grid infrastructure every year to increase the reliability. Besides organization A, a good infrastructure is also essential for organization E, as they pick up and transport the supplies directly from the farmers to ensure the quality. Thus, these farmers must be accessible by truck. Especially when organization E grows further, new farmers have to be attracted and the current farmers have to be reached more often to meet the increasing demand. Moreover, as mentioned, organization E already has to import a part of their supplies from other countries, for which a good functioning infrastructure becomes even more crucial as the demand grows. According to organization E (2018), most cities and villages have electricity and are reachable via brand new roads. As a result, potential customers and suppliers can be reached. Making it easier for organization E to find and distribute their products to (new) customers, and herewith, smoothening their scaling process.

An important tool from the Rwandan government to support the scaling process of organizations are Public Private Partnerships (PPP). These partnerships have a huge impact on the scaling progress of companies (Drumwright & Duchicela, 2010). For instance, for organizations to obtain valuable resources that support their growth ambitions (Perrini & Vurro, 2006). Local governments often possess these resources (Siebold, 2020). A successful example is the partnership with organization E (Dutch embassy in Rwanda). In this case, the Rwandan government contributes to the partnership by providing financial support as a large customer and distributing the products to the poorest people, who cannot afford it (Organization E, 2018). Herewith, organization E reaches far beyond their own range of potential customers, because it could not have sold anything themselves to these people. Besides, one of the largest bottlenecks for organization E to scale geographically and diversify their products is their supply chain and the relatively low productivity of local farmers. In contrast to their competitors, organization E buys their supplies locally, while currently, it is cheaper to import from Europe. Hence, it is necessary that the productivity and the quality of the local farmers is increased in order to be able to scale further. In this case, the Rwandan government is pro-active by providing education for the farmers, helping them to improve, and therewith, improving the supply chain of organization E. In accordance with the Dutch embassy in Rwanda, a representative from Organization E (2018) even said that the Rwandan government is one of the few African nations that can work so efficiently together with the private sector to realise their own goals. Complemented by a Project Manager from organization D, who states that the government is quite pro-active and above that, maintains active collaborations with development sector partners.

Besides direct partnerships with organizations, the Rwandan government has established a few departments to further help organizations in their scaling process. One of them is the Rwandan Development Board (RDB), which is a department that focusses solely on helping companies from Rwanda develop. For example, the process of business registration has been shortened (Dutch embassy, Rwanda, 2019). Another department is the Rwandan Agriculture Board (RAB), that researches seeds before distributing them to the farmers by applying seed certificates, according to organization D. Additionally, Rwanda also has a board specifically for the stimulation of export, namely the National Agriculture Export Board (NAEB). Export from Rwanda is rather small. Thus, to encourage companies to scale their business, this department advises about international standards and even helps with packaging before sending products abroad (Organization D). In figure 5, an overview of the main influences of the Rwandan government on scaling hybrid organizations is given.

	Government of Rwanda	Kenya	Namibia	Uganda
Legitimation	- Selling concessions to organizations → Hinders the scaling process of all other organizations, only one organization benefits in just one particular area.			
Feasibility & attractiveness	- Removal of obstructive import- and export regulations → Simplifies import and export for organizations. An inevitable activity for scaling hybrid organizations.			
Creation & support	- Pro-active collaborations → Benefits the scaling process greatly through distribution of organizational products and improving the quality of local suppliers.			

Figure 5. Main influences of the Rwandan government on scaling hybrid organizations.

Government of Kenya

Kenya provides a good business environment. According to the Dutch embassy in Kenya (2017), there are great opportunities for agriculture businesses in this area. Besides, in 2019, Kenya was among the economies with the best improvements in doing business, together with Rwanda (World Bank Group, 2019). In comparison with this year's results from the research of the World Bank Group (2020), Kenya even moved from 61 to the 56th place on the total ease of doing business ranking. The Dutch embassy in Kenya (2017) confirms that the government tries to stimulate the private sector for years now. Although, a big downside is the prevalence of bribery activities among local organizations. A research of Ufere et al (2020) showed that 70 percent of all respondents believe that organizations pay bribes for services of the government, which is significantly more than Rwanda. This is in accordance with the Corruption Perceptions Index (2019), that placed Kenya 137th out of 190 countries with regards to their level of corruption.

Legitimation

The government of Kenya has a lot of influence. Their strong institutional power appears from an interview with organization A, who stated that winning the trust of the government is essential for any business to scale. For instance, the government can say that your product is not trustworthy, which is already enough to kill your whole reputation (Organization A). Hence, the governments' strong influence can make it impossible for any organization to gain ground and scale further. In the case of organization A, they need to explain how their technology works, so that it is interpreted in the right way to gain more support. This has resulted in the Kenyan government using their strong media influence to distribute the products of organization A by spreading the word. Thus, in the case of organization A the institutional power of the government gave their scaling process a great boost, but it can also be counterproductive and destroy a whole organization.

Feasibility & attractiveness

In general, organization A does not expect much from African governments, just that they do not work against them. In the case of the Kenyan government, there is a lot of progression in providing support for scaling organizations. The government of Kenya improved their trade and investment climate a lot by removing regulatory obstacles, making it easier for organizations from Kenya to acquire financial resources and to do business across borders (Dutch embassy in Kenya, 2020). For example, the Kenyan government has opened their borders for Dutch floriculture and seed organizations to do business from Kenya and export to other countries (Dutch embassy in Kenya, 2017). Added to that, organization A says that Kenya is a good place for organizations with scaling ambitions, because Kenya has a good connection to the rest of Africa. The country is already export driven (Dutch embassy in Kenya, 2020) and therefore, also stimulates organizations to do so. As mentioned before, export becomes inevitable for scaling organizations as their range of customers increases, which organization A also experienced. Thus, the export driven mentality together with the removal of trade legislation obstacles from the Kenyan government provides a great opportunity for scaling organizations.

Creation & support

There are many developments regarding the Kenyan infrastructure. For example, Kenya is export-oriented and their airport in Nairobi is the biggest cargo centre of Africa (Dutch embassy in Kenya, 2017). Emphasized by organization A, who states that Kenya is a good country to start your business, because it provides good connections to the rest of Africa for once an organization outgrows the country. Besides the link to other African countries, Kenya is also well connected to Europe with The Netherlands as one of the most important export countries (Dutch embassy in Kenya, 2017). This provides great opportunities for scaling organizations that want to enter the European market. So, the Kenyan infrastructure is already developed quite a lot. Another example, Kenya modernized their existing electricity grid (World Bank Group, 2020). One of the advantages is a qualitatively better internet connection. The internet has become increasingly important for the scaling process to, for example, find new partners, resources, segments and respond fast to a changing environment. Thus, the relatively good infrastructure of Kenya and links to other countries provide a good environment for organizations that have the intention of scaling further across Kenya, and eventually across borders.

