

The potential for micro-enterprises to grow from subsistence entrepreneurship to mainstream small business ownership in the gig economy.

Otshepeng Seroka
26380766

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ABSTRACT

Institutional theory has been increasingly used to understand entrepreneurial research. The implications of the theory are that entrepreneurs are more likely to seek avenues that optimize their returns in the context of their institutional environment. This research critically examines the potential of Uber partners to grow into mainstream small businesses within the institutional context of the gig economy. Using a qualitative research methodology, comprising semi-structured interviews with Uber partners in Johannesburg, the enablers and inhibitors of growth in the institutional environment were established. The research shows that the South African context exhibits a number of constraints to growth for micro-entrepreneurs such as a culture of collectivism, unemployment, inequality, and corruption from a government and societal point of view. The institutional context of Uber displays some growth enabling factors; however, the research has shown that the institutional context exhibits many more growth inhibiting factors. The conducted research finds that the institutional context is more conducive to providing additional income or subsistence income rather than transformational income and that the growth of micro-enterprises is thus limited. The research is envisioned to help micro-entrepreneurs in the allocation of their resources as they consider the potential for growth of their enterprises.

KEYWORDS

Gig economy, sharing economy, collaborative economy, on-demand, peer-to-peer, Uber, micro-entrepreneurship

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 Business Administration 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.

Otshepeng Seroka

7 November 2018

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1. Introduction to Research Problem

1.1 Introduction

This study explores the potential for micro-enterprises to grow into mainstream small businesses in the gig economy. An exploratory study provides Uber partner views on the effects of the institutional environment in enabling and/or constraining growth of their enterprises (Rosenblat & Stark, 2016)

1.2 Background to the Research Problem

The purpose of this research is to explore the potential of micro-enterprises to grow into mainstream small businesses within the institutional context of the gig economy. It is envisaged that the study will contribute to the ability of these enterprises to provide employment (McCourtie, 2013) and drive economic growth (Ravenelle, 2017).

The gig economy represents an economy where workers are contracted for a particular project or task, ordinarily through a digital platform (Torpey & Hogan, 2016).

In 2016, the estimated market for digital labour was USD4.4 billion and this figure is growing quickly. Studies show that the rise of digital labour globally is 25% a year (Graham, Hjorth, & Lehdonvirta, 2017). Although the forecasted figures for the growth of the gig economy in South Africa are not readily available, it is expected that South Africa will follow suit (Business Tech, 2017). With the unprecedented growth of the gig economy, this study explores the gig economy as the context for micro-entrepreneurs and explores how this environment enables and/or constrains growth.

Gig economy companies, like Uber, have claimed to transform potential customers into micro-entrepreneurs (Benoit, Baker, Bolton, Gruber, & Kandampully, 2017) while creating a sustainable world through the sharing of underutilised assets (Muñoz & Cohen, 2017). Gig economy companies have claimed that the gig economy model has the ability to solve problems that come with a capitalist society, such as inequality and poverty. However, Ahsan (2018) points out that Uber is not solving inequality but is rather perpetuating it by categorising partners as micro-entrepreneurs and thus passing on many of the risks associated with operating to the partner, making it less costly for Uber to operate. In essence, the institutional context transfers its risk to the

agents. This research aims to understand how the actions of Uber, as an institution, constrain and/or enable the growth of micro-entrepreneurs.

Research on the factors that drive micro-entrepreneurship is important but scarce (Kelliher & Reinl, 2009). Micro-enterprises exhibit unique approaches to business problems and are fundamentally different to large organisations (Kelliher & Reinl, 2009). In addition to micro-enterprises being unique enterprises, their operation within the gig economy offers promising research into establishing whether the factors that drive the growth of micro-enterprises in traditional contexts are present in the gig economy context.

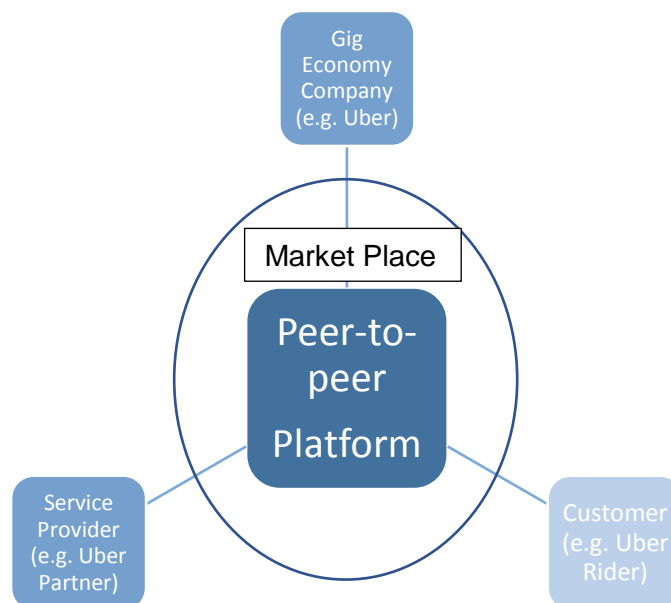


Figure 1: Gig Economy Structure

The model employed by gig economy companies like Uber is shown in Figure 1. Gig economy companies typically provide a platform which links service providers with customers. These platforms, also called peer-to-peer platforms, create a marketplace for asset-based services, in this case, the use of a vehicle for transportation (Sundararajan, 2014a). These platforms allow small service providers to compete with established providers, provide lower entry costs, and allow for immediate transactions which avoid long term contracts (Einav, Farronato, & Levin, 2016).

Uber customers are able to choose from a variety of vehicles for their transport needs. Customers are able to choose to book an Uber X, Uber Black or Uber Van. Uber X, Uber Black and Uber Van represent affordable rides, premium rides and rides for groups of up to seven people respectively (Uber, n.d.). Due to the heterogeneity of services offered, gig economy companies typically use a centralised system to match buyers and sellers based on market demands and supply. The market demand and supply is also used to provide flexible or adjustable pricing (Einav et al., 2016).

1.3 Research Problem

Research on entrepreneurship provides a clear divide between the two types of entrepreneurship; subsistence entrepreneurship and transformational entrepreneurship. Subsistence entrepreneurship provides the entrepreneur with subsistence income while transformational entrepreneurship aims to create large businesses. Transformational entrepreneurship creates more than subsistence income and provides employment for others. Transformational entrepreneurs are important as they are considered the true providers of economic growth because they provided employment for others (Schoar, 2010). Although a number of scholars are certain that the gig economy offers tremendous potential for entrepreneurship earnings (Richter, Kraus, Brem, Durst, & Giselbrecht, 2017) and a gateway to independent businesses (Sundararajan, 2014a), Ravenelle (2017) notes that it is not known whether the gig economy is subsistence entrepreneurship or if it has the potential to grow from subsistence entrepreneurship into mainstream small businesses. The research problem thus stems from the lack of knowledge on the potential for micro-enterprises and, in particular, Uber partners to grow from subsistence entrepreneurship into transformational entrepreneurship.

1.4 Research Motivation

The aim of this research is to provide valuable insights into a relatively new topic. The study aims to provide potential and current micro-enterprises in the gig economy with an understanding of whether the gig economy business model offers the entrepreneurs opportunity to grow from subsistence income into mainstream small businesses.

Many scholars have given attention to entrepreneurship and its significant role in driving economic growth and development (Ravenelle, 2017) as well as its ability to increase competition and shape markets (Kortum, Lerner, & Kortum, 2000). In

particular, micro, small and medium enterprises have been shown to provide employment for the majority of the population in many low income countries (McCourtie, 2013) and for many of the poorest people in the world micro-entrepreneurship is the only way to make a living (Chandy & Narasimhan, 2013).

The rapid growth of the gig economy has been attributed to the need for individuals to augment and increase current sources of income, particularly after the 2008 financial crisis (Benoit et al., 2017). In their paper, Benoit et al. (2017) point out the use of the gig economy to create subsistence entrepreneurship. It is however not clear whether micro-entrepreneurs can grow from simply augmenting their current income to building small businesses and thus creating employment and leading to economic growth (Schoar, 2010). The growth of micro-enterprises is critical, particularly in the South African context where the transition into formal businesses may help address the serious problems of poverty and inequality in the country (Rambe & Mosweunyane, 2017). As a result, in addition to the gig economy context, this study considers the South African context as the institution context of operation for these micro-entrepreneurs.

Drawing on institutional theory in entrepreneurship, this study will explore micro-entrepreneurial growth in the context of its institutional environment. Bruton et al. (2010) explains that institutional theory helps in understanding entrepreneurship practice by establishing what has and has not been institutionalised, thus providing an understanding of what enables entrepreneurial growth and what constraints entrepreneurial growth in a particular environment (Bruton et al., 2010).

1.5 Research Scope

This research focuses on studying the institutional environment in its ability to enable and/or constrain the growth of micro-entrepreneurs. The scope of research is therefore important in identifying the institutions that will be considered. This research will look into whether the gig economy, specifically Uber as an institution, supports the growth of micro-enterprises into small businesses, from the perspective of Uber partners. Uber partners and their management teams have been sampled as prime representatives the gig economy (Kim, Baek, & Lee, 2018). The study interviewed, compiled and analysed the responses of registered Uber partners and/or Uber partner management teams with varied years of operation on the Uber platform.

The study considers growth of micro-enterprises driven by scalability of additional vehicles onto the Uber platform as well as the ability to grow the enterprise outside of Uber's technological platform. The study does not consider growth driven by diversification into other Uber services such as UberEats or from UberX to UberBlack, as an example.

Institutional theory considers the regulatory, social and cultural aspects of an institution and evaluates the constraining and enabling effect of institutions on entrepreneurship (Bruton et al., 2010). The primary institution that will be studied is that of Uber, however, because this research will be limited to Johannesburg, the South Africa institutional context will be considered as a secondary interest. The study will evaluate the regulatory, societal and cultural aspects of Uber and South Africa in evaluating the constraining and enabling effects on Uber partner micro-enterprise growth.

1.6 Research Aims

The research questions underpinning the study are provided below.

1. How does the institutional environment inhibit growth for Uber Partners?
2. How does the institutional environment enable growth for Uber Partners?

1.7 Conclusion

This chapter has provided an introduction to the research problem. Through discussing the divide between subsistence entrepreneurship and transformational entrepreneurship in the literature, it was highlighted how it is not clear whether the gig economy provides the potential for micro-entrepreneurs to grow from simply augmenting their income to creating transformational income. The study was motivated through showing the expected growth of the gig economy in the next few years as well as the critical role that micro-entrepreneurs play in the economic development of low-income countries such as South Africa.

Institutional theory was pointed out as the relevant theoretical lens in exploring how the institutional environment micro-entrepreneurs operate in inhibits and/or enables growth. The study aims to provide current and future micro-entrepreneurs with an understanding of whether the gig economy business model offers the entrepreneurs opportunity to grow from subsistence income into mainstream small businesses. The

study also aims to provide micro-entrepreneurs with the inhibiting and/or enabling factors of growth for their enterprises.

The following chapters will cover the following.

Chapter two presents an overview of the literature focusing mainly on the institutional environment of Uber and that of South; chapter three presents the research questions; chapter four provides the methodology used to collect and analyse the data; chapter five presents the results; chapter six presents the discussion of the results; and chapter seven concludes by presenting with the findings, recommendations for governing bodies, platform providers and micro-entrepreneurs, and recommendations for further research.

2. Literature Review

2.1 Introduction

The role of micro-enterprises in developing economies has been accepted as critical to economic growth, reducing poverty and inequality. Micro-entrepreneurs are the backbone of many of the economies around the world (Bakar & Abdul, 2017). While a lot of literature points out that the success of micro-entrepreneur is driven by personal traits, attitudes and behaviours (Gherhes, Williams, Vorley, & Vasconcelos, 2016), industry knowledge (LeBrasseur & Zinger, 2005) and key management activities (LeBrasseur & Zinger, 2005) this study appreciates the fact that these micro-entrepreneurs do not operate in a vacuum and as such, the study evaluates the specific elements of the institution in which they operate as key drivers of entrepreneurial success (Meyer & Peng, 2005).

Institutional theory has proven to be popular in institutional economics, political science and organization theory, however, to an increasing extent, institutional theory is gaining traction as a theoretical lens for entrepreneurial studies. Institutional theory is being increasingly used to understand the growth and success of enterprises outside of organisational and entrepreneurial resources (Bruton et al., 2010).

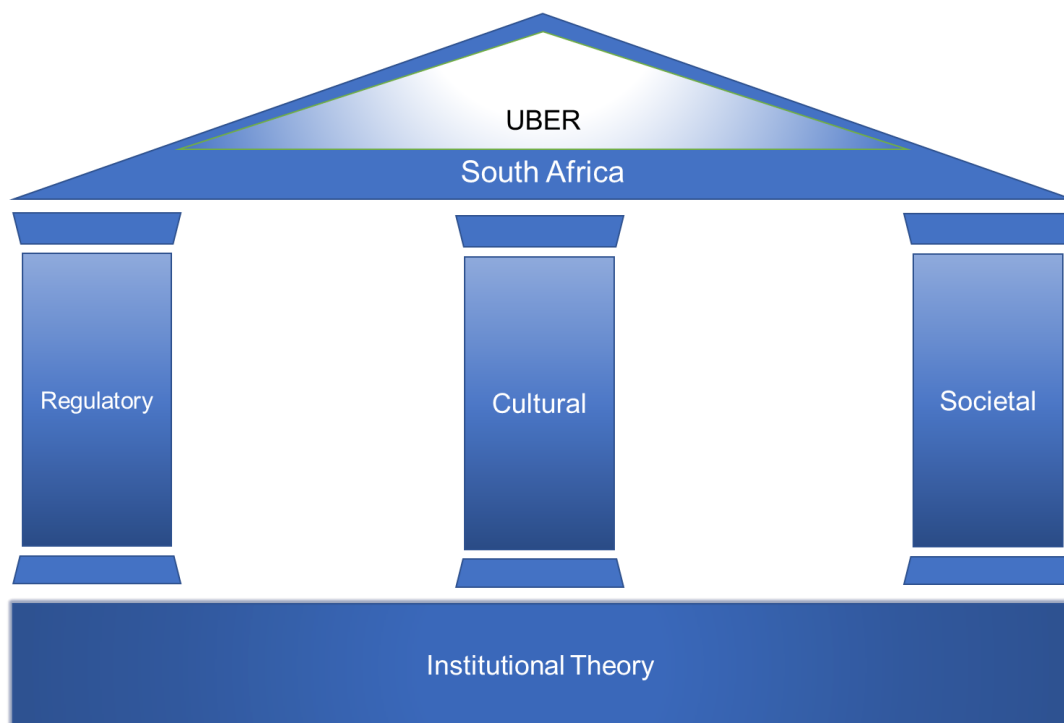


Figure 2: Overview of literature review

Figure 2 shows how the study considers the institutional context (regulatory, societal and cultural) of South Africa as well as the institutional context of the gig economy. Uber is considered as a prime example of the gig economy (Kim et al., 2018) and the key inhibitors and enablers to micro-entrepreneurial growth inherent in the Uber model are discussed.

2.2 Micro-Entrepreneurship

This study considers the micro-entrepreneur in the institutional context of Uber and of South Africa. A definition of micro-entrepreneurship is provided.

There are various definitions for what is considered a micro-enterprise. These definitions differ across countries as well as between different writers. These variations consider number of employees and financial turnover (Kelliher & Reinl, 2009). In the South Africa context, micro-enterprises in the business service sector are those with less than five employees, R150 000 annual turnover and R100 000 total gross asset value. For the purposes of this research, the definition of a micro-enterprise will include what has been termed *very small companies* in South Africa. These companies employ less than ten employees (*National Small Business Act, 102, 1996*); an illustration of the South Africa classification of businesses can be found in Figure 3. This definition of micro-entrepreneurs conforms with the definitions provided by Dee and Fiona Jones (2016), Kelliher and Reinl (2009) and Lahiri (2014).

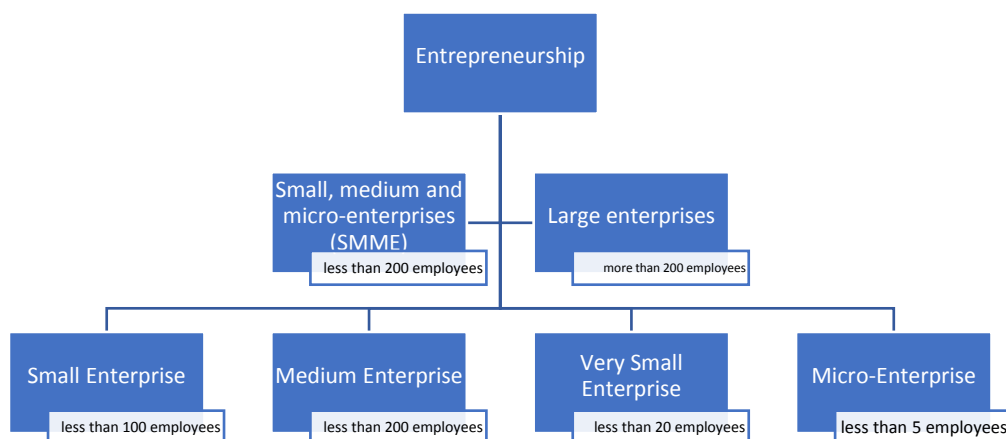


Figure 3: Classification of South African Businesses Source (National Small Business Act of 1996).

