**Gordon Institute
of Business Science**
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From outsider to insider:

How direct selling multinational enterprises leverage social capital to internationalise

MAPASEKA SEKHOTO

19407302

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Abstract

Direct selling multinational enterprises (DSMNEs) have successfully managed to leverage insider networks to overcome the liability of outsidership when entering base of pyramid (BoP) markets (Dolan & Johnston-Louis, 2011). The purpose of this study is to gain an understanding of how DSMNEs leverage social capital to move from outsider to insider networks when internationalising within BoP markets in South Africa, specifically examining the influence of network structure relationships: network closure and structural holes to market entrance. The study adopts a social capital perspective to firm internationalisation.

To address the purpose of the study, the exploration draws from the direct selling industry and international business literature. A descriptive phenomenological design was developed and data was gathered through conducting 10 in-depth semi-structured interviews. The results clarified the role of social structures in enabling independent direct sellers to create network relationships that facilitate the internationalisation process of DSMNEs. Furthermore, a deeper understanding was gained on how DSMNEs leverage social capital to enter BoP markets largely by converting the large number of people involved in the informal economy into suitable human capital. The transferability of the results could be supported by research within the context of other business sectors or developing sub-Saharan countries. The study has implications for international business globalisation strategies as it identifies BoP network specific knowledge to target network insidership. The study embraces an early attempt to encompass the interface of DSMNE internationalisation and Ubuntu/Botho social network structures. The study offers important theoretical understandings into the international business, direct selling firms and social capital literatures.

Keywords

social capital, direct selling multinational enterprises, base of pyramid, internationalisation, network structure, outsidership, insidership, independent direct sellers

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy International Business at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Mapaseka Sekhoto
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CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

1.1 Introduction

Traditionally, multinational enterprises (MNEs) do well in entering developed markets but struggle in entering bottom of the pyramid markets (BoP) as they suffer from the liability of outsidership (Johanson & Vahlne, 2009). Yet, direct sales multinational enterprises (DSMNEs) have successfully managed to leverage insider networks to overcome the liability of outsidership when entering these BoP markets (Dolan & Johnston-Louis, 2011).

The ability to leverage insider networks is central to direct sales multinationals overcoming the liability of outsidership when entering BoP markets. In this research, the author has chosen to focus on DSMNEs with activities in South Africa due to it being home to the largest number of direct sales multinationals in the African zone (Torte, 2016). The researcher builds on the argument by (Johanson & Vahlne, 2009) that internationalisation requires moving from a position of outsider to insider by creating relationship ties to join a relevant network with a focus on how DSMNEs leverage social capital to start the process (Lindstrand & Hånell, 2017). Therefore, studying the phenomena of moving from outsider to insider networks through the lens of social capital theory, specifically examining the influence of network structure relationships: network closures and structural holes (Yamin & Kurt, 2018) and market entrance at the BoP.

The research benefits will contribute to the understanding of internationalisation processes by discovering how DSMNEs leverage social capital to move from outsider to insider networks when entering BoP markets in South Africa by developing a framework. The research will also provide direct sales multinationals interested in entering BoP markets with network market specific knowledge (Ragland et al., 2015).

The layout of the remainder of the chapter is as follows: the description of the research problem, the discussion of the market environment, the purpose of the study and scope of the study.

1.2 Problem Description

Projections by economists are that the bulk of economic growth over the next few years will come from emerging economies. This knowledge has catapulted the attention of MNEs interested in globalisation in emerging markets for growth opportunities. These emerging markets are largely made up of a population that lives and transacts in the informal economy (Goyal, Sergi, & Kapoor, 2017).

The Bottom of the Pyramid (BoP) is an economic term which refers to the poorest socio-group in the world living on less than US$2 per day. This term was coined by scholars C.K. Prahalad, Stuart L. Hart and A. Hammond to describe the more than 4 billion population of the world's poor. Their low individual income is offset by their cumulative purchasing power parity as potential customers (Prahalad & Hammond, 2002). The BoP scholars Prahalad, Hart and Hammond theorize that there lies an opportunity for multinationals from industrialised economies facing stagnant growth in their home markets to pursue growth opportunities in these emerging markets while simultaneously contributing to poverty alleviation. MNEs are seen as a potential apparatus of job creation and prosperity while bringing millions of low-earning consumers in the global market place (Prahalad & Hammond, 2002).

For nearly two decades there has been ample research conducted on the challenges faced by MNEs when entering BoP markets. Goyal et at. (2017) attribute some of these challenges experienced when entering BoP markets to a lack of a scalable and sustainable business models for entering these low-income market segments due to failures of MNEs to change their westernised business models for these very different markets. In their 1977 Uppsala model theory of firm internationalisation, Johanson and Vahlne, posited the liability of foreignness as the main problem with foreign entry. In 2009 they produced a revised study titled "*The Uppsala internationalization model revisited: From liability of foreignness to liability of outsidership*". In their revised article they emphasize the importance of relationships and business networks as a market structure in which internationalising firms should be embedded for successful market entry (Johanson & Vahlne, 2009). Concluding that for successful internationalisation, a position of insidership in relevant network(s) is necessary and hence a lack of access to insider networks consequently gives rise to a liability of outsidership.

Nonetheless, against the ubiquitous challenges and failures of traditional MNEs when entering BoP markets, DSMNEs have successfully managed to cement their place in emerging markets such as South Africa by leveraging insider networks to overcome the liability of outsidership when entering these markets.

The extant literature on internationalisation explores how firms move from a position of outsider to insider within relevant networks through leveraging relationship ties (Johanson & Vahlne, 2009; McQuillan, Scott & Mangematin, 2018). Insidership often commences when an organisation succeeds to build network relationships within relevant target markets (Johanson & Vahlne, 2009; Yamin & Kurt, 2017). Lindstrand and Hånell (2017) posited that during an internationalisation process, an organisation's social capital is distinguished as the network relationships as they are the main resources for action. DSMNEs depend on the leveraging of social capital to signal the offering of entrepreneurial opportunities to the un(der)employed to attract independent direct sellers to build a direct sales network and so enter BoP markets.

Due to a lack of established network relationships, we now understand that DSMNEs must actively move from a position of outsider to that of insider within BoP markets when internationalising, in South Africa. The challenge faced by DSMNEs when internationalising in new markets, is to signal the offering of entrepreneurial opportunities to build a direct sales force. The literature on direct selling also known as network marketing asserts that social capital is central to building a direct sales network. Yet, while recognising the critical importance of social capital as a tool for signalling the offering of entrepreneurial opportunities to the un(der)employed as a means to attract independent direct sellers to build a direct sales network, it is not theorised how DSMNEs build these network relationships within BoP markets in South Africa.

To address this need and ascertain the effects of social capital on the internationalisation DSMNEs, we ask: How do DSMNEs leverage social capital to move from outsider to insider when internationalising within BoP markets in South Africa?

1.3 The market environment

Direct selling is a concept which originates from the United States of America (USA). By the 1970s, direct sales companies in the USA had saturated their home markets and had to look at internationalising to seek new market opportunities. DSMNEs have become a prototype business model for penetrating BoP markets such as South Africa (Dolan & Scott, 2009). Droney (2016) explains that as things stand a majority of earnings for USA based DSMNEs are generated from outside of the USA market. It is further cited by Droney (2016) that 79.3% of reported profits for the company Herbalife are generated outside of USA, with more than a significant portion coming from emerging markets. Avon was one of the first DSMNEs to export the concept of direct selling across the world, starting their operations in South Africa in 1996 (Dolan & Johnston-Louis, 2011). The business of direct selling has become quite popular in South Africa where you have DSMNEs and independent direct sellers now experimenting with Avon like systems (Dolan & Scott, 2009).

Direct selling is gaining momentum in South Africa, Torte (2016) assesses that in 2015 South Africa accounted for 1% of global direct sales to the value of $1.3 billion, with a three year forecasted compound annual growth rate of 3.2%. This ranks South Africa the top performing direct selling market in the African zone (Torte, 2016). It is reported by the Direct Selling Association of South Africa (DSA) that by 2016 the South African direct sales industry had registered 1.3 million active independent direct sellers, 36% of them operating on a full-time basis. The popularity of direct selling in South Africa suggests that within the relevant networks, direct selling is perceived as an alternate form of income generation.

DSMNEs have skilfully mastered internationalisation strategies of entering BoP markets by turning socio-economic crises into economic opportunities (Dolan & Rajak, 2016). Direct sales provide a complementarity system with linkages between outsider and insider networks. On the one side, the multinationals can provide resources such as capital, technology, managerial know-how and product R&D. On the other hand, independent direct sellers provide local knowledge, local networks and distribution arrangements (Meagher, 2018).

Generally, distribution is very poor or non-existent in BoP markets. It is for this reason most multinationals settle in large urban cities when entering emerging economies. However, DSMNEs possess the special ability to leverage BoP insider networks, to distribute to the

hard-to-reach, neglected BoP markets. They wield the innate ability to capitalize on the social networks of independent direct sellers and so maximise their distribution reach to informal markets within emerging economies such as South Africa (Droney, 2016).

1.4 Research Purpose

The purpose of this study is to explore how DSMNEs leverage social capital to signal the offering of entrepreneurial opportunities, to the un(der)employed, as a means to attract independent direct sellers to build a direct sales network and so enter the hard to reach BoP markets within South Africa. At this stage in the research, an organisation's social capital is distinguished as the network relationships as they are the main resources for action during an internationalisation process (Lindstrand & Hånell, 2017). The aim is to gain an understanding of how DSMNEs leverage social capital to move from outsider to insider when internationalising within BoP markets in South Africa, specifically examining the influence of network structure relationships: network closure and structural holes to market entrance.

This research aims to:

1. Determine how social capital is used by DSMNEs to enter BoP markets in South Africa.
2. To examine the network structure of social capital available to DSMNEs when entering BoP markets in South Africa.
3. To understand the specific resource requirements for DSMNEs to leverage social capital when entering BoP markets in South Africa.

4. To explore the role of informal markets in DSMNEs leveraging social capital to enter BoP markets in South Africa.

1.5 Research Scope

This research explores how DSMNEs leverage social capital to signal the offering of entrepreneurial opportunities to the un(der)employed as a means to attract independent direct sellers to build a direct sales network and so enter the hard to reach BoP markets within South Africa. DSMNEs have found a home in South Africa, rendering the country the biggest

host nation to DSMNEs on the African continent. DSMNEs are reaching a ceiling of sales in South Africa, penetrating BoP networks which have become more aspirational with globalization (Franco & Gonzalez-Perez, 2016). With this information on hand, and using South Africa as a model representing an African country, this research aims to provide a deep understanding of the internationalisation of DSMNEs through networks, by analysing how they have leveraged social capital to signal the offering of entrepreneurial opportunities (and consumption) at BoP markets.

The outcomes of this paper will not only be relevant to South Africa, but other emerging African countries as well. The purpose of this paper is to use social capital theory (Nahapiet & Ghoshal, 1988) to theorise and empirically examine how DSMNEs leverage social capital to signal the offering of entrepreneurial opportunities to the un(der)employed as a means to attract independent direct sellers to build a direct sales network and so enter the hard to reach BoP markets within South Africa. Nahapiet and Ghoshal (1988) categorise social capital into three dimensions, structural social capital, relational social capital and cognitive social capital. In line with Nahapiet and Ghoshal (1988) theory on the structural social capital, scholars Burt (2002) and Coleman (1988) expanded on the theory by distinguishing that social capital is created from two network structures namely; network closures and structural holes (Tian, Nicholson, Eklinder-Frick & Johanson, 2018).

1.6 Conclusion

Social capital theory has previously been applied to build on the study of internationalisation (Lindstrand & Hånell, 2017; Menzies et al., 2020; Tian et al., 2018), however the extant literature has not provided a clear understanding on how DSMNEs internationalise in BoP markets like South Africa. Businesses networks in emerging markets like South Africa are different to business networks in developed countries in terms of network structure (Tian et al., 2018). There is limited knowledge of how social relationships are developed and maintained for a process of internationalisation in a country like South Africa. The main aim of this study is to gain insight into how DSMNEs leverage social capital to signal the offering of entrepreneurial opportunities to the un(der)employed as a means to attract distributor agents to build a direct sales network and so enter the hard to reach BoP markets within South Africa. We join a stream of research on social capital stemming from internationalisation strategies. Current literature focuses on the internationalisation of traditional multinationals, with limited studies presented on the internationalisation of

DSMNEs in emerging markets. The findings produced from this study could potentially enhance the understanding of internationalisation processes and consequently contribute to the International Business field by providing insights on how DSMNE internationalisation processes in BoP markets.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 Introduction

This chapter on theory and literature review presents and discusses previous studies on international expansion of DSMNEs into BoP markets (Ragland, Brouthers, & Widmier, 2015). The research problem for the study was approached from the viewpoint of social capital theory as a framework used to better understand how DSMNEs move from a position of outsider to insider within relevant networks through leveraging relationship ties in foreign markets (Johanson & Vahlne, 2009; McQuillan et al., 2018).

Section 2.2 begins with providing context and setting for the study by first giving a background information on direct selling as an industry and business model. A background of the business of direct selling in South Africa's free market is explored and an assessment of how DSMNEs have managed to gain market entry via networks in South Africa's BoP markets is made. The literature mostly focuses on trading partnerships between DSMNEs and independent direct seller's informal exchange networks as a basis for creating and signalling micro-enterprise opportunities (Dolan & Scott, 2009) to the South African BoP market to facilitate market entry. Section 2.3 contains a literature review on the internationalisation process of DSMNEs through social network relationships and interactions, from the perspective of social capital, and an introduction to a mediating external structure *Ubuntu/Botho* and the two social network structural mechanisms; network closures and structural holes are discussed. Section 2.4 provides a discussion on the empirical assessment of the structural social capital that is leveraged by DSMNEs for market entry by expounding on the links between the *Ubuntu/Botho* social structure, network closures and structural holes and how DSMNEs move from outsider to insider within these social structures. Section 2.5 provides a literature review on BoP market specific social structure within the internationalisation sphere, which is aligned with the strategic globalisation strategy for many firms which is to highlight the importance of leveraging domestic networks for market entry. Internationalisation literature usually focuses using networks to enter new markets (Johanson & Vahlne, 2009), however it does not extensively theorise on how those networks are created in emerging markets such as South Africa.

2.2 Background of Direct Selling

In the preceding chapter, the researcher presented the argument that the internationalisation process of direct sales multinationals in South Africa, heavily places reliance on the ability to leverage social capital. Direct selling or multilevel marketing (also known as network marketing) is a type of retailing in which the sales force is non-salaried and engages independently (here called *independent direct sellers*) (Backman & Hanspal, 2019; Crittenden, Crittenden, & Ajjan, 2019; Droney, 2016; Franco & Gonzalez-Perez, 2016). The direct sales business model is structured in terms of levels referred to as the marketing plan, where the independent direct sellers are compensated for recruiting further independent direct sellers as well as for making product sales (Droney, 2016). For an individual to join a direct sales network company, a joining fee may be payable upon registration. To be an active independent direct seller, an individual must purchase stock and then resell the stock for a commission. Individuals are encouraged to recruit further independent direct sellers who will become their 'down-line' to build a sales network (Backman & Hanspal, 2019; Crittenden et al., 2019; Droney, 2016; Franco & Gonzalez-Perez, 2016). The original independent direct seller upon building a sales network becomes what is known as an 'up-line' and subsequently earns a bonus for recruiting further independent direct sellers as well as earn a percentage from the sales generated by those independent retailers (Backman & Hanspal, 2019; Crittenden et al., 2019; Droney, 2016; Franco & Gonzalez-Perez, 2016). An independent direct seller can potentially generate 'downstream' income not only from their direct recruits, but also from the recruits of their recruits, this is referred to as their 'down-line network (Backman & Hanspal, 2019).

2.2.1 Direct Selling in South Africa

In South Africa, direct selling is guided by the Direct Sales Association of South Africa (DSA), who describe themselves as "*The national trade association for companies that market products and services directly to consumers through an independent, entrepreneurial salesforce*". They are associated with multinational companies such as Avon, Tupperware, Herbalife, Forever Living etc. The direct sales model has often been criticized as operating similarly to a pyramid scheme. However, the proponents say that unlike pyramid schemes, the fundamental idea behind the direct selling strategy is to maximize the number of independent direct sellers for product distribution and to exponentially increase the sales

force (Ragland et al., 2015). The costing of direct sales products translates into consumers almost always being the de facto prospective distributors. Moreover, DSMNEs typically require their new recruits to first become their customers and therefore building a customer base ahead of creating a distribution channel (Franco & Gonzalez-Perez, 2016)**.** Critics have argued that DSMNEs depend on recruitment rather than sales to the end-user, and that the glossy advertising claims made by recruiters exaggerate the potential earnings success (Backman & Hanspal, 2019; Schiffauer, 2018). In the recent past, further criticism and legal challenges from regulators in the USA concerning the over-dependence on recruitment for producing income and overstated claims about potential earnings success for the ordinary member have been witnessed.

Notwithstanding the long history of a free market system in South Africa, challenges and experiences faced by business vis-à-vis corruption and government red-tape pose a significant barrier to market entry. Market analysts have noticed that contrary to traditional businesses, direct selling companies' success run counter to economic cycles (Franco & Gonzalez-Perez, 2016). DSMNEs have skilfully mastered internationalisation strategies of entering BoP markets such as South Africa by turning socio-economic crises into economic opportunities (Rajak & Dolan, 2016). Nonetheless, with the number of DSMNEs operating in South Africa, the question of how they have managed to exploit business opportunities in BoP markets remains a largely understudied one (Lindstrand & Hånell, 2017). Internationalisation research studies conducted in emerging economies especially in the context of the African continent, have been found to be scarce (Urban, 2019). Scholars have argued that the internationalisation of firms in Africa is largely different from that of developed countries and other emerging markets in Eastern Europe and Asia (Urban, 2019).

Dolan and Scott (2009) conducted a study of Avon in South Africa which investigated trading partnerships between DSMNEs and women's informal exchange networks as a basis for creating micro-enterprise opportunities. Their research involved interviews and focus-group discussions experiencing the lives of black female Avon representatives from rural, small towns, peri-urban, and urban settings, as well as detailed interviews with the managerial staff of Avon based at the Johannesburg office. The micro-enterprise opportunities discussed in the research by Dolan and Scott (2009) led to a growth in the number of independent direct sellers engaging in direct selling in South Africa, this topic was further explored by Crittenden et al. (2019) and Dolan and Mary Johnstone-Louis (2011).

In a subsequent study conducted by Scott, Dolan, Johnstone-Louis, Sugden, and Wu (2012) it was determined that by providing opportunities to impoverished women and giving them an opportunity to earn a better living, Avon had experienced significant success in South Africa. In their study Crittenden et al. (2019) make a connection that ICT development serves as enablers for some independent direct sellers in South Africa engaged in the business of direct sales to exploit both formal and informal networks to enhance the independent direct seller's perceived value. The authors further state that women make up a majority percentage of those engaging in direct selling as a result of barriers they face in terms of small business ownership. In direct selling the traditional barriers are removed due to the ease of joining and the opportunity of being backed by global established brands that provide training, quality products and marketing tools. For these reasons, direct sales companies can internationalise through networks in the BoP market in South Africa, by providing income opportunities and signalling for the offering of entrepreneurial opportunities to the un(der)employed (Franco & Gonzalez-Perez, 2016). Foreign based direct sales companies like Avon, Tupperware and Herbalife have found momentous achievement in internationalising in emerging economies like South Africa (Torte, 2016).