The Kenyan government also invests in collaborations. Although, from a business side, these collaborations are time consuming and require a lot of (local) manpower, according to organization A. An essential aspect mentioned by organization A is that you need to be physically there. Local people that go to meetings, for example. In the case of organization A, these efforts have paid off. The Kenyan government is not only accepting them, they even became customers. This means that the Kenyan government distributes the products of organization A and provides the acquired service to the farmers. These actions give a great boost to the scaling process of organization A, by creating more awareness for their products. Especially combined with the use of media as mentioned in legitimation. Resulting in more brand recognition and therewith, attracting more (potential) customers that allows organization A to scale their business further. In figure 6, an overview of the main influences of the Kenyan government on scaling hybrid organizations is given.

	Rwanda	**Government of Kenya**	**Namibia**	**Uganda**
Legitimation		- Assessing organizations → Scaling hybrids either get a strong boost or can be destroyed depending on the acceptance of the government.		
Feasibility & attractiveness		- Improved trade and investment climate and export driven mentality → Making import/export activities for hybrids more convenient. Benefitting the scaling process.		
Creation & Support		- Pro-active collaborations → Benefits the scaling process greatly through the distribution and promotion of organizational products.		

Figure 6. Main influences of the Kenyan government on scaling hybrid organizations.

Government of Namibia

The economy of Namibia is not doing as well as the economies of Rwanda and Kenya. According to the research of the World Bank Group (2020), Namibia is placed 104th when it comes to the ease of doing business ranking of economies worldwide. Albeit, when it comes to corruption, Namibia scores really low. Only 17 percent of Namibian firms see bribery as a common thing, besides, bribery to secure services of the government scores only 24 percent while the average in SSA is 51 percent (Ufere et al., 2020). This is in line with the Corruption Perceptions Index (2019), who placed Namibia 56th out of the 190 countries measured regarding the level of corruption.

Legitimation

The government of Namibia interferes a lot with the private sector in an attempt to stimulate the Namibian economy. In the worst case, the government will interfere by changing the terms and conditions if an organization is making too much profits in the eyes of the government (Dutch embassy in Namibia). Clearly, the interference of the government when an organization is making profits will not benefit the scaling process of hybrid organizations, as they are not motivated to grow and gain profits. Especially when organizations do not get the chance to develop their own business model and operations without interference of a third party.

Moreover, organizations are pushed to do more local value addition. According to the Dutch embassy in Namibia, the government wants organizations to do more. They do not want organizations to sell their beans, but to make coffee and sell those products. Another example from the Dutch embassy are the diamond mines, who should not only dig and sell the diamonds on the world market, but are expected to do more in Namibia. It is unrealistic to demand that the mines should not only dig diamonds, but also process them. Because they cannot compete with the quality of other specialized organizations on the world market. At first, it seems that the government is positive and tries to stimulate their own economy by supporting and pushing organizations to scale their business. Although, this level of interference is counterproductive as it forces organizations to grow by changing their operations to something that is not their business. This way, organizations will not grow, and besides, do not get the opportunity to scale more naturally based on their own perspective. In their field of expertise, these organizations know best themselves how to operate and scale further.

Feasibility & attractiveness

As mentioned, the government of Namibia tries to interfere quite a lot. An example is black empowerment. The Dutch embassy in Namibia states that one of their last proposals was that at least 25 percent of every organization should be in the hands of black people. Additionally, 50 percent of the management has to be black. Another example from the Dutch embassy in Namibia is the difficulty to hire foreign people. Hybrid organizations are pushed to employ only local Namibians, while foreigners are sometimes more qualified for the job. All these regulations regarding employees can make it extremely hard for hybrid organizations to attract the required human capital. In order to scale, the right people with the right qualities are an essential resource (Bloom & Smith, 2010). Although the intention of the government is to stimulate the local economy and support the Namibian population, these regulations may be counterproductive, but not necessarily. Through local sourcing, an organization creates a bigger social impact by giving employment to the local community and stimulating the local economy. Subsequently, these local employees have a great reach within their own communities and possess a lot of know-how about the way of doing business locally. Evidence comes from organization B, that employs local people to educate their own communities. This way, reaching many communities through their own members. Hence, being forced to employ a part of your personal locally is not necessarily a bad thing. On the contrary, it can even benefit the scaling process as it allows hybrids to reach more local communities better and provides a lot of local knowledge. These regulations therefore can, but do not necessarily hinder the scaling process of hybrids due to interferences with employee selection procedures. It depends greatly on the qualities that a hybrid organization requires and therewith, the amount of local and foreign employees needed. The more foreign capacity is obtained, the more interferences from the Namibian government can be expected.

Creation & support

The infrastructure in Namibia is good. According to a report from PwC (2013), the government ensures that the roads are well-maintained and most towns and communities can be reached. Which makes it easier for organizations to scale their range of customers by being able to visit them. Thereby, the transport system is alright and with regards to telecommunication, 97% is digital. Which allows organizations to not only physically visit potential customers, but also digitally reach out and maintain contact with them. This digitalization can save scaling organizations a lot of time and money with regards to searching and contacting potential customers and new relevant partners. Overall, the good infrastructure is a huge advantage for scaling hybrid organizations in Namibia.

The government in Namibia does collaborate with organizations. The Dutch embassy in Namibia mentioned so-called ‘Green Schemes’. Which means that the government leases pieces of land to private organizations, who can then use the land to make profits in the agriculture sector. Although, in practice, these collaborations do not seem to work, because the government wants to decide everything, says the Dutch embassy in Namibia. Hence, this shows that collaborating in a PPP with the government is not always beneficial and could even end badly with the government interfering too much. For instance, that they want to share in the profits, according to the Dutch embassy. These possible interferences can be catastrophic for scaling organizations that want to decide their own scaling plans. Besides, profit sharing is not beneficial at all, because these profits are essential for organizations in a market with already very low margins and a scaling process that is related to expensive investments. Organization A states that their collaboration with the Namibian government is mostly risk mitigation. They only have some good conversations and just do not want any interferences. The owners of the bigger organizations know much better how to scale their business than the government does. Thus, these collaborations simply do not work if the government is not willing to just participate by taking a facilitating role and not interfering with the scaling operations of the private sector. In the current way, the scaling process of most organizations is hindered with a government that is more likely to cause more obstacles than to remove existing ones. Although, the Dutch embassy mentions that the intentions of the Namibian government are good. In figure 7, an overview of the main influences of the Namibian government on scaling hybrid organizations is given.

	Rwanda	Kenya	Government of Namibia	Uganda
Legitimation			- Claiming shares of profits and demanding more local value addition → Not benefitting and motivating scaling hybrids by determining operations of organizations.	
Feasibility & attractiveness			- Demanding hiring local people instead of foreigners → can positively or negatively influence the scaling process depending mainly on the needed skills per organization.	
Creation & Support			- High level of control in collaborations → negative influence on scaling hybrid organizations as they do not get the desired freedom to develop their operations.	

Figure 7. Main influences of the Namibian government on scaling hybrid organizations.