Uber has not explicitly limited the number of cars or employees partners may have, however, Uber have stated that they are creating micro-entrepreneurship, companies with less than 10 employees (Ravenelle, 2017). There may be an institutional constraint in the growing of these enterprises as the aim is to create micro-entrepreneurs and not to necessarily grow these enterprises.

2.3 Institutional Theory

Institutional theory has been used in different theoretical domains of research, from institutional economics and political science to organization theory. Institutional theory has also become increasingly important in entrepreneurial studies (Bruton et al., 2010).

Institutions have been described as “rules of the game in a society which include formal rules (laws and regulations) and informal constraints (customs, norms, and cultures)” (Meyer & Peng, 2005, p.610). The origins of institutional theory stem from the work of Meyer and Rowan (1977), in their paper they discuss how different groups secure their positions by conforming to set rules and agreed norms of a particular institutional environment. Bruton et al. (2010) explains that in entrepreneurship, institutional theory helps in understanding entrepreneurship practice by establishing what has and has not been institutionalised, thus enabling or inhibiting entrepreneurial growth in a particular environment (Bruton et al., 2010). The fundamental claim of institutional theory is that groups and organisations pursue their interests within the context of institutional constraints. This research acknowledges that the institutions in an entrepreneur’s environment can both constrain and enable growth (Bruton et al., 2010).

The institutional environment establishes constraints devised by humans that govern their interactions politically, economically or socially (North, 1991). These rules are either determined to be formal; codified structural laws enforced within a society, or informal; the behavioural norms, beliefs and conventions adopted by the agents in the market to achieve particular stated objectives (Meyer & Peng, 2005). Fuentelsaz, González, and Maicas, (2018) conclude that the former can be referred to as the economic and regulatory framework and the latter to be the cultural norms of the society. They further argue that when these rules are well defined and understood, the transaction costs within the institutional environment are reduced due to less opportunistic behaviour, increased trust and better enforceability of contracts.

Welter (2011) discusses how an important part of understanding entrepreneurship is understanding the various contexts that make entrepreneurship possible. Doody, Chen and Goldstein (2016) explain how entrepreneurs experience different forms of work as a result of their institutional context. Walter (2011) further explains that the context in which the entrepreneur resides provides the entrepreneur with opportunities (Shane & Venkataraman, 2000) but it also provides the boundaries of the possible actions that can be taken by entrepreneurs.

At a fundamental level, institutional theories suggest that economic agents (individuals and organizations) pursue their interests within institutional constraints as defined by the environment (Ingram & Silverman, 2000). The implications of this are that entrepreneurs are more likely to seek avenues that optimize their returns in the context of the environment that they find themselves in. As a result, a critical component for entrepreneurial success in any market is the existence of an enabling environment that has a stable political and economic framework, ease of resource access and market friendly reward structures for innovation differentiation (Urban, 2016).

South Africa's potential constraints to economic activity are low financial literacy rates for micro-entrepreneurs (Olawale, 2014), a culture of collectivism (ubuntu) (Scheepers, Boshoff, & Oostenbrink, 2017) and high unemployment. Therefore, it is pivotal that a base understanding of the nature of the institutional environment that Uber partners operate in South Africa is established to help identify probable outcomes of entrepreneurial behavioural choices. It is with this theoretical construct that the three primary institutional environment factors are reviewed.

2.4 South African Institutional Context

2.4.1 South African Regulatory Context - General

The Global Competitiveness Report (2017) ranked South Africa 61st out of 167 countries in the Global Competitiveness Report 2017/18. This score indicates that South Africa is one of the most competitive countries in Sub-Saharan Africa. While this is good in the context of Africa, this ranking has deteriorated globally and reached its lowest point in five years; some of the factors that led to the downward trend in rating included the political environment and in particular the weakened institutional environment. Figure 4 shows the global competitive index of South Africa in detail. The

first pillar shows a downward trend for institutional ratings. While the burden of government regulation has improved, worsening of the following factors was reported: irregular payments and bribes, judicial independence, favouritism in decisions for government officials efficiency of government spending, efficiency of legal framework in settling disputes and challenging regulation, transparency of government policy making, business cost of crime and violence, organised crime, reliability of police services, and ethical behaviour of firms (World Economic Forum, 2017).

| Index Component | Rank/137 | Value | Trend | Index Component | Rank/137 | Value | Trend |
|---|------------|------------|-------|---|-----------|------------|-------|
| 1st pillar: Institutions | 76 | 3.8 | | 6th pillar: Goods market efficiency | 54 | 4.5 | |
| 1.01 Property rights | 56 | 4.5 | | 6.01 Intensity of local competition | 44 | 5.4 | |
| 1.02 Intellectual property protection | 36 | 4.8 | | 6.02 Extent of market dominance | 52 | 3.9 | |
| 1.03 Diversion of public funds | 109 | 2.6 | | 6.03 Effectiveness of anti-monopoly policy | 28 | 4.5 | |
| 1.04 Public trust in politicians | 114 | 2.0 | | 6.04 Effect of taxation on incentives to invest | 59 | 3.7 | |
| 1.05 Irregular payments and bribes | 91 | 3.4 | | 6.05 Total tax rate % profits | 31 | 28.8 | |
| 1.06 Judicial independence | 36 | 4.9 | | 6.06 No. of procedures to start a business | 70 | 7 | |
| 1.07 Favoritism in decisions of government officials | 127 | 2.0 | | 6.07 Time to start a business days | 125 | 43.0 | |
| 1.08 Efficiency of government spending | 103 | 2.6 | | 6.08 Agricultural policy costs | 78 | 3.6 | |
| 1.09 Burden of government regulation | 89 | 3.2 | | 6.09 Prevalence of non-tariff barriers | 69 | 4.4 | |
| 1.10 Efficiency of legal framework in settling disputes | 31 | 4.6 | | 6.10 Trade tariffs % duty | 78 | 6.3 | |
| 1.11 Efficiency of legal framework in challenging regulations | 36 | 4.0 | | 6.11 Prevalence of foreign ownership | 47 | 4.9 | |
| 1.12 Transparency of government policymaking | 74 | 3.9 | | 6.12 Business impact of rules on FDI | 85 | 4.3 | |
| 1.13 Business costs of terrorism | 92 | 4.7 | | 6.13 Burden of customs procedures | 66 | 4.2 | |
| 1.14 Business costs of crime and violence | 133 | 2.6 | | 6.14 Imports % GDP | 89 | 36.1 | |
| 1.15 Organized crime | 122 | 3.6 | | 6.15 Degree of customer orientation | 67 | 4.6 | |
| 1.16 Reliability of police services | 118 | 3.2 | | 6.16 Buyer sophistication | 35 | 3.9 | |
| 1.17 Ethical behavior of firms | 72 | 3.8 | | 7th pillar: Labor market efficiency | 93 | 4.0 | |
| 1.18 Strength of auditing and reporting standards | 30 | 5.4 | | 7.01 Cooperation in labor-employer relations | 137 | 3.1 | |
| 1.19 Efficacy of corporate boards | 34 | 5.3 | | 7.02 Flexibility of wage determination | 132 | 3.4 | |
| 1.20 Protection of minority shareholders' interests | 30 | 4.9 | | 7.03 Hiring and firing practices | 125 | 2.9 | |
| 1.21 Strength of investor protection 0-10 (best) | 21 | 7.0 | | 7.04 Redundancy costs weeks of salary | 27 | 9.3 | |
| 2nd pillar: Infrastructure | 61 | 4.3 | | 7.05 Effect of taxation on incentives to work | 83 | 3.7 | |
| 2.01 Quality of overall infrastructure | 72 | 4.1 | | 7.06 Pay and productivity | 99 | 3.5 | |
| 2.02 Quality of roads | 50 | 4.4 | | 7.07 Reliance on professional management | 43 | 4.6 | |
| 2.03 Quality of railroad infrastructure | 47 | 3.5 | | 7.08 Country capacity to retain talent | 78 | 3.3 | |
| 2.04 Quality of port infrastructure | 37 | 4.8 | | 7.09 Country capacity to attract talent | 66 | 3.3 | |
| 2.05 Quality of air transport infrastructure | 25 | 5.6 | | 7.10 Female participation in the labor force ratio to men | 72 | 0.80 | |
| 2.06 Available airline seat kilometers millions/week | 29 | 1,273.6 | | 8th pillar: Financial market development | 44 | 4.4 | |
| 2.07 Quality of electricity supply | 97 | 3.9 | | 8.01 Availability of financial services | 32 | 5.0 | |
| 2.08 Mobile-cellular telephone subscriptions /100 pop. | 27 | 142.4 | | 8.02 Affordability of financial services | 48 | 4.1 | |
| 2.09 Fixed-telephone lines /100 pop. | 93 | 6.6 | | 8.03 Financing through local equity market | 25 | 4.6 | |
| 3rd pillar: Macroeconomic environment | 82 | 4.5 | | 8.04 Ease of access to loans | 62 | 3.9 | |
| 3.01 Government budget balance % GDP | 81 | -3.5 | | 8.05 Venture capital availability | 66 | 2.9 | |
| 3.02 Gross national savings % GDP | 95 | 16.2 | | 8.06 Soundness of banks | 37 | 5.5 | |
| 3.03 Inflation annual % change | 105 | 6.3 | | 8.07 Regulation of securities exchanges | 46 | 4.8 | |
| 3.04 Government debt % GDP | 69 | 50.5 | | 8.08 Legal rights index 0-10 (best) | 69 | 5 | |
| 3.05 Country credit rating 0-100 (best) | 63 | 54.0 | | 9th pillar: Technological readiness | 54 | 4.6 | |
| 4th pillar: Health and primary education | 121 | 4.5 | | 9.01 Availability of latest technologies | 45 | 5.2 | |
| 4.01 Malaria incidence cases/100,000 pop. | 30 | 21.2 | | 9.02 Firm-level technology absorption | 38 | 5.0 | |
| 4.02 Business impact of malaria | 31 | 4.7 | | 9.03 FDI and technology transfer | 60 | 4.5 | |
| 4.03 Tuberculosis incidence cases/100,000 pop. | 137 | 834.0 | | 9.04 Internet users % pop. | 76 | 54.0 | |
| 4.04 Business impact of tuberculosis | 132 | 3.3 | | 9.05 Fixed-broadband Internet subscriptions /100 pop. | 98 | 2.8 | |

Figure 4: The Global Competitiveness Index: South Africa; Performance overview (World Economic Forum, 2017)

Government instability, inefficient government bureaucracy and tax rates have been noted as some of the most problematic factors in doing business in South Africa (World Economic Forum, 2017). Inefficient government bureaucracy has been shown to negatively affect entrepreneurs as they end up spending a lot of time and money submitting tax returns, obtaining information about starting a company or getting the

required authorisation. In addition to this, inefficient government bureaucracy has been shown to be associated with corruption (Francu, 2014).

These problematic factors for doing business in South Africa exhibit some of the institutional constraints that may affect Uber partners as they operate in this country.

2.4.2 South African Regulatory Context -Transport Sector

As Uber is considered the prime example of a gig economy company in the transport sector (Kim et al., 2018), the section evaluates the regulatory context in the transport industry in South Africa.

The Department of Transport is responsible for conducting sector research, formulating of legislation and policy to set the strategic direction of subsectors, assigning responsibilities to public entities and other levels of government, regulating through setting norms and standards, and monitoring implementation. In particular, the National Land Transport Act (NLTA) forms the basis for regulation of all forms of road public passenger transportation in South Africa. The provisions of the act stipulate the requirement of an operating license for all providers of transport services, with stringent penalties for those who do not adhere to the act. Furthermore, the legislation requires that all factors related to the economic and safety framework of the public transport system in South Africa is catered for through the formation of transport regulatory authorities (Department of Transport South Africa, 2017).

The Government of South Africa has officially passed the National Land Transport Amendment Bill in parliament, ensuring that participants of the transport gig economy are treated equally to the metered taxi operators (Business Tech, 2018b). The proposed amendment, proposes that e-hailing operators, like Uber drivers, possess an operating licence. This was not a pre-requisite in the past. Operating on an e-hailing platform without such licence will result in fines for both drivers and e-hailing companies (Omarjee, 2018)

The regulatory authorities extend from national level to municipal level, with the primary responsibilities of ensuring transparent processes in the determination and approval of formation or amalgamation of associations, routes, permits and operating licenses for passenger transport services in the country. The NLTA also encompasses various other services which include but are not limited to; metered taxis, lift clubs, courtesy

services, courier services, tuk-tuks and e-hailing services (Department of Transport South Africa, 2017). Other relevant legislation that govern the road act are

- The Constitution (primary basis of all existential regulation in South Africa),
- The National Road Traffic Act 93 of 1996 and National Road Traffic Regulations, 2000 (Concerns suitability and correctness of drivers and vehicles, rules of the road),
- Promotion of Administrative Justice Act 3 of 2000 (PAJA) (fair administrative processes),
- Promotion of Access to Info. Act 2 of 2000,
- Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000, and
- Local Government legislation e.g. Municipal Systems Act 32 of 2000 (assignment of functions).

2.4.3 Societal and Cultural Context

The most well-known approach to societal context comes from social networking theory (Welter, 2011). Social networking theory explains how economic behaviour happens within a social context (Dawa & Namatovu, 2015). The local context that an entrepreneur is exposed to provides access to financial, physical and human related resources that can help a business succeed. The social context also refers to emotional and encouraging support that may come from friends and family. The social networks are important for overcoming the barriers that come with starting a new business, identifying new opportunities (Shu, Ren, & Zheng, 2018; Venkatesh, Shaw, Sykes, Wamba, & Macharia, 2017), finding key individuals to form part of the enterprise (Shane & Venkataraman, 2000), accessing critical information (Venkatesh et al., 2017), and cost saving (Dawa & Namatovu, 2015).

Although the literature speaks to the clear benefits of social networks and how social networking may compensate for a number of the constraints inherent in a particular environment (Dawa & Namatovu, 2015), these networks also have the potential to constrain entrepreneurial activity through low literacy rates, a culture of collectivism and a general aversion attitude to entrepreneurship (Venkatesh et al., 2017). South Africa exhibits the potential constraints to economic activity of low financial literacy rates for micro-entrepreneurs (Olawale, 2014) and a culture of collectivism (ubuntu) (Scheepers et al., 2017).

South Africa is bound by high unemployment, which measured 26,7 % in the last quarter of 2017 (Statistics South Africa, 2018). South Africa remains one of the most unequal economies in the world, with the Gini coefficient measuring 0.65 in 2014 and 20% of the population surviving on less than 3% of expenditure while the richest 20% of the population consume 65% of the countries expenditure (World Bank, 2018). In a study conducted by The World Economic Forum (2014), it was found that inequality has a tendency to increase crime in a number of different ways, from increasing social tensions to providing incentives to criminal activity. This is especially prevalent in developing countries. In accordance with this, The World Economic Forum (2017) reported crime and theft as the most problematic factors for doing business in South Africa. This is shown in Figure 5.

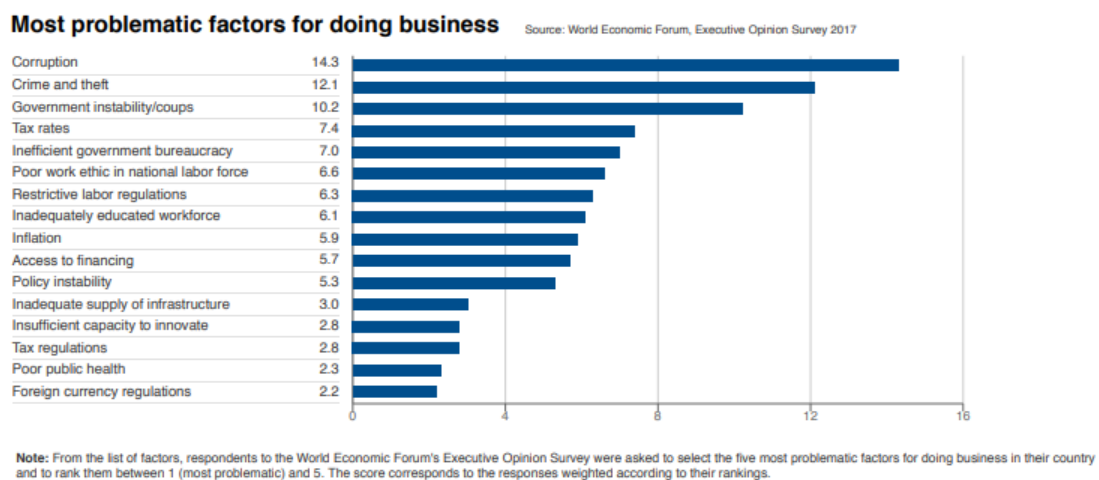


Figure 5: Most problematic factors for doing business (World Economic Forum, 2017)

Informal institutions, unregulated, organised businesses that reflect informal institutions, avoiding registration, licencing and tax are especially active and socially acceptable in developing countries like South Africa (Webb, Ireland, & Ketchen, 2014). These problematic factors exhibit some of the socially acceptable activity that may constrain entrepreneurial actions.