2.2.2 Internationalisation by Networks

The revised Uppsala model suggests that the main process of firm internationalisation happens in a network of relationships and consequently the importance of forming relationships with actors in foreign markets is paramount to a process of internationalisation and thus market entry (Johanson & Vahlne, 2009; Tian et al., 2018). The extant literature on internationalisation widely discusses how internationalisation is influenced by networks (Kurt & Yamin, 2016) and yet does not cover how these networks are created nor the details of their structural composition. However, emergent insights are now beginning to fill the literature gap by providing clarity on how these networks are built and the implication of the network structural attributes to market entry (McQuillan et al., 2018; Yamin & Kurt, 2018). Current studies have demonstrated the use of social capital in developing foreign market entry opportunities (Doornich, 2018; Gao, Ren, Zhang, & Sun, 2016; Menzies et al., 2020; Tian et al., 2018) and the leveraging of network structural attributes (Burt, 2001; Coleman,1988; Lindstrand & Hånell, 2017; Nahapiet & Ghoshal, 1998; Tian et al., 2018), this study builds on these theoretical insights. **Table 1.** presents a summary of studies applying social network approach to market entry.

Table 1. Selected studies applying social network approach to entry mode

References	Motivation for applying a network approach	Analytical Viewpoint	Method
Johanson, &, Vahlne, (2009). Journal of International Business Studies	'Markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns. . . our original model needs to be developed further in light of such clear evidence of the importance of networks in the internationalization of firms.' (p. 1411)	Markets-as-Networks View 'Our core argument is based on business network research . . . markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns.' (p. 1411)	A business network model of internationalisation
Yamin, &, Kurt, (2016). Impact of International Business	'The intended contribution of the present study is to demonstrate the potential of SNA, as an analytical tool, in providing better understanding of network insidership and outsidership in internationalisation research' (p. 2)	'The application of SNA as an analytical tool to investigate network dimensions (e.g. network density, centrality, reciprocity, frequency, network size and so forth) …' (p. 2)	Systematic analysis for revealing network structures
Lindstrand, &, Hånell, (2017). Journal of World Business	'We argue that to address the deficit in international business literature on the theme of international opportunity exploitation, further theory-building research is needed that investigates the role of social capital on SMEs' abilities to exploit new business opportunities for continued expansion abroad.' (p. 654)	'Our theoretical developments are based on internationalization process theory and social network theory.'	Regression analysis of 239 Swedish internationalizing SMEs

Doornich, (2018). International Business Review	'To provide a better understanding of how the managerial learning process unfolds during internationalization when challenged by foreign-market institutions and how managers' investment in social capital can enhance learning.' (p. 878)	'Using an interpretive approach, I have studied managerial learning from social capital in four contrasting cases.'	Case study of 4 Norwegian companies that internationalised to the Russian oil and gas market
Tian, Nicholson, Eklinder-Frick, &, Johanson, (2018). Industrial Marketing Management	'We are interested therefore in how social capital dynamically affects and is in turn recursively affected by international opportunity identification and creation.' (p. 3)	'We blend theory from two distinct bodies of ideas, first, the work on social capital− and second, the later versions of the Uppsala School of Internationalisation.'	Thematic analysis of 20 Chinese SMEs in the chemical and engineering sectors with between 5 and 16 years' experience of international business
Menzies, Orr, &, Paul, (2020). Management International Review	'To better integrate the SME entry mode literature and social capital literature, research is needed to identify how context affects social capital, how social capital affects entry mode and how these interact dynamically.' (p.3)	'Three categories of social capital will be used as the theoretical framework for the study.'	Case data of 35 SMEs which have internationalised to China

2.3 The Social Capital Perspective

In simple terms, social network is defined as a theory which explains social relationships and interactions between individuals or social units such as organisations within a relevant network in terms of nodes and ties (McQuillan et al., 2018). The nodes represent the different levels of network relationships influenced by individuals or any type of social unit. The advantages that can arise for individual actors from network features is the potential creation of social capital.

Social capital theory is an important angle for understanding international expansion (Prashantham & Birkinshaw, 2015). According to Nahapiet and Ghoshal (1998) the term "social capital" first appeared in the study of communities by Jacobs (1965), with a focus on the functionality of strong networks and the development of personal relationships within city neighbourhoods that provided a basis for trust building, aiding cooperation, and mutual action in such communities. Many scholars agree on the importance of network relationships as the main resource for action when internationalising (Johanson & Vahlne, 2009), they however lack unanimity on the clear-cut definition of social capital (Burt, 2001; Coleman,1998; Lindstrand & Hånell, 2017).

An often cited definition of social capital as the resources resulting from social structure is by Pierre Bourdieu "*social capital the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition*" (Bourdieu & Wacquant, 1992, p. 119). Nahapiet and Ghoshal, another often quoted definition of social capital also defines it as a function of social structure "*the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit*" (Nahapiet & Ghoshal, 1998, p. 243). Even though the there are differing perspectives and origins on the cited definitions of social capital, they all agree on the social structure being a form of capital that can create a competitive advantage for certain individuals and/or groups (Burt, 2001).

Social capital is different from other forms of capital that rely on assets or individuals, social capital lives in the relationships between individuals and their connections within their communities (Shao & Pan, 2019).

Nahapiet and Ghoshal (1998) argued that social capital can be divided into a trilogy of dimensions being the structural dimension, the relational dimension and the cognitive dimension. The structural dimension of social capital refers to the connections and relationships in a network structure (Doornich, 2018; Menzies et al., 2020; Tian et al., 2018). The relational dimension of social capital refers to the intangible nature of relationships within a network Doornich, 2018; Menzies et al., 2020; Tian et al., 2018). The cognitive dimension refers to the degree which people in a network share mutual perspective and understanding (Doornich, 2018; Menzies et al., 2020; Tian et al., 2018). It seems implausible that one dimension of social capital could exist in isolation without the existence of the other dimensions, such is the knitted nature of the dimensions. Although in reality, the dimensions of social capital may be so interwoven that it is hard to dissect them, the categories are still related and equally underpinning (Claridge, 2018). This endorses Nahapiet and Ghoshal's (1998) opinion that social capital involves multifaceted interrelations between the three dimensions (Claridge, 2018).

Even though there are many scholarly definitions of social capital, most of them agree that social structure can be capitalised by certain groups or individuals in pursuance of their goals. However, it should be noted that social capital is not an all-encompassing beneficial resource, Coleman (1988) deduced that certain forms of social capital may also be used to facilitate actions that may have negative effects on others. This notion is affirmed by Lucy Njagi's work which explores what it means to be better connected in the workplace, the author seems to question how social capital can also compound societal inequalities stating that, "*for instance how people gain access to powerful positions through the direct and indirect employment of social connections*" (Njagi, 2012, p. 3). The mentioned views on social capital are varied in source, but they mostly agree on the social capital metaphor in which social structure is viewed as a kind of asset that can create for some people or groups who are better connected advantages in realising their ends.

Over the past few decades, social sciences have made advances in theory on the principles of adding value through other people (Tan, Zhang, & Wang, 2015). The structural dimension as a form of social capital is a practical example of the advances employed by DSMNEs internationalising at BoP markets and how they have leveraged the social structure to (a) activate social capital by building trust, reciprocity and durability, (b) determine the factors that influence the social network (such as geography, education, gender, connection to labour

market, etc.), (c) to understand the social network of lower-income people and (d) to understand how DSMNEs grow social capital. The leveraging of social capital concentrates on the value DSMNEs add through other people. In this study, the social network structure and the market are viewed as synonymous where the main issue of the internationalising firm is to create, develop and maintain a position of insidership in BoP markets through social network structures. The South African BoP market as a network structure of relationships enhances the ability for DSMNEs to identify and exploit expansion opportunities.

Structural social capital is created from two network structure mechanism namely; network closures and structural holes (Burt, 2001; Coleman, 1998). The literature has emphasized network closures and structural holes as the differing apparatuses underlying such advantageous positions in a social network (Tan et al., 2015). It is clear that both cognitive and relational dimensions are products of the structural dimension (Menzies et al., 2020) since social relationships and structures are the foundation of social exchanges. Thus, the research reported here uses the structural social capital mechanism to assess how DSMNEs have leveraged informal network exchanges of low-income communities by exploring how these network relationships are created and maintained.

2.4. Structural Social Capital

Social capital from a structural perspective speaks to the density of the network and the openness. The structure of social network ties between individuals or groups, on the micro scale, it can be the behaviour of individuals within the social system. Johanson and Vahlne (2009) posited that a network of business relationships signifies the market and therefore, to overcome the liability of outsidership would require a process of actively building a position of insidership within the relevant network(s) of the target market. This process of building a position of insidership from that of outsider within a relevant network is regarded as fundamental to the internationalisation process. The liability of outsidership is proposed by Johanson and Vahlne (2009) as a stumbling block that needs to be overcome to enable access to opportunities in foreign markets for successful internationalisation. Outsidership in relation to relevant foreign target markets is construed as a source of risk and uncertainty for internationalising firms. To overcome the liability of outsidership, DSMNEs leverage social capital to move from a position outsider to insider when internationalising within BoP markets in South Africa. As earlier explained, markets are a complex network of invisible relationships

between social and economic actors, the risk and uncertainty of outsidership is reduced by building an insider position in a relevant network (Kurt & Yamin, 2016).

Some scholars look at social capital as a metaphor for people who are better connected with certain people or groups and holding a position in these social structures of exchange can be seen as an asset and therefore the birth of social capital (Burt, 2001). The structural dimension of social capital is the network of connections and relationships of individual people, that an individual can use for benefits such as information and knowledge transfer. Social network structure is typically characterised by a shared destiny of a defined group; the connectivity, the hierarchy and the appropriability of the network of (all characteristics related with the ease and flexibility of information and knowledge exchange provided by network members) relationships in any given context such as a group, organisation, or community (Davenport & Daellenbach, 2011).

Relationship building in densely connected regions requires high resource investment in a network closure to build strong relationships as opposed to structural holes where lower resources are required to build weak ties (Kurt and Yamin, 2016). In the South African context, the construct of structural social capital is manifested as the idea of *Ubuntu/Botho*, which is recognised as the sense of community which involves mutuality and cooperation whose roots are embedded in humanist African philosophy. Henceforth, the network structure does not only affect the motivation of insiders and outsiders to interact but also their ability to exchange resources. An *Ubuntu/Botho* social network structure is characterised by authentic warmth displayed by how people treat both strangers and each other within a community (Migheli, 2017). This overt demonstration of warmth is not purely aesthetic but enables creation of spontaneous communities. In South Africa, *Ubuntu/Botho* has a significant contextual effect on the composition of structural social capital and therefore creates differences in structural social capital building to other developing countries.

2.4.1 Ubuntu/Botho Social Structure

In the South African context, the construct of structural social capital is manifested in the idea of *Ubuntu/Botho*, which is recognised as a sense of community which involves mutuality and cooperation whose roots are embedded in the social philosophy which literally means humanness to others (Migheli, 2017). According to Mapadimeng (2007) *Ubuntu/Botho* is

defined by core values of respect, sharing, hospitability, solidarity, collectivism, brotherhood, humility and interdependence. While others translate *Ubuntu/Botho* into English to mean "*I am, because we are; and since we are, therefore I am*", in its genesis the values of *Ubuntu/Botho* centre around the cardinal belief that '*umuntu ngumuntu ngabanye*' (version isiZulu dialectal) (Mapadimeng, 2007) and '*motho ke motho ka batho*' (version in seSotho dialectal).

Some proponents of Ubuntu/Botho have argued that if strategically and innovatively tapped, *Ubuntu/Botho* values can be used to positively contribute to the socio-economic development of South Africa. Some have debated the widely held view that within the setting of the indigenous culture that is *Ubuntu/Botho*, there lies potential economic implications for a positive contribution to the socio-economic growth of South Africa and human development. DSMNEs are a perfect model of how capital has managed to tap into this social structure in South Africa to generate profits.

When DSMNEs leverage social capital to enter BoP markets, the mantra they often preach to their direct sellers is how their network is a determinant of their net worth, this is in the embodiment of *"I am, because we are; and since we are, therefore I am"*. It is often cited that relationship building in densely connected regions requires high resource investment in a network closure to build strong relationships as opposed to structural holes where lower resources are required to build weak ties (Kurt and Yamin, 2016). Henceforth, the social structure does not only affect the motivation of insiders and outsiders to interact but also their ability to exchange resources. An *Ubuntu/Botho* social network structure is characterised by authentic warmth displayed by how people treat both strangers and each other within a community (Migheli, 2017). This overt demonstration of hospitality is not purely aesthetic but also enables the creation of spontaneous communities. In South Africa, *Ubuntu/Botho* has a significant contextual effect on the composition of structural social capital and therefore creates differences in structural social capital building to other developing sub-Saharan populations.

While many have written about harnessing the role of *Ubuntu/Botho* in business economics, some analysts caution that these values can be manipulated for nefarious motives by those in positions of economic power to advance their own narrow ends, one such an example being to legitimise their unjust practices and domination (Mapadimeng, 2007). It is not because of

their benevolence that DSMNEs signal for the offering of entrepreneurial opportunities to the un(der)employed in South Africa's BoP social structures, but because recruits in the form of independent direct sellers first pay for products as consumers and then by expanding the DSMNE sales force to otherwise would be unreachable markets. In an *Ubuntu/Botho* social structure, social capital is the connections and relationships in the network structure producing advantages as defined by Coleman (1988), because the edges are more important than the nodes and therefore rendering the network as the biggest investment for DSMNEs. In line with the adopted metaphor on social capital, mutual advantages are created (Dolan & Scott, 2009) in an *Ubuntu/Botho* social structure of both the DSMNE and the direct sellers.

2.4.2 Network Closures

Coleman (1988) argues that a closed network facilitates trust between people in a network as they have mutual friends. Decades later, scholars Yamin and Kurt (2018), share the same sentiment with Coleman on network closures as a source of social capital that is created within a society or group with close links, in densely connected structures that can facilitate advantageous exchanges of information and resources. As illustrated by **Figure 1**, more bonding relationships in a closed network are as a result of a more central location in a social network and thus more social capital (Coleman, 1988, 1990). Furthermore, network closures refer to the preparedness of an outsider firm seeking insidership in a foreign market; the higher the degree of closure the lower the inclination to seek insidership. The foundation of a network with closure or holes is the assumption that the flow of information and knowledge takes time and therefore prior relationships have an effect on who receives information early (Burt, 2001). Coleman (1988) distinguishes that network properties such as norms and trust are created by network closure which also sanctions, curbs opportunism and fosters the mobilisation of network resources resulting in the generation of social capital for group members. Network closure has the properties of legitimizing market players by providing strong sponsorship and support (Kurt & Yain, 2016).

Figure 1: Network closure bonding relationships: central location in a social network.

2.4.3 Structural Holes

Burt (2001) proposes that structural holes create social capital by fostering relationships between individuals or groups who are not directly connected and this leads to an advantageous position for gathering information. Structural holes or an open network refers to the preparedness of an insider to help an outsider to gain insidership; the higher the level of openness the higher the inclination to assist an outsider to gain insidership (McQuillan et al., 2018). As illustrated by **Figure 2**, in a network with structural holes, social capital is a consequence of the control of information flow and brokerage opportunities that are available to people from otherwise disconnected groups (Burt, 2002).

Figure 2: Structural holes bridging relationships: disconnected groups.
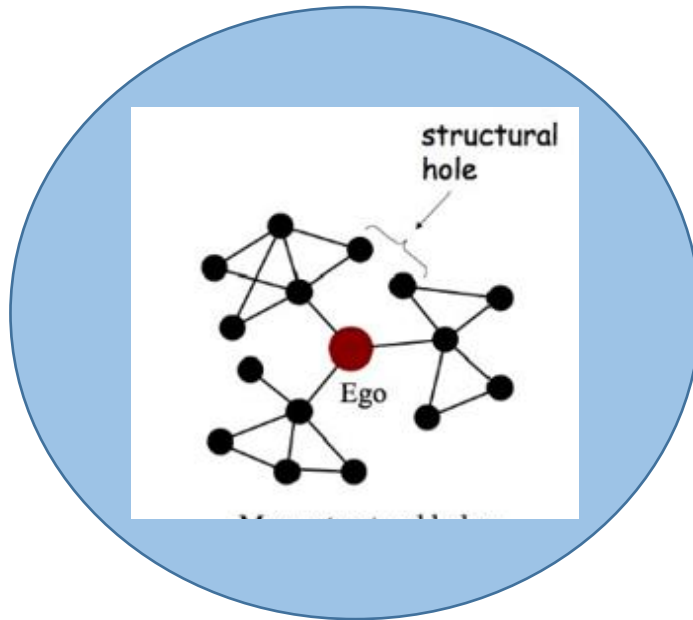
Source: Adapted from internet source https://www.slideshare.net/maksim2042/5-structural-holes.

'Insidership' has been presented as fundamental to overcoming the liability of outsidership (Johanson & Vahlne, 2009), that said, there is insufficient empirical evidence and academic consideration on how the status of insidership is gained (Kurt & Yamin, 2016; Schweizer, 2013). Moving from outsider to insider in a network is a joint engagement which necessitates motivation and commitment from both sides, posited as the inclination of the firm coming from the outside to seek insidership and the inclination of the insider within the market to aid the outsider gain insidership (McQuillan et al., 2018). For DSMNEs, the structure of the targeted network plays a crucial role in internationalising as it is a key held by insiders that can unlock doors for outsiders to come in and gain insidership within the BoP market (Yamin & Kurt, 2018). Schweizer (2013) generalises that firms that internationalise from a social network view are passive and only incidentally overcome the liability of outsidership. However, Ragland et al. (2015) counters that argument by asserting that critical to the growth and globalisation strategy of DSMNEs is the ability to actively seek international markets and thus leverage on relevant social network structures and personal relationships within those target markets to gain insidership and consequently overcome the liability of outsidership.

The value of insidership for internationalising DSMNEs is greatly affected by social network structures in which firms build their insidership position. Thus, while the structural social capital perspective can potentially inform the internationalisation process, the full grasp of this prospective may require unveiling the structural attributes of networks where DSMNEs build their insidership position (Yamin and Kurt, 2018).

2.5 Market Specific Social Structure: BoP Market

Debatably, Johanson and Vahlne's (2009) undertake the theory that insidership and internationalisation take place within social network structures that display fairly high degrees of closure. This narrative cannot be applicable to DSMNEs operating in South Africa, as in their case, insidership is first created at the BoP within networks that display high degrees of closure and subsequently evolve to networks displaying high degrees of openness. According to Hofstede's theory of cultural dimensions South Africa is regarded as a collectivist society. The sentiment is put forth by Lutz (2009, p. 314) "*An African is not a rugged individual, but a person living within a community*". The notion that *Ubuntu/Botho* can be attributed to a collectivist society, is challenged by Migheli (2017) who presents the counter argument that *Ubuntu/Botho* also incorporates and values individualism.

The social structure of South Africa consists of cultural pluralism, even though power is maintained by certain groups, there is free speech and free movement. *Ubuntu/Botho* is a value system that renders most South African societies widely open and accepting of outsiders. The theory of network structure as a form of social capital has an important implication for understanding how insidership is gained and appropriated by DSMNEs in their hunt to create network relationships in BoP markets.

South Africa is characterised by high levels of poverty, according to Statssa (2019) approximately 49.2% of the adult population live on less than about US$75 per person per month and income inequality (Gini co-efficient 0.65 in 2015) is the highest in the world. Additionally, work is scarce and unemployment is at an all-time high, some South Africans have been and will be forced to adopt an entrepreneurial spirit and therefore the motivation for open networks. DSMNEs signal the offering of entrepreneurial opportunities to the un(der)employed by emphasizing the potential to earn income and business ownership. In a social structure where unemployment is rife, especially amongst the disenfranchised segment

of the population mainly black women, the opportunity for cooperation with direct sales organisations is heightened. Furthermore, direct sales companies have minimum barriers to entry, they are accepting of all regardless of gender, race, education, creed or socio-economic status (Franco & Gonzalez-Perez, 2016). On 22nd May 2013, at a ceremony hosted by the DSA, then Deputy Minister of Economic Development Prof Hlengiwe Mkhize in her speech said, "*Direct selling has the potential to dramatically impact on unemployment levels in South Africa by creating thousands of jobs for youth and women…. More than simply creating jobs, direct selling provides an environment for learning, personal development and business building which are critical elements of entrepreneurship.*" The South African government has created the degree of economic regulation that enables and incentivises the business of direct selling (Ragland et al, 2015).