Government of Uganda

The business environment of Uganda is worse than the other researched economies. According to the World Bank Group (2020), Uganda is placed 116th out of the 190 economies worldwide when it comes to the ease of doing business. Although they came from the 127th place (World Bank Group, 2019), they still have a lot to catch up. At this moment, Uganda is not an easy country to do business, according to the Dutch embassy in Uganda. Which is partly caused by the level of corruption. In comparison with Rwanda and Namibia, the government of Uganda scores significantly higher when it comes to organizations that believe corruption is common (43%), according to Ufere et al. (2020). Thereby, the percentage of organizations in Uganda that pay bribes for government services is 51 percent and organizations paying bribes to win contracts of the government is 52 percent (Ufere et al., 2020). Also, the Corruption Perceptions Index (2019) placed Uganda on the 137th place on a scale to 190, together with Kenya.

Legitimation

It is not recommended to put a lot of effort in lobbying. This focus is too insecure for organizations and even if a new favourable law passes, it still has to be enforced by the government (Dutch embassy in Uganda). A certain level of corruption makes it risky to trust the government enforcement, because often, exceptions are made for some organizations and friends (Dutch embassy in Uganda). This way, misusing their institutional power to their own benefit. These type of actions can be problematic for the scaling process of organizations as the institutional power of the Ugandan government is unpredictable, it can give a great boost to a few organizations, while simultaneously, can prevent other organizations from scaling further. The Dutch embassy even advises organizations that it is best to not focus on aspects in which the governmental enforcement of laws is an important part. The embassy mentioned an example of the production of cotton in Uganda. One of the most important sectors ten years ago that completely disappeared, because the government suddenly implemented the use of DEET. This poison caused a reduction in quality and eventually led to a production contraction. Thus, cotton organizations were not only prevented from scaling, their whole market was destroyed.

Another example from the Dutch embassy in Uganda comes from the roof tile business. An organization had a great idea for roof tiles from recycled plastic, but simply could not gain ground and scale because the government had an interest in a roof tile organization. Although the legal system is rather fair and often results in a good judgement, if an organizations goes against the interest of the established elite, it is not. The Dutch embassy in Uganda mentions that the political economy is very strong. Hence, if there is a certain interest, the government will exploit their institutional power. Hence, hybrid organizations should avoid conflicts of interest at all costs with the government, because they are simply too powerful and can prevent organizations from scaling their business.

Feasibility & attractiveness

The regulatory system in Uganda often causes delays. Generally, a lot of bottlenecks lie with the government, such as granting licences or permission to build lodges in the tourism sector (Dutch embassy in Uganda). More evidence comes from a research of the World Bank Group (2019), who found that entrepreneurs are required to have at least 18 interactions with different agencies and besides, wait four months just to acquire a building permission. After the construction, two more months of waiting time is included before obtaining a connection to the electricity grid (World Bank Group, 2019). Which is especially detrimental for scaling organizations that require new buildings as they grow. For instance, organizations that want to build more lodges to attract more customers, who now have to wait on the government. Therewith, delaying their scaling efforts.

Creation & support

In contrast to the other countries, the government of Uganda is collaborating less with the private sector. The Dutch embassy in Uganda says that the government barely fulfils a role in the collaboration between hybrid organizations and local partners. Emphasized by the representative of organization B and C, who experienced that the involvement of the government always results in delays and extra efforts that lead to nothing. Moreover, this interviewee avoids any contact with the Ugandan government if possible. The involvement of the government will only make the scaling process of hybrid organizations more difficult and slower. Still, the government is necessary for the basic needs of all organizations, such as water connection, internet connection and land leasing, according to the Dutch embassy. Organization B and C avoid the government at all costs, but for unavoidable collaborations with the government, organizations often make use of law firms for support. Reason for this, according to the Dutch embassy, is because these collaborations are often accompanied with non-transparent procedures. Complemented by organization A, who treats the Ugandan government the same as the Namibian government by solely focussing on risk mitigation, not on pro-active collaborations. So, the government of Uganda limits itself to only arranging the basic needs for organizations. Further, the government appears to be barely involved in promising collaborations that could stimulate organizations to scale by removing barriers or distributing their products among the Ugandan population.

In contrast, the Dutch embassy of Uganda does mention that the government is in essence benevolent, they have all kind of ideas and have foreign investors that help. The government has actively searched for foreign investors with generous offers such as 100 percent ownership of investor businesses (Tangri & Mwenda, 2019). Thereby, Tangri and Mwenda (2019) state that the president has personally leased land and arranged tax benefits on investments from foreign investors. Which is helpful for ambitious organizations, because scaling efforts require a lot of financial resources. The possibility to cooperate with investor businesses as private sector partners is therefore beneficial for scaling hybrids. On the other side, the interviewee of organization B & C mentions that there is a lot of money available from the World Bank, GIZ and the MasterCard Foundation that is being distributed via the African governments. These tender tracks are never fair or transparent and are unpredictable money flows (Organization B & C). In addition, the Dutch embassy of Uganda says it is questionable if not some resources disappear halfway through with the government. Hence, it can be assumed that not all money that flows through the government ends up in the right hands supporting the hybrid organizations that need these resources in order to scale their business. In figure 8, an overview of the main influences of the Ugandan government on scaling hybrid organizations is given.

	Rwanda	Kenya	Namibia	Government of Uganda
Legitimation				- Statutory exceptions for friends and organizations in case of personal interest → Unreliable law enforcement can suddenly ruin scaling ambitions for a whole sector.
Feasibility & attractiveness				- Delays in granting licences and permissions to build → Hindering scaling hybrid organizations as they have to wait for consent to expand through buildings.
Creation & Support				- Low number of collaborations due to inefficiency and non-transparency → Causing delays instead of benefits for the scaling process of hybrid organizations.

Figure 8. Main influences of the Namibian government on scaling hybrid organizations.

Cross-case analysis

Out of the measured governments, Rwanda and Namibia show the lowest corruption rates. Out of 190 countries, the Corruption Perceptions Index (2019) placed Rwanda 51th, Namibia 56th, Kenya 137th and Uganda 137th. Complemented by Ufere et al. (2020), who found that bribery to get governmental services is least present in Rwanda (21%) and Namibia (24%). With an average of 51% in SSA, bribery is more common in Kenya (70%) and Uganda (51%). Still, Kenya is one of the best performing countries in SSA when it comes to the ease of doing business for organizations (World Bank Group, 2020), as shown in table 2. Despite that Kenya has the highest corruption rates from all measured countries and scoring far above the SSA average. Besides, the business environment of Namibia scores well below Kenya, according to the World Bank Group (2020), while Namibia's corruption rates are very low.