Post the 2008 financial crisis, customers were left with the desire to find alternative ways of accessing products and services other than owning them. The gig economy put together collaboration, technology and a desire to make better use of goods and

services (Davidson, Habibi, & Laroche, 2017). Customers are looking for more options for getting from one place to another and they are looking for alternative fare prices (Posen, 2015). One of the fundamental elements of the gig economy is providing consumers with access to assets that they would ordinarily not be able to afford (Posen, 2015), such as providing access to a car or a house for a specific timeframe (Einav et al., 2016).

The gig economy has created a culture of convenience. Customers who would like to use the services of Uber simply download the application, indicate from their smartphone screen where they would like to be picked up, Uber then sends the request to multiple drivers and one of the drivers accepts the request. The driver and rider are matched and the driver makes his/her way to pick up the customer (Posen, 2015).

The societal context of Uber is not all positive; Uber has faced many challenges from traditional taxi drivers and taxi companies. Some of the complaints against Uber include unfair competition, customer fraud and unethical businesses practices (Posen, 2015).

Among some of the challenges faced by Uber in South Africa are the on-going metered taxi threats, after three Uber operating cars were torched in Johannesburg, Business Day (2017) reported that driver representatives condemned the violence and believed that the police, government and Uber SA needed to work closer together at protecting drivers. In Cape Town, a number of Uber drivers took to the streets in protests against the cash option payment that had been provided to customers. Drivers stated that this cash option puts them at risk of losing their lives and those of their passengers. Drivers and partners complained that the cash option was creating conflict between them and the metered taxi's as cash paying customers were metered taxi customers (Independent Online, 2016).

The culture inherent in this model is also one that is not consultative. Uber has been said to make decisions without the consent or consultation of partners (Elliott, 2016). Uber has also been said to refuse to increase rates charged to customers while partners and drivers have had to deal with expensive insurance and increasing fuel costs. Driver Steve Letsoalo said that it makes matter worse that Uber takes 27% of every trip while Taxify, Uber's competitor in South Africa takes, 15% (Independent Online, 2018).

2.5 Gig Economy

2.5.1 Definition

The gig economy is known by many names, some of which include the “sharing” economy, “on-demand” economy (Kirven & Control, 2018), “peer-to-peer” economy (Aloni, 2016; Sanders & Pattison, 2016) and “collaborative” economy (Ahsan, 2018) . This economy is characterised by two different working relationships. The first one is known as “crowd sourcing”, this entails an employer breaking up a task into micro parts and distributing each of these micro tasks to multiple internet providers. These service providers will not meet each other and will work independently. The second work relationship embodied in the gig economy is called “work on-demand” and refers to working when it is needed. This relates to jobs like driving, deliveries and cleaning services (Kirven & Control, 2018). Prime examples of gig economy companies include Uber, Airbnb and Lyft (Jordan, 2017; Richter et al., 2017; Sanders & Pattison, 2016).

Although gig economy is a new term, Benoit et al. (2017) trace its roots back to much older concepts such as sharing, bartering, trading and general exchange. Torpey and Hogan (2016) mention that the definition of the gig economy need not be confined to the use of a digital platform, however, for the purposes of this study, the gig economy will refer to independent work provided via a digital platform. This definition concurs with the definition provided by Healy et al. (2017) and it provides an important distinction between a traditional independent contractor and an independent contractor working in the gig economy. This also provides a key distinction between gig economy work and concepts such as general exchange, sharing, trading and bartering.

2.5.2 Uber: A prime example of the gig economy

Uber is a platform-based application company that started in 2009 and by 2018 it was operational in 633 cities around the world. This company is not only considered as part of the gig economy, but also one of the prime examples of a gig economy company. Uber provides a platform that links riders with drivers who own their own cars (Kim et al., 2018). Thus, Uber acts as an intermediary between drivers and riders. Both drivers and riders are required to agree to Uber terms and conditions before using the application. These terms and conditions require both parties to acknowledge that drivers are independent contractors and not employees. Both parties are rated after

each ride and if they fall below a specific rating threshold, are disallowed from using the application (Sanders & Pattison, 2016).

The type of work that takes place in the gig economy is based on the interaction of multiple parties through the use of a digital platform (Healy et al., 2017). Pricing is set by Uber, the platform provider, and Uber takes a 20% cut of all transactions (Sanders & Pattison, 2016). Uber creates micro-entrepreneurs with advertising that focuses on being your own boss while maintaining a reliable source of income (Ravenelle, 2017). Workers in the gig economy have the flexibility to choose when they work and can offer these services to several companies at once by simply logging into a digital platform (Healy et al., 2017).

2.5.3 Institutional Context of Uber

The regulatory context of Uber will refer to the laws and rules set by Uber that partners must adhere to. In addition to this, the regulatory context of Uber will also refer to the regulatory environment Uber is exposed to and the subsequent effects on partners. The relationship between Uber and partners is formalised by partners signing an agreement to be contracted by Uber (Elliott, 2016). The rules and laws set up by Uber are made up of a number of requirements that must be met in order for partners to prevent being deactivated from participation on the platform. Some of these requirements include maintaining a certain rating, which is based on average rating provided by customers. Uber also specifies the age, make and model of the car, and the type of music that can be played when transporting a customer. Partners are subject to their contracts being terminated if they do not comply with the set rules which also include the required private insurance (Elliott, 2016).

Although Uber operates as a gig company in the transport sector, the regulatory context of Uber is significantly different from the regulatory context that applies to other actors in the taxi industry. The taxi industry has been regulated since the 1930's. The regulation of the industry met two critical objectives, the first was to control entry into the industry and the second was to control pricing by setting price ceilings so as to protect consumers (Kim et al., 2018). Uber has however positioned itself as an information provider and not a taxi company. Uber provides information services as an intermediary between drivers and partners and as such, in many countries, Uber is exempt from the taxi industry regulations. In New York City, each taxi is required to operate with a medallion as indicative of it being licenced by the commission to carry

passengers. Uber entered the market as an information provider and not a taxi company; therefore, its drivers did not need to purchase medallions. The medallion created a barrier to entry into the transport industry, requiring a significant capital payment. Even though the price of a medallion has crashed and reached its lowest point at \$241 000 in March 2017, due to the entrants of Uber and other ride sharing companies (Agovino, 2017; Kim et al., 2018), in 2013 a single medallion cost \$1,3 million (Elliott, 2016). In South Africa, the amendment to the National Land Transport Bill aims to ensure that e-hauling companies and traditional taxis are treated equally. The bill has not yet been signed by the president but it has already raised concerns from Uber's General Manager in South Africa (Omarjee, 2018).

2.5.4 Institutional Enablers to Growth for Uber partners

In the following sub-sections, key enablers to the growth of Uber partners from micro-entrepreneurs into small business are identified and these factors are discussed within the context of the gig economy.

2.5.4.1 Reduction of Barriers to Entry

Having considered the institutional environment of the gig economy, and in particular Uber, consideration is made for the specific institutional barriers inherent in the industry that partners operate in. Institutional barriers refer to the constraints in the institutional environment that prevent market selection from occurring naturally. These may include the lack of efficient infrastructure, institutional voids and institutional vulnerabilities. These institutional boundaries typically allow incumbent firms to maintain their dominance in the market irrespective of the lack of efficiencies they may have (Chang & Wu, 2014).

Taxi industry regulations sought to meet two critical objectives, one of which was to control the entry into the industry and the second was to manage pricing (Kim et al., 2018). In the American context, medallions, which provide the authorisation for an automobile to operate as a taxi, were limited so as to manage traffic congestion but also as a means to increase the revenue capability of taxi owners. These taxi drivers are also required to carry pricy commercial insurance, possess a chauffeur's license and ensure that their cars go through a comprehensive safety assessment (Gabel, 2016).

These barriers to entry would ordinarily make it difficult for a new entrant to enter the industry and be competitive in the industry (Chang & Wu, 2014). However, Uber has labelled themselves as an information company (Agovino, 2017) and an internet company that falls under the Telecommunications Act in America and not the within the ambit of the transport industry (Elliott, 2016). As a result of not having to abide by the same laws and regulations as incumbent taxi companies, Uber is able to provide transport services at a cheaper cost (Gabel, 2016).

Uber drivers and partners have lower costs for a number of reasons. Firstly, they do not have to purchase the licensing authorisation to carry passengers, secondly, drivers and partners are said to experience fewer sunk costs as a result of the limited training required to be an Uber driver as well as the usability of the vehicle outside of the Uber business. Lastly, since the regulation of the industry sought to provide price floors and price ceilings to traditional operators, these taxi drivers and companies are unable to compete with Uber drivers and partners through competitive pricing (Gabel, 2016).

Petropoulos (2017) makes an important statement that sums up the reduction of barriers that Uber has managed to accomplish. He notes the significant role played by platform providers in allowing new entrants to compete with established incumbents when the institutional context is such that the economies of scale are significant and when new entrants lack the resources needed to advertise the products and services they offer. Platform providers provide reputable brands, marketing and efficient payment methods that would not be ordinarily available to micro-entrepreneurs, this helps to reduce the barriers to entry for new firms.

In addition to Uber providing an environment that significantly reduces the barriers to entry and competition for Uber partners and drivers, Uber has managed to add barriers to entry for taxis that do not operate through the use of a technological platform by creating economies of scale through the use of technology. Uber has managed to create an environment where trust is embedded in the service therefore completely changing the status quo of operation in the industry (Lobel, 2016).

2.5.4.2 Dynamic Information

The modern society is unimaginable without the use of Information and Communication Technologies (ICT) (Pelse & Zeverte-Rivza, 2015). Moreover, the availability of

information is key to the entrepreneurial process (Venkatesh et al., 2017; Gielnik, Krämer, Kappel, & Frese, 2014), described by Trimi and Berbegal-Mirabent (2012) as the identification of a business opportunity, the establishment of the entrepreneurial team and selection of resources required to take hold of the business opportunity. The availability of information is key to the entrepreneurial process because information provides the entrepreneur with the ability to identify business opportunities as well as the ability to grow and develop their businesses (Venkatesh et al., 2017; Zhang & Li, 2018).

In addition to information being a key enabler to the identification of entrepreneurial opportunity, ICT have been shown to reduce transaction costs, better organisational processes and build relationships with customers and suppliers. The use of ICT also enables a better understanding of competitors and markets. This understanding enables entrepreneurs to respond to the market in more efficient ways while determining whether changes to products and services are required (Zhang & Li, 2018). What platform companies have managed to do in the gig economy is provide both clients and partners with dynamic information (Lobel, 2016).

Asymmetrical access to information greatly increases transaction costs. “Consumers do not know the quality of the experience they are paying for until they consume it; individuals are not familiar with the service they paid for until after they complete the transaction” (Lobel, 2016, p.112). Lobel (2016) continues to explain that what Uber and other platform companies have done is to reduce information asymmetries through providing “dynamic ratings, reviews, and information” (Lobel, 2016, p.112). The provision of this information is said to increase customer confidence as well as reduce the costs associated with monitoring behaviour on the platform as participants are aware that they will receive a bad rating or review if they do not meet the required expectations (Lobel, 2016). This essentially means that customers are provided with reliable information that leads to trusting the driver. It can be inferred that this increase in customer confidence in the driver will lead to increased use of the service and thus enable growth for the Uber partner.

In addition to ICT’s reducing asymmetrical information in the market, Lobel (2016) also notes that through increased connectivity, the provision of access to information and efficient technology, platform companies are reducing transactional costs. Transactional costs include searching for a particular service and service provider, negotiating the terms of service and price as well as monitoring and compliance costs.

Uber has significantly reduced transaction costs for both clients and micro-entrepreneurs through the provision of dynamic information (De Stefano, 2015). Petropoulos (2017) agrees with this.

One of the main challenges micro-enterprises experience, as expressed by Srinivasan and Venkatraman (2017), is their inability to be flexible enough to change in response to market changes. Kelliher and Reinl (2009) add to this by identifying that the competitive advantage for a micro-enterprise is in its ability to learn faster than the rate of change in its environment. Uber uses algorithms to establish the market demands (Benoit et al., 2017), decide which enterprises to partner with, which to retain, pricing, advertising and which drivers to use at a particular point in time (Jordan, 2017). Micro-entrepreneurs are thus assisted with the information needed to respond to the changing market needs.

2.5.5 Institutional Inhibitors to Growth for Uber partners

In the following sub-sections, key inhibitors to the growth of Uber partners into small business are identified and these factors are discussed within the context of the gig economy. Literature identifies that platform companies have used their unilateral power as well as their access to information to establish their power over platform users (e.g. the Uber partners) (Rosenblat & Stark, 2016; Calo & Rosenblat, 2018). It has also been found that the Uber model is not conducive to forming networks which allow micro-entrepreneurs to create coordinated power (Ahsan, 2018) and is also critical to organisational learning (Gherhes et al., 2016).

2.5.5.1 Algorithmic Management and Unilateral changes

Rosenblat & Stark (2016) describe algorithmic management as the ways in which platform companies use algorithms to manage and influence driver and partner behaviours. Rosenblat & Stark (2016) use this term to explain how Uber uses digital technology to create a relationship with its drivers and partners that benefits them and creates an unbalanced source of power.

Rosenblat and Stark (2016) explain how Uber collects large amounts of data relating to both drivers and customers in a dynamic form. This information is not shared with drivers and exhibits power asymmetries between drivers and Uber. An example of this is the policy of blind passenger acceptance; drivers are required to accept trip requests

from customers without knowing the destination of the trip. This is said to be done in order to avoid system inefficiencies and prevent destination discrimination (Calo & Rosenblat, 2018). Rosenblat & Stark (2016) further state that the use of blind passenger acceptance prevents drivers from making informed decisions about which trips to take, leading drivers to taking potentially unprofitable trips. The use of algorithmic management is enhanced through acceptance quotas. Acceptance quotas specify that drivers are required to maintain a specific level of acceptance of rides and if the threshold set by Uber is not met, partners risk being temporarily and permanently refused access to the platform. This indicates the power imbalance between Uber and its partners (Calo & Rosenblat, 2018).

When it comes to the relationship, Uber has been reported to place distance between itself and its partners. Business changes that will significantly affect partners are not implemented through a collaborative process. Instead, decisions such as changes to pricing are decided at a management level and simply communicated to drivers (Sundararajan, 2014).

In addition to algorithmic management, built into the way Uber works is their use of power to unilaterally change and control base rates for drivers. Uber has the right to change rates without needing to consult with partners. The ability to unilaterally change rates and commissions builds a lack of trust from partners (Rosenblat & Stark, 2016). Uber is able to enforce these unilateral changes in commissions and rates through its one-sided contracts. Uber has the power to change agreements and does so at will. It has also been noted that a lot of the time, drivers are unable to keep up with the changes and because of the frequent changes, drivers may not be aware of the terms and conditions in force at a particular time (Calo & Rosenblat, 2018).

2.5.5.2 Information Management

While Uber has attained the reduction of information asymmetries between drivers and customers (Lobel, 2016), Rosenblat and Stark (2016) note how Uber has exacerbated information asymmetries between itself and drivers/partners. While Uber has access to large sets of data about clients and drivers, partners do not have access to the same level of data. An example of this is the service experience between Uber and its partners. Uber Help and Uber Support make up the formal communication methods partners can use to contact Uber, however, many partners note that responses from these channels are unhelpful and often resemble answers to frequently asked

questions that do not address key points of concern. In addition to this, responses show a lack of context as many times the channels are outsourced to different countries, making it difficult for partners to receive useful situational feedback on concerns (Rosenblat & Stark, 2016).

It is interesting to note that along with many of the unique elements of this model, there is no direct, face-to-face or electronic management correspondence to help with driver complaints. The model is built such that management monitoring takes the form of dynamic customer responses through ratings and reviews. However, it is noted that there would be significant benefits to having contextual manager correspondence and that this would help build trust between partners, drivers and Uber (Rosenblat & Stark, 2016).

2.5.5.3 Networks

This industry that is made up of workers who are not brought together by sharing a common office space offers very little opportunity for partners to come together and create any sort of coordinated action. The bargaining power of partners is limited and the scale of power is tilted towards that of the platform provider (Ahsan, 2018). Uber has been said to do little to create a culture conducive to forming networks between partners that allow for knowledge sharing and building a sense of community that allows for sharing of best practice. (Sundararajan, 2014b). For micro-enterprises, networking is associated with business performance and is a key ingredient in the growth of micro-enterprises into small businesses (Gherhes et al., 2016).