The network structural attributes of a BoP social network are one of an open network; low cost of entry, relational trust is low and the tools for punishing opportunistic behaviour are low. These features coincide with characteristics of the business of direct sales, it's an attractive business, costs of entry and participation risks are low and the challenges of illiteracy and low education levels are overcome by the ability to leverage one's personal relationships and social networks. The popularity of direct selling in South Africa suggests that the BoP social network insiders perceive direct sales as an alternate form of employment and hence the motive and willingness to help direct sales multinationals to gain insidership within their social networks as the benefits far outweigh the cost (Ragland et al, 2015).

As Prahalad and Hammond point out, "*if the poor can't participate in global markets, they can't benefit from them either*" (Prahalad & Hammond, 2004, p. 31). The BoP initiative from inception has touted the multinational as the panacea to poverty alleviation, the key to mainstream business inclusivity and informal entrepreneurship, a vanguard of economic growth that employs door to door selling strategies (Rajak & Dolan, 2016). Direct sales multinational enterprises have skillfully mastered BoP strategies by turning social-economic crises into economic opportunities (Rajak & Dolan, 2016).

The Bottom of the Pyramid scholars Prahalad, Hart and Hammond believe that there lies an opportunity for multinationals from industrialised economies facing stagnant growth to pursue growth opportunities in emerging markets such as South Africa while simultaneously contributing to poverty alleviation. DSMNEs are seen as a potential apparatus of job creation

and prosperity while bringing millions of low earning consumers in the global market place (Prahalad & Hammond, 2002). Conversely, some scholars argue that direct selling multinationals bypass the conventional distribution channels and instead mobilise the social networks of grassroots entrepreneurs to make a profit (Dolan & Scott, 2009) and subsequently cannibalise the networks at the BoP (Meagher, 2018).

2.6 Conclusion

Based on the literature review outlined in **Table 1**, research has been conducted on how multinationals use social capital for entry mode when internationalising. However, there is gap in literature with regards to how DSMNEs leverage social network structures where they internationalise in BoP markets in emerging countries, this is apparent in the summary presented in **Table 1**. The key intangible asset for the internationalisation of direct selling multinationals when moving from outsider to insider is embedded in local social network structures as the internationalisation strategies are built on the back of social relationships and friendships (Ferrucci, Gigliotti, & Runfola, 2018). This chapter reviewed literature on two social network structure mechanisms as a form of social capital being social structural holes and social network closures presented in **Figure 1** and **Figure 2**, respectively. The market specific social structure of Ubuntu/Botho was also brought to the fore as an important additional aspect to deeply understand the social network composition of the South African BoP market. Furthermore, the demographics and socio-economic features of a social network structure also play a very important role in DSMNEs gaining insidership in BoP markets, as most direct sales companies particularly target women by virtue of the feminine products they sell; from perfumes, make-up, cookware, and health products (Backman & Hanspal, 2019).

CHAPTER 3: RESEARCH QUESTIONS

Research Question 1

How is social capital activated by DSMNEs to enter BoP markets in South Africa?

Lindstrand and Hånell (2017) asserted that during an internationalisation process, an organisation's social capital is distinguished as the network relationships as they are the main resources for action. Furthermore, Johanson and Vahlne (2009) have also emphasized the importance of relationships and business networks as a market structure in which internationalising firms should be embedded for successful market entry. That said, further theory building research on the role of social capital in the facilitation of international market entrance is required (Lindstrand & Hånell, 2017).

Following the above, the aim of Research Question 1 is to understand how social capital is used by DSMNEs to enter in BoP markets in South Africa by determining what social capital means to DSNMEs, the role it plays in forming network relationships and how it has been used to facilitate market entrance.

Research Question 2

What is the network structure of social capital available to DSMNEs when entering in BoP markets in South Africa?

Network relationship ties are considered to be a contingency factor that is influenced by network density (Che, Li, Fam, & Bai, 2018). Scholars assert that social capital is created from two network structures namely; network closures and structural holes, the difference in the two approaches is rooted in the level of network density. Extant literature by (Coleman, 1988) argues that on the network closure approach, social capital is created within a society or group with close links, in densely connected structures and this leads to advantageous exchanges of information and resources. However, Burt (2001) proposes and asserts that structural holes create social capital by fostering relationships between individuals or groups who are not directly connected and this leads to an advantageous position for gathering information (Machirori & Fatoki, 2013; Yamin & Kurt, 2018).

The aim of Research Question 2 is to investigate the network structure of available social capital to DSMNEs when internationalising in BoP markets in South Africa by gaining an understanding of the general market description, social relationship characteristics and information flow.

Research Question 3

What are the specific resource requirements for DSMNEs to leverage social capital when entering in BoP markets in South Africa?

As stated earlier, a lack of established network relationships when internationalising is due to firms being unknown in foreign markets (Johanson & Vahlne, 2009; Lindstrand and Hånell, 2017; McQuillan et al., 2018). Johanson and Vahlne (2009), posit that for successful internationalisation, a position of insidership in relevant network(s) is necessary. DSMNEs need to actively signal for the offering of entrepreneurial opportunities to the un(der)employed to attract distributor agents to build a direct sales network and so enter the BoP markets.

The aim of Research Question 3 is to seek to establish what resources are used by DSMNEs to establish relationships in BoP markets in South Africa by determining; (a) who are important relationships in building a sales network, (b) the challenges and successes experienced in relationship building, and (c) what capabilities are used to exploit opportunities offered by the network relationship.

Research Question 4

What is the role of informal market in leveraging social capital to enter BoP markets in South Africa?

Some scholars argue that DSMNEs bypass the conventional distribution channels and instead mobilize the social networks of grassroots entrepreneurs to make a profit (Dolan & Scott, 2009) and subsequently cannibalize the networks at the BoP (Meagher, 2018).

The aim of Research Question 4 is to explore the role of the informal market in South Africa in enabling DSMNEs to leverage BoP social networks.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

According to scholars, the strength exuded by a qualitative research approach is the ability to enable theory building, facilitate depth of understanding and meaning and the flexibility to respond to the unanticipated. In response to understanding a certain phenomenon, a qualitative in-depth semi-structured interview research approach was followed to understand the occurrence with regards to how DSMNEs leverage social capital to move from outsider to insider networks when entering BoP markets in South Africa. The study examines the influence of network structure relationships: network closures and structural holes (Yamin & Kurt, 2018) to market entrance at the BoP.

The research methodology and design is outlined in the sections to follow. The population, unit of analysis, and sampling method and size are in line with the research scope that was put forth in section 1.5 of Chapter 1. In section 4.6, the research instrument is described for data collection, data analysis and quality control, while section 4.7 describes details of how data was gathered and the data collection method that was applied, whereas section 4.8 then describes the data analysis process that was undertaken. Sections 4.9 expounds on the appropriate data verification method used to ensure for quality control, credibility and trustworthiness and the consideration of associated limitations to the research design.

4.2 Research Methodology and Design

The research design, sampling, data collection, data collection instruments employed, and the data analysis were aligned with the interpretivist philosophy (Kivunja, & Kuyini, 2017; Lindstrand & Hånell, 2017) to enable for an in-depth understanding of how DSMNEs have leveraged the available social structure to activate social capital, by determining the factors that influence the social network, to understand the social network of lower-income people and to understand how DSMNEs grow social capital. Since the interpretivist views the world as socially constructed, where different people, cultures, circumstances etc. create different social realities that have meaning (Harrison, Birks, Franklin, & Mills, 2017) interpretivism is the toolkit in the business and management area of studies, theorizing the actions of organisations, their members, and their influence on the world (Gehman et al., 2018). The aim of the interpretivist approach is to build the comprehension and interpretation of these

social constructs in seeking to answer the research question of how DSMNEs leverage social capital to move from outsider to insider networks when entering BoP markets in South Africa, as opposed to a quantitative study that depends on measurable quantifiable variables (Harrison et al., 2017).

The nature of this study was to provide better understanding and insights to the phenomenon under investigation, this is aligned with Colaizzi's descriptive phenomenological method which according to Morrow, Rodriguez, and King (2015) is concerned with revealing the "essence" or "essential structure" of any phenomenon being investigated. A descriptive phenomenological study uses interviews to obtain insights about the subject. This was achieved through face to face interviews that were conducted to shed light on the question "how?" have DSMNEs built their networks from scratch in BoP markets (Saunders et al., 2019). The exploratory nature of the study afforded the opportunity for participants to describe how DSMNEs use social capital to signal for the offering of entrepreneurial opportunities to attract independent direct sellers to build a direct sales network, the motivation, appropriation and degree of available of social capital to build a direct sales network within the base of the pyramid market in South Africa (Lindstrand & Hånell, 2017; Yamin & Kurt, 2017). The participants were able to share their thoughts and emotions on a deeper level than a quantitative method could establish and thus deeming a qualitative method as more suitable method to investigate complex DSMNE internationalisation processes (Ragland, et al., 2015).

The aim of this study is to contribute to the understanding of internationalisation processes (Lindstrand & Hånell, 2017; Yamin & Kurt, 2017) by discovering how DSMNES use social capital to signal for the offering of entrepreneurial opportunities to attract independent direct sellers and how they convert them into suitable human capital to build a direct sales network within the base of the pyramid market in South Africa (Lindstrand & Hånell, 2017; Yamin & Kurt, 2017). It is this light an inductive research approach to theory development was undertaken to explain the internationalisation process and to provide understanding and meaning to the phenomena under investigation (Gehman et al., 2018; Saunders et al., 2019). Generally, in a qualitative study the researcher follows an inductive approach with the aim of generating new conceptual frameworks from empirical data. This study followed an exploratory research design, where inductive reasoning was found to be more relevant as the researcher seeks to gain a deeper understanding of how DSMNEs leverage social capital to move from outsider to insider networks when entering BoP markets in South Africa by

uncovering from the data collected emerging trends from the thoughts of participants and thus a "bottom-up" approach to theory building.

4.3 Population

In this study the population can be described as key persons; senior managers and distributors working for and/or engaging in direct selling with USA based multinational companies operating in South Africa. All the participants were based in the greater Johannesburg region, with the exception of 1 participant based in Port-Elizabeth. These individuals are also referred to as "independent direct sellers" in direct selling literature (Ragland et al., 2015, p. 543). The independent direct sellers all belonged to existing direct sales networks, have experience in the recruitment of other independent direct sellers and have also built their own network sales force from inception. The criteria for selecting interview participants included:

- Independent direct sellers engaged with USA based DSMNEs
- Independent direct sellers with an existing sales network
- Independent direct sellers with more than 2 years of experience in direct sales

4.4 Unit of Analysis

The unit of analysis is defined as the major entity that is analysed in a study (Trochim & Donnelly, 2001), who's function is to provide guidance for the development of codes and to steer the coding process. For this study, the unit of analysis was independent direct sellers' as described in section 4.3 and 5.2. These independent direct sellers represent the population and have experience in leveraging social capital for market entry.

4.5 Sampling Method and Size

Gentles, Charles, Ploeg, and McKibbon (2015) define qualitative sampling as the, "*the selection of specific data sources from which data are collected to address the research objectives*". The research questions for this study are grounded in a social context and therefore statistical inferences are not required from the sample. As this study follows a qualitative in-depth semi-structured interview approach and the epistemological position is subjective, reliance will be placed on non-probability sampling technique to gain a theoretical

understanding of the phenomena being considered.

According to Saunders et al. (2018) purposive sampling is a non-probabilistic sampling technique that uses personal judgement to select cases that will best answer the research questions. Furthermore, purposive sampling is deemed as best suited for small sample sizes as is the case with this study, the purposive sampling method is also aligned with the exploratory nature of this study and was therefore applied to the study. The selection of participants was guided by the pre-determined research objectives.

A sample size of 12 participants was initially selected. Guest, Bunce and Johnson (2006) posits that where a sampling group is homogenous and shares certain commonalities, a sample of 12 should be adequate. However, based on the coding and thematic analysis of data, the original number of participants changed to 10 as no new information could lead to any new emergent themes. The researcher had started hearing the same comments from participants over and over again. When new data becomes repetitive and redundant, it is unnecessary to continue with interviews as saturation has been reached (Saunders et al., 2018). After analysing 7 transcripts, a full range of codes and themes nearly completely occurred as presented in **Figure 3**.
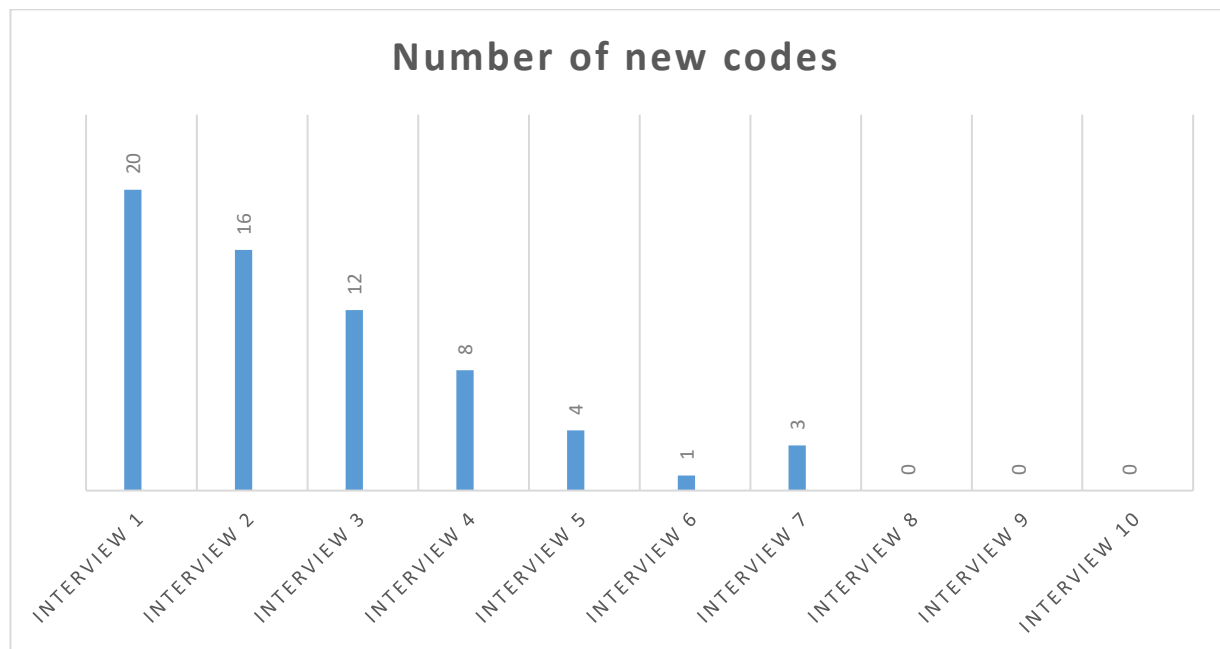
Figure 3: Number of new codes by interview.

4.6 Measurement Instrument

The measurement instrument is defined as the numerous methods used to collect data as a part of the research effort (Trochim & Donnelly, 2001). According to Creswell and Poth (2016), in a qualitative study the researcher qualifies as a data collecting instrument as they themselves collect the data. The most traditional technique of data collection is face to face interviews (Harrison, Birks, Franklin, & Mills, 2017). Keeping in line with tradition, the data was collected through one-on-one interviews using three digital platforms Whatsapp video call, Zoom video call, Microsoft Teams and two face-to-face interviews.

Saunders et al. (2019) describe in-depth interviews as informal in nature. The nature of the interviews is such that emergent themes arise from the data collected from participants. In an in-depth interview, participants are granted liberty to speak on the topic being explored (Morrow et al., 2015).

As the nature of insider networks is usually informal and therefore such detailed information will not be presented in media releases or be found in the public domain. Participants were more willing participate in interviews as opposed to completing surveys. For the reasons explained, the aim of the study is to pursue the understanding of the decisions taken by participants and therefore collecting data by in-depth semi-structured interviews and is deemed the most suitable approach for this study.

4.7 Data Gathering Process

The research design for this study followed a mono-method and data was collected using a single technique (Saunders et al., 2019). According to McCracken (1988) qualitative interviews possess special virtues such as the flexibility to afford the investigator the opportunity to capture how the participants see and experience the world. Ahead of the interview, each participant was sent, via email, an invitation to participate in the study included in **Annexure A** and a participation consent form to sign included in **Annexure B**. The interviews were conducted using three digital platforms most suitable to participants being Whatsapp video call, Zoom video call, Microsoft Teams and two face-to-face interviews. Data was collected between 13 October 2020 and 19 November 2020. All the interviews were conducted in English and audio recorded using Otter speech to text transcription application.

Interview transcripts were reviewed for transcription accuracy and revised where necessary by the researcher. During the one-on-one interviews, participants were asked questions based on the interview guide in **Annexure C**. Saunders et al. (2019) describe the merit of a face-to-face interview as one that can lead to an open discussion that can result in data that is valuable and free from bias. All the participants were asked the same questions in a varying sequence, sub-questions were only asked to participants as a follow up to responses that did not cover the topic of interest.

4.8 Analysis Approach

Qualitative scholars recommend that data collection and analysis are done simultaneously to drive clarity and continuous modification of data (Hsieh & Shannon, 2005), this aided in maintaining the process of data familiarisation. Hsieh and Shannon (2005) highlight the importance of transcribing and making copies of any recordings and notes made to preserve against data loss. The interviews were recorded using audio applications of two cellphones as a mitigation measure against potential data loss and transcribed using the audio the digital text transcription application Otter. The qualitative data analysis program Atlas.ti was used to upload all the transcripts (Woods, Paulus, Atkins, & Macklin, 2016), content analysis approach was used to code and identify emerging themes and patterns from the uploaded data (Braun & Clarke, 2006). A codebook included in **Annexure 7** was developed.

4.9 Quality Controls – including credibility/ trustworthiness criteria limitations

To overcome quality control issues in a qualitative, non-standardized study, first, replication of in-depth and semi-structured interviews by other researchers would not be feasible nor realistic as the interviews reflect reality at the time it happens (Roulston, 2010). Second, good preparation preceding each interview will provide a form of control for interview and interviewee bias. Third, there was consideration for interview questions that were asked, the questions were open in a way that established trust and a rapport between the interviewer and interviewee (Creswell & Poth, 2016).

Due to the subjective nature of non-probability sampling and a lack of standardisation in semi-structured and in-depth interviews, the researcher was prudent to be conscious of any potential data quality issues that could arise in order to maintain the validity and reliability of

the data to allow for the collection of data that is useful for analysis. According to Pratt, Kaplan and Whittington (2020), the pillars of replication in a qualitative inductive study are trustworthiness, and trustworthiness means that the researcher has been transparent in how they have carried out the research and are reasonable in the conclusion they make.

CHAPTER 5: RESULTS

5.1 Introduction

This chapter presents the results of 10 in-depth semi-structured interviews conducted in line with the research questions stipulated in chapter 3 of this research study. The data was collected by through one-on-one interviews using three digital platforms Whatsapp video call, Zoom video call, Microsoft Teams and two face-to-face interviews. The participants were based in the greater Johannesburg region, with the exception of 1 participant based in Port-Elizabeth. The interview guide included in Annexure C served as a guide to ensure consistency amongst the interview questions asked to individuals engaging in direct sales who could provide qualitative feedback on how DSMNEs have leveraged social capital to move from outsider to insider when internationalising in BoP markets in South Africa. Through these interviews, themes emerged from the qualitative data analysis and thus the results are structured according to the purpose of the research, which is to explore how DSMNEs leverage social capital to signal the offering of entrepreneurial opportunities to the un(der)employed as a means to attract independent direct sellers to build a direct sales network and so enter BoP markets within South Africa.