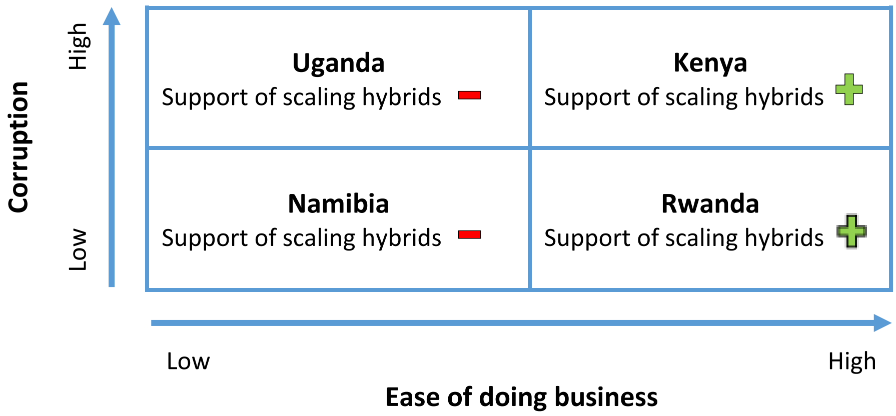

Table 2. Overview of corruption and performance per country. Based on research of the World Bank Group (2020) and Corruption Perceptions Index (2019).

Table 2 shows that the results from the interviews are in line with the ease of doing business reports from the World Bank Group (2020). Countries with high ease of doing business levels, also show relatively more support towards the scaling process of hybrid organizations. Whereas countries with low ease of doing business levels provide relatively less support towards scaling hybrids. Both results consider Rwanda and Kenya as the most beneficial governments for hybrid organizations that want to scale. Thereby, considering Namibia and Uganda as the less performing governments. In contrast to the findings with regards to the level of corruption. The findings regarding corruption are not consistent with the other results. Hence, based on these results corruption does not seem to have a moderating effect on the relation between the governmental main influences and scaling hybrid organizations.

Legitimation

With regards to the use of institutional power, all governments somewhat exploit their influence. In the case of Rwanda and Kenya, the scaling processes of the measured organizations greatly benefitted from the governments institutional power through concessions and positive media attention. In contrast to the evidence from Namibia and Uganda, that rather shows negative consequences from the strong institutional power of these governments. Such as the Namibian government that wants organizations to do more local value addition and forces them to scale in a way that is not preferred by these organizations or the Ugandan government that opposed an innovative roof tile idea, because they had a certain interest in the sector. These governmental actions have a negative impact on scaling hybrid organizations.

Feasibility & attractiveness

With regards to laws and regulations, the governments of Rwanda and Kenya are taking actions that complement to the scaling process of hybrid organizations. Especially the Kenyan government is export driven and improved their trade and investment climate, making it easier for hybrid organizations to scale their business across borders. Also the reduced import- and export time in Rwanda allows hybrids to grow. In contrast to Uganda, where the regulatory system does the opposite of saving time for hybrid organizations, for instance, getting permission to build lodges in the tourism sector is often delayed. Or in Namibia, where the borders are not that open regarding the employment for hybrid organizations. Which may negatively influence the scaling process of hybrids in the case that organizations do not find the needed human capital in Namibia and needs to attract foreign workers.

Creation & support

With regards to creation & support, considerably the least differences between the governments can be found in the overall infrastructure. Most countries show a relatively well-developed infrastructure, according to the interviews. On the other side, the most notable difference between the governments lies within their collaborations with scaling hybrid organizations. Rwanda and Kenya take a pro-active role in their private sector collaborations. For instance, both governments are customer of the researched organizations and actively support the distribution of their products. Resulting in an increased range of customers and therewith, boosting their scaling process immensely. Subsequently, the government of Rwanda also offers other beneficial tools that can support scaling hybrids, such as Special Economic Zones, the Rwandan Development Board, the Rwandan Agriculture Board and the National Agriculture Export Board. Although private sector collaborations are also present in Namibia and Uganda, they do not provide the same support as the governments of Rwanda and Kenya. On the contrary, the Namibian government, for example, wants to decide everything and share in the profits realized by the hybrid organizations. Hence, not providing the required freedom to hybrid organizations to expand their business by making their own decisions. In Uganda, experiences show that collaborations are often slow and non-transparent, causing many delays in the scaling process and unforeseen actions from the government that hinder organizational developments. A complete overview of the main governmental influences on scaling hybrid organizations per case can be found in figure 9.

	Legitimation	Feasibility & attractiveness	Creation & support
Rwanda	Relatively low exploitation of institutional power. Selling concessions to organizations.	Removal of obstructive import- and export regulations.	Pro-active collaborations by distributing products of organizations and improving the quality of suppliers through education.
Kenya	Relatively low exploitation of institutional power. Assessing and convicting/stimulating organizations.	Improved trade and investment climate combined with an already existing export driven mentality.	Pro-active collaborations by distributing and promoting products of organizations.
Namibia	Relatively high exploitation of institutional power. Claiming a share of profits and forcing hybrids into more local value addition based on governmental demands.	Demanding organizations to hire primarily local people and simultaneously, prevent organizations from acquiring (too many) foreign workers.	High level of control in collaborations through interferences with scaling operations and claiming parts of the profits.
Uganda	Relatively high exploitation of institutional power in case of a personal interest. By making statutory exceptions for friends and organizations. Resulting in a weak law enforcement.	Inefficient regulatory system causing delays in, for example, granting licences and permissions to organizations for the construction of buildings.	Low number of collaborations due to inefficiency and non-transparency. Although, active search and willingness to adapt to obtain foreign investors for organizations.

Figure 9. Cross-case analysis of the main governmental influences on scaling hybrid organizations.

Discussion

The results show how local governments in Africa influence the scaling process of hybrid organizations in a BoP context. Research has been conducted by applying a theoretical framework based on the three main governmental influences mentioned by Bittencourt Marconatto et al. (2016), namely: legitimation, feasibility & attractiveness and creation & support. Complemented by Bozhikin et al. (2019), who named multiple regulatory systems of governments from all over the world.

The corruption rates from CPI (2019) and Ufere et al. (2020) in comparison with the overall findings suggest that the level of corruption is not necessarily decisive for the overall business environment with regards to scaling hybrids. As findings suggest that corruption makes it nearly impossible to collaborate with a government, more factors appear to have an impact on the overall support of scaling hybrid organizations. Corruption definitely has an impact on scaling hybrid organizations through, for example, governmental collaborations with these organizations. Including non-transparency and delays. Although, evidence from Kenya also shows that high levels of corruption do not necessarily prevent hybrid organizations from scaling. An explanation for this outcome is that all governments, in essence, have the right intentions. Which are support of the local population and stimulation of the economy by helping organizations scale. Thus, it is not a governmental objective to prevent hybrid organizations from scaling through corruption. The concept of corruption is broad and in practice, the findings show that the form of corruption can differentiate a lot across governments. Only the execution of some corrupt actions will negatively affect the scaling process of hybrid organizations, such as the demand for profit sharing. Therefore, it is assumed that the level of interference of corrupt governmental activities is primarily decisive whether or not corruption negatively influences the scaling process of hybrid organizations. Hence, corruption does have an impact on how governments influence scaling hybrids, but corruption is not a crucial variable that decides how different regulatory systems are conducted by local governments.