Srinivasan and Venkatraman (2017) adapt the network perspective used by many researchers to understand entrepreneurial success for digital entrepreneurs using both social networking as well as an appreciation for the fact that digital platforms obtain many of their key resources from their ecosystem of partners. They find that the relationships and networks developed with partners, as well as strong relationships with platform providers, provide entrepreneurs with access to opportunities and resources.

Networking is especially important as it drives organisational learning (Gherhes et al., 2016), the learning of new capabilities provides firms with a competitive advantage, gives them the ability to last in the long run as well as the ability to grow (Hitt, Ireland, Camp, & Sexton, 2001). External networks offer the insights of operating in a different

market without having operated in that particular market. These types of networks help enterprises develop new capabilities. It has been shown that creating networks is beneficial to the survival of enterprises in the long run.

2.6 Conclusion

This chapter presented an overview of the appropriate literature on the gig economy, Uber and the institutional constraints and enablers for Uber partners within their institutional environment. The literature considered Uber as an institution context and discussed the inhibitors and enables or growth within this context. The literature also considered South Africa as an institutional context that Uber partners operate in and discussed the inhibitors and enables or growth within that context.

The institutional context of South Africa exhibits inhibiting factors of micro-entrepreneurial growth of inequality, collectivism and corruption. Literature also shows the reduction of barriers to entry and dynamic information as enablers to growth for Uber partners. Further to this, algorithmic management, information management and unilateral changes and networks were found to inhibit growth for micro-enterprises. While the literature shows the general enablers and inhibitors and that gig economy offers tremendous potential for entrepreneurship earnings (Richter et al., 2017) Ravenelle (2017) notes that it is not known whether Uber provides the potential to grow from providing subsistence income into transformational income.

The following Chapter presents the research questions that will be used to evaluate the research problem.

3. RESEARCH QUESTIONS

3.1 Introduction

In order to understand how the Uber model and how the institutional environment enables and/or inhibits growth for Uber partners, the study focused on the following research questions.

3.2 Research Question 1

How does the institutional environment inhibit growth for Uber partners?

This question seeks to understand the institutional environment made up of the regulatory, societal and cultural context in which Johannesburg Uber partners find themselves. In understanding the institutional environment, it may help in establishing whether the environment exhibits specific attributes that inhibit growth for Uber partners.

The institutions that are considered include South Africa, the gig economy and in particular Uber.

3.3 Research Question 2

How does the institutional environment enable growth for Uber Partners?

The institutional environment may exhibit specific attributes that make it easy for Uber partners to conduct business. This question seeks to understand the institutional environment made up of the regulatory, societal and cultural context in which Johannesburg Uber partners find themselves. In understanding the institutional environment, it may help in establishing whether the environment exhibits specific attributes that enable growth for Uber partners. The institutions that are considered include South Africa, the gig economy and in particular Uber.

3.4 Conclusion

This chapter has presented the research questions that will form the foundation of enquiry for the study. In answering these research questions, it is envisioned that a better understanding of the potential for growth for micro-entrepreneurs in the gig

economy will be established. The following chapter will present the methodology followed in this research.

4. Research Methodology and Design

4.1 Introduction

This chapter provides an explanation of the methodology choice as well as the rationale for such choice. The chapter outlines the population, unit of analysis, sample method and size, as well as the unit of measurement. The chapter concludes with a discussion on the identified limitations of the study.

A qualitative research methodology, comprising semi-structured interviews was conducted.

4.2 Choice of methodology

This study sought to gain insights into micro-entrepreneurs' operation in the gig economy and the Uber model in particular. Exploratory research was well suited for this research as exploratory studies seek to find ideas, patterns or themes (Page & Meyer, 2000). Although there is extensive literature on the growth of micro-enterprises and separate introductory literature on the gig economy, the available literature on the potential for micro-enterprises to grow into mainstream small businesses in the gig economy is limited. An exploratory study seeks to understand to gain new insights into a particular topic (Saunders & Lewis, 2009). The research strategy is one of phenomenology; phenomenology seeks to understand a particular phenomenon through the lived experiences of others. It seeks to provide a description of a phenomenon as experienced by the interviewee (Lusardi, 1996). The lived experiences of how the institutional environment enable and/or inhibits growth of micro-enterprises will be explored from the point of view of the Uber partners and manager teams of the businesses.

The research philosophy applicable for this study was interpretivism; interpretivism finds it important to understand differences between people as they participate in their social contexts (Saunders & Lewis, 2012). Interpretivism is concerned with distinct elements of a particular situation in order to gain contextual depth (Kelliher, 2005). This study aims to understand the views expressed by Uber partners and the managers of their enterprises where referrals have been made by the Uber partner. This study has therefore accepted the views expressed by the individuals as sufficient in building theory.

The research methods that have been used are that of semi-structured interviews, media reports and any documentation that the researcher has been provided. Sauders and Lewis (2012) describe semi-structured interviews as those where a list of questions are posed to informants, with the interviewer using his or her judgement to vary the order and relevance of each question. This was useful in deriving the opinions of the informants on the topic as well as adjusting the questions to make allowance for any emerging issues that come up during the interviews. Media reports and applicable documentation enabled the researcher to obtain access to a more comprehensive view point than simply using the semi-structured interviews.

An inductive research approach was followed as this research was purposed on finding new theory emerging from the data. An inductive approach makes use of open-ended questions leading to specific observations which are then generalised to a broader context and theories (Sauder & Lewis, 2012).

4.3 Population

A population refers to a complete case of members in a group; it represents the full set of available data points (Sauders & Lewis, 2009). The population for this particular study was made up of current Uber partners as well as individuals who had been Uber partners in the six months preceding the interviews. Partner management teams also made up part of the sample. The sample was limited to partners who are and have operated in Johannesburg. Uber partner refers to the individual who runs the business and does not include drivers who do not own the business. This distinction is important as some drivers of Uber cars are hired by the owners of the vehicles and hence do not own the businesses. The focus of this study is on the potential growth of micro-entrepreneurs in the gig economy and as such only the view of the Uber partners and the management team was solicited. A summary of the population is provided in Figure 6.

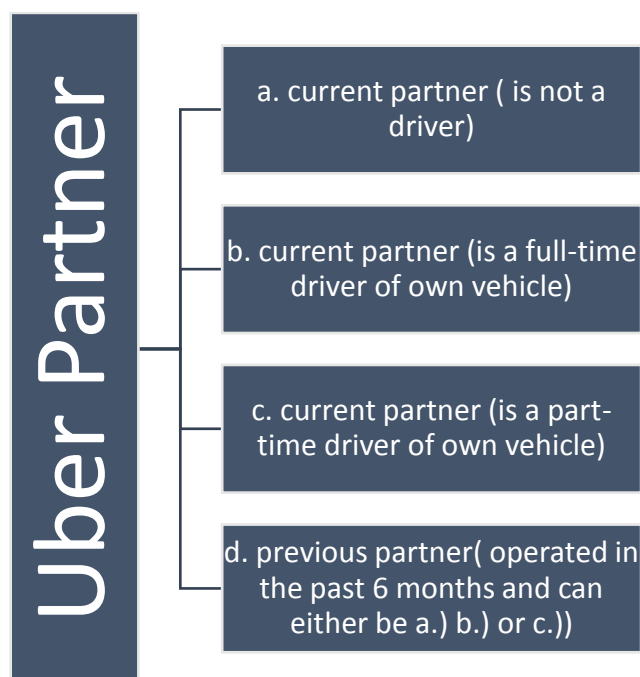


Figure 6: Uber Partner population

4.4 Unit of Analysis

The unit of analysis specifies the focus on collection of data (Zikmund, 2000). The focus of this study was on individual perceptions. The primary unit of analysis was made up of the institutional environment of Uber and then secondary to that, the institutional environment of South Africa.

4.5 Sampling Method and Size

4.5.1 Sampling technique

Non-probabilistic sampling methods were used to collect the data. Saunders and Lewis (2012) defined non-probabilistic sampling as a variety of sampling techniques used when the researcher does not possess a complete list of the population. A purposive sampling technique where sample members were specifically chosen based on the researcher's judgement, based on their suitability to best help in answering the

research questions posed (Sauder & Lewis, 2012). In order to fulfil the objectives of the study, the sample members were purposefully chosen to ensure that the sample includes partners that own the cars and not just those who drive the vehicles. Snowballing was used to allow for sample members to identify subsequent sample members (Saunders & Lewis, 2009). The snowballing method allowed the researcher to identify other partners who could be interviewed.

4.5.2 Sampling Diversity

The researcher used her network to purposefully identify enterprises that include those who have been operating with Uber for varied number of years as well as partners with a varied number of cars on the platform. This was done to understand whether there are differing views from partners who entered the business during its early years versus those who entered the business later. The sample was also purposefully chosen to include partners that have succeeded in growing their businesses — as measured by the number of cars and increased profitability — as well as partners who have a limited number of cars on the platform. The view of partners who had previously been in the business was important in understanding whether the reason for leaving was linked to growth factors. The differing viewpoints were important in establishing the factors leading to successful growth and to the lack of successful growth.

4.5.3 Sample Size

The sample size used was 14; 16 interviews were conducted and two of these interviews were removed as it came to the researcher's attention during the interview that both of the informants were not Uber partners. The sample size of 14 was sufficient, as it was evident that the data approached saturation.

4.6 Measurement Instrument

4.6.1 Introduction

The measurement instrument was made up of semi-structured face-to-face interviews. The researcher made use of semi-structured interviews based off of a list of initially compiled questions. Each respondent was asked similar questions initially; however, based on the responses received, subsequent questions were asked that probed the answers provided. Responses to questions were analysed as interviews were

completed so as to allow the researcher to adjust questions for subsequent interviews where necessary.

The researcher asked questions that were clear and simple to understand. The researcher also ensured that questions were not framed in such a way that may lead the respondent towards a particular answer.

4.6.2 Interview Schedule

An interview schedule (see Appendix B) was developed to guide the semi-structured interviews. This schedule was developed based on the key themes emerging from the literature, while keeping the questions broad enough not to lead the informants into particular answers.

The background enquiry was mainly asked of snowballing informants as the researcher did not have this information. The background enquiry consisted of the following questions.

- Please tell me when you started operating in the Uber business?
- How long you have been operating with Uber? and
- How many cars do you have on the platform and any other background information you think is important?

This purpose of these questions was to provide the researcher with the opportunity to adequately describe the sample and ensure diversity in the sample.

The remaining questions related to the research questions developed. The two research questions were:

Research Question One: How does the institutional environment inhibit growth for Uber partners?

Research Question Two: How does the institutional environment enable growth for Uber partners?

Research Question One was addressed through the following questions.

- How does Uber and the Uber business model inhibit from growing your business?
- How does the environment you operate in inhibit you from growing your business?
- Do you feel that Uber places equal value on customer views and complaints versus partner views and complaints? and
- What are the challenges you face in increasing your profitability?

Research Question Two was addressed though the following questions.

- How does Uber and the Uber business model enable you to grow your business?
- How does the environment you operate in enable you to grow your business? and
- Do you feel that Uber places equal value on customer views and complaints versus partner views and complaints?

4.7 Data Gathering Process

In preparing for the face-to-face semi-structured interviews, the researcher developed the interview schedule and a consent form was used to ensure that the interviewees were presented with the right to not participate in the research (Saunders & Lewis, 2012).

When conducting the interview, the purpose of the study was communicated. The researcher took notes during the interview and made use of audio recording. (Saunders & Lewis, 2012). The consent included the consent to using an audio recording device during the interview. Only one interview was not audio recorded.

After the interviews were completed, a third party was used to transcribe interviews that were reordered. In order to manage confidentiality, the third-party provider was required to sign a confidentiality consent form. This is provided in Appendix D.

4.8 Analysis Approach

The process of analysing the interviews started before the entire interview process had been completed so as to follow up on any new insights gained from previous

interviews. The researcher followed a qualitative content analysis approach. Content analysis is one of the methods used to analyse text data in order to provide understanding of the phenomenon being studied (Hsieh & Shannon, 2005). The approach included the creating of codes based on informant responses. Coding has been defined as a way of separating the data and then grouping it based on similar concepts (Lusardi, 1996). Qualitative content analysis allows for the generating of categories from codes and creating higher level themes from the categories (Hsieh & Shannon, 2005).

Each recording was listened to after the interview and matched with transcription. Only one interview was not recorded and as a result this interview could not be listened to. The first three interviews were manually coded and then these were then coded in Atlas.ti to add an additional review component. The transcribed interviews were imported into Atlas.ti to conduct the content analysis. Data from the interviews was assigned to relevant codes, the codes were then mapped into categories and categories into themes. This was an iterative process ensuring that the codes, categories and themes were correctly and reasonably assigned. Atlas.ti also allowed for the identification of key quotations that were used for data analysis.

Data saturation was evident as new themes developed at a decelerating rate with every new interview; with interview 14 not providing any new themes.

4.8.1 Data Analysis Tool

Data was analysed using Atlas.ti with the aim of identifying patterns in responses by developing meaningful categories, deciding on a unit of data that the researcher will attach each category to (Saunders & Lewis, 2012).

Content analysis allows for the systematic description of form and content of written word. This type of analysis allows one to make specific inferences based on characteristics of written word (Tharenou, Donohue, & Cooper, 2007).

4.9 Limitations

Limitations of the research will be discussed as they relate to the data collection as well as the choice of methodology.

The use of snowball sampling created a bias in that respondents identify individuals that they had worked with or introduced them to the platform. This meant that in some cases, respondents offered similar insights. In addition to this, the use of purposive sampling created a researcher bias as the researcher uses his/her own judgement in selecting the sample.

The scope of the study was limited to Johannesburg and as such it may be possible that challenges identified may be specific to Johannesburg and may not be generalisable across a larger population group.

4.10 Ensuring trustworthiness of project

Shenton (2004) notes the trustworthiness of qualitative research. He discusses constructs for ensuring trustworthiness. These constructs are confirmability, transferability, dependability and credibility.

4.10.1 Confirmability

Confirmability refers to measuring what is actually being studied (Shenton, 2004) and not the bias of the researcher (Petty, Thomson, & Stew, 2012). One of the methods recommended to address this issue, that was used in this study, is the process of using probing questions to unearth detailed data and ensure that the informant is being truthful through using iterative questioning (Shenton, 2004). In addressing confirmability the researcher also ensured that researcher bias was reduced by using news articles and other relevant documentation that was provided to the researcher by the interviewee to triangulate the findings from the semi-structured interviews (and vice versa) where possible (Shenton, 2004).

4.10.2 Transferability

Qualitative studies assume that the findings are specific to the particular context being studied and that it is not so important to be able to generalise these findings. Transferability instead allows for a detailed understanding of the phenomenon in order to provide uses of the research with enough information to decide which findings they can apply to their particular situation (Petty et al., 2012). This research allowed respondents to provide as much detail as they saw fit, as well as made use of probing questions, in order to fully understand the phenomenon.

4.10.3 Dependability

Qualitative studies appreciate the difference in perspectives that people have as well as the differences created by the different context and different moments in time (Petty et al., 2012). In order to address the dependability of the study, the process followed was documented in order give future researches detail on methodology effectiveness, as recommended by Shenton (2004).

4.10.4 Credibility

In building credibility, different perspectives should be used to ensure that interpretations are reasonable (Petty et al., 2012). The academic supervisor acted as a credibility check in his review of the findings and interpretation of the findings.

4.11 Conclusion

This chapter has presented the methodology followed in collecting and analysing the data received from 14 semi-structured interviews. A qualitative research design was followed which included consideration for ensuring the trustworthiness of the research. The following chapter provides the results of the interviews conducted.

5. Results

5.1 Introduction

This chapter begins with a brief description of the informants and the steps that the researcher took in analysing the interview results. It is then followed by a discussion of the results from the face-to-face semi-structured interviews conducted. The interview questions are mapped to the research questions.

All interviews were listened to after the physical interviews were conducted and transcripts read over, initially without assigning any codes. This was done to refresh the memory of the researcher. The first three interviews were then manually coded so to add an additional review process when coding into Atlas.ti. Atlas.ti was used to inductively develop all codes, create code categories, identify important quotations and extract code categories into themes. The analysis process was an iterative process making sure that codes were appropriately created and grouped into meaningful categories.

5.2 Sample Description

The sample included 14 interviews of current and previous Uber partners. Previous Uber partners were operational in the Uber business in the six months preceding the date of the interview. The number of new codes developed per couple of interviews decreased up until interview 13 and 14, as can be seen in Figure 7. Even though interview 13 and 14 received an increased number of new codes when compared to 9 and 10 and 11 and 12, no new major themes developed from these codes and, as a result, the data was considered to have reached saturation.