The next section of this chapter provides a synopsis of the participants who were interviewed for this study. The section thereafter is followed by a presentation of the results from the qualitative analysis which are structured in line with the research questions from Chapter 3.

5.2 Synopsis of Study Participants

The interviews conducted comprised of key persons; senior managers and distributors working for and/or engaging in direct selling with experience in the recruitment of independent direct sellers. Ahead the interview, each participant was sent, via email, an invitation to participate in the study included in Annexure A and a participation consent form to sign included in Annexure B. The invitation to participate in the study gave a brief outline of the research topic and research objectives to grant participants some insight into what study aimed to achieve. Due to the nature of the study, the sampling group is homogenous and shares certain commonalities. To attain sample variation that would contribute to the depth and richness of the study, a purposive sampling approach was employed by selecting participants who represented 4 different US based DSMNEs operating in South Africa. The

participant's level of experience ranged from 2 to 27 years, thus, each participant had wide-ranging knowledge around engaging in the business of direct sales and consequently growing a sales network. The entire sample consisted of 9 females and 1 male who actively engaged in the business of direct selling and held roles that necessitated the forming of network relationships as they are the main resources for action in expanding their businesses. Participants were assigned numbers and were only referred to by that participant number in the analysis and discussion section to preserve participant confidentiality.

The list of participants is presented in **Table 2** below. It provides a diverse sample outlining, participant identifiers, the name of the DSMNE participants are engaged with, the year the DSMNE internationalised to South Africa, the description of the products sold by the DSMNE, the level of the participant in the marketing plan and level of activity and the participants' years of experience in direct sales.

Table 2: Synopsis of Study Participants

Identifier	Name of DSMNE	Year Founded in SA	Description of Product Sold	Level in DSMNE Marketing Plan	Level of Activity	Years of Experience
Participant 1	Co.X	1964	Kitchen and household products, and it is particularly known for its line of plastic containers for food storage and preparation.	Team Leader	Main job Full-time	27 years
Participant 2	Co.Y	1995	Weight management, dietary supplements, personal care, sports nutrition.	Millionaire Team	Main job Full-time	6 years
Participant 3	Co.Z	1995	Aloe vera-based drinks and bee-derived cosmetics, dietary supplements, and personal care products.	Supervisor	Part-time job Employed	5 years
Participant 4	Co.Y	1995	Weight management, dietary supplements, personal care, sports nutrition.	Supervisor	Part-time job Employed	2 years
Participant 5	Co.X	1964	Kitchen and household products, and it is particularly known for its line of plastic containers for food storage and preparation.	Distributor	Main job Full-time	23 years
Participant 6	Co.Z	1995	Aloe vera-based drinks and bee-derived cosmetics, dietary, personal care products.	Supervisor	Part-time job Employed	2 years

Identifier	Name of DSMNE	Year Founded in SA	Description of Product Sold	Level in DSMNE Marketing Plan	Level of Activity	Years of Experience
Participant 7	Co.Z	1995	Aloe vera-based drinks and bee-derived cosmetics, dietary supplements, and personal care products.	Senior Manager	Part-time job Employed	6 years
Participant 8	Co.W	1996	Cosmetics, Personal Care, Fashion & Household.	Low-level	Main job Full-time	20 years
Participant 9	Co.Y	1995	Weight management, dietary supplements, personal care, sports nutrition.	Active World Team	Main job Full-time	4 years
Participant 10	Co.W	1996	Cosmetics, Personal Care, Fashion & Household.	Region Manager	Main job Full-time	23 years

5.3 Results for Research Question 1

Research Question 1: *How is social capital used by DSMNEs to enter BoP markets in South Africa?*

Social capital was explained to all participants to mean the relationships they use as a form of resource in order to build their network sales force (Lindstrand & Hånell, 2017). The participants acknowledged that they relied on connections and relationships to expand their sales network as independent direct sellers.

Research question 1 was posed to participants in order to determine how they have used their social capital to expand their sales network and thus the activation of that social capital and its influence thereof in facilitating market entrance in low income communities.

5.3.1 Using Social Capital to Facilitate Market Entrance

Three main themes, namely activating social relationships, activating mutual benefits, and overcoming challenges to activate social relationships. *Table* **3** below, portrays the codes and emergent themes from the qualitative analysis of research question 1.

Table 3: Themes and Codes Research Question 1

THEMES	CODES
RQ1: T1- Activating Social Relationships	ASR: Mobilising Trust
	ASR: Mobilising Social Media
	ASR: Maintaining Personal Contact
RQ1: T2- Activating Mutual Benefits	AMB: Professional Occupation
	AMB: Self-interested Motivation
	AMB: Self-interested Support and Guidance
	AMB: Triggers to Join Business
RQ1: T3- Challenges Forming Network Relationships	OCA: Market Perception
	OCA: Breach of Trust

5.3.1.1 Activating Social Relationships

Activating social relationships relates to building relationships and connections with others as a means to facilitate a process of bringing them into a sales network and obtaining their cooperation to become independent direct sellers and thus creating a path to BoP market entrance. From the interview data three sub-themes were identified comprising of, mobilising trust, mobilising social media and maintaining personal contact. The following is the presentation of the results related to the sub-themes.

Mobilising Trust

Most of the Participants represented in the results section attested to the critical role of mobilising trust as the main base for forming relationships that have facilitated their successes or failures in expanding their sales network by providing market access in the business of direct sales. Participant 2 stated, "*so you need to understand the person and build that relationship with them so that they can be open about those kind of things, then you can be able to help them you know, and to build that trust with them to establish that relationship is very much important*". The same sentiment was conveyed by Participant 7 who expressed how the level of influence mobilised by independent direct sellers is as a result of trust emanating from prior cultivated personal relations by saying that, "*a friend, good friend of mine, we've been friends for over 17 years, started a business…. that is how I started the business really, I didn't even attend the business presentation because I trusted her*". Participant 6 put forth a differing view, with a focus on financial economics, highlighting the important elements of conducting business checks and balances that should be performed to verify information that will validate trust building by stating, "*You need to trust the person that you're joining under and then you need to trust the business. You need to make sure you do research on Co.Z itself*".

Mobilising Social Media

A majority of participants offered insight on how they facilitate market entrance by mobilising social media platforms, mainly Facebook and WhatsApp digital applications, to engage and expand their network reach beyond their personal social circle to target potential recruits. Participants 4 stated, "*so, the social media side helps in terms of, I can do this in my own*

home on Facebook, Instagram, whatever, I don't need to physically go and meet people and talk to people I can talk to people using those platforms", equally Participant 9 also expressed the same sentiment on the use of social media by stating, "*how I build up my team is so simple we use social media mostly now and most of my members, I get them from social media, like people I have never met, people I do not know. I also have a Facebook page, whereby I boost the page and then I post, obviously I'm going to get leads that people are going to inquire about, okay! when is the challenge starting? and then I would tell them, so that's how I build my business it's people*". Participant 6 further affirmed how social media is mobilised as a recruitment tool by independent direct sellers by asserting that, "*I met this lady who is a Co.Z business owner, she's is doing very well, I met her on Facebook, so there, I actually met her on Facebook in 2016*".

<u>Maintaining Personal Contact</u>

Two participants expressed their preference of forming network relationships by maintaining personal contact as a strategy to building a sales network team. Participant 2 relates that, "*And then you keep on checking them up and actually they start believing that you know what, this person really cares about me, they're not only calling me to say, hi, you didn't pay your what, and you understand, you check up on them. How are you? How are you doing? How are you feeling?*", and Participant 10 also stressed the importance of maintaining continuous personal contact with one's network as she stated that, "*we get brochures which we hand out we also get online brochures and all that now everything is very modern now, which is a bit difficult for me because I am not very computer literate but we try and, you know, I make sure my personal customers get brochures every month, whether they give me an order or not, it's just, I just think it's the right thing to do*".

5.3.1.2 Activating Mutual Benefits

Activating mutual benefits in direct sales relates to investing in the success of other people, an essential tool for one's own success in the business and that success is an outcome of connections and relationships triggered by the potential mutual benefits to be gained and subsequently create a path to market entrance. From the interview data four sub-themes were identified comprising of, professional occupation, self-interested motivation, self-

interested support and guidance and triggers to join business. To follow is the presentation of the results related to the sub-themes.

Professional Occupation

For most of the participants, seeking employment via direct sales was not regarded as a mutual benefit for gain, as of the 10 participants represented, 9 of them had professional occupations prior to engaging in the business of direct sales with the exception of participant 9 who was never successful in obtaining a formal job after several attempts. Participant 9 stated, "*So I finished up, I finished up with my studies and I got my qualification and I tried to apply at some few companies but then I couldn't get a job. And so now, that's when I told myself that you know what, let me have a look at this and let me be serious with this*". Participant 5 stated that prior to becoming an independent direct seller she was professionally employed and said that, "*That's when I joined Co.X, a lady came to my school, I'm a teacher. So when I was still teaching, she came to my school and she did a Co.X party*", Participant 7 gave a brief occupational profile of herself as follows, "*I am with Co.Z which is the company I'm with in terms of network marketing. I do the business around my full time job, and other commitments, I am an IT Service Delivery Manager*" and Participant 4 who described her full-time occupation as, "*I live in Joburg I'm a mom of two, I'm an occupational therapist I work at a school and I am married. Yeah, so that's a little bit about me and how I started with Co.Y*".

Self-interested Motivation

The participants represented provided reasons for engaging in the business of direct sales which were based on self-interested motivation, four of the ten participants expressed that their motivation to engage in direct sales was mainly as a result of financial distress they endured regardless of being in full-time employment and the desperate need for extra income. Participant 1 stated, "*I was working at the Post Office while I was selling all this because you know salaries is never enough. And then I decided I need to do something because I couldn't even afford that R14.00 measuring spoons neh! And then, I never looked back*". Participant 2 further elaborated on her motivation to engage in direct sales stating that, "*So I went to study, I went to university, studying sports science and for four years and then I came back to serve now in that job of mine. And yeah, so when this business found me, I was there, I was a professional in what I'm doing but struggling financially, I was a person who got paid*

today, the following day I'm like struggling, the finances are not going well". From the participants represented, Participant 5 was the only one motivated by the gifts given in the form of products by Co.X and wanted to know how she could also get the gift for herself stating that, "*So when I was still teaching, a lady came to my school, and she did a Co.X party and then at the end of the party she gave a gift to the lady that had invited her. So when she gave the gift I said to the Co.X Lady, what must I do to earn the gift because I like it*".

Self-interested Support and Guidance

Providing support and guidance to members is driven by self-interest that plays a crucial role in expanding an independent direct seller's business and consequently the sales network for the DSMNE. This was confirmed by Participant 1 who stated that, "*I think it's important because I must know what your need is, what your circumstances are and then I work with that and get you motivated. The more you do, the more I am earning. If I know what your need is then I can work with that. I can motivate you around that*". Participant 2 further corroborated this notion by declaring that, "*You just need to want it and be willing to work hard for it and that's why a person needs to understand when they come in that it's not going to be a walk in the park. Yeah, so they just have to want it*".

Triggers to Join Business

Participants provided varying narrations of personal experiences that triggered them to join the business of direct sales and become independent direct sellers. Participant 3 shared several accounts of reasons why people are attracted to the business of direct sales by saying that, "*So others are in that point of where you want to go and get the big incentives of going on trips, free trips to USA, Canada and all those, others are selling just to maintain a certain lifestyle, others are selling just for a little bit of income to do whatever entertainment that you want to do, so for me, it was just an extra income for entertainment*", this view was supplemented by Participant 6 who shared what personally triggered her to join direct sales saying, "*So I got attracted by their marketing plan and how to get paid and how you can easily grow or become an instant millionaire, but through working you know*".

5.3.1.3 Challenges Forming Network Relationships

There are challenges related to the activation of social relationships as a form of resource that independent direct sellers had to overcome in order to create a path to market entrance. From the interview data three sub-themes were identified comprising of, market perception, breaches of trust and weight of personal reputation. To follow is the presentation of the results related to the sub-themes.

Market Perception

Some of the Participants were candid about the challenges related to the negative perceptions of the business of direct sales that they personally faced and had to overcome prior to signing up with their respective companies as independent direct sellers. Participant 3 shared his initial concerns with the business model prior to signing up as an independent retailer which he had to overcome by explaining that, "*There are network marketing companies that work in the same system as a pyramid scheme. That the point of I have my down liners and they work and I just get my money that's how it is, you understand? yeah! But this one, you as an upper liner you need to sell and show your people that you can sell as well, …so as I say it's all about sales you need to sell products*", Participant 7 who gave an account of how she overcame the challenges linked to the negative perceptions associated with the business of direct sales by differentiating that, "*And then at the end of the day when I did my research, I just needed to find out about network marketing first as an industry. I would say, because all I knew was that people who sell things, those are pyramid schemes, so my research, it simply told me what network marketing is and what a pyramid scheme is because a pyramid scheme is more of a get rich quick scheme*" and Participant 2 gave an account of the scepticism she had prior to signing up as independent retailer by outlining how she was initially approached on Facebook and was disinterested in the business of direct sales saying that, "*On Facebook, she got me and she sent me an inbox to say, you know what, I'm doing this and that and that I need to meet up with you. I gave her a lot of excuses on why I don't want to meet up with her for a very long time, I didn't want to talk to her*".

Breach of Trust

Participants agreed that in the business of direct sales trust is reciprocal in building connections and relationships that enable market entrance. Some participants have found

breaches to trust in the market as a challenge to overcome in building a sales force as your customers are later to become your independent direct sellers. Participant 1 described a historic incidence that resulted in trust being breached which created an environment of distrust for their DSMNEs, "*The world is full of crooks and previously there was Co.X people that didn't deliver after they took the money. So ya, the trust issue is big but if they can see that you are trustworthy, the customer starts trusting us*" and Participants 10 corroborated the same sentiment stating that, "*For my own safety I do not give people their orders unless they have paid me because there are crooks around and just for your own safety I do that*" and Participant 8 conceded that breaches to trust are inherent to the business of direct sales expressing that, "*The everyday people that will buy from you and pay you on time and you'll get that one rotten potato that wants to play with you around. The first day you talk nice to the person and after that, now you must take out the lion and show them you know what, business is business*".

5.3.2 Summary of The Findings of Research Question 1

In answering research question 1, three themes were identified as activating social relations, activating mutual benefits and overcoming challenges to activate social relationships. Within these themes, nine sub-themes emerged and were distinguished as forms of resources employed to enable the use of social capital by DSMNEs to facilitate market entrance in BoP markets in South Africa.

It became apparent during analysis that the themes and codes displayed in **Table 3** are very much inter-related. Most of the participants acknowledged trust as paramount to forming and maintaining network relationships that facilitate BoP market entrance. Furthermore, trust was determined to not be mutually exclusive to social capital as it materially influences the build-up of social capital whether it is through personal contact of digital platforms. Participants further confirmed that the activation of social relationships is greatly prejudiced by their own personal interest and this personal interests is at times challenged by negative market perceptions and therefore requires active networking.

5.4 Results for Research Question 2

Research Question 2: *What is the network structure of social capital available to DSMNEs when entering BoP markets in South Africa?*

Research question 2 was posed to participants to determine characteristics of the network structure of social capital that is available to DSMNEs in BoP markets when internationalising in South Africa. Additional to this, the question was modelled to participants to gain an understanding of the factors that influence the BoP network structure.

5.4.1 Network Structure of Available Social Capital

The heterogeneity of the participant's direct sales industries, permitted for responses which involved three main themes- namely network structure market description, network structure social characteristics and network structure information flow within BoP markets. The ensuing Error! Reference source not found. below, portrays the codes and emergent themes from the qualitative analysis of research question 2.

Table 4: Themes and Codes Research Question 2

THEMES	CODES
RQ2: T1- General Network Structure	GNS: Market Susceptibility
	GNS: Background of Recruits
	GNS: Sense of Family
	GNS: Previous Interest in Entrepreneurship
RQ2: T2- Network Structure Characteristics	NSC: Social Circle
	NSC: Acquired Skills
	NSC: Personal Development
	NSC: Resilience to Rejection
RQ1: T2- Network Structure Information Flow	NSIF: Information Flow Techniques
	NSIF: Coaching and Training
	NSIF: Mentorship

5.4.1.1 General Network Structure

The participants agreed that anyone can join direct sales regardless of background. However, a general description of independent direct sellers does exist and most participants described their sales force as being made up of majority non-working black women, some of which are graduates who struggled to find formal employment. From the interview data four sub-themes were identified comprising of, market susceptibility, background of recruits, sense of family, and previous interest in entrepreneurship. To follow is the presentation of the results related to the sub-themes.

Market Susceptibility

Of the 10 participants represented in the results section, all the participants confirmed the importance of the network structure distinguished as the network relationships as they are the main resources for action. Most participants agreed that in South Africa's BoP markets, the network structure is premised on the foundations of *Ubuntu/Botho* and it is open in such a way that when people are approached by strangers offering opportunities, they are susceptible to signing up with DSMNEs without first fully comprehending the opportunities and risks being presented to them. The BoP market is open enough to give strangers a platform as a form of hospitability as opposed to outright expressions of disdain which would go against the philosophy of *Ubuntu/Botho*. This is evidenced by Participant 1 who stated that, "*The people that we recruit in the streets, we don't know them they are strangers and many times they just fill in that form to get rid of you and sometimes they give us the wrong telephone numbers*", Participant 9 provided an additional example of how the strangers they approach are willing to give them an audience by further narrating that, "*There was this lady I just saw her in town, and I told her about the opportunity and then she said she wanted to sign up, she gave me money. After giving me her money she never communicated back as to what does she want. But why did you give me your money? Why, because now she's not answering and she's not telling me what she wants. But then she gave me her money she signed up. So yeah, I don't even know her. The day I saw her it was my first day*".,

Background of Recruits

Four Participants offered context about the general background of their target recruits. Participant 2's depiction of the general background of her recruits was as follows, "*Yeah, so my business is all over, most of people in my business in South Africa, are unemployed graduates. So what happens is, you know, people, they go to school, and they start looking for work and then they tell them about work experience and whatever. And you find that they don't have that experience and then they don't get a job you understand?*", Participant 5 provided a detailed description of her market by stating that, "*We've got people that come from all backgrounds but I can tell you the majority is the non-working black women wanting to make money. It's a job for them, it's their only source of income*" and Participant 9 gave a general description of her target recruits as, "*Mostly it's, it's, like students, so they need the extra income and then they are doing their business. Few of people who are working and also who are doing the business well*". Participant 7 gave an account of her humble roots by saying, "*And then I had fear, like looking at my background, being successful in Co.Z meant a lot. I needed to be successful. I needed to make a mark in my family. See, like, regardless of where you come from, life will take you where you want life to take you*".

Sense of Family

Most participants understood the importance of creating strong ties from within their existing social network structures to grow their sales force. Participant 1 gave account of how the networks they build are parallel to actual families they have by personifying them in terms of the hierarchy of a family structure by putting forth that, "*Umm, a lot of my managers are like, they become my friends because we are working together a lot and even my demonstrators. We work together to get the sales done and to reach our goals so we become like sisters. So we call each other sisters, my managers and demonstrators call me Mom and we call our distributorship Mom, she is our mother*". It is the view of several participants that a sense of belonging and cohesion is maintained within the networks that independent direct sellers are recruited into or the networks that they later establish for themselves. Participant 6 expressed the same sentiment by putting forth that, "*You need to join under a person that is very, very much, very supportive and active. And if you get into our group, I can get into our group just to check what is happening, it is hectic, because of, we are very supportive, we are strangers mind you*".

Previous Interest in Entrepreneurship

Three of the participants were not new to selling as they previously engaged in informal trade and expressed their interest in entrepreneurship and therefore turning to direct sales was a step forward for them. Participant 2 revealed that, "*I actually started working at the age of 16 years in Shoprite Checkers as a packer, so on weekends I would go work and help at home and at school I was selling sweets or I was selling Simba chips*" and Participant 1 expounded on her previous experience in informal trade by stating that, "*I started 25 years ago and that manager who wanted to recruit me heard from somebody I was selling fudge and mamazambe, containers of popcorn, cookies and sweeties and stuff. I was selling everything under the sun*".