Overall, the most important difference between the better performing governments (Rwanda and Kenya) and the less performing governments (Namibia and Uganda) is the level of interference, as shown in figure 10. Which also includes the form of corruption that is applied by a government. In comparison, Rwanda and Kenya take on a more facilitating role towards the private sector. Solving obstacles for hybrid organizations by, for example, removing export restrictions and actively participating in collaborations to ensure their growth. Accordingly, Bittencourt Marconatto et al. (2016) show how governmental collaborations in the BoP market can positively impact organizations by, for instance, allowing them to operate on a bigger scale than initially intended. Complemented by multiple studies such as the Aspen Institute (2008), and Drumwright and Duchicela (2010), that emphasize the importance of strategic partnerships and the value of collaborations in general.

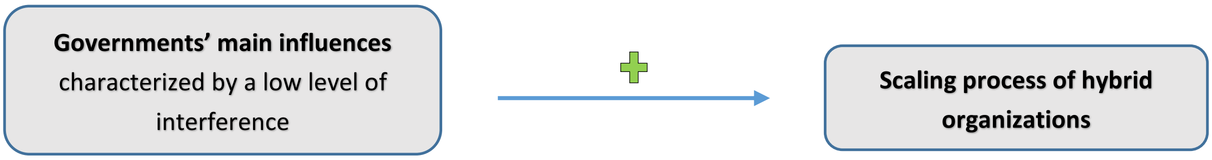

Figure 10. Effect of a low level of interference.

On the other side, examples from Namibia and Uganda show similar intentions with higher levels of interference by demanding more local value addition and making decisions regarding organizations' scaling operations. In figure 11 it is shown that the governments' main influences are negatively affecting scaling hybrids if the level of interference of the activities is high. Besides, hybrid organizations that are represented by MNEs are less likely to move their businesses to a country with high levels of interferences from the government in the first place. Results show more pro-active collaborations in Rwanda and Kenya than in Namibia and Uganda, where risk mitigation appears to be the most important objective for organizations in collaboration with the government. Still, complete avoidance of the local government as suggested by Hart and London (2005) by flying under its radar is not recommended for scaling organizations. Evading one of the most powerful stakeholders does not seem possible for hybrid organizations with a main objective of scaling their business. Besides, avoiding the government causes most businesses to fail (Rangan, Chu, & Petkoski, 2011). Eventually, the local government will notice an organization that grows larger in its country. Therefore, minimum collaboration with the government in the form of risk mitigation seems to be the best solution for hybrid organizations in Namibia and Uganda to scale their businesses without too much interferences.

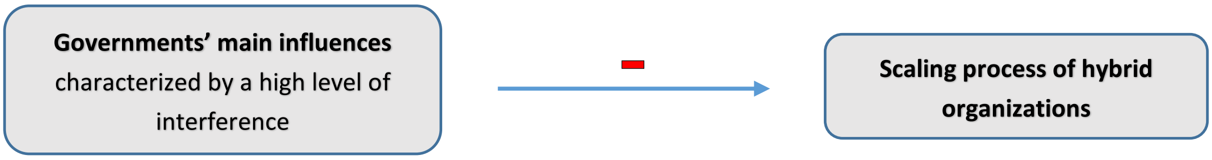

Figure 11. Effect of a high level of interference.

The use of institutional power and the behaviour within collaborations from local governments are the biggest influences found on scaling hybrid organizations. Herewith, confirming the huge influence that local governments have, stated by Bittencourt Marconatto et al. (2016). As results have shown, these powerful influences can either have a very positive or a very negative effect on the scaling process of hybrid organizations. In line with the study of Okpara and Wynn (2007), local governments can improve infrastructure and import/export regulations. Logically, local governments can also neglect these aspects, and moreover, can make even stricter import/export regulations. Depending on the level of interference. The main applied regulatory mechanisms found are laws and regulations regarding import and export, public private partnerships, infrastructure maintenance, and the use of institutional power by assessing organizations. An overview of the most common activities per main influence can be found below in table 3. Thereby, corruption acts as an overall influencing factor on these regulatory mechanisms. This research gained more insights into the different influences of African governments on the scaling process of hybrid organizations. With which this study answers a request from Siebold (2020), who asked for more understanding of local governments and their influences on scaling businesses. A remarkable finding is that financial support does not belong to the main regulatory mechanisms of SSA governments. Despite the fact that Bozhikin et al. (2019) found that providing financial resources to organizations is a main activity of most governments. Which is explained by the low income streams of African governments. These governments often do not possess enough financial resources to support scaling hybrid organizations. Herewith, this research contributes to the future research request of Bozhikin et al. (2019), who called for more explanation of African governments' regulatory mechanisms.

Governments' main influences	Specific activities
Legitimation	Use of institutional power; assessing organizations
Feasibility & attractiveness	Import- and export restrictions
Creation & support	Public private partnerships
	Infrastructure maintenance

Table 3. Overview of the most common governmental activities per main influence.

This study contributes to the exploration of effects on scaling hybrid organizations in a BoP market. Therewith, providing more insights for organizations in the hard, but very promising BoP market by showing the most commonly used activities of government. These findings help organizations by showing where they have to focus on before entering a certain country, such as the overall maintenance of infrastructure and the overall import- and export restrictions. This way, organizations are better prepared. Also theoretical, this study contributed by answering future research requests of Siebold (2020), Bozhikin et al. (2019). The application of the main influences found by Bittencourt Marconatto et al. (2016) in another BoP market provides more insights in how different governments shape these influences with their practices.

Future research

This research explored the regulatory mechanisms of African governments and their motives with regards to scaling hybrid organizations, but still, a lot more research is required. Until now, most studies focussed on the governments of developed economies. A deeper understanding of one of the most powerful stakeholders in a BoP context can greatly benefit the overall business of hybrid organizations and therewith, can increase the number of successful organizations in this market. Knowing what motivates African governments and what are the best ways to collaborate with them can give a great boost to the scaling process of organizations, as results have shown. A main characteristic of governmental influences is found to be the level of interference. Future research could explore more relevant characteristics.

Findings show that corruption has an impact on the relationship between governmental regulatory systems and the scaling process of hybrid organizations. Although it is questionable to what extent the impact of corruption reaches, as evidence has different outcomes. It is assumed that the level of interference is decisive for whether or not corruption negatively influences a scaling hybrid organization. As results have shown, high levels of corruption does not necessarily mean that the scaling process of a hybrid organization is negatively affected. Corruption remains a very broad concept which can be expressed in multiple ways. Hence, more research into the complexity of corruption is needed. Especially in relation with scaling hybrid organizations in a BoP context, to obtain more insights into possibly positive corrupt actions from the government and the most negative ones.