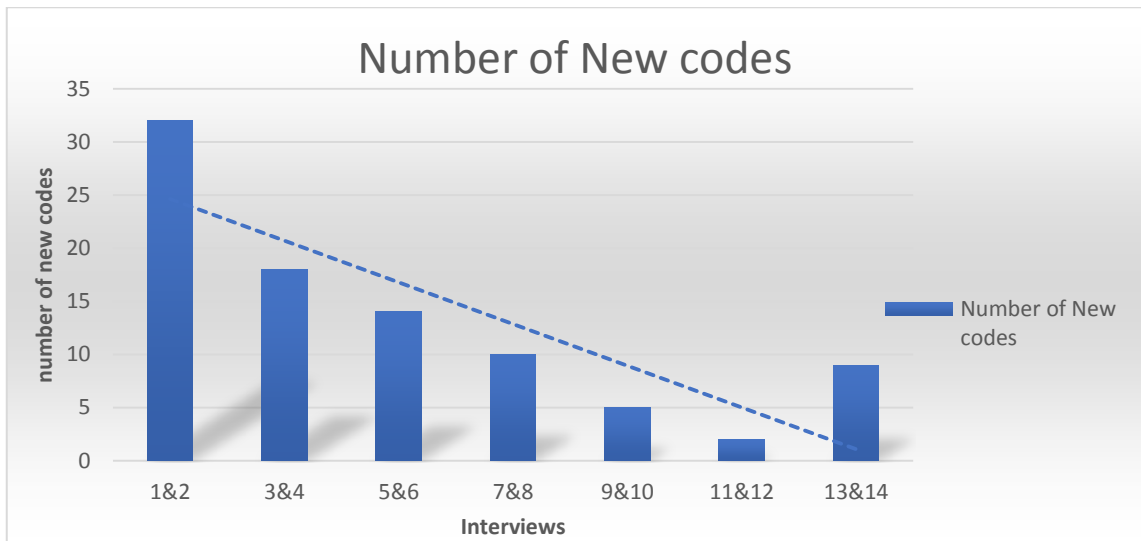


Figure 7: Number of New Codes Generated per Couple of Interviews

The sample members were purposefully chosen to ensure that the sample included partners that own the cars and not just those who drive the vehicles. Snowballing was then used to identify subsequent sample members (Saunders & Lewis, 2009). The use of snowballing was useful as it allowed the researcher to interview the purposefully sampled informant's networks and lead to some key findings.

A brief description of the informants is presented in Table 1, depicting the diversity of Uber partners interviewed.

Table 1: Descriptive Summary of Informants

| Interview no. | Type of partner | Drives own car | First year of operation | Number of cars | multiple platforms |
|----------------------|------------------------|-----------------------|--------------------------------|-----------------------|---------------------------|
| 1 | Current partner | yes | 2013 | 1 | no |
| 2 | Previous partner | no | 2017 | 1 | yes |
| 3 | Previous partner | no | 2016 | 6 | no |
| 4 | Previous partner | no | 2016 | 6 | no |
| 5 | Current partner | no | 2017 | 1 | no |
| 6 | Current partner | no | 2016 | 2 | no |
| 7 | Current partner | no | 2013 | 2 | no |
| 8 | Current partner | yes | 2017 | 2 | yes |
| 9 | Current partner | no | 2016 | 4 | no |
| 10 | Previous partner | yes | 2016 | 7 | no |
| 11 | Current partner | no | 2014 | 49 | yes |
| 12 | Current partner | no | 2015 | 5 | yes |
| 13 | Current partner | no | 2016 | 2 | no |
| 14 | Current partner | no | 2015 | 2 | yes |

The 14 interviews conducted consisted of ten current partners and four previous partners who were operational as in the six months preceding the interview. Three of the Uber partners drove their own car on the Uber platform either on a full-time basis or

drove their own car on the platform occasionally, during their free time. The Uber partners had been operational in the business for various periods of time, between one and five years. The number of cars on the platform for the interviewed partners ranged between 1 and 49 cars. While five of the Uber partners operated on Taxify, Uber's competitor in South Africa, seven operated exclusively on Uber and two used their vehicles in tourism transport business in addition to operating with Uber.

5.3 Presentation of Results

The results in this section have been presented per research question. The interview questions have been mapped to the relevant research questions.

5.4 Results

5.4.1 Introduction

This section highlights the major themes developed from the interview data as they relate to each research question. Major themes were identified by the frequency of articulation by the various informants as well as the passion with which the issue was raised. Major themes have been bolded for emphasis.

5.4.2 Research Question 1

How does the institutional environment inhibit growth for Uber partners?

The following three major themes were identified with regards to research question one. The major themes identified were **barriers to entry, strategy, risk and competition, scalability and sustainability, moral hazard, and customer and supplier power.**

5.4.2.1 Barriers to entry

The **barriers to entry** theme is made up of two sub-themes: Early Entrants Advantage and Number of Cars.

The Early Entrants advantage was discussed by Informant 2; partners who entered the platform early in the life of the Uber business were provided with preferred communication and the ability to have a large number of cars under their profile.

“The Uber partners who initially came in already had some insight and they were educated. Uber SA approached certain business people & certain entrepreneurs that were already dealing with logistics. They asked them to try their model out and see how profitable it was. Through those engagements, Uber managed to find investors who could put 50 plus cars on their platform. Those companies or those individuals who did that are now running a profitable business. They are not restricted. They have preference on communication because they have an account.” (Informant 2)

This seemed to be confirmed by Informant 11, who was one of the first partners to join and currently has 49 cars.

“I was one of the first partners that got the opportunity to operate on the platform. This is 4 years ago..... We’ve grow from one vehicle to 49, this goes to show that given the right approach and methodology, it could be viable. (Informant 11)”

The Number of Cars sub-theme relates to a majority of informants lamenting the fact that there are too many cars on the platform and that this has affected profitability. They have mentioned that Uber has subsequently closed the intakes but they still believe that the supply of cars is too high.

“If the person becomes greedy, like Uber did, and floods the market with a lot of cars without a clear structure to say how many cars do you need to have at a particular space and time in order for the partners to also be profitable.” (Informant 3)

“Now the platform is overflowing, maybe there’s 25 000 cars in Joburg only. They can’t control the cars. The only thing that they are doing now is that they’ve stopped adding more cars on the platform; they stopped because they can’t control it themselves. (Informant 6)”

“Now we have a bit more cars into the system. We don’t make as much money as we used to back then.” (Informant 6)

5.4.2.2 Strategy

Strategy is associated with sub-themes Revenue Structure, Power Imbalance and Equitable Practices.

The majority of informants mention that the percentage (25%) that Uber charges partners as a fee for operation on its platform is exorbitant and one of their biggest challenges to growth. The fee was compared to Uber’s main competitor in South Africa, Taxify, which is 15% and one informant compared the model to a franchise model and discussed how in a franchise model, the franchise would only take 10% or less of the franchisee’s revenue. Many of the informants have mentioned that all Uber provides is the platform while they provide everything else. Another element that came out strongly was the Imbalance of power between Uber and partners. Uber uses their power to make any changes they see fit to the model in a non-consultative manner. The percentage Uber took increased from 20% to 25% and this, along with the change that allowed cash payments, was implemented in the system and partners were not consulted, they were just told that this would be the change. In addition to this, partners mentioned different rates that Uber takes from them.

“Firstly, the percentage that they take from the intakes is quite a lot; all that Uber did was come up with a software system for the platform. You bring the vehicle, you bring the driver and there’s petrol involved. It’s passive income for them but they take a huge amount of the intake, 15%-30%. I feel they’re tampering with the growth for the partners. They take a huge chunk of the revenue.” (Informant 4)

“I think they’ve also become greedy in terms of how much they take. 25% of the top line is massive, we’ve seen franchise models where franchisers take 10% or less and that works. The moment that you start taking 25% and the partner still has to service the car, insure the car, pay for wear and tear then there’s nothing left for them. It’s not good. “ (Informant 3)

“Uber takes their management cut, 20-30%, from the revenue and not from the profit. With all the costs involved, this fee could be more than 50% of the profits

in real term. The partners carry all the risk, but Uber rakes in a lion's share for themselves. It's a perfect model for Uber, but not for the business." (Informant 10)

"It happens especially with this thing of the percentage they take from the partners. They just wake up one day and increase the commission by 5% and just easily implement this change on the system. The same thing was done with the cash option. All these things affect the partners negatively and no consultation was done." (Informant 4)

Equitable Practises refer to Uber's practices of treating every driver in a way that does not discriminate when it comes to the allocation of trips each driver gets. A number of informants discussed how they are unable to build customer loyalty that would directly benefit a particular driver. Informants also mention that offering great customer service is not directly beneficial to the particular driver or partner but is beneficial to the overall Uber brand.

"With the Uber model, if you want a specific driver who treats you well you won't be able to find them. Some people have said to me "I like driving with you, please wait for me" but even if they try to find me when they need to request an Uber, they won't get me. Uber has to make sure everyone gets equal riders. No matter how good you are on customer service as a driver that won't translate to more business for you." (Informant 6)

"They neutralise and balance out trips per car. They spread the trips so that everyone gets a chance for a trip. They decide on how to distribute trips so that it's balanced. They don't want a situation where one person makes all the money while others don't." (Informant 7)

"Now there are a lot of Uber cars on the platform, I think the way that application works is they try to distribute trips fairly amongst the Uber drivers. So, you'd find that if in a day you've made like R1000, you'll probably stop getting trips; they'll give trips to people who just went online. So, it's not only about where you are, well that's also important to position yourself in the right places where it's busy. But it also looks at how long you've been online; they need to give the one who just went online more trips compared to you." (Informant 13)

“You build customer loyalty for the Uber brand and not for the individual customer.” (Informant 7)

5.4.2.3 Risk and Competition

The informants mention a varied number of competitors which include Taxify, shuttle services, car rentals and people who drive their own cars. While this study does not include a comparative analysis between Uber and its competitors, Partners mentioned competitors like Taxify. Taxify was mentioned as being cheaper but does not provide the value offered by Uber and they have been said to be riskier.

“Competition is the transport system at large, shuttle services contracted by companies, car rentals companies, people with their own cars who prefer to drive themselves.” (Informant 2)

“Taxify lacks class and cleanliness that Uber has.” (Informant 5)

“Taxify is a direct competitor to Uber, and I’m told that they’re rates are cheaper. I’m sure the numbers that Uber used to realise back then are not the same as now.” (Informant 4)

“We’ve tried going into Taxify. The challenge with Taxify is the routes that it takes. I don’t know how Uber does it, whether there’s a selection on their system, but it generally doesn’t accept certain routes. Taxify you’ll find yourself in the middle of Joburg like by the taxi rank and those are not the safest routes. Taxify is good for certain days and not for others. From their routes there’s a risk of being hijacked. I think it caters for a different kind of people. Maybe it’s because of their pricing as well. They are a little cheaper than Uber.” (Informant 12)

The metered taxi industry was also overwhelmingly discussed by various informants. Many of them have discussed the challenges they and their drivers have experienced relating to violence and limitation of the routes drivers can use and where drivers can park. Many of the partners mentioned that Uber is slow when attending to the matter of violence from the metered taxi association while some mentioned that government also has a serious part to play to in educating and protecting drivers. Risk also refers to

Uber allowing cash payments by customers. Informants have mentioned this risk as one that leads to crime and the inability to identify those criminals.

“Another challenge is risk. Uber is late to respond to genuine threats from the meter taxi associations. They are not coming back to their drivers and partners on how they can mitigate this risk. There’s poor communication in that regard. They’re always reactive. When an incident has happened they’ll just pull a PR stunt and put out a statement once the media has gotten involved and that’s it.” (Informant 2)

“The environment that we’re in is not safe because of the meter taxis challenges that we face. There are certain spots where you can’t go for safety, like the airport, which is a more lucrative spot to be in. They can’t go park there because a lot of the meter taxi drivers are around there, hence you find more police visibility there because it gets heated. You’d make more money there because you can get someone going to Pretoria, that drive on its own is much more than just driving to Kempton Park/ Midrand. There isn’t much regulation that governs this, there isn’t protection; it’s not an even spaced space. The meter taxis still believe that they own this.” (Informant 12)

“The challenges are rivalries between the traditional meter taxis who feel that Uber is taking their business and as a result they cause trouble in extremes like cars being burnt, we’ve lost lives. Anything that threatens life is a serious issue. Uber as an entity can only do so much. There’s obviously a need for some kind of private and public partnership. Where government can’t be passive participants of what’s going on whilst its citizens are being slaughtered, they have to play an active role.” (Informant 11)

“For example, when Uber introduced cash in SA, I wrote a long email to the GM of Uber in SA stating that this going to result in people’s lives being lost. This is not a great idea, I understand you receive cash in other countries but in SA there’s a unique dynamic. SA is a highly violent society due to the high disparity between the rich and the poor. If you look at the crimes committed in SA, they are mainly as a result of people not being able to be identifiable as to where they are from; there are a lot of undocumented people in the country. When you put all those elements together it’s a problem.” (Informant 3)

Informant 14 shared an email correspondence sent by Uber confirming the complaints about cash payments and the risk they bring. A sample of the email can be seen in Figure 8.

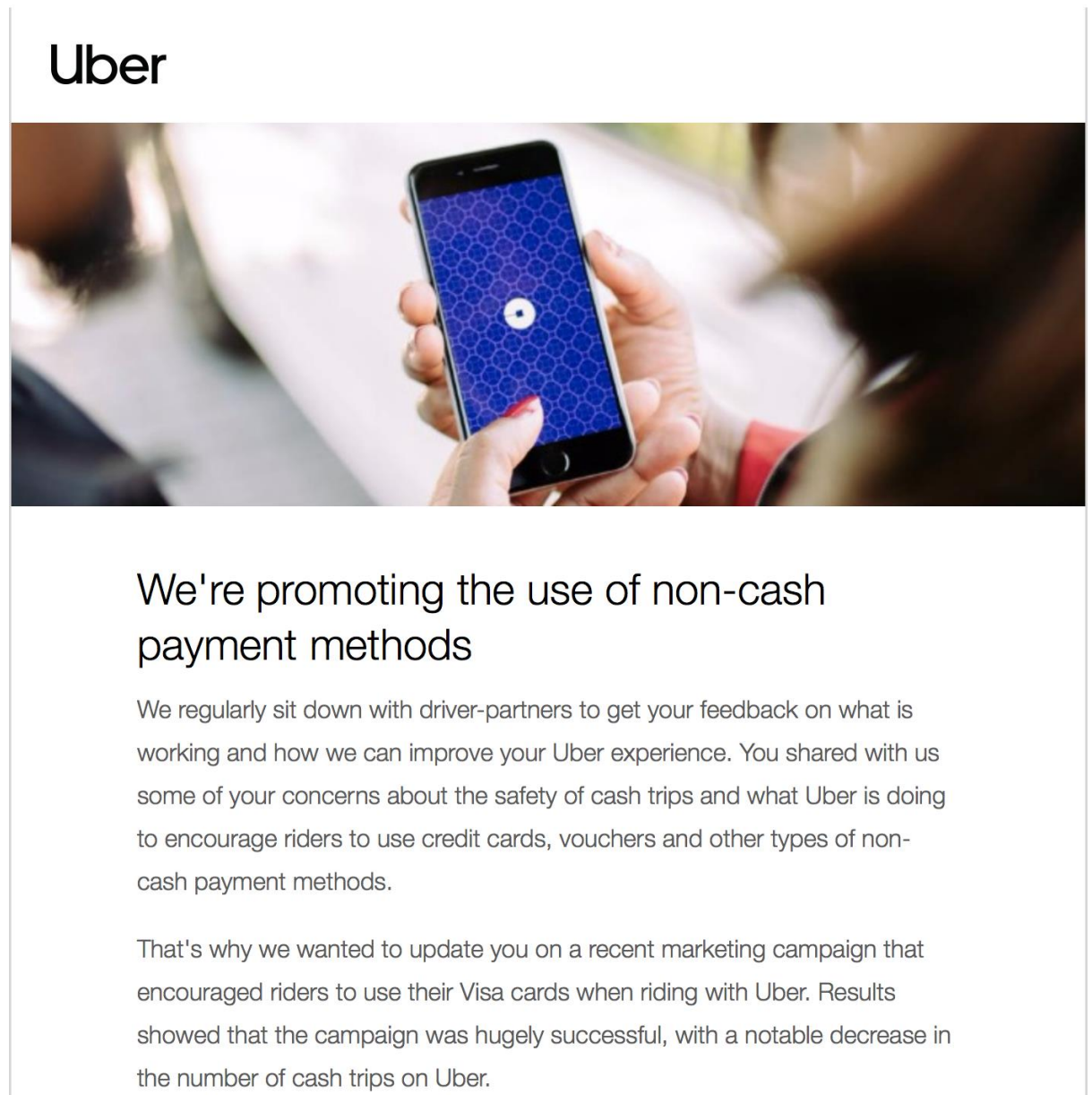


Figure 8: Cash Payment email from Uber: Informant 14

5.4.2.4 Scalability and Sustainability

Scalability speaks to the ability to add more cars on the Uber platform and **Sustainability** refers to the ability for the business to have a long lifespan. Informants mentioned that Uber limits the number of cars they can add to the platform. While many of them mentioned an understanding of the fundamentals of supply and demand — which lead to a good balance of profits for those who are already in the system — they also lamented the fact that instead of Uber looking at partners who run good businesses and offering them an opportunity to add additional vehicles on the platform, Uber rather offered additional platforms to the drivers on their list, making it difficult for partners to scale up and increase their fleets.

