Commentary for Unjani clinics: meeting the need for scale through social franchising

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Abstract

This commentary reflects on the social franchising model of Unjani. It discusses the intricate interwoven elements of the model which allows it to flourish. Here, I take a stewardship and social capital view to elaborate on these mechanisms. In the second part of the commentary, I highlight the limitations of the model specifically as it pertains to its potential growth.

Keywords Social franchising · Scaling · Stewardship theory · Agency theory

Introduction

When most people think of franchising, they think of commercial brands such as McDonald's, Subway or the Best Western Hotel group. Franchising has been proven to be a very effective means to grow an organization while reducing the risks to the parent organization in the process (Combs and Ketchen 2003; Combs et al. 2011). While some franchisees start new ventures or locations of the business (e.g., McDonald's), in some franchising types existing ventures are merely rebranded to fit an overall brand (e.g., Best Western). Due to its success in the commercial business realm, social ventures and nonprofit organizations began emulating the process in order to reach scale (Beckmann and Zeyen 2014; Beyeler et al. 2013; Cumberland and Litalien 2018; Heinecke and Mayer 2012; Krzeminska and Zeyen 2017; Sivakumar and Schoormans 2011).

Social capital, stewardship and agency—the tools to successful social franchising

A common theoretical approach used to explain why and how franchising works is agency theory (Lafontaine 1992). In short, franchising helps to reduce ex ante and ex post costs within the principal–agent–relationship. Ex ante, the franchiser reduces the risks of hiring a less enthusiastic and motivated branch manager by asking prospective franchisees to put up a substantial upfront fee to join the franchise system. According to agency theory, only those prospective agents who consider themselves capable of running the outlet will be willing to make this investment. Following the signing of the franchise contract, the franchiser reduces ex post costs through profit sharing with their franchisee. Franchisees in comparison to employees are not paid a set wage, but rather pay the franchiser royalties, often based on their revenue or profits. Thus, franchisees require less management as profit sharing functions as a means to align the interests of both the principal (Franchiser) and the agent (Franchisee).

Social franchising and agency theory

We can spot some of these features in the Unjani case. The nursepreneurs pay a fee to join the network of clinics. This fee serves as a selection mechanism for Unjani as agency theory suggests only those nurses who are serious about running their own clinic would be willing to invest into it. Therefore, Unjani reduces the time and effort necessary to find prospective nursepreneurs. Once the franchising

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agreement is signed, Unjani requires the franchise outlet to profit share, thereby aligning their own objectives with those of the franchising nurse. If we thus take the traditional agency perspective, Unjani might seem no different from McDonald's. However, a closer look reveals the intricacy of the model that go beyond the traditional explanatory model.

Social capital and local embeddedness

Hybrid ventures follow a dual mission by combining economic and societal objectives. Unjani therefore needs to safeguard and advance the social side of the operation in addition to the financial side. In some low-income communities in Southern Africa, it would not be easily possible to set up a clinic without local knowledge. This local knowledge is often less about tangible things but more implicit and tacit. As such, aspects of local embeddedness, being part of the community and understanding the cultural and social intricacies of the community are as important as the medical expertise of the nurses. Therefore, Unjani taps into this social capital of nurses through their social franchising model (Beckmann and Zeyen 2014). Unjani would be less effective by sending a nurse into a community they are unfamiliar with because they would start with low social capital endowment. Varying dimensions of social capital, such as relational or structural capital, involve prolonged engagement with a community and significant effort to accumulate (Costales and Zeyen 2021). Unjani's 'incubating' organizational design and family-like culture alleviate this additional pressure of social capital accumulation through autonomy of the nurses.

Small groups and stewardship

Furthermore, Unjani makes use of the human desire to be part of a social group (Beckmann and Zeyen 2014). They do so through the relationship-building activities between the CEO and the franchisee. This more informal friendship-like relationship serves a purpose beyond acknowledging and respecting cultural norms. It helps mission alignment. If the franchisee (nursepreneur) feels a personal connection to the CEO and their vision and values for the organization, they are more likely to follow the rules and make decision that benefit not just themselves but the entire organization (Krzeminska and Zeyen 2017). This stewardship theory lens (Davis et al. 1997) highlights the importance of the social mission in aligning the entire social franchising network. From this perspective, nurses are not only drawn to the network based on the potential to earn a good income and eventually become a business owner but also by the underlying mission as well as the personality of the founder or CEO (Krzeminska and Zeyen 2017). Thus, stewardship

mechanisms are an important resource in Unjani's scaling process (Bacq and Eddleston 2018).

In short, the hybrid nature of Unjani enables them to attract prospective franchisees who are vested in their social mission. This is because the nurses are more likely to want their own communities to be better served. In turn, they bring the social capital and cultural embeddedness that the organization needs in order to fulfill that social mission. The upfront fee paid by the nursepreneurs ensures that prospective franchisees are fully committed to joining the network while the profit sharing warrants that the nurses are going to aim to run the organization in a profitable way. This in turn safeguards their financial mission.

Limits to growth through social franchising!?

The Unjani approach to social franchising has been very successful. They have grown quickly and have created financial sustainable healthcare benefits to low-income communities. However, many studies have shown that there are potential limits to growth when employing social franchising (Krzeminska and Zeyen 2017; Tracey and Jarvis 2006).

For instance, the CEO will not be able to maintain the more informal personal interactions with their franchisees the bigger the Unjani franchising network becomes. While this is still possible with 80 franchisees, it will not be feasible if they reach their objectives of 1000 clinics by 2030. Therefore, the franchise system needs to evolve in order to accommodate this shift from small to big group (Beckmann and Zeyen 2014). Such a shift can change the nature of the network and can lead to mission drift. Moreover, any shift in culture within the overall network can impact the self-selection mechanism of future nursepreneurs.

Another challenge Unjani might face is that of lack of innovation. For organizations to evolve, they require feedback from clients/users and need to interpret and then implement it throughout the organization. While Unjani is very clearly ensuring consistency across the network, necessary feedback loops to capture local feedback are less established. Moreover, cultural norms and local idiosyncrasies might require certain branches to deviate from the overall approach to pricing or product range, something as of now less obvious in the Unjani system. This local adaptation while maintaining an overarching brand is something most franchising systems do (e.g., menu changes based on local food norms and cultures in McDonald's). As a consequence, recent studies suggest that social franchising might be a transitional stage in social entrepreneurial growth (Bergfeld et al. 2020).

A third point to note is that studies on franchise entrepreneurs in the Global South have highlighted that many would prefer employment to taking financial risks and having to run their own business (Fairbourne et al. 2007; Kistruck

et al. 2011). Unjani showcases how some of these financial burdens can be lifted by providing 24 months of operation costs as a donation and signing over the ownership of the clinic after 5 years of operation.

Avenues for future research in organizational design

Unjani showcases how a hybrid venture that straddles financial and social objectives can effectively scale its operation while empowering members of the communities to become entrepreneurs. Future research needs to better understand the antecedents of these social franchising models. For instance, the role of culture, social embeddedness and social capital needs to be better understood. We also need to gain more insights into factors that might slow down or ultimately stop the growth of such organizations. What organizational culture shifts occur? Are there differences between franchisees' abilities and motivation between those joining during the early middle or late stages of the franchise system?

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Declarations

Competing interests The authors declare that they have no competing interests.

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