Limitations

The results of this research are primarily based on successful hybrid organizations, which can be seen as a limitation. Especially with regards to the use of institutional power by African governments, because the successful scaling hybrids mainly have good experiences with, for example, obtaining the right concessions from the government. Whereas hybrid organizations that have been negatively assessed and condemned by the government do not. The downside is that, unfortunately, organizations with worse experiences with the government, most often do not exist for very long. Emphasized by Rangan et al. (2011) who stated that businesses often fail without governmental support. Herewith, governmental influences could actually be less positive in general for all scaling hybrid organizations than outlined by the few successfully scaled organizations. Which is unfortunate, as other hybrid organizations cannot only learn a lot from successfully scaled organizations, but also learn a lot from mistakes made by unsuccessful hybrids.

Conclusion

This research aimed to identify how African governments influence the scaling process of hybrid organizations in a BoP context. Based on a cross-case analysis it can be concluded that there are severe differences between African countries. A surprising finding showed that a corrupt government does not necessarily negatively impact the scaling processes of all hybrid organizations. The results indicate that the level of interference is a deciding factor whether or not scaling hybrid organizations are negatively influenced. Based on this conclusion, future research could explore different corrupt governmental activities in relation with the scaling process of organizations. Another remarkable finding regards to financial resources. Expected to fulfil an important governmental mechanism in Africa, evidence has shown that most hybrid organizations do not obtain any financial support from African governments.

Besides, evidence has shown that all investigated governments have the right intentions to help the local population and stimulate the own economy. Although, differences between the African governments in the realization of these governmental objectives are present. A huge governmental influence on scaling hybrids is the role taken into private sector collaborations by the government. Results revealed that pro-active collaborations between government and hybrid organization greatly benefitted the organizations' scaling process. In contrast, passive collaborations even showed delays in the scaling business operations of hybrids. Some applied governmental mechanisms hinder scaling hybrid organizations through the demand of local value addition and profit sharing. Another main governmental influence found on scaling processes is the improvement of import/export through reducing restrictions and supporting organizations that want to go abroad. Other most common governmental influences include infrastructure maintenance and the use of institutional power by assessing organizations.

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Appendix I – Interview questions embassies

Dutch embassy in Rwanda

General

1. Can you maybe tell me something about;
    - Your background and experience?
    - Your position at the Dutch embassy of Rwanda?

2. You told me that the embassy supports inclusive business models, in which way?
3. You told me that the Rwanda Development Board a few inclusive investments facilitates. Also the ministry of agriculture has a role. How does the local government facilitates inclusive business models in Rwanda?
4. Are there maybe also factors that obstruct inclusive business models?

Examples of inclusive organizations

5. Can you maybe tell me something more about the five examples of inclusive business models in Rwanda that you gave me? Per example;
6. In which way is its business model inclusive? (customers, farmers, employees)
    - Are these groups educated? If yes, how?
    - What do you think about the impact created for these groups, so far?

7. Do you know how the impact of these organizations is evaluated?
8. What is the importance of collaboration with partners for these examples?
9. What are the most important terms for a successful collaboration?

10. What is the importance of growth for these inclusive organizations?
11. Can you maybe tell me something more about how these examples try to grow further?
12. What are the biggest challenges for inclusive business models in Rwanda?

13. All examples are active in the agriculture sector. Do you also have any examples of inclusive organizations that are active in, for example, the energy sector or healthcare?

Dutch embassy in Namibia

1. Can you maybe tell me a bit more about;
    - Your background and experience?
    - Your position at the honorary consulate of Namibia?

2. You support businesses with market research, match making and feasibility. Can you maybe tell me something more about what you are doing? And why?

3. Can you tell me something about examples of inclusive businesses (mines, banks)? Per example;
4. In which way is their business model inclusive? (customers, farmers, employees)
    - Are these groups educated? If yes, how?
    - What do you think about the impact created for these groups, so far?

5. Do you know how the impact of these organizations is evaluated?
6. What is the importance of collaboration with partners for these examples?
7. What are the most important terms for a successful collaboration?

8. What is the importance of growth for these inclusive organizations?
9. Can you maybe tell me something more about how these examples try to grow further?
10. What are the biggest challenges for inclusive business models in Rwanda?

11. How does the local government facilitates inclusive business models in Namibia?
    - Are there also factors that hinder inclusive business models?

Dutch embassy in Uganda

1. Can you maybe tell me a bit more about;
    - Your background and experience?
    - Your position at the Dutch embassy of Uganda?

2. You told me the embassy finances the establishment of inclusive value chains. Can you maybe tell me more about the role of the embassy in such projects? What, how and why?

What do you think about the following aspects of inclusive businesses (like the example mentioned, organization B) in Uganda;

3. What is the importance of collaboration with partners for these businesses?
4. What are the most important conditions for successful collaboration in Uganda?
5. How does the local government support inclusive business models in Uganda?
6. Are there also governmental factors that inhibit the development of such models?
7. What is the importance of growth / scaling for inclusive businesses?
8. Can you tell me more about how these business try to grow? If yes, how?
9. With whom (e.g. NGOs) do inclusive businesses need to collaborate to grow?
10. What resources (e.g. financial) do inclusive businesses and other involved actors need to grow?
11. What capabilities (e.g. leading) do inclusive business and other involved actors need to grow?
12. How do inclusive businesses ensure that their solutions match the needs of those they intend to include?

13. What are the biggest opportunities for inclusive businesses in Uganda?
    - Areas: political, economic, social, technology, legal and environmental.

14. What are the biggest challenges for inclusive business models in Uganda?
    - Areas: Technology, awareness and demand, business cases, value chain, finance, knowledge and skills, collaboration, evidence and learning, leadership and management, public sector government.

Appendix II – Interviews embassies

Dutch embassy in Rwanda

Organization E still gets support from the Dutch embassy via RVO, SDGP project. To professionalize the supply chain. For the production of tea, organization F bought a concession in agreement with the Rwandan government (minister of agriculture and the president). Reason for organization F is that at the East African Tea Market, the Rwandan tea gets the highest prices.

The government gave concessions. The government facilitates these businesses in public private partnerships (PPP). They made land available for organizations (such as organization F). The small farmers got compensation or could become farmer for organization F or work in the factory. Biggest role of the government in this case: make sure land is available and that this happens in a good way.

In the case of organization E, there is a PPP. The government is not so much an investor, but especially a really big and important customer. The good collaboration with the ministry of agriculture and ministry of trade and economy makes business a lot easier. The government takes its facilitating role of these businesses very serious, by eliminating bottlenecks, possibly with import-arrangements, staff, et cetera.

CONS; government has to get used to giving the space and freedom to the private sector and not get involved too much, only facilitating. Because they are used to having a lot of power and control. Hence, sometimes they implement import restrictions that are not helpful, or the Rwanda Revenue Authority (RRA tax office) who come with taxes that do not help.

The Dutch embassy really stimulates companies in the agriculture sector to collaborate with the government, and other organizations (such as NGO's).

Dutch embassy in Namibia

More on a commercial area, the government tries to set quotas. For instance, supermarkets have to buy a certain percentage of their fresh products (fruits and vegetables) locally. Before, 80 till 90 percent of the fresh products came from South-Africa. So shops now have to buy locally to support local farmers. It is an attempt of the Namibian government to make things more equal.