“It’s quite difficult to say that you can grow within Uber, unless you go to Taxify. We’ve been waiting 2 years to be able to add another car. But it’ll be a great opportunity for one to have another car on the platform.” (Informant 7)

“We noticed that Uber was flooding the market when they started prospecting the drivers. They said if you are working for someone but you want to have your own car and you’ve worked for so many hours, we’ll help you get your own vehicle with the deal that we’ve struck with Wesbank. In principle, I have no problem with that because it speaks to empowerment. What I have a problem with is that effectively you’re saying there isn’t a strategy for people to grow and increase fleet. So you are interested in having one guy own one car and driving that car. For me that’s problematic because if I’m not going to grow in the business, then why am I in that business?” (Informant 3)

“If I have a number of cars on the platform and I provide a good service, then it only makes sense that I’m considered first when they offer new slots on the platform because this will enable me to grow. But Uber just opens up new slots to the drivers, they don’t consider the partners.” (Informant 6)

“Uber needs to put in concerted efforts if they really want to develop entrepreneurs. When you’re saying that you’re developing, you need to have programs. Should Uber close doors tomorrow, let’s say Uber has 20k partners, how comfortable are we that those 20k without Uber will be able to make it. When you look at sustainability measures, you say how I develop these 20k people that operate on my platform in case I’m no longer able to operate in the

country. So that these people don't have the banks coming to repossess the cars. I don't think Uber has asked themselves such questions. Uber is just interested in you bringing your car on the platform and they take their 25%. Uber can go beyond giving guys an opportunity to drive." (Informant 11)

"My biggest threat with partners is sustainability beyond Uber and Uber is not addressing this. There shouldn't be anything more important than this. Sustainability beyond Uber means you need to create certain structures, practices, disciplines and culture. You must have a business bank account; most people use their own bank account. It is also good to register the business so that you create a banking profile in order to secure funding to grow the business or to buy more cars for your business, they'll be able to see that you consistently make R5000 a week." (Informant 11)

5.4.2.5 Moral Hazard

The definition of moral hazard is provided below (Investopedia, n.d.).

Moral hazard is the risk that a party to a transaction has not entered into the contract in good faith... In addition, moral hazard may also mean a party has an incentive to take unusual risks in a desperate attempt to earn a profit before the contract settles... Each party in a contract may have the opportunity to gain from acting contrary to the principles laid out by the agreement. (¶1).

Partners have identified the institution as providing the opportunity for drivers to act contrary to agreed terms with partners. Drivers have been identified by many of the informants as a barrier to profitability. Negative driver attitudes, negative driver behaviour, lack of honesty and lack of education have been mentioned as some of the factors that lead to partners not making money and have been mapped to Moral Hazard. **Moral Hazard** also refers to how customer loyalty to the driver may lead to drivers doing private cash trips that the partner would not know about and thus the partner is unable to realise that revenue. Partners have gotten around some of the driver dependency issues through changing the rules of engagement with drivers. In order to reduce the dependence on drivers, some partners have moved to a model where the driver rents the car for a specific amount and keeps the rest of the money made. For partners who do not use this model, the moral hazard shown by some drivers is a significant risk.

“I don’t know if it’s a level of education, I don’t know if some of them don’t understand the concept that I’m paying for the car so if you’re at home chilling, I still have to pay the bank at the end of the month. Their attitudes, some of them are chilled about working some of them feel like it’s their bread and butter.” (Informant 14)

"He was so promising but then he started getting arrogant, he started lying. I would ask him where my balance is, if it's not coming from Uber it has to come from cash. He'd owe me money then I wouldn't be able to get hold of him the whole week. He'd say I used the money for kids. I felt like he was stealing my money. Then I discovered that he's making money on Taxify but he's not disclosing that money. He also had this attitude, I'd say let's meet at 2 o'clock and he'd agree but not pitch or answer his phone and then he'll say I was sleeping." (Informant 14)

“Finding a reliable driver is a challenge; some are bad drivers, some abuse substances, or they don’t pitch for work.” (Informant 7)

“Usually the driver is not the owner, so if they have a loyal client, they might pick up the client without logging into the system and pocket the money for themselves. In this case the owner and Uber lose if the ride is done off the system.” (Informant 4)

“So we loan the car and I get my R2500 per week and I’m sorted. The rest you see. Whatever extra money you make is yours. You must pay for the petrol, I service the car, he makes contributions towards the tires but you sign an agreement with the person around this. And this is working well for us. In a partnership, the partner comes with their own phone, they just loan the car from you, which is less of a risk.” (Informant 12)

5.4.2.6 Customer and Supplier Power

Supplier power relates to the ability of suppliers to increase prices and hence substantially affect the profitability for the Uber partners while **customer power** relates to the ability of customers to drive prices down and hence affect the profitability of Uber partners. The suppliers for this business were identified as fuel providers, insurance

companies, car dealerships, cell phone and data providers, financing houses, and government in their role as regulators.

Informants mentioned the increasing price of fuel as a major concern and constraint to profitability. Insurance companies increasing costs after policies have been placed is also a concern. Informants also mention that there are only a few insurers who cover this particular risk.

“Petrol prices go up but they [Uber] are not feeling it because they don’t own the vehicle.” (Informant 4)

“Cost of fuel that’s always increasing, petrol is expensive. Servicing our cars is expensive, most of the cars Uber drivers are using are Toyotas & Nissans those cars are expensive in maintaining.” (Informant 8)

“Sometimes when you have to renew your insurance policy, the insurance company will cancel your policy or refer you to another insurer because they’ll say they can’t take the risk or the Uber book anymore. Sometimes you’ll find an insurer that’s willing to cover you but will have a lot of exclusions.” (Informant 2)

"Another challenge is insurance. There're few insurers in the market that are willing to cover the risk." (Informant 3)

Partners mentioned the power of customers in two ways. Firstly, they stressed that as much as they have seen petrol going up, the fee charged to the rider has not increased. Secondly, partners mentioned that the customer always comes first, as in any business. While some partners mentioned that Uber considers both sides of the story when it comes to customer complaints, many said that many times Uber takes the side of the customer at the expense of the partner/driver.

“Uber values and considers its customers more than the partners. Petrol went up many times this year, but the fares for the customers did not increase.” (Informant 6)

“A customer has a right to complain if they have an issue and they can do so by contacting the Uber office. As a driver I can also contact the Uber office if they have a complaint about a customer’s behaviour. If there’s a dispute between a

driver and a customer Uber will consider both sides when investigating the issue.” (Informant 1)

“They’ve identified their main stakeholder as the rider/customer. They’ve taken care of the customer exceptionally well, to a point where they’re not hearing the partner’s complaints. They take the rating system seriously especially from the customer’s side.” (Informant 5)

5.4.2.7 Summary of Major Themes

Research Question 1: How does the institutional environment inhibit growth for micro-enterprises?

| STRATEGY | RISK & COMPETITION |
|--|--|
| <ul style="list-style-type: none">• Revenue structure – Uber takes too high a share of revenue made by partners.• Changes in revenue and cash acceptance are implemented in the system without consultative discussions.• Equitable practices mean that it is difficult for partner to make more money than other partners on the platform.• Customer loyalty is built at an Uber brand level only. | <ul style="list-style-type: none">• Metered taxi violence.• Taxify not a big threat.• Uber and Government not doing enough to curb violence. Dual role to protect & educate needs to be played by Uber and government. |

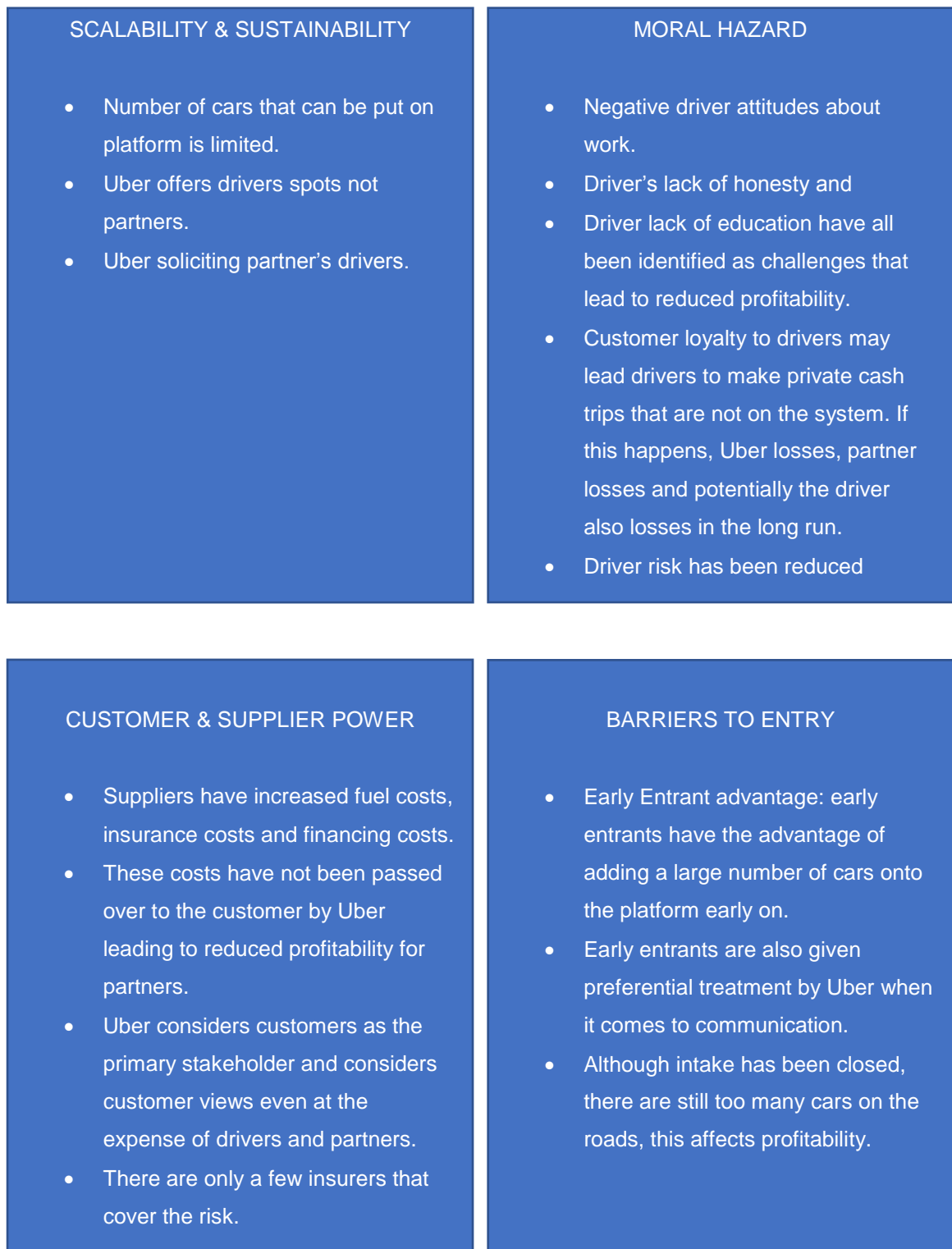


Figure 9: Research Question 1: Summary of Major themes and findings

5.4.3 Research Question 2

How does the institutional environment enable growth for micro-enterprises?

The following major themes were identified with regards to question one and these are **Networks** and **Uber Brand**.

5.4.3.1 Networks

Networks refer to the relationships between partners and drivers, the relationships between drivers, relationships between partners and Uber, Uber and external partners, and partner relationships with external companies. This was a major theme in the study with informants either mentioning the key dependency they have on drivers or how the partnerships Uber has with a number of their suppliers in the form of vehicle financing houses, fuel companies and insurance companies has really helped them grow. Some Informants also mention how they had made partnerships with other players in the transport industry that have enabled sustainable growth. The partnership with Uber was also noted as key to their operation.

“The main thing you can do is manage your relationship with your drivers. The driver is the biggest contributor, if they see this a business opportunity.”
(Informant 9)

“If you get a good driver you’re lucky, and that’s the main person who makes sure that you get your money as an owner.” (Informant 5)

Informant 11 drew a picture on a piece of paper and it was reproduced in Figure 10. It was an illustration of the mutual dependencies between Uber, Partners and drivers. He mentioned that the entire system cannot work without any one of these parties.

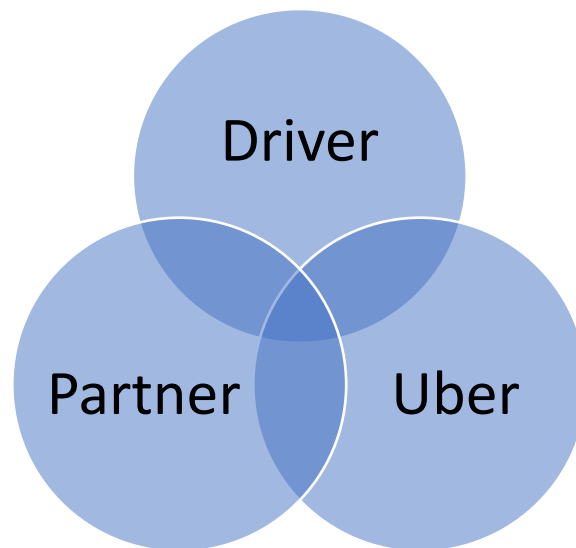


Figure 10: Uber Business Model Internal Dependencies: Informant 11

“The business relies 100% on the drivers. If the driver sleeps, the business sleeps. The partnership model is an alliance and has three parties; there’s Uber who provides the app, the driver, and the partner who provides the car. The level of dependence is so great that without it, this thing doesn’t work. Without the Uber app nothing works, without the driver waking up, being disciplined and doing what must be done, then it doesn’t work, without me buying the car for the driver it also doesn’t work. So we are all dependent on each other to put in 100% effort each.” (Informant 11)

Partnerships between drivers was also mentioned by a partner who drives his own car,

“We have a WhatsApp group where we communicate, share knowledge, tips & tricks with one another” (Informant 1).

Informant 7 was also aware of relationships between drivers, “Drivers communicate through WhatsApp groups; they started these groups when there was violence. That’s how they organised the strike and refrained from transporting customers on that day. The impact of the strike is that Uber lost money.”

The partnerships Uber developed with a number of suppliers that partners need has also helped partners manage costs.

“Uber has partnered with Shell, our cars fill up at shell and shell rewards us with money back and that money can go back into filling up your tank. These are some of the strategic alliances Uber has.” (Informant 6)

“What’s helping now with profitability is that Uber is now partnering with other companies like insurance companies to try get you a reasonable cover. When I started I used to pay R1700 with MiWay, then they called me and said they need to make some adjustments so it jumped to R2500, with no claim. They said when I took out the insurance I said I’d be doing x amount of km but they can see that I’m doing this amount. So now there’s an insurance company called Vum, they work with Uber. They are quite reasonable. You needed to have passenger liability cover of R5million minimum but now that’s not required anymore. I think Uber has made some changes, maybe they cover that. So you can take that off your cover, so that will lower your premium. They’ve also partnered with a company called Auto Star that deals with car services at a cheaper rate. This helps because these are the costs that cut your profit, if you can cut these costs then your profits will increase. I think they have something going on with Shell, saving on fuel; I’m not sure if it’s a point system or how it works.” (Informant 13)

The external partnerships that partners made enabled them to make some money outside of Uber and reduce the overreliance on Uber.

"These are some of the things that we've done; we structured ourselves as a business entity. When we did our SWOT analysis, one of the things that we identified as our strength in the transport space was Uber. When we did our threats, we found that the same Uber is our threat because should they close their doors, there's this over-reliance. We relied quite heavily on one customer. Our solution was to diversify and reduce our dependency on Uber. Uber helped us because they also came with standards to say you need a permit, you need this and that. We went to corporate and said we have all these cars and things in place. And they started opening doors. We are currently 60% reliant on Uber. Only 60% of our business is coming from Uber. 40% is coming from other sources; corporate, travel agents, government & ordinary people. We've used that Uber opportunity to profile ourselves in a way that gives us the competitive advantage." (Informant 11)

5.4.3.2 Uber Brand

Informants have referred to the positive elements of the **Uber brand** as one of the key elements to their growth. Informants note the strong security features that convince customers of its safety. It has also been said to have brought a high level of convenience to the transport sector in South Africa.