5.4.1.2 Network Structure Characteristics

The previous section provided a depiction of the generic structure of the network available to DSMNEs entering BoP markets. This section will offer results on the characteristics of social relationships available in a network structure to drive market entry for DSMNE's. From the interview data four sub-themes were identified: social circle, acquired social skills, personal development, and resilience to rejection. The following is the presentation of the results related to the sub-themes.

<u>Social Circle</u>

Most participants represented in the results section attested to the importance of support from one's immediate social circle as a means of first establishing network relationships and consequently building a sales network. Participant 10 described the nature of available social relationships and how new independent direct sellers should leverage them by saying, "*Well for new people it's easier for them to start with people they know obviously, you know that's how I started from people I know. The teachers at that school and then it just spread, you know, and my friends, I started them and that kind of stuff*" and Participant 9 corroborated the sentiment by further stating that, "*Because when you are starting with this business they always tell you that you must start with the circle of your influence, like the people that you know before you can go to the strangers now. So for me, I would say that played a very important role because they were my first customers, they were the very first people who believed in me. They were the very first people who supported me. So I would say in this*

case, family and friends, and the colleagues those people, you know, they are the ones who will be your first client, in this case they were my first clients. They were the very first people who supported my business". Participant 5 also proposed a way in which a network should be approached by suggesting that, "*Here we say to people, when you start it's nice to start with people that you know. Then as you gain confidence in the business you sell anywhere. Go to Woolworths to do some groceries, you've got a flyer in your bag and you say hi ladies, do you know anyone selling Co.X here, the moment they say NO. You say here is flyer, that's my name, that's my number. Have a look, give me a call if you like anything. Sometimes you can get a call saying hi lady please order for me this and that. You always looking for customers everywhere and anywhere".*

Acquired Social Skills

Two participants expressed in detail how their personalities were changed by the social relationships and skills they carved out from interacting and relating with different people in the business of direct sales. Participant 10 gave a recollection of how her personality has changed since doing this business sharing that, "*I never thought I could do this, I really never thought I could do this and here I am. When I was at school I hardly spoke to anyone I was very shy, I was very retired, you know just I didn't want to get in too involved in things like this*", and Participant 1 shared a similar experience confessing that, "*I was very shy when I started in Co.X. I would hide in my room if somebody walked into that door and now I walk out and go and meet you outside, so ya! Co.X changed my personality completely. It's given me that self-confidence and ya I can do stuff that I previously couldn't do*".

Personal Development

Two participants gave context on the personal development they had to undergo to become proficient in the business of direct sales regardless of the characteristics of their existing social network. Participant 7 asserted that, "*So for me, because I never owned a business and in my family as I told you, like there was no one who's going to give me guidance in terms of business because like my mother would like to, she is not educated and stuff. And so, we're not a big family so it kind of meant that with anything that I needed to do business wise and I would simply rely on my friend who started already or myself. And then at the end of the day, when I did my research, I just needed to find out about network marketing first, as*

an industry" and Participant 9 further elaborated on her journey of personal development in direct sales by stating that, "*So those meetings are the ones that are helping us, are good at building our character, and also personal development is key. We need to read a lot, even if you feel like doing it, even if you don't, but you need to read a lot because reading it also opens up your mind, polishes your skills because you don't go to school for this kind of opportunity, so you need to develop your style*".

<u>Resilience to Rejection</u>

Most participants shared a consensus that they have experienced some social rejection and negative perceptions about direct sales as a business model while in pursuit of building a network salesforce within the BoP network structure. Participant 7 gave an account on how she dealt with rejection from the network structure by way of the following example, "*You know that people are not the same. Yeah, there are those people where you like say hi, I'm so and so. I'm looking for people who want to have energy and like somebody will just tell you off, like do I look like I need your what what?! You say no problem, if you don't need my service, but if you know somebody that might need my services, please let me know. Can I have your numbers? And then they will be like, No! So you get used to it*" and Participant 6 shared a unanimous experience of negative perceptions within their network structure by expressing that, "*The stigma is they think it's a scam, like any other network marketing they think oh it's a scam. People that are falling into scams or think it's a scam it's because of quick cash. They want money now. The reason why people decide to go and invest with a pyramid scheme is because they want money now*".

5.4.1.3 Network Structure Information Flow

The previous section provided a depiction of the social relationships within the BoP network structure. This section will offer results of how information flows within the BoP network structure, to penetrate the relevant target market. There are numerous ways employed by DSMNEs to communicate, engage and share information within a target network structure. From the interview data three sub-themes were identified comprising of, information flow techniques, coaching and training, and mentorship and support. The following is the presentation of the results related to the sub-themes.

Information Flow Techniques

Seven participants made reference to information flow techniques applied by DSMNEs to trickle down information within BoP markets. Participant 2 shared an example of her information sharing techniques by stating that, "*when I go to the gym, I see a person who's struggling. I say hi, how are you? You know you're doing great today. I start motivating them. And then as time goes, now that girl in the gym she's used to you, when you come she's like now hi, now you're like friends. You start having their numbers, once they save your numbers, what do you do? I Upload on my whatsapp status every single day. When you check my status you'll know what I did from the morning till they know me. So now because you want to build a relationship with them. You also check their status and you start commenting, complimenting*", and for Participant 5, she detailed her technique for information flow by declaring that, "*I'm the distributor here at distributorship X, I've got nine team leaders, so you will find that a team leader, her entire team she has got more than 500 demonstrators. So the way that the information trickles down, is we have meetings with Co.X head office Southern Africa, we plan things, we plan programs, they tell us, they train us. This is how we recruit people. This is what we give to the people. We've got magazines that are printed every month to show that this is the journey, so when I come to distributorship X I've got business meetings with the team leaders and I share the information with them, they cascade it down to their managers, but I also meet with all our managers, like we've got 260 managers here at distributorship X. So I meet with them once a month*". Participant 6 shared a differing view on how information flow techniques are applied by her DSMNE justifying that, "*Your job is you don't have to think, what you do, it's cut and paste work, everything is in black and white and everything is there. Anybody can actually access Co.Y, it's a cut and paste work, you don't have to sit here and think, how am I going to do a presentation, no, they provide you with the presentation, all you just have to do is get people to present to*".

Coaching and Training

The manner in which coaching and training contributes to the success or failure for information to reach relevant network structures was put forth by 7 participants. Participant 1 stated, "*So ya, if you feel you are not ready to be a manager then we help you to start recruiting and we involve you in the recognition and stuff so that you can start talking to people and that way it helps. If you haven't got the personality, you can change into that person. You*

can learn to do it", Participant 2 also shared the same notion on the importance of coaching and training to succeed as you move up in the business by stating that, "*So the company does invest in us actually, to give us training as you move up, you need to attend, like seminars and all that, so we go there for trainings*" and Participant 5 gave an account of the critical role occupied by up-lines in providing training, "*So if you've been recruited to Co.X the person that actually invited you will bring you to the meeting and you sit and you listen when we demonstrate Co.X products. After that, we've got a training session for the new people, you'll find that maybe there are 50 or 40 people that are being trained, but your go-to person is the lady that invited you*".

<u>Mentorship and Support</u>

Most participants understood mentorship to be a bi-product of network information flow. Participant 2 emphasized the importance mentorship and support by asserting that, "*So everyone, when you get into this business for you to become extremely successful in this business, is that you will need a mentor",* Participant 6 concurred with the same sentiment on mentorship and support and stated that, "*You need to join under a person that is very, very much, very supportive and active*" and Participant 1 gave an account of the career path in Co.X , mentorship and support is provided to independent direct sellers with an ambition to move to the next level by expressing that, "*I am busy working with my managers to become team leaders as well. Now you start off as a demonstrator in Co.X, then you recruit, recruit, recruit then you become a manager, a unit manager, then you become a senior manager, then executive manager and then you become a team leader and then a distributor*".

5.4.2 Summary of The Findings of Research Question 2

In answering research question 2, three themes were identified as the general network structure, network structure social characteristics and network structure information flow. Within these themes, eleven sub-themes emerged and were distinguished as factors that influence the BoP network structure and determined the characteristics of the available social capital network structure to DSMNEs internationalising in BoP markets in South Africa.

The social structure of South Africa is majority made up of poor people who are unable to meet their daily basic needs, closely followed by the vulnerable middle-class. Due to the

legacy of apartheid, these people are majority black and female. The general structure of the BoP market featured prominently when participants provided a generic description of their sales force. According to participants, they relied on the social relationships displayed in BoP network structures to drive market entry. The structures are made up of family ties and kinship, the participants strongly agreed to capitalising on personal connections and relationships as a resource for growing their social capital that would ultimately translate into market entry for DSMNEs. While actively engaging in expanding a sales network, participants confirmed that BoP social structures displayed characteristics of inclusivity and openness where DSMNEs and independent direct sellers merged business networks and social networks.

Participants suggested that the flow of information in network structures is usually determined by the actors and takes many forms. The methodologies of sharing information were generally determined by the independent direct sellers and later copied by DSMNEs and rolled out as official information flow techniques.

5.5 Results for Research Question 3

Research Question 3: *What are the specific resource requirements for DSMNEs to leverage social capital when entering BoP markets in South Africa?*

The aim of research question 3 was posed to participants in order to understand the resource requirements for DSMNEs to leverage network relationships that enable BoP market entry in South Africa.

5.5.1 Resource Requirement for Leveraging Social Capital

The heterogeneity of the participant's direct sales industries, permitted for responses which involved details about resource requirements for leveraging social capital by determining which relationships are important in building a sales network, the challenges experienced in forming network relationships and the resources required to exploit opportunities offered by network relationships that facilitate market entry. The ensuing **Table 5** below, portrays the codes and emergent themes emanating from the qualitative analysis of research question 3.

Table 5: Themes and Codes Research Question 3

THEMES	CODES
RQ3: T1- Building Network Relationships	BNR: Proactive Networking
	BNR: Strategic Networking
	BNR: Leverage Relationships
	BNR: Build a Diverse Network
RQ3: T2- Challenges Forming Network Relationships	CFNR: Start-up Challenges
	CFNR: Commitment Levels
	CFNR: Dealing With Conflict
	CFNR: Business Model Misconceptions
	CFNR: Skills Transfer
RQ3: T3- Resources Required For Network Relationships	RRNR: Basis for Referrals
	RRNR: Basis for Success

5.5.1.1 Building Network Relationships

The participants were unanimous that building network relationships was quintessential for the survival of direct sales companies. However, participants also highlighted that independent direct sellers were required to employ specific resources to grow network relationships that could be leveraged for market entrance. From the interview data four sub-themes were identified comprising of, proactive networking, strategic networking, leverage relationships and build a diverse network. The following is the presentation of the results related to the sub-themes.

Proactive Networking

The results highlighted the importance of DSMNEs initially establishing relationships in foreign countries is critical to the formation of social networks that can provide knowledge and opportunities that will enable BoP market entry. Most participants agreed that they needed

to proactively network to build relationships in order to grow their sales network. Participant 3 spoke of the importance of knowing a lot of people to expand a sales network by offering that, "*So, the more you know people, the more you're friendly with people, the easier it is for you to do the business*" and Participant 2 in support of the statement made by Participant 1 put forward that "*because we depend on the relationships actually to grow our business, for instance, we believe that you have to have an emotional connection with a person*".

Strategic Networking

Nine participants understood that in order to build a sales network, they had to be purposeful and strategic in networking. The results suggest that DSMNEs provide basic training on how to recruit but it is the independent direct sellers who use their creativity to come up with networking strategies and when these strategies prove to be successful they are adopted and shared with others within the network. Participant 6 supported the notion that the strategic networking tactics of successful independent direct sellers can be copied by stating that, "*Everything is there, it is a cut and paste work, all you have to do is to just to make sure if this person is doing this and successful on it, make sure that you follow the same steps*", the same sentiment was shared by Participant 2 who put forth that, "*I use, like my team members, I use their stories to say, like if it was with you, I'd be like Mapaseka has done it this way and this is her story and I can sell it to you by using her story*". Participant 1 spoke to the strategic networking tactics that she has employed in pursuit of building network relationships and assisting her downlines to do the same by articulating that, "*You say Participant 1, I want to be a manager, I say ok invite people to your house and I will come and I will recruit them. I do the training immediately, so immediately you have new demonstrators going out, knowing exactly what to do and then, say 99% of the time they will do at least something*".

Leverage Relationships

With regards to leveraging relationships as a means to build and extend a sales network, all the participants confirmed that both formal and informal networks were for the taking. Participant 4 spoke about leveraging personal relationships with friends and family by putting forth that, "*So, the one is people like family members and friends who see what I'm doing and I'm like you can also do it, this is how I'm doing it and they're like okay and they jump in",* this was also supported by Participant 1 who provided feedback on how work relationships can

also be leveraged to build and extend a sales network by stating that, "*We teach you, you ask people especially those working in companies for people who know a lot of people*" and Participant 2 explained her prolonged approach to expanding her sales network by leveraging relationships from her social circle, she explained that, "*It's one person at a time. You know, it starts with you, sharing your results with one person and then that person, you work with this person to get results. And so the people around them start noticing that and then that's how actually the business grows because now their friends, everyone around them now want to know, I also want to be part of this thing that you are in. That's how you get the referral*".

Build a Diverse Network

Some participants put forth the notion that in order to overcome some of the challenges associated with building network relationships, the solution lies in building a diverse sales network. A diverse sales network provides the strength to reach people that you would probably otherwise never connect with. Participant 2 pointed to economic diversity and inclusivity by expressing that direct selling is for everyone, "*There are those who come from rich families who are doing the business, there are those who come from like seriously disadvantaged families who are doing the business. So yeah, it doesn't really matter which background*".

5.5.1.2 Challenges Forming Network Relationships

The previous section provided a depiction of network relationships as quintessential for the survival of direct sales companies within the BoP markets. This section will offer results of the challenges participants have faced while pursuing to form network relationships that facilitate market entry. From the interview data five sub-themes were identified comprising of, start-up challenges, commitment levels, dealing with conflict, business model misconceptions and skills transfer. The following is the presentation of the results related to the sub-themes.

Start-up Challenges

Most of the participants conceded to having experienced some challenges while forming network relationships that facilitate BoP market entry. Participant understood that they needed to have strategies for dealing with potential challenges to forming network

relationships. Participant 9 spoke about being transparent and forthcoming from inception about the nature of direct selling as a business, stating that "*So from the very first time I need to be honest and I need to be honest with them, with the work ethics, like the rejections, how can they handle the rejections*" and Participant 9 emphasized the importance of patience and endurance for beginners in the business while still learning the ropes saying that, "*So as you start from the beginning of when you start in this business, you are still learning, it's not that easy because you have to develop that skill as well*".

Commitment Levels

Four of the participants pointed to independent direct sellers needing to have high commitment levels to overcome challenges experienced in forming network relationships that will ultimately expand the sales force and grow their businesses. They pointed that the business of direct sales in not an easy one and requires constant commitment levels in order to be successful. Participant 3 gave a description of personal desire and responsibility as a measurement of how far one is willing to commit to the business by saying that, "*So as I say the business grows based on your desires and on your wants. So if your plans are bigger and you say I want to change my life and live only on these products, that's basically where you sell deep into it, others don't sell only on network they also create stores and sell the products, that's why I say it depends on what is your targets and plans*", Participant 5 elaborated on the characteristics a person ought to have in order to overcome challenges in forming network relationships putting forward that, "*You must be somebody that is passionate about the product, somebody that is passionate about offering the Co.X opportunity to others and most importantly about developing as leader, leadership amongst the managers and amongst the distributors*", and Participant 7 further supported that challenges in building a sales network are overcome by possessing personal zeal and work ethic, asserting that, "*I can tell you now that Co.Y is for everyone that has a dream and a work ethic*".

Dealing with Conflict

The results highlighted that DSMNEs provide basic operating guidelines to mitigate for the potential conflict within the sales force when forming network relationships. That as it may, with the massive number of people from different cultures, race and background, conflict is an inherent part of the business direct sales. Two of the participants explicitly acknowledged

that conflict amongst independent direct sellers is inherent while in pursuit of forming a sales network and stressed the importance of dealing with conflict when it occurs. Participant 1 said that, "*I am actually a very easy going person, I get along with everybody it doesn't matter what race, old, young but sometimes, ya there is some friction you know and it's not done purposely, it just happens you know*".

Business Model Misconceptions

Some participants gave an account of their initial misconceptions with regards to direct selling as a business model and in general direct selling as an industry. Participant 7 expressed her initial misconceptions vis-à-vis the business of direct selling and how she used to look down upon direct sellers even after signing up as an independent direct seller herself, stating that, "*For me, I thought it was for illiterates I'm not going to lie. Like, I think I didn't even sell one product for a good six months after being a business owner because I thought oh my gosh, the yellow container, there were those, those kind of things*". Participant 4 shared a more positive initial view and explanation by elaborating that direct selling is more than about just product sales and recruitment offering that, "*Sometimes you're not just selling the business, you're selling a healthy lifestyle, you're selling the possibility for you to travel overseas, like have fully paid for overseas vacations, you're not just like wanting to sell people shakes*".

Skills Transfer

A key focus by DSMNEs is to turn independent direct sellers into micro-entrepreneurs who are skilled enough to expand the sales network in BoP markets. A lot of emphasis is placed on skills transfer as a vehicle to facilitate access to BoP market opportunities. Participant 7 particularized on the importance of harnessing different skills as independent direct sellers by maintaining that, "*So, there you have to develop all these different skills, you need to learn the product, you need to learn how to count your money, you need to understand your marketing plan, actually, just because you are uneducated, does it mean you are not going to be able to do these things? No.*", Participant 4 added another angle explaining that direct selling requires a different skills set from a formal job as participants can freely use the work of others to form network relationships by declaring that," *And it's unlike like at work, I can't write a report and somebody else uses my report for their benefit, whereas with Co.Y my weight loss story can be used by any other Co.Y distributors for their benefit. We do that all*

the time, which is why I was saying to you, after a weight loss, weight gain story, I use other people who are doing the Co.Y business, I use their stories" and Participant 1 put forward that DSMNEs need to skill their people in more than just product selling by outlining that, "*So, that is part of our training, we train our managers because there are certain things that they must do to become a team leader*".

5.5.1.3 Resources Required for Network Relationships

The previous section provided a representation of challenges faced by DSMNEs in forming network relationships that facilitate market entry. This section covers the resources required for forming network relationships that facilitate BoP market entry, these were acknowledged by most participants as simply the art of meeting new people through other people. The participants spoke candidly about meeting new people through referrals and benefiting from those relationships by managing and maintaining those connections. From the interview data two sub-themes were identified comprising of, basis for referrals, and basis for success. The following is the presentation of the results related to the sub-themes.

<u>Basis for Referrals</u>

The results highlighted that participants were extremely aware of the significance of people as a recruitment instrument and the importance of each individual's network as potential social capital apparatus to be leveraged. Participant 3 gave an account of how forming relationships and connections with people leads to getting referrals that can build a sales network and facilitate BoP market entrance by stating that, "*That's how network marketing works, about telling someone about this and that, someone about that, so the further it goes is as far as you convince the first person. The first person is a person who can actually talk to someone else that's how it is, that's why we even say, share my information please because we don't know who you know that might like my products*" and Participant 1 spoke of a more formal framework as a resource she used to build network relationships that facilitate market entrance having confirmed that, "*They call it the pipeline theory, Oh, big pipe! With lots of recruits that you push through because out of that many, lots are going to fall out, but you going to get more that is going to carry on than when you've got a small pipe and you only going to push one, one, one.*"

<u>Basis for Success</u>

Three participants agreed that even though direct selling does not require a formal education, with some guidance and coaching, anyone can be a success in direct sales. Participant 2 stated, "*Coming into something that you don't go to school for and this business is 80% practical and 20% theory. So if you don't have somebody to teach you the practicality of this business, chances of you doing well they are slim*", Participant 1 expressed the same sentiment about a formal education or a lack thereof not being a constraint to whom you can recruit in direct selling as there are teaching structures within the business and put forth that, "*You actually don't need skills because you don't even need training in a university training or anything like that because we are going to teach you how to do it*" and Participant 5 asserted to needing to have clear communication skills, being multi-lingual and the ability to convince people as required resources to form network relationships by stating that, "*You know we always say in Co.X you don't need any qualifications, anybody comes in whether you can read or write it really does not matter if you can convince people to buy Co.X, that's all that we want. But for people to be successful in Co.X, you've got to be passionate about the product. You've got to have good communication skills to talk to your people in whatever language*".