In the north, the government has 'Green Schemes'. Which means that the government has land that they lease to private parties. These organizations can then use these lands to make profit in the agriculture sector. Another option from the government which they sometimes apply, is dividing the land in smaller pieces and offering it to small, local farmers. These local farmers then receive a membership from the commercial farmer and services such as ploughing machines. A great example of this is organization F. This organization had the local labour, but also a joint venture with the government.

Although, these constructions, these 'Green Schemes' do not work. In practice, there comes trouble between the government and the local/commercial farmers. They call it Public Private Partnerships, but that implies that it is some sort of symbolic relation and that is often not the case. The government decides for the farmers what they want. If the government believes that someone is making too much money, they are going to change the conditions and it will not end well. In the worst case scenario, the government is going to interfere intensively by deciding where the farmers have to buy their stuff or they will decide for you that the they have to hire the nephew of the director, for example.

The government also says, we have to do black empowerment, which is a law that has been ready for 10, 15 years. The last proposal was quite radical, namely: 25 percent of a business has to be in hands of a black person, 50 percent of the management has to be black. A lot of business said that they were not going to do that. Hence, they dropped the 25 percent pillar and the rest still has to be decided.

The government also wants to stimulate its own economy by saying that businesses should do more local value addition. Meaning that companies should not sell their beans, but make coffee and sell those products. The same goes for diamond mines. The problem is, it is not their business. They just dig the diamonds and sell them on the world market. A lot of these decisions are very top-down from the government. They think of something nice and then push businesses, but often it does not work. For instance, with corona the government just said that companies cannot fire anyone and consider the problem solved. Hence, this makes it really hard to do business with the government here.

The government is involved a lot in an attempt to stimulate its economy. Where possible, companies try to buy locally and try to hire local people instead of foreigners. The law also makes it really hard to hire people from outside Namibia. It is hard for the government to find the balance in interfering or not with the private sector. Where does it help if we interfere and where is it counterproductive.

Dutch embassy in Uganda

The legislation in Uganda is often pretty difficult. The land registry, for example, is not organized well. It is not an easy country to do business. Therefore, we always recommend foreign organizations to first find a local partner here. In these collaborations in general, the government barely plays a role.

Although, organizations do need the government for essential things, such as the water connection internet connection, the registration of the company and the leasing of land. But we do not want anything to do with that, because often, these contacts with the government go hand in hand with non-transparent procedures. Hence, organizations often make use of law firms or consultants who arrange these deals with the government.

The government has some resources available for stimulating businesses in its country. Still, it is questionable if these resources end up in the right hands or that a part will disappear half way through. Besides, it is dubious if it is really efficient and effective for an organization. So the Ugandan government arranges these basic needs, is barely involved in stimulating businesses to scale. A lot of bottlenecks lie with the government. For example, for the tourism sector, granting licences and permission to build lodges. Albeit, the government of Uganda is in essence benevolent. They have all kind of ideas and they have foreign investors that help.

It is not recommended to lobby at the government for changing laws and regulations. This focus is very insecure and even if a law changes, it has to be enforced. Which is often a disaster, because of a certain level of corruption, such as exceptions for other organizations. It is recommended to only collaborate with the government if it is really necessary. Besides, it is advised to do things straight forward and focus on things in which the laws and regulations are not really important for the organization.

The production of cotton was 10/15 years ago one of the most important products of Uganda, but that sector completely disappeared. The main reason is that the government allowed the usage of anti-mosquito substance, named DEET. Consequently, the cotton products were not good anymore, which led to production reduction and eventually destroyed the whole sector. Because it is of course pure poison.

With regards to the tax office in Uganda, the URA, there are mixed feelings. Some companies say that they are doing their taxes nicely, and still the URA is constantly bothering us. Other companies say that they are very transparent and keep track of everything, so the URA cannot do anything to us, and hence, they do not bother us at all. The URA can be unreasonable, but a lot of companies have everything arranged well and experience not much trouble from the tax office.

The legal system can also be a problem as it is very weak. It can take years for an organization to be proved right. Although, if you go all the way, the system often seems fair and a good judgement is delivered. Unless, an organization is going against the interest of the established elite. In that case it becomes nearly impossible to win. The political economy is very strong. An example, someone had a great idea to make roof tiles from recycled plastic, but there was someone from the elite active in the current roof tile business. Thus, it never really worked out in Uganda.

Appendix III – Interview questions organizations

Questions organizations A, B, C & D

General

1. Who are you and what exactly does (company)?
2. What is your business model?
3. What kind of products /services do you provide?
4. How did you grow until now/how do you want to grow further in the future?

Creation & support

5. Do you collaborate with the government? (maybe a Public Private Partnership or public program?)
6. How do you work together/what does this collaboration look like? Contracts?
7. What does the government have to offer you?
8. Does (company) receive financial support from the government?
9. Or did you receive financial support in the past?
10. Did you receive help from the government in another way?
11. E.g. provided land/ground, knowledge/know-how, professional skills or equipment?

Legitimation

12. Does the government has an influence on your business operations/management?
13. E.g. they want to decide the price of a product?
14. Or they want insights in how you treat your employees?
15. Does (company) sometimes appear in the media? Positively/negatively?

Feasibility & attractiveness

16. Were there ever laws/rules adopted that were in favour or against (company) or your entire industry? (Or maybe something with taxes?)
17. Do you have any examples of laws/rules that were relevant for you or your industry?
18. Do you notice that the government tries to promote certain industries by changing or adding laws/rules?

19. How is your overall experience with the government?

20. Do you notice any differences between the governments of various countries? If yes, what are the most important differences between governments?
21. How important is the government for (company)?
22. What is something that the government could do better or more?
23. What could the government do differently?

Questions organization E-1

Business model

1. What is the business model?
2. Does this change in the future? If yes, how? If no, why not?
3. Which role does the local environment have in the operations of organization E?

Collaboration

4. What are the roles, activities and resources of the shareholders?
5. What is the value of organization E for the stakeholders?
6. Does one of the partnering organisations has a leading role in organization E?
7. Do power relations play a part in the collaboration?

Growth and ambitions

8. What did organization E expected to accomplish since its start?
9. To what extent are these expectations realized?
10. What will be the most important challenges to realize this growth?

Customers

11. How do the products reach the customers?
12. Does organization E build relationships with customers?

Farmers

13. How do the products of the farmers come to organization E?
14. Via local farmers or cooperatives? And why?
15. Does organization E build relationships with the farmers? If yes, how? If no, why not?

Education

16. How are farmers, employees and customers currently educated?
17. Is this education successful?

Questions organization E-2

Growth

1. What are the growth ambitions of organization E, customers, products and revenue?
    - What are the most important challenges to realize this growth? Besides the value chain.
2. Which role does the local environment fulfil in the business operations?
    - Do you expect to have to work differently in Ethiopia than in Rwanda?