“Because these are innovative companies so they like to keep with the times. There was a safety feature that they recently installed. It allows for a requestor to be blocked on the platform if the driver suspects it’s a meter taxi driver.”
(Informant 2)

“Now you can call a cab from your own home and see who the driver is, what the car’s make is and the car registration.” Informant 4

“So, the customer gets piece of mind because they can verify the driver, the car and the registration number that’s on the app. It’s a preferred mode of transport than Taxify. Uber still has a competitive advantage over Taxify because of the stringent requirements.” (Informant 7)

5.4.3.3 Summary of Major Themes

Research Question 2: Growth of micro-enterprises is developed through the networks developed with partner firms and strong relationships with platform providers. In analysing the research questions, a number of major themes were established, as can be seen in Figure 11.

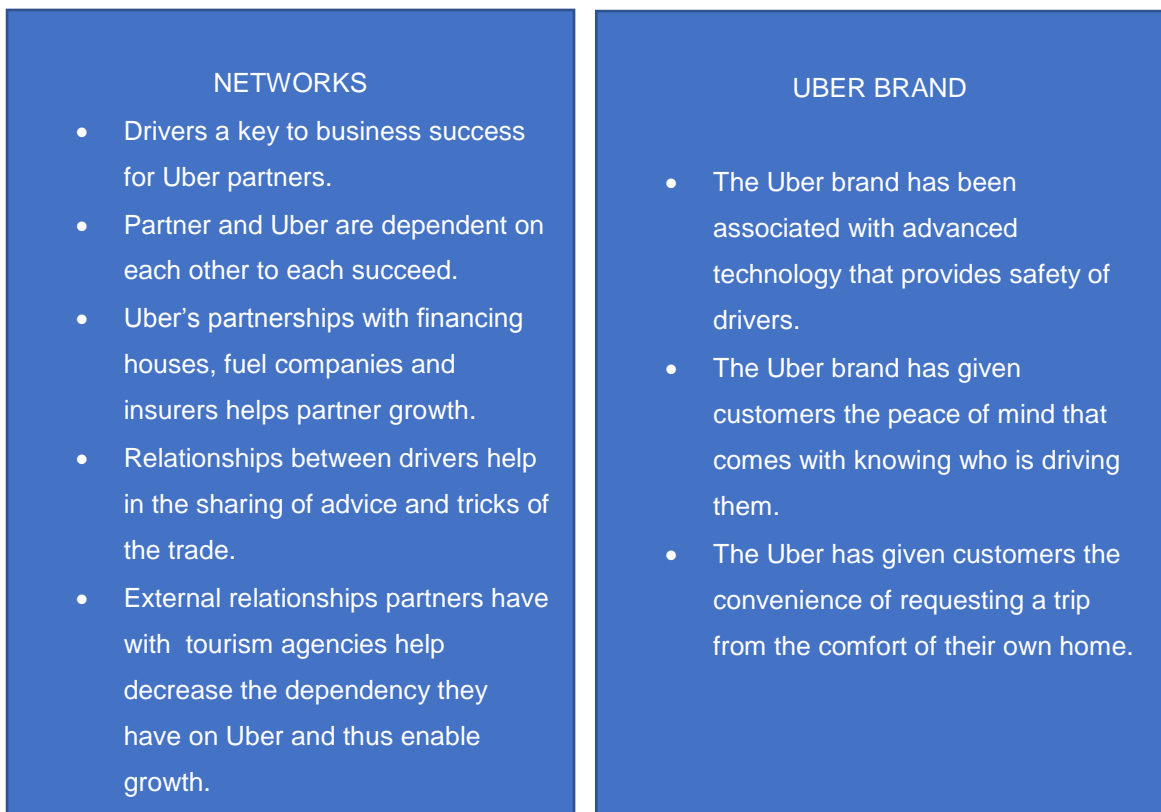


Figure 11: Research Question 2: Summary of Major themes and findings

5.4.4 Concluding Remarks

Research question 1 aimed to explore the inhibitors of growth for micro-entrepreneurs in the institutional environment. The inductive analysis of data revealed that the major factors that inhibit growth fall within the major themes of **Barriers to Entry**, **Strategy**, **Risk and Competition**, **Scalability and Sustainability**, **Moral Hazard** and the **Power of Suppliers and Customers**. **Barriers to Entry** included a discussion on the advantages that early entrants have in the form of increased number of cars and preferential communication. The belief that there are too many cars on the platform has been said to have affected profitability. **Strategy** refers to the large percentage fee that

Uber takes as an administration fee as well as the lack of consultative approach to changes made to the model. **Strategy** also refers to how the platform does not discriminate but rather ensures that every partner gets a fair share of the rides. This was said to prevent partners from building a competitive advantage that would allow them to get more trips allocated to them through the application. **Risk and Competition** was another major theme and it refers to the competition using violence to threaten drivers on the roads and the lack of Uber and government provided protection for drivers and partners. **Risk** also included the introduction of cash trips by Uber, leading to increased risk for drivers and partners. **Scalability and Sustainability** refers to the difficulty partners experience in increasing the number of cars they can have on the platform and the lack of sustainability of the business in the long run. Driver Dependency was considered crucial to the success of the business. The **Moral Hazard** exhibited by negative driver attitude, lack of honesty, and lack of education all being identified as affecting the profitability of the business. **Moral Hazard** also relates to customers that are loyal to drivers and not to the system, hence leading to unrealised profits for partners. The driver risk has been reduced through partners hiring out their cars to drivers instead of hiring these drivers. **The Power of Suppliers and Customers** refers to the increasing fuel, insurance and other costs while Uber does not pass these costs on to the customer, along with Informants mentioning that Uber has identified the customer as the primary stakeholder even at the expense of drivers and partners. The **Power of Suppliers** also relates to informants noting that there are only a few insurers willing cover the risk.

Research question 2 aimed to explore the enablers of growth for micro-entrepreneurs in the institutional environment. The inductive analysis of data revealed two major themes, **Networks** and **Uber Brand**, as the major factors in developing the growth of micro-entrepreneurs. Networks were found to include relationships between drivers, relationships between Uber and partners, relationships between Uber and other providers, and Partner relationship with external transport providers. These partnerships are key to enterprise growth. The **Uber Brand**, which includes the elements of safety, security and convenience, was also identified as an enabler of growth for partners.

The following chapter will discuss the findings with links to the literature being made.

6. Discussion of Results

6.1 Introduction

This chapter discusses the key findings from the 14 interviews conducted with Uber partners. As in Chapter 5, the discussion is presented per research question. Findings are related to the literature to determine whether the data agrees with, contradicts, or adds to the literature.

6.2 Research Question 1

How does the institutional environment inhibit growth for micro-enterprises?

The inductive study revealed the following major themes with regards to the inhibitors of growth for micro-enterprises: **Barriers to Entry, Strategy, Risk and Competition, Scalability and Sustainability, Moral Hazard, and Customer and Supplier Power.** Each theme will now be discussed in relation to the literature.

6.2.1 Barriers to Entry

The **Barriers to Entry** theme is made up of the following sub-themes: Early Entrants Advantage and Number of Cars.

Literature shows that one of the objectives of the taxi industry regulations was to control the entry into the industry as well as enforce price floors and ceilings for the services rendered (Kim et al., 2018). In the American context, medallions are required of operators in the taxi industry; medallions provide the authorisation for an automobile to operate as a taxi. Taxi drivers are also required to carry pricy commercial insurance, possess a chauffeur's license and ensure that their cars go through a comprehensive safety assessment. Uber drivers, however, are excluded from such entry requirements (Gabel, 2016) since Uber has classified themselves as an information company (Agovino, 2017) and an internet company that falls under the Telecommunications Act in America and not the within the ambit of the transport industry (Elliott, 2016). As a result of not having to abide by the same laws and regulations as incumbent taxi companies, Uber is able to provide transport services at a reduced cost (Gabel, 2016). This has reduced the barriers to entry for Uber partners in the taxi industry.

In addition to Uber reducing the entry requirements for their partners, literature also shows that Uber has managed to create barriers to entry for other providers trying to enter or compete in the industry. These barriers include the use of technology to drive efficiency and create an environment of trust (Lobel, 2016).

Although the literature showed the reduced barriers to entry for Uber partners, the data concentrated on the barriers to entry within the Uber model. The data showed how early entrants into the Uber model were given the opportunity to put a large number of cars onto the platform and that this provided early entrants with the opportunity to make profits in the long run. This also provided them with preferential treatment when it comes to communication with Uber. These partners were not restricted by the number of cars they could have on the platform while newer partners have complained about feeling restricted. This finding adds to the body of literature in suggesting that barriers to entry increase, in terms of the number of cars partners can have on the platform, the longer the platform is in operation.

6.2.2 Strategy

The **Strategy** theme is associated with sub-themes Revenue structure, Imbalance of power and Equitable practices. Each sub-theme will be discussed separately as it relates to the literature review.

6.2.2.1 Revenue Structure

The data revealed that the percentage that Uber charges (20% - 30%) as a fee to partners for the operation on its platform as being too high and resulting in one of their biggest institutional challenges to growth. The basis for partners considering this percentage high was that they compared it to the rate taken by Taxify, Uber's competitor in South Africa. Taxify only requires 15% of revenue from their partners. Other partners considered the percentage high when considering that franchise models take 10% or less. An additional concern was raised about Uber taking their fee from the revenue and not from profit; a partner explained that taking their share from revenue meant that Uber's share could be as much as 50% of profit.

The data confirms the literature. Following a strike in Tswana by Uber and Taxify partners, Independent Online (2018) reported that partners and drivers consider the percentage taken by Uber high in light of increasing fuel costs and expensive

insurance costs. The consideration for Uber taking a percentage of revenue and not profit brings a new dimension to the inhibitors of growth for micro-enterprises operating in the Uber model that has not been discussed in the reviewed literature. The varying commission rates stated by partners seems to confirm the literature which states that drivers are unable to keep up with the changes and because of the frequent changes, drivers may not be aware of the terms and conditions in force at a particular time (Calo & Rosenblat, 2018).

6.2.2.2 Imbalance of power

The **Imbalance of Power** was made apparent in the way Uber affects changes relating to the model and revenue structure. The percentage Uber took changed from 20% to 25% and this, along with the change that allowed cash payments were changes that were unilaterally implemented in the system and partners were not consulted. This has shown to affect partners negatively.

This finding supports the literature. In the literature, it was found that a collaborative approach is not taken by Uber with regard to affecting significant business changes that affect the partners. It was found that instead, decisions such as changes to pricing are decided at a management level and simply communicated to partners (Sundararajan ,2014). Rosenblat and Stark (2016) note how Uber has the power to make unilateral changes to base rates of drivers through its use of its one-sided contracts. Uber has the power to change agreements as and when they see fit. It has also been noted that a lot of the time, drivers are unable to keep up with the changes and because of the frequent changes. (Calo & Rosenblat, 2018). This was found to be one of the institutional inhibitors of growth for partners.

6.2.2.3 Equitable Practices

The data showed an interesting inhibitor to growth that was not found in the literature. The data revealed the lack of system/model discrimination as one of the barriers to growth. The model attempts to ensure that all drivers get an equal share of trips; this practice has been termed "Equitable Practices". These equitable practices mean that although ratings ensure partners are able to participate on the platform, differentiation and customer loyalty at a partner level, would not lead to a competitive advantage for a particular partner in this model as it cannot lead to increased customers.

Equitable practices refer to one of the practices that are fundamental to the Uber model. Many partners spoke about how Uber's practices of treating every driver in a way that does not discriminate when it comes to the allocation of trips. Partners discussed how they thought Uber does not want one partner making more money while others make less.

While the literature shows that partners are deactivated if they do not maintain a specific rating (Sanders & Pattison, 2016), it is interesting that partners have mentioned that the increased customer service does not translate into increased business. It seems that although good ratings ensure that you do not get deactivated, good ratings may not give you an advantage over other partners when it comes to securing more trips.

Building customer loyalty was closely linked to this principal. Customer loyalty was not considered important in benefiting a particular driver or partner but rather benefiting the entire group of drivers/ partners in building the Uber brand. Although the lack of individually benefiting customer loyalty was identified as a constraint to growth for partners, it was also considered to have a positive effect for all partners and drivers in the long run as they all worked together towards building the Uber brand which then leads to more customers.

The current reviewed literature on Uber and the gig economy does not put emphasis on the restraints in growth provided by equitable practices provided in the Uber model.

6.2.3 Risk and Competition

Partners considered a variety of competitors which include Taxify, shuttle services, car rentals and people who chose drive their own cars. Competitors like Taxify were noted as cheaper for the customer but do not provide the value provided by Uber and they have been said to be riskier.

When considering the risks that partners are exposed to, the metered taxi industry was overwhelmingly discussed by various partners. The data revealed the challenges experienced by both drivers and partners relating to violence, limitation of the routes drivers can use and where drivers can park.

Many news articles reported the violence experienced. As at January 2017, there had been a total of about 300 attacks in Gauteng: 204 incidents occurred in Tshwane, 86 in Johannesburg, and four in Ekurhuleni (eNews Channel Africa, 2017). Business Day (2017) reported the violence that had ensued and called upon both Uber and government to put in concerted efforts to protect drivers. Many of the partners agreed with this view and mentioned that Uber is slow when attending to the matter of violence from the meter taxi association while some have mentioned that both Uber and government have a serious part to play in educating and protecting drivers.

The overwhelming talk of metered taxis as inhibitors of growth for partners represents an informal institutional constraint to partner growth and this supports the literature. Literature notes unfair competition and unfair business practices are some of the complaints lodged against Uber from an societal context (Posen, 2015).

Risk also included Uber allowing cash payments by customers. While cash payments may be practical in the South African context, where the unbanked are given access to using Uber, partners have mentioned this risk as one that leads to crime and the inability to identify those criminals. Independent Online (2016) reported that partners and drivers complained about the introduction of the cash option and that it put them in conflict with metered taxis because cash paying customers are considered to be metered taxi customers and not Uber customers.

The data supports the literature in that cash payments lead to violence and an inability for Uber and the police to identify possible criminals who may call an Uber in the attempt to perform criminal activities. The data, however, also revealed that initiatives have been put in place by Uber to promote the use of none cash options.

6.2.4 Scalability and Sustainability

Scalability speaks to the ability for partners to add more cars on the Uber platform which is an indication of growth in this model. **Sustainability** refers to the ability for the business to have a long lifespan. Many partners lamented the limitations around the number of cars they are able to have in operation on the Uber platform. While many of them understand that the limiting of cars is driven by demand in the market and that limiting of cars provided profitability for partners already in the system, they also lamented the fact that instead of Uber looking at partners who run good businesses and offering them an opportunity to add additional vehicles on the platform, Uber

offered additional platforms space to drivers, making it difficult for partners to scale up and increase their fleets.

The literature shows that there is a large opportunity for entrepreneurship earnings in the gig economy (Richter et al., 2017). Literature also shows that the gig economy could provide a gateway to independent businesses (Sundararajan, 2014a), Ravenelle (2017) notes that it is not known whether the gig economy is subsistence entrepreneurship or if it has the potential to grow from subsistence entrepreneurship into mainstream small businesses. Part of what would enable the potential for growth would be the ability to add more cars onto the platform. The data adds to the literature by revealing that the ability to grow is constrained by market forces of available, or created demand, as well as Uber offering additional space on the platform to new partners and drivers who have been registered on their system but do not own their own cars rather than to established partners already on the platform.

Partners also noted that certain structures, practices, disciplines and cultures need to be adopted to encourage and support sustainability of micro-enterprises. The data adds to the literature by showing that Uber does not put concerted efforts into making sure that partners create sustainable businesses through providing programs that educate partners on how to be sustainable.

6.2.5 Moral Hazard

Moral Hazard was identified as one of the major themes in this study. The institution was shown to provide opportunities for drivers to act out of the agreed terms with partners. Drivers are a key dependency to growth of the Uber partner firms. The data showed that drivers can either make or break your business. Negative driver attitudes, negative driver behaviour, lack of honesty, and lack of education have been identified as some of the factors that lead to partners not making money. The driver attitudes and behaviours may be related to partners operating in the South African context. This supports the literature as literature shows that within the South African context, the formal context is bound by high unemployment which measured 26,7 % in the last quarter of 2017 (Statistics South Africa, 2018). South Africa is also one of the most unequal economies in the world, with the Gini coefficient measuring 0.65 in 2014 and 20% of the population surviving on less than 3% of expenditure while the richest 20% of the population consume 65% of the countries expenditure (World Bank, 2018).

Informal institutions are unregulated and avoiding rules and regulations is a socially acceptable practice in South Africa (Webb, Ireland, & Ketchen, 2014). In addition to this, literature showed that inequality has a tendency to increase crime in a number of different ways, from increasing the social tensions to providing incentives to criminal activity (World Economic Forum, 2014).

Moral Hazard also refers to how customer loyalty to the driver may lead to drivers doing private cash trips that the partner would not know about and thus the partner is unable to realise that revenue. This act of dishonesty could also be a function of operation within the South African context.