5.5.2 Summary of The Findings of Research Question 3

In answering research question 3, three themes were identified as building network relationships, challenges to forming network relationships and resources required for network relationships. Within these themes, eleven sub-themes emerged and were distinguished as resource requirements for leveraging social capital by determining which relationships are important in building a sales network to facilitate BoP market entry.

As presented in **Table 5**, the participants were unanimous in recognizing that the business of direct sales is built on people resources. Even though participants represented 4 different direct sales multinationals, selling different products and having different marketing plans. At the source, all the multinationals displayed similar strategies for building network relationships. Similarity the respondents also shared the same challenges in forming network relationships and required the same resources for building network relationships.

5.6 Results for Research Question 4

Research Question 4: *What is the role of the informal market in leveraging social capital to enter BoP markets in South Africa?*

The aim of research question 4 was posed to participants in order to explore the role of the informal market in South Africa in enabling DSMNEs to leverage BoP social networks for market entry.

5.6.1 Leveraging Informal Market Networks

The diverse backgrounds of participants permitted for responses which involved details about operating in the informal market and the role the informal market plays in forming direct sales networks. **Table 6** below, portrays the codes and emergent themes emanating from the qualitative analysis of research question 4.

Table 6: Themes and Codes Research Question 4

THEMES	CODES
RQ4: T1- Informal Market Networks	IMN: Scaling the Informal Business
	IMN: Alternative Employment
RQ4: T2- Informal Market Resources	IMR: Leveraging Existing Networks
	IMR: Identifying Opportunities

5.6.1.2 Informal Market Networks

Job opportunities are scarce and unemployment is at an all-time high in South Africa. Many South Africans have been forced to adopt an entrepreneurial spirit and direct selling presents that opportunity. The informal market plays a significant role in facilitating BoP market entrance for DSMNEs by providing social networks for the taking. From the interview data two sub-themes were identified comprising of, scaling the informal business and barriers to entry. To follow is the presentation of the results related to the sub-themes.

Scaling the Informal Business

The results highlighted that it is the DSMNE independent direct sellers who are joining the already existing informal exchange networks in the BoP market to leverage them for gain. Participant 10 tells of how some independent direct sellers manage to marry trading informally while simultaneously selling DSMNE products using the same platform to scale the business by explaining that, "*And they put a recruiting table like gazebos and umbrellas and things, and they go and try and recruit like that and sell things and that's a lot of them do that in the informal market areas*". Participant 5 narrates a description of some independent direct sellers who initially started trading as informal traders and later scaled those informal network exchanges to distribute for DSMNEs, saying that, *"We do have people that will give you a story that I used to sell tomatoes, I used to sell vegetables, I used to sell this and that, then when I started selling Co.X then I saw that there is money here. I think to a big extent it has helped a lot of the informal traders to come in and make a better living out of selling Co.X"*. The same experience was expressed by Participant 4 stating that, "*And when you are, let's say for example like you sell sweets and chips on the side of the road, you can still do both, you can sell the sweets, chips and with your profit, then join membership with Co.Y*".

Alternative Employment

The results have highlighted that there are minimum barriers to entry in the informal market and with South Africa's economy shrinking, the informal sector is fast growing. This is the same for direct selling as an industry which encourages people from all walks of life to sign up irrespective of levels of education or work experience. It is touted as a business for all people and usually experiences accelerated growth in countries where there is low economic growth, inequality and poverty. Participant 7 gave an account of how one of her friends turned to direct selling as an alternative form of employment when her formal job came under threat due to the economy being in recession and sectors like the tourism industry suffering the most due to Covid-19 government regulations by sharing, "*And then, there's a lot of people who've lost their jobs, like I have a friend who is a Public Relations and Marketing Manager for, I think, for the biggest Hotel Group in South Africa. She just started a business. She started with me two years ago but didn't do anything and now, when they were cutting her*

salary by 40%, she then remembered, oh, I have an active account and then she went back and started doing her business".

5.6.1.2 Informal Market Resources

The informal economy has long been depicted as a haven for tax evaders and illicit enterprises, a space of dysfunction and disorder, however, BoP initiatives such as the business of direct sales have assimilated the informal economy as a bourgeoning ambit for global markets. DSMNEs champion informal markets as the frontier of enterprising dynamism. From the interview data two sub-themes were identified comprising of, leveraging existing networks and identifying a career path. To follow is the presentation of the results related to the sub-themes.

<u>Leveraging Existing Networks</u>

The results affirmed the perception that people who are in formal employment have a higher social capital than that of people who are unemployed by virtue of their employment. They are better connected with certain people or groups, holding a position in those social structures of exchange can be an asset. Participant 8 gave a depiction on how she saw an opportunity gap to informally trade in her place of employment by taking over the existing network from a Co.X lady who was coming from outside of her organisation, this was made easy by virtue of holding a position in that social structure, "*I was working for a company by the name of Minolta, and then there was a lady selling Co.X but what happened is people were placing orders and shipment would come like once a month, once in two months, you see it this month, the next month you don't see it. And that is where I took the gap and I saw a number on the brochure and I phoned Co.X and that is obviously where I started*". Six participants displayed having a grasp of the connection between recruitment and retention in direct selling. There is a high recruitment and equally a high turnaround of independent direct sellers, considering the low barriers to entry, ultimately anything that is easy to join will be equally easy to quit. Participant 7 gave an account of the high recruitment numbers and the low retention numbers as a normal part of doing this type of business by stating that, "*We don't need a bus full of people, you can talk to 1200 people about your network marketing opportunity and those 1200 start businesses with you. But out of that thousand people, maybe*

six will make it. So you don't need a bus full of people, you need people who want the business as much as you do, six of them and you could kiss a lot of frogs, before you get to them."

<u>Identifying a Career Path</u>

The results underscored the potential career path offered by DSMNEs, however keeping the direct selling structure or (marketing plan) in mind, this offering is only possible for a few. Direct selling is not a get rich quick scheme, much as they sell hope and aspiration, like any other business it requires effort for one to succeed. A major part of the success of DSMNEs is to place heavy reliance on leveraging local knowledge to fast track market entry. Participant 5 gave a narration of the career path offered by her DSMNE by putting forth that, "*There is a career path in Co.X, become a manager, become a Team Leader. How do you do it? Motivate your people, bring them for training, learn more about the business, that is how I became a distributor seven years ago*", Participant 7 spoke in detail about the characteristics she looks for in people to recruit by putting forward that, "*It's tough but I look for people who are looking for me, I look for people who are looking for change, I look for people who know what they want out of life and people who know what they want out of the business*".

5.6.2 Summary of The Findings of Research Question 4

In answering research question 4, two themes were identified as the informal market networks and informal market resources. Within these themes, four sub-themes emerged and involved details about operating in the informal market and the role the informal market plays in forming a direct sales networks. Participants did not consider the business of direct selling to be a combination of formal and informal networks co-existing at the BoP. As described by Participant 2, the business of direct sales is viewed as an informal one from the perspective of an independent direct seller till such a time as they move high up the DSMNE marketing plan: *"Like, just imagine how we recruit people how we get people I mean, people, like you are at a shop, and then there I am, maybe I'm inviting you to my boot camp and then you come, you just want to exercise, then we put you on a program. Like, in that already, you don't see it as formal you understand. But as you move up, that's when you realize but this is a serious thing. That's why, at the beginning, people that sometimes last longer in the business is people that didn't come for the business but came just for the fun of it, because they don't take it by heart".*

5.7 Conclusion of Findings

In this chapter, the results from the ten interviews conducted were presented. The interview questions were informed by the four research questions raised in chapter three. The propensity to leverage network relationships and connections of independent direct sellers was identified as the key driver for DSMNEs entering BoP markets. Of the 10 independent direct sellers who participated in this study, 7 were in full-time formal employment and only 3 were formally engaging in direct sales on a full-time basis. This appears to be in line with the historic data reported by the DSA that by 2016 the South African direct sales industry had registered 1.3 million active independent direct sellers and 36% of them were operating on a full-time basis. Research question 1 was addressed as using social capital to facilitate market entrance, mobilising trust and social media were actions identified as most important to forming and maintaining network relationships and connections that facilitate BoP market entrance. Direct sales as a business model experiences some inherent criticism in the BoP market place, this places the burden of extra effort from independent direct sellers when recruiting to dispel the negative market perceptions. The capitalisation of personal connections and relationships by independent direct sellers is a resource for DSMNEs seeking international market entry. The following chapter continues with the discussion of these results and proposes a framework to guide the understanding of how DSMNEs have leveraged social capital when moving from outsider to insider when internationalising within BoP markets in South Africa.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

This chapter discusses the results from the qualitative data analysis of the in-depth semi-structured interviews presented in Chapter 5 of the study. The results were compared against the literature review presented in Chapter 2 of the study and will provide insights on how DSMNEs have leveraged social capital when internationalising within BoP markets in South Africa. The aim of the research results in this section is to establish the significance thereof and add to the current body of knowledge on the subject matter of firm internationalisation and its relation to social capital. The research questions will be discussed based on the themes identified in Chapter 5.

6.2 Discussion of Research Question 1

Research Question 1: *How is social capital used by DSMNEs to enter BoP markets in South Africa?*

Research question 1 aimed to provide an understanding of how DSMNEs have used social capital to internationalise and consequently enter BoP markets in South Africa. Within current literature, for successful market entry DSMNEs require a social capital structure which can be accessed and mobilised by their independent direct sellers (Lofthouse & Storr, 2021). Present literature states that, BoP networks are determined as community centric and encouraging to people to have meaningful connections and relationships with their neighbours (Ansari, Munir, & Gregg, 2012), this is aligned with South Africa's social structure of *Ubuntu/Botho* (Mapadimeng, 2007). Independent direct sellers are the conduit for DSMNEs to enter BoP markets, both the weak and strong ties of these individuals are exploited and fully assimilated by DSMNEs for market gain.

6.2.1 Using Social Capital to Facilitate Market Entrance

As covered in the previous chapter, the main identified resources employed by DSMNEs to enable the use of social capital to facilitate market entrance in BoP markets in South Africa are activating social relationships, activating mutual benefits and challenges to activate social relationships. These themes will be discussed in the following sections.

6.2.1.1 Activating Social Relationships

Activating social capital refers to actively mounting personal relationships and connections with others as a form of resource used to build a sales network that will ultimately enable BoP market penetration. These connections and relationships eventually allow for DSMNEs to access the benefits and advantages through the established social relationships of independent direct sellers (Geldres-Weiss, Soto, Ramos, & Uribe, 2016) and through their broad networks they sell products and recruit new independent direct sellers. The participants identified sub-themes related to the activation of social capital by DSMNEs to facilitate BoP market entrance in South Africa comprising of, mobilising trust, mobilising social media and maintaining personal contact.

Mobilising Trust

Trust is a function of structural social capital which Nahapiet and Ghoshal (1998) defined as connections and relationships with others. Most participants attested to the critical role of trust in forming these connections and relationships for professional use. The Chinese have a rule-based process of developing external social capital called *Guanxi*, the activation of *Guanxi* functions through the exchange of gifts and information sharing as a means to mobilise trust (Menzies et al., 2020) which some can interpret as paying to access networks. Participant 7 narrated a story of being in the streets in branded clothing while on a recruitment drive, a lady she had never met before handed money over to her, to sign her up as an independent direct seller for her particular DSMNE but subsequently never followed up on her registration. Such interactions are a reflection of the free goodwill, trust and reciprocity that are inherent to South Africa's BoP market social structure. The BoP market in South Africa is not dependent on gifts and financial exchanges to mobilise trust as a means to activate social relationships because the network is rather characterized by *Ubuntu/Botho* which is a philosophy premised on trust and presumed goodwill (Migheli, 2017). Some participants learned that as much as the network structure operates on presumed goodwill, frequent social interactions are required in order to mobilise trust and its effectiveness.

Mobilising Social Media

It was found that independent direct sellers in developing nations like South Africa have embraced the concept of social selling and have managed to create a stronghold in the business of direct selling by particularly mobilising social media (Crittenden et al., 2019) to expand their sales networks. Participants explained in detail how majority of their business is conducted by means of social media platforms, mainly Facebook and Whatsapp, and the importance of social media as a market place for direct selling was highlighted. One participant even went as far as to say if a person is not using their social media platforms to make money, they should just shut them down. The current literature states that the growth of DSMNEs in emerging markets like South Africa has largely been fuelled by technology and social media (Tortora, 2015). Social media applications such as Facebook and WhatsApp are prominent ways for independent direct sellers to promote and sell their products (Tortora, 2016) and recruit new members. The literature supports the notion that e-commerce, social media, and mobile technologies have provided opportunities for DSMNEs and their independent direct sellers to expand their reach and increase the efficiency of the customer experience (Crittenden et al., 2019).

<u>Maintaining Personal Contact</u>

In an age defined by technology, some participants who happen to be the more mature in age confirmed that they still see great value in maintaining personal contact by conducting physical person-to-person sales and product demonstrations. This preferred style of doing business is somewhat influenced by a lack of familiarity with the current social media applications and also having a mature in age clientele which prefers personal interactions. This supports Tortora (2016) findings that the relevance of direct selling today hinges on the value people have for personal interaction.

6.2.1.2 Activating Mutual Benefits

The literature suggests that DSMNEs activate mutual benefits in independent direct sellers for own gain by signalling the offering of entrepreneurial opportunities to the un(der)employed by emphasizing the potential to become a business owner, for reliable employment and to earn extra income (Droney, 2016). In the context of South Africa, where unemployment is high, especially amongst black women and where very few opportunities exist to the

previously disadvantaged (Dolan & Johnstone-Louis, 2011) mutual benefits are easily activated.

Professional Occupation

Previous literature supports the notion that engagement in formal organisations, especially work contributes to individual increased social capital (Besser, 2009). Most participants engaging in the business of direct sales were initially in full-time employment prior to becoming independent direct sellers and most participants also retain a post-matric qualification. All the participants of African descent confirmed to be from disadvantaged backgrounds and some were the first in their families to obtain a professional qualification. Lofthouse and Storr (2021) posits that people generally associate with others with similar socio-demographic characteristics; similar class, similar race, from the same neighbourhoods and their children attend the same schools. However, South Africa is a unique case in that this does not entirely hold. In South Africa there is a first black generation of university graduates and professionals that has emerged which is moving between two worlds of the low-income communities they come from and the previously white middle class spaces they now occupy in terms of employment. The social capital of these individuals is a hybrid of the two worlds and this works as a competitive advantage for those independent direct sellers as they have access to broad network relationships that facilitate market entry mode for DSMNEs by having the ability to expand their sales networks in otherwise hard to reach places. Holding positions of formal employment along with having a formal education provides some form of credibility to these independent direct sellers engaging in BoP markets, as the people are more susceptible to whatever 'opportunities' they present to them.

Self-interested Motivation

It is generally believed that independent direct sellers are motivated by both monetary and non-monetary factors to engage in direct selling (Crittenden et al., 2019). On the monetary motivation side, most participants' motivation was driven by being in a position of financial distress even though they earned a salary from full-time employment and therefore needed a source of extra-income that would provide financial relief. Some of the participants agreed that they were motivated to earn extra-income to finance their preferred entertainment and lifestyle. On the non-monetary motivation side, some participants supported the notion that

some people engage in direct selling as a social activity and they also have a passion for the direct sales products that cannot be found in traditional retail stores. It was clear that the monetary motivation far outweighed the non-monetary, one notion that resonated with most participants was the opportunity given by DSMNEs for independent direct sellers to become business owners. Participants in the study agreed that the marketing plan of a DSMNE determined which DSMNE to select.

<u>Self-interested Support and Guidance</u>

The participants agreed that to grow a sales network, one needs to provide support and guidance to their downlines because when the downlines do well, the result is increased earnings for them. The direct sales structure promotes strong relationships and network ties amongst independent direct sellers to work towards personal goals and group goals (Lee & Loi, 2016), as members are driven by self-interest and not benevolence when it comes to the support and guidance given to new recruits.

6.2.1.3 Challenges Forming Network Relationships

Independent direct sellers need to overcome challenges to forming network relationships while in pursuit of using social capital to facilitate market entrance in BoP markets. The current literature suggests that there are inherent flaws embedded in the recruitment system of direct selling and this has resulted in criticism of the industry as a whole (Bäckman & Hanspal, 2018). Interview data from the participants outlined the challenges related to criticism of the industry the independent direct sellers had to overcome to gain market entry.

<u>Market Perception</u>

The negative perceptions related to direct selling was highlighted by participants as a challenge to activating social relationships while trying to gain market entrance. Critics argue that DSMNEs overstate the earning potential for independent direct sellers and place heavy reliance on recruitment rather than sales (Bäckman & Hanspal, 2018). One participant stressed the importance of communicating to their potential recruits the importance of doing research to differentiate between a pyramid scheme to ascertain dealings with a legitimate DSMNE.

<u>Breach of Trust</u>

Participants agreed that trust is absolutely critical in the business of direct sales and any breaches thereof would pose a significant challenge to activating social relationships. The BoP market system displays characteristics of an *Ubuntu/Botho* social structure, the individual and the community are intimately and inextricably linked (Migheli, 2017) and the breaching of individual trust would result in breaching the trust of the community creating barriers to entry.

6.2.2 Summary of The Discussion of Research Question 1

The results of this study illustrate how DSMNEs have used the social capital of independent direct sellers for their own gain in entering BoP markets. Independent direct sellers are equally motivated to activate their social relationships and connections for personal interest and gain. The results show that there is an inter-related link between leveraging trust and digital social network platforms in developing connections and relationships. According to participants even though these constructs are mutually exclusive, they have both materially influenced the use of social capital to facilitate market entrance.

6.3 Discussion of Research Question 2

Research Question 2: *What is the network structure of social capital available to DSMNEs when entering BoP markets in South Africa?*

Research question 2 aimed to investigate the network structure of the available social capital to DSMNEs when internationalising in BoP markets in South Africa by gaining an understanding of the general market description, characteristics of social relationships and information flow in BoP markets.

6.3.1 Network Structure of Available Social Capital

The current literature states that DSMNEs require the presence of a social capital structure where both strong and weak ties can be accessed and mobilised by independent direct sellers (Lofthouse & Storr, 2021). The recruitment strategy of DSMNEs is for new independent direct sellers to first access networks with closures where friends and family are located as a step

to building a social network. Once the independent direct sellers have exhausted their closed networks, they are encouraged to expand their network through structural holes. The network structure of the South African BoP market is one that displays fairly high degrees of openness and this factor renders the market ripe for DSMNEs to internationalise.

6.3.1.1 Network Structure General Market Description

<u>Market Susceptibility</u>

The South African government has created a degree of economic regulation that enables and incentivises the business of direct sales (Ragland et al., 2015). Participants agreed that the South African network structure is open in such a way that makes it relaxed even for strangers to interact. In South Africa's BoP social structures, it is not taboo for people to go around greeting strangers which leads to conversations and a gateway for interactions about direct sales. The features of the network structural attributes of a BoP market are of low trust, and tools for punishing opportunistic behaviour are low. The participants agreed that the benefits of employment and entrepreneurship signalled by DSMNEs far outweigh any reservations the market may reserve and this makes the market susceptible to DSMNE entry.