Innovative organization model

3. What is the role and the value of the government and impact investors in organization E?
    - You talked about the value for organization E, but what does it bring other partners and which role do they play?
4. Does one of the partners have a leading role in organization E?
    - You said that the initiative came from a NGO, which one?
5. Except for the partners in organization E, are there any other important stakeholders?

Customers

6. Who are your competitors?
    - Do you expect the competition to increase?
7. How do the products come to the commercial customers?

Appendix IV – Interviews organizations

Organization A
The business model of organization A is selling the technology to other companies (B2B). Hence, they do not provide the service themselves to the farmers. Organization A sells to organizations that provide this service with regards to the soil or seeds of the farmers. The Kenyan government, for example, does this. The service helps farmers to improve the quality and the productivity of their products. This way, this valuable service is also affordable for the poorest farmers.

Very important to have the government on your side. For collaborating, you have to physically be there. But it is really time consuming. In our case, you also have to explain how our technology works, so that it is accepted by the government. They can say your product is not trustworthy and that is already enough to kill your whole reputation.

Government of Kenya is customer, they bought 2 products. Organization A has people locally that go to meetings and stuff. They put manpower into it and that was successful, in a way that they have a good relation with the Kenyan government. But it costs a lot of time to build up such an relation AND you need local people for this. Other active countries, they just have good conversations (mostly risk mitigation).

(Laws and regulations); making it compulsory for farmers to test their soil. They are talking about this in some countries. Although still, organization A does not expect much from African governments. Just not work against them, which is often not the case (only on small level can be some resistance).

It is mostly risk mitigation. You do not expect from governments to be supportive by providing money or buying your products. Organization A just expect from them to spread the word if they like their products.

Reason for choosing a new country to enter: neighbour countries preferred because the database needs less new samples. Another reason is people who organization A meets, so interesting deals, which is why they entered Namibia and Ivory Coast.

In general, Kenya is a good country to start a business and scale from there. Because it is good connected to the rest of Africa, and because the infrastructure is well developed, when comparing to other African nations. Also, there is quite some money in the farming sector in Kenya, people have money to invest in (our) technology.

In terms of Laws and regulations, governments are very powerful. But when it comes to selling (our) technology, not just convincing them but also their investors (world bank funds, UN money).

Organization B & C
Organization C also has experience with companies in Zambia, Botswana, Rwanda and Kenya.

There is a lot of money (subsidies) from e.g. World Bank, GIZ, MasterCard Foundation. Problem; they want to spread this money via local governments, but these tender tracks are never fair or transparent. These are unpredictable money flows. So their solution; they first always search the market partner, the organizations that will eventually pay. And operate based on their demands (not the governments' ones).

If the Ugandan government is involved, experiences are that everything will slow down. The delay is on purpose, because this way people have to pay money to make sure the government fixes things. They are very corrupt.

Working with this government costs a lot of time and effort and will lead to nothing. The advice is to always avoid the government if possible, believe in the private sector development. Although, often you need the government, because in some situations, only the government can take decisions. They have a lot of power. But really try to not involve the government if not necessary.

Organization B avoids being dependent on the national Ugandan government and the local government, to react faster and create more impact with their business AND fight corruption this way. Organization B is an educational organization and develops innovative communication and education materials. The organization focusses on co-creation through local people which means that locals are educated to teach their own communities about, for example, the right use of medicines.

The government of Uganda has not provided any resources, ever. And working with them has never resulted into anything helpful. Not with organization B, and not with customers (start-ups) of organization C.

Not experienced, but heard that if you grow bigger, that it is very likely that the government wants to get involved, because they will feel like they also have the right on a part of the profit. Government involvement is even worse for Tanzania.

The URA, the taxes are disproportionate. Only, mostly international companies have to pay taxes. Other than them, almost no taxes are being paid. Because the URA also knows that these companies will pay.

Against corruption; investing (as a government) in education. Educate people.

Organization D

Reason for being active in Rwanda; There is fund available and the Rwandan government has prioritized Horticulture as one of the key sectors for growth and development. They even have a agriculture transformation plan (PSTA). Besides, Rwandan government has departments actively involved in agriculture, such as Rwandan Agriculture Board (RAB). They research seeds before distributing them to the farmers. (Seed certificates).

Another Rwandan government department is National Agriculture Export Board (NAEB), which is mainly focussed on export. Export is small, so for the few companies that do, the government set-up a facility that mitting international standards and helping with, e.g., packaging before sending. Ministry of Agriculture comes up with policies to help, such as boosting productivity or better distribution of fertilizers.

Local (district) government; majors. HortInvest local people regularly interact with them. Together with this district government they support initiatives in different sectors. On their turn, they also support ideas from the government.

Reasons for businesses to come; 25 years after genocide it is very peaceful, growing really fast, green business ranking is high. Moreover, very low corruption score. (according to organization D). Quite pro-active government (Rwanda), very active collaboration with development sector partners.

During covid they gave subsidy to Rwandan Air for export flights. But they could probably do a bit more supporting the private sector (e.g. developing (financial) schemes or research development or adoption of technology). But they already do a lot, such as providing land for farmers.

General note: Farmers are represented in cooperatives. They lobby for them by the government, which the individual farmers do not have time for.

Organization E-1

One of the biggest customers is the Rwandan government. Thereby, the government is also a partner in this joint venture. Quality of their products is one of their biggest priorities. Based on quality, they outperform their competitors. Organization E directly collects their products from the farmers and checks the quality very strictly.

A big challenge is increasing the quality and the productivity of the farmers, to eventually decrease the price. At this moment, importing from Europe is actually cheaper, because the production is subsidized. Still, organization E contributes to *Africa feeds Africa* by buying local and not importing everything from other continents.

Currently, they are not making any profit yet. Thus, they are dependent on financial support. The objective is to make profits within the next five years. Another goal is to further expand to other African countries. On a yearly basis, organization E earns a few millions less than their competition. The most important reason for this is the supply chain. Organization E buys locally, while it is more expensive than importing goods from Europe.

The storage of the goods by the local farmers often resulted in wet goods or bugs were attracted. Which could lead to fungus. Therefore, organization E collects the goods directly from the farmers and brings it to their own storage.

Organization E-2

For the scaling ambitions of organization E, the company has contacts with multiple countries, such as Ethiopia, Zambia, Zimbabwe and Uganda. The success of organization E in Rwanda has aroused the interest of other countries. Besides scaling geographically, organization E also wants to scale to diversify its products.

In order to scale successfully, a few obstacles have to be removed. The productivity has to be increased, which means that the farmers have to produce more (high quality) per square meter. Another problem is that it is currently cheaper to import from European countries instead of using local suppliers. Although, it has a much greater impact to buy locally, as it also supports the local economy. Organization E buys their supplies locally. It will take a few years before the productivity of the local farmers is on the same level.

The government of Rwanda plays a big role by removing scaling obstacles for organization E. They provide the necessary support to enhance the supply chain. They help to increase the productivity and quality of the local farmers through educating them.