<u>Background of Recruits</u>

Direct sales companies have minimum barriers to entry, they are accepting of all regardless of gender, race, education, creed or socio-economic status (Franco & Gonzalez-Perez, 2016). The participants agreed that the general backgrounds of target recruits are majority black women who are unemployed and are looking to make an extra income. Our analysis confirmed that the background of most independent direct sellers engaging in direct sales can be categorised into three main social classes: vulnerable middle class, transitory poor and the chronic poor, with majority of the independent direct sellers occupying the lower classes as they are unemployed.

<u>Sense of Family</u>

Direct sales companies have a family like operating system which was established by creating family like bonds between current independent direct sellers and new members (Franco &

Gonzalez-Perez, 2016). The literature affirms that DSMNEs parlay business ties by familiarising the impersonal into fictive family structures as a way to create bonds between independent direct sellers and characterising the organizational structure to the close space of the family (Dolan & Johnstone-Louis, 2011; Franco & Gonzalez-Perez, 2016). The relationship between independent distributors resembles a family hierarchy dynamic where the up-lines are referred to as "mother" and down-lines their "children". The hierarchy is determined by the level of ranking outlines in the DSMNE's marketing plan. The usually the "mother" who is the high ranking individual, is responsible for motivating and guiding the "children" as a strategy to grow the network and maximise sales (Lee & Loi, 2016).

Previous Interest in Entrepreneurship

Some participants confirmed to having previous experience in selling through informal networks prior to partnering up with a DSMNE. They used to informally sell sweets, popcorn and etc. as a gateway to entrepreneurship. Extant literature points out that in South Africa, black women face insurmountable barriers to entry when developing new businesses and the majority end up trading in informal business ventures (Dolan & Scott, 2009). DSMNEs signal the offering of entrepreneurial opportunities to the un(der)employed, emphasizing the potential to earn and become a business owner. The literature states that participants with a formal education and a university degree are more likely to be attracted to the entrepreneurial activity of direct selling, as many find the idea of owning their own business appealing (Ragland et al., 2015).

6.3.1.2 Network Structure Social Characteristics

The analysis of results confirmed that the social characteristics found within the BoP social structure are aligned with the philosophy of *Ubuntu/Botho*. Most of the participants came from backgrounds and households where the concepts of being generous, friendly, hospitable and caring were taught as fundamental to one's humanity (Lutz, 2009). These concepts are not limited to insiders only, they are shared amongst all and spread across the social circles as a base to BoP structure social characteristics.

Social Circle

The value derived by independent direct sellers from their social circle is broadly based on the sociability, socialisation, and the trust that these social links depend upon (Pinho & Pinheiro, 2015). The literature states that traditional direct selling models rely heavily on selling to friends, family and colleagues (Keep and Vander Nat, 2014). One participant confirmed a training method used by one DSMNE to train their new independent direct sellers on where and how to get customers termed FRANC- Friends, Relatives, Anybody, Neighbours, Community or Colleagues. In line with FRANC, some participants confirmed the support derived from family and friends as the first step they undertook in building a sales network. They confirmed that leveraging the relationships of family and friends was easier due to the familiarity from existing interactions and therefore less uncomfortable.

Acquired Social Skills

The acquisition of social skills by independent direct sellers was pointed out by participants in support of their assertion that direct selling is more than just about selling. The business model of direct sales is structured in such a way that it will either improve or bestow upon new recruits' social skills that will arm them with the confidence to engage with all people by increasing communication skills, presentation skills and motivation levels (Rezvani, Ghahramani, & Haddadi, 2017). Some participants confirmed that their shy personalities were completely changed from doing this business. To become an entrepreneur or self-employed is usually positively associated with a formal education (Ragland et al., 2015). The majority of participants in this study had a formal education and university degrees but they felt that they still lacked training on soft skills such as social skills. DSMNEs pay a lot of attention in training their recruits and developing such skills in independent direct sellers as a path to expanding their sales network.

Personal Development

Participants put forth that engaging in directs selling has positively contributed to their personal development as individuals and business people. Participants understood that they did not go to school for this business and therefore they needed to work on developing the skills they lacked to be successful in the business. Some participants propagated reading as a way for recruits to develop themselves and availing oneself to attend meetings and trainings hosted by DSMNEs. The governing authorities in emerging markets have created a degree

of economic regulations that enable and incentivise the business of direct sales (Ragland et al., 2015). Furthermore, the government has described direct selling as an opportunity not only to create jobs for the unemployed women and youth but as an environment for learning, personal development and a springboard to entrepreneurship.

Resilience to Rejection

The participants were well aware of the potential rejection they faced in the market while on course to build a sales force and accepted that a part of learning included building a resilience to rejection. Most participants agreed that the biggest negative perceptions that led to rejections held about direct selling by the market were that it is a pyramid scheme, it's a business for illiterate people and it is a business for people who have an insidious love for money. Academic researchers distinguished between pyramid schemes and legitimate DSMNEs based on economic characterisation (Keep & Vander Nat, 2014).

6.3.1.3 Network Structure Information Flow

The analysis of the results determined methods used to filter down information within the BoP network structure. The sources of information flow were found to be mutually dependent.

Information Flow Techniques

Participants acknowledged the importance of information flow as a huge resource to being successful in the business. Multiple information gathering and dispersing techniques are used by different DSMNEs, they range from physical product manuals, printed magazines and meetings. The responsibility of cascading information to down-lines is mainly the responsibility of the up-lines. That said, information techniques are not limited to the ones outlined by the DSMNE, independent direct sellers as business owners have free will to create their own systems. One participant described a communication system she designed after years of trial and error and she called it the ATM system- Add Tag Message, she created a Facebook group where she Adds, Tags and Messages her downlines. In the group there are pre-recorded presentations, pre-recorded testimonies, pre-recorded stories, everything product related, business testimony, files and what books to read. The Facebook content can be accessed by any person at any time in the group. Literature on the use of technology

by women in emerging economies supports the notion that technology has provided opportunities for economic development, self-employment and increased social capital and it has enabled independent direct sellers to exploit both formal and informal networks (Crittenden et al., 2019).

<u>Coaching and Training</u>

Participants put forth the notion that to succeed in direct sales, coaching and training are key ingredients as you move up the marketing plan and to guide new recruits as they would initially not know how to maneuver in the business. According to Dolan and Johnstone-Louis (2011) the literature supports the fact that the second largest DSMNE in the world has built a global workforce of more than 42 000 direct employees dedicated to the coaching and training of independent direct sellers on how to sell and recruit.

<u>Mentorship and Support</u>

The participants introduced the concept of mentorship and support as a bi-product of how information flows in the network. For independent direct sellers to be successful in sales and recruitment they need to be given information, they need to be trained on that information and they need to be mentored and supported by those who have been where they are. Participants stressed the point that there is no school or university for the business of direct sales and therefore independent direct sellers rely on the DSMNEs and on each other for mentorship and support.

6.3.2 Summary of The Discussion of Research Question 2

Research question 2 identified the factors that influence the BoP network structure in existing literature. The prevalence of how social capital structures affect DSMNE market entry and how BoP social structure facilitates DSMNE participation in low-income communities. The constructs of coaching and training and mentorship and support were noted as the most important contributor to the success or failure to DSMNEs seeking market entry.

6.4 Discussion of Research Question 3

Research question 3 aimed to establish what resources are used by DSMNEs in establishing relationships in BoP markets in South Africa by making a determent of who are important connections in building a sales network, the challenges to be overcome in building network relations and the capabilities used to exploit opportunities offered by the network relationships. Past literature finds that social capital is a dire factor in the success or failure of DSMNEs (Ragland et al., 2015).

6.4.1 Resource Requirement for Leveraging Social Capital

As covered in the previous chapter, the main resource requirements identified by DSMNEs to leverage social capital that will facilitate BoP market entry are building network relationships, overcoming the challenges experienced in forming network relationships and the resources required to exploit opportunities offered by network relationships that facilitate market entry will be discussed in the following sections.

6.4.1.1 Building Network Relationships

The literature deduces that all types of companies internationalising value network relationships with international partners as they offer required resources which may potentially prevent companies from incurring significant costs due to mistakes made as a result of the liability of outsidership (Kampouri, Plakoyiannaki & Leppäaho, 2015). For direct selling companies, the success or failure relies in its ability to coordinate relationships within a domestic network (Dolan & Johnstone-Louis, 2011). What seems to be clear from the analysis of the results is that networks and relationships matter more to DSNMEs than they do to traditional MNEs, and that the capacity of DSMNEs to internationalise in BoP markets in South Africa heavily depends on these network relationships. The failure by DMNEs to build network relationships and connections with independent direct seller who can facilitate their internationalisation by recruiting and extending the sales network into BoP markets can jeopardise their very existence and survival in South Africa.

Proactive Networking

When every firm decides on internationalising, the two points to consider are market selection and mode of entry. In the case of DSMNEs, how to establish the mode of entry is based on

proactive networking which is required to form relationships in domestic markets (Kampouri et al., 2015). The participants confirmed that they proactively seek to develop network relationships with others as a resource to gain market entry because the more people you know the easier it is to do the business.

Strategic Networking

As opposed to demoting social relations to unproductivity, direct selling leverages and commodifies the social relationships of independent retailers into a core business practice (Dolan & Johnstone-Louis, 2011). Participants agreed that they are encouraged by their direct sales company to insert their emerging businesses onto existing social networks by selling and recruiting to people they know as part of strategic networking.

Leverage Relationships

The extant literature states that DSMNEs encourage the leveraging of social relationships by independent direct sellers through developing friendships in the market with the intention to impose a business role unto them (Ragland et al., 2015). Participants acknowledged that critical to the business of direct selling is the ability for independent direct sellers to leverage personal relationships and one's social network as a means to grow a sales force and be successful in the business. The results in chapter 5 also confirmed that even though DSMNEs employ the similar strategies to leverage relationships, there are some nuances in how these strategies are employed which is mainly determined by the type of product being sold or DSMNE being engaged. Participants engaging with DSMNEs selling health products confirmed that to obtain market access, the market usually requires convincing in terms of physical appearance as a result of products usage. Participants need to be walking billboard ads for their products.

Build a Diverse Network

The literature supports the notion that direct selling is an opportunity provider in terms of business ownership and career development to a diverse network, there is no access restrictions imposed in terms of age, gender, education or experience. It is open to everyone. Ragland et al. (2015) hypothesise that when DSMNEs internationalise, they are likely to

select a market where individuals have high levels of formal education or an economic environment that is restrictive to certain sections of a country's population. For South Africa the former is not so much the case as a large portion of the population lacks formal education, however the latter is mostly applicable as the growth in direct selling is aided by the levels of unemployment and a desire to earn extra income. The results in chapter 5 informs the analysis that individuals with a formal education or degree are more likely to rank high up in terms of DSMNE marketing plans and individuals without a formal education or degree are more likely to rank lower in the marketing plan.

6.4.1.2 Challenges Forming Network Relationships

Extant literature on firm internationalisation theorises that the survival of firms in the international arena is dependent on building and maintaining successful relationships with partners in foreign markets and the failure to do so may endanger and adversely affect entry mode (Kampouri et al., 2015). Participants spoke broadly about the challenges they have faced in forming network relationships that facilitate BoP market entry and what it took to overcome them.

<u>Start-up Challenges</u>

In BoP markets, usually the decision to take up direct selling is as a result of limited opportunities for formal employment, a need to earn extra income and the attraction of becoming a business owner. Most participants confirmed that direct selling provided an alternative way to provide for one's family through establishing a business, which required minimum initial capital outlay in a space where the biggest start-up challenges to business development were financial resources. Participants spoke about the challenges they faced in forming network relationships, the reality of rejection, developing a skill set to turn leads into recruits and being honest with recruits by not selling them too rosy a picture about the business.

<u>Commitment Levels</u>

The literature states that opportunities are provided by DSMNEs for individuals who are open and willing to take risks, to individuals who are open to new ideas (Ragland et al., 2015). Most

of the participants concurred with the sentiment that to be successful in the business of direct sales, there are certain characteristics independent direct sellers need to demonstrate such as high commitment levels, a desire for success, the ability to be persistent and risk taking. DSMNEs tout these characteristics as a fundamental requirement for independent direct sellers to overcome the challenges experienced in forming network relationships that will ultimately grow their businesses and so enter BoP markets.

Dealing with Conflict

In direct selling the independent direct sellers are not salaried employees of DSMNEs. Up-lines assume the responsibility of regulating their down-lines even though they are not their employees, but are all independent business owners. Literature supports the notion that up-lines have a conflicting role to play in managing conflict (Kong, 2002). Managing and dealing with conflict in a diverse network made up of people of different backgrounds and incompatible ideologies, where the income of up-lines is dependent on maintaining cordial relations with downlines is an ambiguous task. One participant expressed a concern with her down-lines ceding their powers to her and operating their 'businesses' based on the traditional job hierarchy where the manager tells the employees what to do. Direct selling is different in that everyone is an independent business owner. Conflict is managed in a delicate manner because up-lines have a vested interest on the sales generated by their down-lines.

Business Model Misconceptions

The extant literature on this topic suggests that the fact that direct sales as an industry heavily relies on recruiting for successful internationalisation and therefore, the business model is constantly under scrutiny and at times deemed a legal pyramid scheme (Franco & Gonzalez-Perez, 2016). The literature also argues that if direct selling is looked at as more than an attraction to entrepreneurship and a contingent opportunity to formal employment as touted by DSMNEs, the model is entirely dependent on consumption and selling (Rajak & Dolan, 2016). Participants gave a view of their initial misconceptions with regards to direct selling as a business model which was analysed to be a reflection of the market. These misconceptions are largely shared by the market in which they seek to expansion. Some of the negative perceptions or misconceptions expressed by participants on how direct selling is viewed in the market were that direct selling is a pyramid scheme, direct selling is a business for illiterate

people and that direct selling is a business for individuals with an insatiable appetite for money. Participants also shared how they balance and counter the negative misconceptions in the market by not only selling the 'business' but selling a lifestyle, travel opportunities and global vacations, one participant referred to it as "*the soft life".*

<u>Skills Transfer</u>

Participants acknowledged that direct selling is different from traditional retailing or formal employment and therefore it required a different approach and set of skills. Literature supports the notion that in order to create network relationships and transfer skills, it is important for independent direct sellers to develop capabilities and acquire experiential knowledge, which can only be gained by doing (Kampouri et al., 2015). Most participants agreed that direct selling is about practice over theory, you grow and learn by doing. Interestingly, the skill set acquired from direct selling can potentially be used in any other business. It can be comprehended from the results in Chapter that some independent direct sellers have built successful structures for the transfer of skills. Learning opportunities for new recruits ae created by engaging them and providing them with practical training.

6.4.1.3 Resources Required for Network Relationships

There are resources required by independent direct sellers to be able to build network relationships and to benefit from those relationships by managing and maintaining those connections.

<u>Basis for Referrals</u>

American entrepreneur Derek Sivers originated the concept of the first follower on a 3-minute TED talk in 2010. According to Sivers (2010), the first follower legitimizes an idea and models a following from others. Most of the participants acknowledged that in building a sales network, they relied on the power of the first person they convinced to purchase their products or recruit to serve as a basis for referral within their network. The literature by Chaleff (2010) supports the notion that there lies power in convincing the first follower. Some participants who were higher up the marketing plan had a clear understanding of how the hierarchy of direct selling works. One participant gave an example of a theoretical framework they used

for building a sales network called the Pipeline Theory, a concept that explains the recruitment and retention of independent direct sellers to keep the sales network going.

<u>Basis for Success</u>

The literature on direct selling states that DSMNEs signal the offering of entrepreneurial opportunities to ordinary people with no prior training, formal education, or large start-up capital (Schiffauer, 2018). DSMNEs have established formal structures where they teach ordinary people how to become involved and grow in direct selling. It is presented as a business for everyone, in country like South Africa where more than half the population is marginalised, the business is welcoming to all and does not discriminate based on social status and hence the attraction by many followers. The success of DSMNEs in entering BoP markets solely relies on the ability of the independent direct sellers to mobilize their social capital as a resource that everyone possesses (Schiffauer, 2018).

6.4.2 Summary of The Discussion of Research Question 3

Research question 3 identified the resources required for DMSNEs to leverage the social capital of BoP markets for network entry. The factors that challenge the formation of network relationships by independent direct sellers that enable market entry were identified and the biggest one being the misconception of the business model in the market. Strategic networking and the leveraging of relationships were also highlighted as key resources to building network relationships.

6.5 Discussion of Research Question 4

Research Question 1: *What is the role of informal market in leveraging social capital to enter BoP markets in South Africa?*

Research question 4 aimed to explore the role of the informal market in South Africa in enabling DSMNEs to leverage BoP social networks. Economics scholars have distinguished that informal economies and formal economies co-exist, they co-operate, learn from each other and as things stand today, one cannot exist without the other. Direct selling is a perfect example of a formal industry that cannot exist without the resources of the informal market.

The notion that DSMNEs mobilise social networks of grassroots entrepreneurs in the informal market to gain market entry in the BoP market in South Africa is supported by literature (Dolan & Scott, 2009; Rajak & Dolan, 2016).

6.5.1 Leveraging Informal Market Networks

The literature speaks of extremely organised and complex networks which are established as informal commercial system within BoP markets that have existed (Meagher, 2017), all that DSMNEs need is an entry point through a trusted person within the community. DSMNEs provide a fully packaged product, with a professional feel, logistical support, branding, marketing, etc, which an independent direct seller would not be able to put together individually. Participants in the study agreed that the DSMNE provides them will all the tools they need to become operational and successful. One participant was adamant about the model not requiring anything but a copy and paste from independent direct sellers, emphatically stating that the only job that independent direct sellers have is to do is find people to present to.

6.5.1.1 Informal Market Networks

South Africa's blue collar sector is fast shrinking along with receding prospects of formal employment, leaving a fast growing informal economy. Each year, thousands of young people enter the labour market and are at the mercy of the growing informal market (Rajak & Dolan, 2016). With government's commitment to create jobs fast fading along with hopes of formal employment, BoP intiatives such as direct sales are increasing in drawing the poor into their networks of grassroots entrepreneurship (Prahalad & Hammond, 2004).

Scaling the Informal Business

The results highlighted that prior to the internationalisation of DSMNEs to South Africa, informal network exchanges existed as organized systems of trade. These informal network exchanges have continued to grow in line with the rise of unemployment which has a direct effect on the expansion of informal jobs. The literature supports the idea that there is a fervent interdependence between DSMNEs and informal market networks, where DSMNEs leverage these organized informal systems for market entry (Rajak & Dolan, 2016) to scale their

business operations. For these reasons, participants affirmed that, the internationalisation of DSMNEs takes place through networks in the informal economy.

Alternative Employment

The results showed that due to the informal nature of direct selling, there is no restraint of trade in direct sales, independent direct sellers can even cannibalise one another's sales networks due to minimum barriers to entry. The literature positions that due to socio-economic issues, many people in the informal economy cannot find formal employment (Franco &Gonzalez-Perez, 2016), and are influenced to join direct sales networks as there are minimum barriers to entry. Scholars have long linked the rise in unemployment to the rise of informal entrepreneurship, due to the minimum barriers to entry. Economic patterns determine that in South Africa, the levels of informality as a proportion of GDP, grows during a recession. In line with the literature on the stance that different motives and reasons push people into direct selling which range from necessity entrepreneurs to opportunity entrepreneurs (Chelekis & Mudambi, 2010), participant responses in chapter 5 affirmed the standpoint.

6.5.1.2 Informal Market Resources

The literature supports the traditional view that urban communities are conceptualised as likely to promote lower levels of social capital due to their anonymity and closed networks, whereas low-income communities have a very high levels of social capital (Verdouw & Flanagan, 2019) due to their open networks and embedded values of *Ubuntu/Botho*. The majority of the people in these low-income communities are unemployed and low-skilled workers, this correlates with the size of the informal market. Direct selling provides income opportunities for all classes within the BoP, it is thus easier for DSMNEs to leverage BoP social networks in South Africa to facilitate market entry.

Leveraging Existing Networks

In the South African context most people in direct selling are in full time employment and engage in direct selling as a means to supplement their income. The existing sales networks

are fertile ground for new recruits as there is no restriction on who can access what social network structure.

From the results in chapter 5, most of the participants admitted to being in full time employment and engaging in direct selling as a "side hustle". It is noteworthy that of the 10 participants interviewed, 9 of them were women and only 1 male. This is line with the makeup of the South African informal economy which is dominated by women as they are more susceptible to a lack of formal business opportunities. These women are able to leverage a combination of the social capital garnered through their employment and the influence they command by virtue of being educated, employed members of their low-income communities.

Identifying a Career Path

The literature supports the idealist thought that while most people may have a budding spirit of entrepreneurship residing inside (Rajak & Dolan, 2016), awakening that inner entrepreneur is not a simple matter of signing up with a DSMNE. As a way of recruiting and growing the DSMNE network, an independent direct seller needs to differentiate between the one-time customer and the people who can be a part of the sales network and to identify who will have longevity in the business. The results in chapter 5 suggest that independent direct sellers need to develop a skill of quickly discerning for potential leaders that will grow the sales network from the multitudes recruited.

6.4.2 Summary of The Discussion of Research Question 4

Research question 4 explored the role of the informal market and its links to how DMSNEs leverage social capital for market entry. When DSMNEs enter informal markets via independent direct sellers, they are joining an existing system. DSMNEs have targeted the informal nature of the BoP market as an ambit for their global products. The informal market plays a significant role in facilitating BoP market entrance for DSMNEs by providing social networks for the taking.

6.6 Conclusion of Findings

The literature on BoP initiatives speaks of capitalising on the collective social capital of Africa's growing informal economies by creating a new model of inclusive business while simultaneously providing a market for goods and services (Prahalad & Hammond, 2002). Direct selling may be regarded as the poster child for BoP initiatives, however, it is a seasoned business model with the most notable company Avon Products founded in 1886. Due to the past social structure of South Africa that is ever visible today, majority of informal trading happens in the *townships* where majority of the black population reside. The analysis of results in chapter 5 confirmed that most participants held hybrid social structures, straddling the line between the suburban environments by virtue of employment and the informal low-income communities by virtue of family background. Participants appeared to be aware of these spatial network factors and knew how to leverage them as a form of capital.

Even though BoP initiatives encourage poverty alleviation through micro-entrepreneurship and the direct selling of goods and services via DSMNEs is seen as a vanguard to economic growth by bringing millions of low earning consumers in the global market place (Prahalad & Hammond, 2002). The literature supports the belief that the large number of people involved in the informal economy are seen as an opportunity by DSMNEs to convert them into suitable human capital (Rajak & Dolan, 2016).

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

This study set out to explore how social capital is used by DSMNEs to enter BoP markets, to examine the network structure of available social capital to DSMNEs when entering BoP markets, to understand the specific resource requirements for DSMNEs to leverage social capital when entering BoP markets and to determine the role of informal markets in DSMNEs leveraging social capital to enter BoP markets. The influence of network relationships on internationalisation strategies in the field of business have been studied for decades (Emeterio, Juaneda-Ayensa, & Fernández-Ortiz, 2020). However, within the industry of direct selling where social networks are core to market entry, the extant literature has not provided a clear understanding of how DSMNEs have managed to leverage these networks.

7.2 Principal Findings

The key findings relate to using social capital to facilitate market entrance, network structure of available social capital, resource requirement for leveraging social capital and leveraging informal market networks. Key findings are presented in **Figure 4** by a form of framework to illustrate the catalytic factors that drive how DMSNEs leverage social capital.
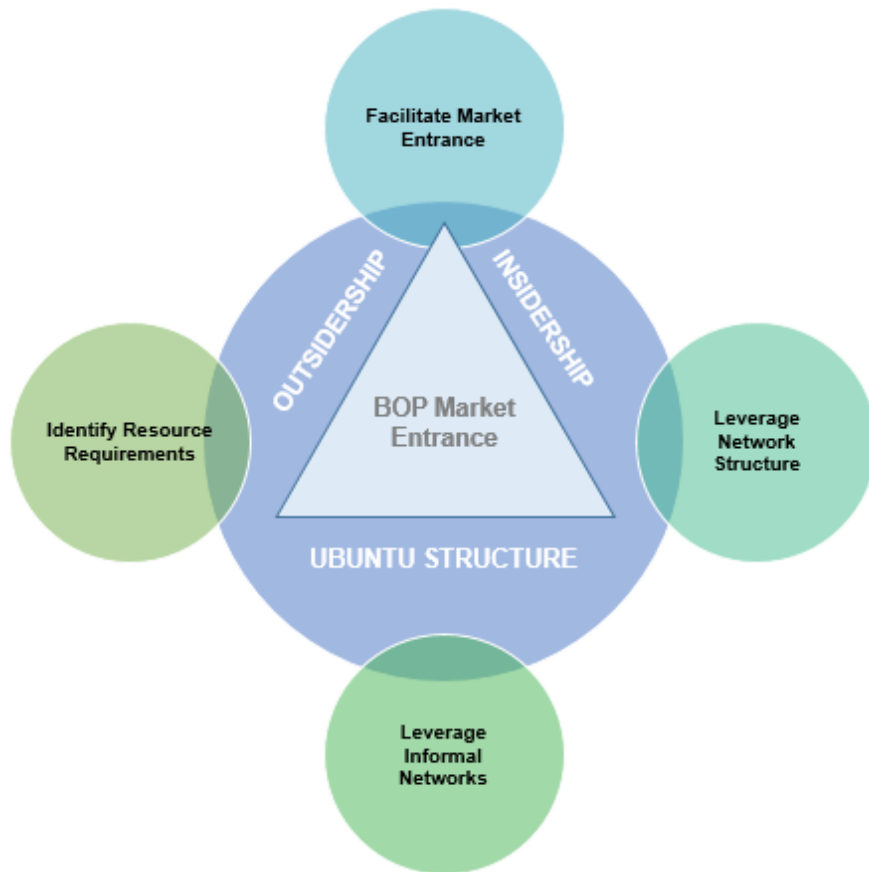
7.3 Factors that Drive How DMNEs Leverage Social Capital

During an internationalisation process, an organisation's social capital is distinguished as the network relationships as they are the main resources for action (Lindstrand & Hånell, 2017). The study identified the factors which participants perceived to be catalytic to how DSMNEs leverage social capital to enter BoP markets in South Africa. These factors are to facilitate market entrance, leverage available network structures, identify resource requirements and leverage informal market networks.

7.3.1 Outsidership (DSMNE)

DSMNEs operate on the ideology that success in business the same as with everything else in life is not a solitary activity, success is a result of our connections and relationships.

DSMNEs have reckoned that essential to their own success, is their investment in low-income communities. It was determined from the results in Chapter 5 that what is fundamental to the success of DSMNEs is not so much the products being sold to the BoP market, it is the ability to design the right structure, and create a culture where the right behaviour pattern emerge, the real job of the DSMNE is to invest and nurture their relationships with independent direct sellers and to harness the power of those relationships for success by ensuring the same skills are transferred to their networks. Relationships bring value to our lives and through social relationships DSMNEs and independent direct sellers literally with trust and reciprocity get market access they would otherwise have to pay for. The amount of money that is saved by DSMNEs because of leveraging the social capital of independent direct sellers is immeasurable.

Figure 4. Factors that drive how DMSNEs leverage social capital.

The study found that people who are in organisations, schools, families where there is rich social capital are more likely to be successful in direct selling (Lofthouse & Storr, 2021) but participants affirmed that DSMNEs will take any regular person, work with them and build them up so that they have the personal courage to approach people and talk to them. They will offer them earnings opportunities, create a sense of family amongst them and build a sales network with their social capital. DSMEs maintain and grow this social capital by having rewards and incentives schemes built into their marketing plans. Recruits are always encouraged, complimented in the form of cash and gifts for those meeting their targets and creating platforms to always stay connected with the independent direct sellers. DSMNEs encourage and train their independent direct sellers to first leverage their relationships from their closed networks where strong ties are displayed and then once they have built some confidence in the business evolve to leverage networks with structural holes displaying weak ties. The social capital of independent direct sellers enhances the resources available to their entire social network, however, social capital is not static it changes over time. DSMNEs have built a business within BoP communities on the power and strength of other people's social connections and relationships.

7.3.2 Ubuntu (Social Structure)

The study identified that for DSMNEs to successfully internationalise, they require a social capital structure where both weak and strong ties can be easily accessed and mobilised by independent direct sellers. Social norms influence social structures through relations between the majority and the minority because those who align with the majority are considered normal and those who align with the minority are considered abnormal (Lofthouse & Storr, 2021). The majority and minority relations create a hierarchical stratification within social structures that favours the majority in all aspects of society. In South Africa the BoP market fosters a social capital structure based on the characteristics of *Ubuntu/Botho* where DSMNEs through their independent direct sellers have access and can leverage structural social capital in all its forms. *Ubuntu/Botho* social values strongly encourage people to make close social bonds with their neighbours and to also create meaningful connections characterised by trust and reciprocity with other people. Participants confirmed that to build a strong network sales force in the business for direct sales, one needs to have a love and affinity for people. *Ubuntu/Botho as a* social structure is very much conducive to DSMNE entering new markets. Majority of participants confirmed that their networks are made up of unemployed black women, who

make up a majority of South Africa's demographics. Based on these social structural norms, it is easier to influence this social group to join DSMNE direct selling networks.

7.3.3 Insidership (Direct Sellers)

The study found that through the leveraging of social capital, DSMNEs maximise their sales network. An insidership position in these BoP networks continues to provid DSMNEs with new ideas for recruitment and sales. Innovative ideas and expertise to help build the business of direct sales have been cannibalised from BoP networks (Meagher, 2018). The BoP social capital has provided DSMNEs with resources such as people, information, free labour, time and most importantly access to international markets. Developing and managing social capital is incredibly important for the success of both DSMNEs and the independent direct seller. For DSMNEs there is a transactional cost attached to developing and managing relationships with the hundreds of thousands of independent direct sellers they recruit. DSMNEs balance the amount of time they spend on relationships, they are strategic and purposeful in the number of relationships they can actively manage and this done through a system they call the marketing plan. Similarly, social capital can be measured by the strength of one's relationships, how deep are your connections with others? Participants confirmed that developing deep and long lasting relationships takes a lot of time and in order to build a solid customer base, independent direct sellers need to make this investment. DSMNEs are strategic in whom they train, they educate their most important distributors, they skill them to identify which network connections are daily and which connections are periodic this is a strategic way of managing networks.

Social capital refers to people resources; how many people do you know. Everybody knows a certain number of people, from family, colleagues to friends and acquaintances. Leveraging the power of all these pre-existing social networks. It would be very difficult for DSMNEs to go out and meet all the new millions of independent direct sellers, it would take the longest time and would be highly inefficient. Therefore, leveraging social capital DSMNEs develop networks of people very rapidly because they are working with pre-existing social networks.

7.4 Implications for Firms

This study has provided insights into how DSMNEs leverage social capital to enter BoP markets in South Africa, and highlights a few practical steps firms can take to reach what are considered to be complex markets:

- Social capital as an economic phenomenon needs to be understood in the context of existing socio-economic dynamics within embedded social structures. For business to fully understand the BoP social capital structure, there needs to be an appreciation of cultural meanings that influence the social and economic action.
- DSMNEs need to be mindful that although social capital can be used to alleviate poverty, it can also cause some socio-economic problems.

7.5 Limitations of Research

The limitations to this study are due to its explorative qualitative nature as the results are not generalisable to other industries. Further additions were identified as follows:

- As a novice researcher, pertaining to the way in which questions were asked (Saunders et al., 2019) and as a result of interviewer preconceptions about the direct selling industry, interviewer bias may have influenced data quality.
- From the 10 participants interviewed, 9 were from the greater Johannesburg region and therefore geographical bias may have influenced the data collected.
- The generalizability to other contexts is limited by the small sample size.
- The sample consisted of independent direct sellers. The opinions of DSMNE managerial staff were not obtained.

7.6 Suggestions for Future Research

Based on the understandings gained from this study, the following suggestions could be explored for future research:

- To examine the negative effects of DSMNEs leveraging the social capital on low-income communities.

- The determine the relationship between new recruits, high levels of distributor turnover and the impact for DSMNEs.
- To establish how DSMNEs package business toolkits for new recruits.

7.7 Conclusion

The research comprised of 10 in-depth semi-structured interviews conducted with individuals engaging in the business of direct selling. A content analysis approach was used to code and identify emerging themes from the interview data. Insights were gained into how social capital is used by DSMNEs to enter BoP markets, to examine the network structure of available social capital to DSMNEs when entering BoP markets, to understand the specific resource requirements for DSMNEs to leverage social capital when entering BoP markets and to determine the role of informal markets in DSMNEs leveraging social capital to enter BoP markets.

The research established that direct selling is quite popular in South Africa. From the preceding analysis, a clear link is apparent between a lack of job opportunities and the growing direct selling networks. One demographic gender (black women) proved to be the most susceptible to join a DSMNE and this is aligned with the limited economic opportunities available to them. It is also important to note that DSMNEs not only leverage the social capital of independent direct sellers to enter BoP markets, they also cannibalise their innovative marketing ideas. Independent direct sellers are encouraged to copy and paste each other's marketing strategies without any compensation. It has also been postulated that DSMNEs easily leverage the social capital of independent direct sellers because of certain aspects of *Ubuntu/Botho* that present an "opening" for internationalising DSMNEs.

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ANNEXURE A: INVITATION TO PARTICIPATE IN STUDY

Dear Sir/Madam

I am currently working towards completing my Masters of Philosophy in International Business (MPhil IB) degree at the Gordon Institute of Business Science (GIBS). The completion of an Integrated Business Research Project forms a large component of the success criteria.

Projections by economists are that the bulk of economic growth over the next few years will come from emerging economies. Direct sales multinational enterprises have successfully managed to cement their place in low-income economies by leveraging network relationships to internationalise in emerging markets such as South Africa.

The study intends to explore the innate ability of direct sales multinationals to capitalise on these network relationships and so enter the hard to reach low-income markets within emerging economies such as South Africa. In doing so the study aims to gain greater understanding of how direct sales multinational enterprises use social capital to signal for the offering of entrepreneurial opportunities to attract distributor agents to build a direct sales network, the motivation, appropriation and degree of available of social capital to build a direct sales network within the base of the pyramid market in South Africa.

The data to facilitate the above study shall be collected through one on one in-depth semi-structured interviews with experienced experts like yourself. It is anticipated that the interview will last approximately 1 hour. Note that the interview does not intend to gather data specific to your organisation but to gain your expert opinion on the topic and as such names of participants and organisations will be omitted from the study.

Should you be willing to participate kindly confirm your availability to do so and advise on your availability between the 21st of September 2020 and the 31st of October 2020. Should you not be able to make yourself available during these dates, I will gladly schedule a time that suits you more conveniently.

I look forward to meeting with you and gaining valuable insights from your experience with the subject matter.

Thank you,

Mapaseka Sekhoto- 0728243036

19407302@mygibs.co.za

ANNEXURE B: INTERVIEW CONSENT FORM

Topic: From Outsider to Insider: How Direct Sales Multinationals Leverage Social Capital to Internationalise

Researcher: Mapaseka Sekhoto, MPhil International Business Student, Gordon Institute of Business Science, University of Pretoria, 2020

Dear Participant,

I am conducting research on "From Outsider to Insider: How Direct Sales Multinationals Leverage Social Capital to Internationalise," and am trying to gain more insight about how direct sales multinational enterprises use social capital to signal for the offering of entrepreneurial opportunities to attract distributor agents to build a direct sales network, the motivation, appropriation and degree of available of social capital to build a direct sales network within the base of the pyramid market in South Africa.

Our interview is expected to last about an hour in duration. The audio recording of this interview is voluntary, and you may choose not to be recorded. Your participation is also voluntary, and you can withdraw at any time without penalty. All data will be treated with the greatest confidentiality ensuring anonymity to both yourself and your organisation. All data shall be reported without identifiers.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

Thank you.

Mapaseka Sekhoto	Danie Petzer
Mphil IB Student	Professor | Director of Research
Email: 19407302@mygibs.co.za	The University of Pretoria's Gordon
Institute	
Tel: 072 824 3030	of Business Science
	Email: petzer@gibs.co.za
	Direct Tel: +27 11 771 4242
Participants Details	Researchers Details
Name: _____	Name: _____

Signature: _____   Signature: _____

Date: _____   Date: _____

ANNEXURE C- INTERVIEW GUIDE

Role in Organisation:	
Date:	
Time:	

I would like to express my gratitude to you for agreeing to be a participant in my research. You may have some insight into my research topic and the research objectives, however should you require I am happy to take you through it.

Before we commence with the interview, may you please give consent to participate in the study by signing the consent form and please confirm that you are comfortable with our discussion being recorded with an audio device?

RQ1: *How is social capital used by DSMNEs to enter BOP markets in South Africa?*	
Sub-Question No.	**Sub-Question**
1.1	What does social capital mean to you?
1.2	How critical is social capital to forming network relationships in low-income communities?
1.3	In your experience, how have you used social capital to facilitate market entrance in low-income communities?
RQ2: *What is the network structure of social capital available to DSMNEs when entering in BOP markets in South Africa?*	
Sub-Question No.	**Sub-Question**
2.1	Please give a general market description of the low-communities your distributors come from?

2.2	How would you characterise the social relationships within those communities?
2.3	How does information flow in those communities?

RQ3: *What are the specific resource requirements for DSMNEs to leverage social capital when entering in BOP markets in South Africa?*

Sub-Question No.	Sub-Question
3.1	Which individuals in low-income communities are considered most important when building network relationships?
3.2	Were there any particular successes and difficulties you experienced in relation to forming direct sales network relationships in low-income communities?
3.3	What resources and capabilities are used to exploit the opportunities offered by the network?

RQ4: *What is the role of the informal market in leveraging social capital to enter BOP markets in South Africa?*

Sub-Question No.	Sub-Question
4.1	In your experience, why do individuals from low-income communities join direct sales networks?
4.2	What are risks and barriers to entry in joining direct selling networks for individuals from low-income communities?

4.3	What role does the informal market play in creating sales networks?

ANNEXURE D- ETHICAL CLEARANCE

**Gordon Institute
of Business Science**
University of Pretoria

**Ethical Clearance
Approved**

Dear Mapaseka Sekhoto,

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS
Research Admin team.

ANNEXURE E- ATLAS.TI CODEBOOK

CODES

ASR: Mobilising Trust

ASR: Mobilising Social Media

ASR: Maintaining Personal Contact

AMB: Professional Occupation

AMB: Self-Interested Motivation

AMB: Self-Interested Support and Guidance

AMB: Triggers to Join Business

OCA: Market Perception

OCA: Breach of Trust

GNS: Market Susceptibility

GNS: Background of Recruits

GNS: Sense of Family

GNS: Previous Interest in Entrepreneurship

NSC: Social Circle

NSC: Acquired Skills

NSC: Personal Development

NSC: Resilience to Rejection

NSIF: Information Flow Techniques

NSIF: Coaching and Training

NSIF: Mentorship

BNR: Proactive Networking

BNR: Strategic Networking

BNR: Leverage Relationships

BNR: Build a diverse network

CFNR: Start-up Challenges

CFNR: Commitment Levels

CFNR: Dealing with Conflict

CFNR: Business Model Misconceptions

CFNR: Skills Transfer

RRNR: Basis for Referrals

RRNR: Basis for Success

IMN: Scaling the Informal Business

IMN: Alternative Employment

ARC: Proactive Leadership

ARC: Structured Recruiting Process

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