A particularly interesting finding that adds to the literature is that customer loyalty to a particular partner is not possible within the system and customer loyalty to a driver is not beneficial to the partner as the system does not allow for customers to request specific drivers. Drivers are then able to make arrangements with customers outside of the system which only benefits that driver and not the partners.

6.2.6 Supplier and Customer Power

6.2.6.1 Supplier Power

The significant service providers that provide inputs into the micro-enterprises of Uber partners include fuel companies that provide petrol to run the vehicles, car dealerships, financing houses that offer financing for the purchase of vehicle, insurance houses that provide commercial insurance with public liability, and the governing bodies of transport and licensing in South Africa (Business Tech, 2018a). The data identified similar providers.

Although literature did not identify suppliers as major inhibitors to the growth of micro-entrepreneurs, the data revealed the increasing price of fuel that is not followed by an increase in base rates charged to customers is a major concern and constraint to profitability. Insurance companies increasing premiums after policies have been issued or simply refusing to cover the risks placed is also a concern and has been identified as an institutional inhibitor of growth for micro-entrepreneurs.

6.2.6.2 Customer Power

Customer Power has been defined as the ability of customers to drive prices down and hence affect the profitability of Uber partners (Porter, 2008). Literature also states that if the services offered are undifferentiation, customers have the power to drive prices downwards, this increases the power of customers (Porter, 2008).

The data shows that the power of customers is significant when compared to that of partners. Although literature did not identify customers as major inhibitors to the growth of micro-entrepreneurs, most partners mentioned that they believe that Uber considers customers as their key stakeholder and thus the customer always comes first; whether it relates to customer views and complaints or the fact that customers' rates had not been increased even though fuel costs had increased, leading to lower returns for partners.

6.2.7 Conclusion to Research Question 1

The following major themes were identified as challenges to growth for Uber partners **Barriers to Entry, Strategy, Risk and Competition, Scalability and Sustainability,** and **Customer and Supplier Power.**

Barriers to Entry traditionally keeps new firms from entering the industry, however, because Uber classified itself as an information company, many of the licencing and regulatory requirements that were supposed to create barriers to entry do not apply to Uber partners, hence, Uber has significantly reduced barriers to entry for its partners. The data added to the literature by focusing more on the barriers to entry created among partners by the Uber model. Data showed that early entrants had an advantage of adding a large number of cars and preferred communication channels with Uber while late entrants were limited by Uber with respect to how many cars they could add on the profile. This was noted as a limitation based on the market itself as well as the actions by Uber to rather provide available spots to drivers who would become new partners rather than those who are already on the platform.

The data showed that not only is the percentage charged by Uber considered high but the lack of a consultative approach taken by Uber in affecting changes to pricing and the type of payments accepted by drivers inhibited growth. This finding is confirmed by the literature.

The practices of creating an equitable environment where all partners get an equal share of rides creates an environment that partners felt inhibited their growth. The data showed that the act of a partner differentiating themselves from another or trying to building customer loyalty would not lead to a direct competitive advantage as customers were unable to request for the same driver. These factors mapped into the major theme of **Strategy**.

The concerns around the metered taxi violence and the introduction of cash payments by Uber created an environment of increased risk for partners to operate in. These concerns were mapped to **Risk and Competition**. These risks were supported the reviewed literature.

Scalability and Sustainability of micro-enterprise businesses in the Uber model refers to the ability to add new cars and remain operational in the long term. The data adds to the literature by adding the limitation in the model to add cars onto the platform which is driven by market forces as well as Uber's actions of providing available spots in the platform to new partners as opposed to existing partners. The lack of sustainability of micro-enterprises also adds to the literature and was found to be as a result of the lack of efforts by Uber in educating new entrepreneurs at creating sustainable businesses.

Moral Hazard was identified as one of the key themes. Negative driver attitudes, unethical behaviour, and lack of honesty were identified as inhibitors to growth. Although this was not found in the literature, the South African context of high unemployment and inequality has shown to create incentives for corruption and rent seeking behaviour.

Customer and Supplier Power was shown to be high when compared to partner power. Literature showed the imbalance of power between Uber and Uber partners but the data showed that there is a further imbalance of power between partners and supplier, and partners and customers. Partners are at a disadvantage when it comes to their bargaining power with suppliers and customers.

6.3 Research Question 2

How does the institutional environment enable growth for micro-enterprises?

The major themes identified were **Networks** and the **Uber Brand**.

6.3.1 Networks

Trimi and Berbegal-Mirabent (2012) identify social networks as critical in enabling entrepreneurial growth. Dee and Fiona Jones (2016) add to this view by identifying networks as creating external support mechanisms for entrepreneurs. For micro-enterprises, networking is associated with business performance and is a key ingredient in the growth of micro-enterprises into small businesses (Gherhes et al., 2016). **Networks** came up as major theme in the study with the data identifying a key dependency on drivers or how the partnerships Uber has with a number of their suppliers in the form of vehicle financing houses, oil companies and insurance companies has really helped them grow. Some partners also mention how they had made partnerships with other players in the transport industry that have enabled sustainable growth. The partnerships that partners have with Uber was also noted as key to their operations.

The literature points out two relationships as key to the success of partners. These two relationships are those partners have with platform providers as well as relationships formed with other partners. These relationships have been identified as key in providing the resources needed by partner firms (Srinivasan & Venkatraman, 2017). The data confirms relationships that partners have with each other and those they have with partner firms as key to their growth.

In addition to the networks noted in the literature, the data extends the literature by showing a number of other networks that have been critical in the growth of partners. The partnerships that Uber has developed with a number of suppliers that partners need in the form of insurers, fuel companies and car dealerships has helped partners manage costs and thus provides growth for their enterprises. The external partnerships that partners made enabled them to make some money outside of Uber and reduce the overreliance on Uber. Partners have identified the external partnership developed to have enabled growth outside of the Uber model while using learnings and resources developed within the model.

The data supports the literature as the literature notes that external networks offer the insights of operating in a different market without having operated in that particular

market. These types of networks help enterprises develop new capabilities. It has been shown that creating networks is beneficial to the survival of enterprises in the long run (Gherhes et al., 2016).

The data also adds to the literature by showed that relationships between drivers created through WhatsApp groups enabled drivers to share information, advice and tricks of the trade. Although the literature states that networking is especially important as it drives organisational learning (Gherhes et al., 2016), it is limited on the importance of relationships between drivers as a key driver for entrepreneurial growth.

6.3.2 Uber Brand

The data showed that the association with the **Uber Brand**, as well as certain elements of the brand, provided partners with the ability to grow their businesses. Partners noted the ability for drivers to use the application to block customers that they suspect to be metered taxi providers who may want to harm them or their businesses as a way that Uber enables their growth.

The data supports the literature as it was found in the literature that through the use of ICT, entrepreneurs are able to respond to the market in efficient ways through a better understanding of competitors and markets (Zhang & Li, 2018).

The literature notes that what platform companies have managed to do in the gig economy is provide both clients and partners with dynamic information (Lobel, 2016). In addition to ICT reducing asymmetrical information in the market, (Lobel, 2016) notes that through increased connectivity, the provision of access to information and efficient technology, platform companies are reducing transactional costs. Transactional costs include searching for a particular service and the service provider, negotiating the terms of service and price as well as monitoring and compliance costs. Uber has significantly reduced transaction costs for both clients and micro-entrepreneurs through the provision of dynamic information.

When it comes to the brand association with customers, the data revealed the security features in allowing the customer to identify their driver before meeting them as providing customers with a sense of safety. It was also noted that Uber has brought a high level of convenience to the transport sector in South Africa, allowing customers to request a taxi from the comfort of their own home. In addition, the literature shows that

platform providers provide reputable brands, marketing and efficient payment methods that would not be ordinarily available to micro-entrepreneurs, this helps to reduce the barriers to entry for new firms (Petropoulos, 2017).

Considering the changing consumer culture, the data supports the literature as the literature shows that the gig economy has managed to respond to the changing consumer culture that focuses on technology, convenience and safety. The gig economy put together collaboration, technology and a desire to make better use of goods and services (Davidson et al., 2017). Customers are looking for more options for getting from one place to another and are looking for alternative fare prices (Posen, 2015). In addition, the literature shows that what Uber and other platform companies have done is manage to reduce information asymmetries through providing “dynamic ratings, reviews, and information” (Lobel, 2016, p.112). This information is said to increase customer confidence as well as reduce the costs associated with monitoring behaviour on the platform as participants are aware that they will receive a bad rating or review if they do not meet the required expectations (Lobel, 2016). This essentially means that customers are provided with reliable information that leads to trusting the driver.

6.3.3 Conclusion to Research Question 2

The data revealed that **Networks** and the **Uber Brand** were the major factors that lead to enterprise growth for partners. The data showed that over and above the relationships identified in the literature, relationships with drivers, partnerships that Uber has with a number of their suppliers in the form of vehicle financing houses, fuel companies, insurance companies, and partnerships that Uber partners have with external players in the transport industry have all been key enablers of growth.

Literature identified two key **Networks** in the growth of partner enterprises. The first, networks between partners and the platform provider and second, the networks between partners. The data adds to the literature by identifying a number of other networks critical to the growth of partner enterprises. Networks Uber has developed with service providers (e.g. fuel providers, insurers and financing houses), networks between drivers, and external networks that partners develop themselves have all shown to enable growth of partner enterprises.

The data is also consistent with social networking theory. This theory appreciates the fact that social behaviour is embedded in a social context and that economic value is derived from these networks. The underlying assumption in social networking theory is that key resources can be accessed through personal relationships (Dawa & Namatovu, 2015).

The **Uber Brand** has been identified as a factor that enables growth for partners and this supports the literature. The brand that partners have decided to associate with is a significant driver to growth. The **Uber Brand** enables partners to feel like their businesses are safe because Uber makes an effort to protect drivers. The **Uber Brand** also attracts customers through the positive elements of the brand of safety and convenience.

The following chapter presents the concluding remarks for the study.

7. Conclusion

7.1 Introduction

The previous chapter discussed the data findings in light of the reviewed literature in Chapter 2. This chapter aims to combine the discussion and data findings into a set of concluding key findings in light of the research objectives developed in Chapter 1. This chapter provides the research limitations that then feed into recommendations for future study. The chapter also provides key recommendations for business and practice leaders based on the findings.

This study sought to explore the potential for micro-entrepreneurs to grow into mainstream small businesses in the gig economy. In answering the research problem, two fundamental questions were explored.

1. How does the institutional environment enable growth for Uber partners?
2. How does the institutional environment inhibit growth for Uber partners?

7.2 Principal Findings

7.2.1 Enablers of Growth of Uber Partners

The research questions were explored through the use of Uber partners as the sample. The inductive study revealed two major enablers to growth for micro-entrepreneurs. These are Networks and the Uber Brand.

7.2.1.1 Networks

Networks were found to be a key enabler to the growth of micro-enterprises. The literature pointed out that Uber does not create an environment that is conducive to forming networks between partners that allow for partners to come together and create any sort of coordinated action (Sundararajan, 2014b). The literature noted that although Uber does not deliberately provide such an environment, networks are a key enabler of growth for micro-enterprises. Literature showed that the networks that enable growth for micro-entrepreneurs in the gig economy are those that entrepreneurs form with each other and the networks partners form with platform providers (Srinivasan & Venkatraman, 2017). The data, however, revealed that there exist

multiple relationships that are critical to the success of micro-entrepreneurs in both the short and long term.

Relationships between drivers help in sharing active tips and tricks of the trade. The relationships that Uber developed as a platform provider with suppliers that partners need — such as relationships with fuel companies, insurers and financing houses — help partners manage increasing input costs of operation and hence profitability. An interesting finding with regard to networks is how the forming of external networks, like networks with travel agencies, while using the resources gained from operation in the Uber platform, assist in reducing the dependency that partners have on Uber, thus spreading the risk and improving the potential for growth and sustainability of micro-enterprises.

7.2.1.2 Uber Brand

The research found that association with a reputable brand enabled growth for micro-entrepreneurs. The association with a reputable brand enables growth by firstly providing drivers and partners with support, not only in the form of marketing and billing as found in the literature but also providing support and protection from the external elements, such as metered taxi violence, in the environment that partners find themselves in. Secondly, the association with a reputable brand keeps customers happy and thus increases customer numbers for partners.

7.2.2 Inhibitors of Growth of Uber Partners

The inductive study revealed the following major inhibitors to growth for micro-entrepreneurs. These inhibitors are Barriers to Entry, Strategy, Risk and Competition, Scalability and Sustainability, Moral Hazard, and Customer and Supplier Power.

7.2.2.1 Barriers to Entry

Literature revealed that Uber has significantly decreased the taxi industry barriers to entry for Uber partners (Gabel, 2016; Lobel, 2016; Petropoulos, 2017) and provided new barriers to entry for new firms who would like to compete with Uber partners through the use of technology (Lobel, 2016). The research, however, found that there exist internal barriers to entry for micro-entrepreneurs who enter the platform much

later in the life of the platform. They are restricted by the number of vehicles they can add onto the platform and do not receive the preferential communication received by early entrants.

7.2.2.2 Strategy

This study showed that Uber's strategy as it relates to the fee charged to drivers is considered one of the major inhibitors to growth. The imbalance of power in favour of Uber, shown by Uber's ability to make unilateral changes to fees and the operational model, was found to be an inhibitor of growth for micro-entrepreneurs. Uber's use of "equitable practices" to allocate rides, a practice that does not discriminate or allow customer loyalty to specific partners, has been identified as one of the key inhibitors of growth. It was found that although the allocation of rides seeks to ensure an equitable allocation of trips, partners felt that there is no way that they could increase the number of trips they can get through increased customer service.

7.2.2.3 Risk and Competition

The risk taken by drivers and partners has increased with the unilateral decision made by Uber to accept cash payments from customers, which has been said to increase the probability of criminal activity and the inability to identify such criminals. In addition to this, the violence that has ensued between metered taxis and Uber drivers has also been shown to be one of the inhibitors of growth as it limits routes that drivers can use as well as where they can park and pick up customers.

Taxify, shuttle services, car rentals and people who chose drive their own cars are considered to be the competition. Competitors like Taxify were noted as cheaper for the customer but do not provide the value provided by Uber and they have been said to be riskier.

7.2.2.4 Scalability and Sustainability

One of the fundamental findings of the study is that there are forces outside of the micro-entrepreneur's control that restrict growth. Scalability refers to the ability for entrepreneurs to add more vehicles onto the platform; without scalability, the ability to grow is limited. Uber restricts the number of vehicles partners can add to the platform.

This is driven partly by Uber's attempt to manage the demand in the market and hence manage the profitability of partners already on the system. The lack of scalability is also a function of what partners have mentioned as deliberate actions by Uber to allocate available spots for new vehicles to new partners rather than established partners in the system. This exhibits an institutional constraint to growth for partners. The secondary finding is that Uber has not deliberately put measures in place to ensure that partners run a sustainable business through training, policies, and practices.

7.2.2.5 Moral Hazard

Drivers were found to exhibit Moral hazard. The institutional environment was found to provide opportunities for drivers to act contrary to agreed terms with partners. The high level of dependency that partners have on drivers was identified as an inhibitor to growth. It was found that drivers can either make or break the enterprises of partners. Drivers were found to exhibit unethical and dishonest behaviour that has led to partners not realising the profits they could have been realising.

7.2.2.6 Customer and Supplier Power

The final finding of the research was that not only is there an imbalance of power between Uber and Uber partners in favour of Uber, but there is also an imbalance of power between partners and customers, in the favour of customers as well as an imbalance of power between partners and suppliers, in favour of suppliers. The data showed that while input costs increased for partners, Uber did not increase the base rates charged to customers. The data also showed that most partners considered Uber placing more value on customer views and complaints instead of their views and complaints. The data also found that suppliers are able to change prices and affect the profitability of partners.

7.3 Recommendations for Governing Bodies, Platform Providers and Micro-entrepreneurs

The institutional environment, made up of regulatory, societal and cultural context, helps to explain the success or lack of success of micro-entrepreneurs (Bruton et al., 2010). The recommendations cover the relevant institutional parties.

Governing bodies have a significant part to play in the development and success of micro-entrepreneurs (Xing, Liu, & Cooper, 2018) and, as result, in the development of economic growth. Governing bodies such as The Department of Transport need to be cognisant of their ability to both enable and constrain the growth of micro-enterprises so as to create environments that are conducive to the growth of micro-enterprises.

Uber, as an institution, has the power to enable and inhibit growth for micro-entrepreneurs. In growing the Uber business, the growth of micro-enterprises should be considered. Attention should be given to the use of power in making unilateral changes that affect partners, as well as the limits to scalability and sustainability provided in the model. Enablers of growth, such as the creation of networks and creating positive brand experience, should not be neglected.

Current and aspiring micro-entrepreneurs should be cognisant of the institutional environment factors that inhibit and enable growth as these shape the actions taken by micro-entrepreneurs (Co, 2004). Current and aspiring micro-entrepreneurs should consider using the operation capital, such as licenses, gained from operation in Uber outside of Uber in order to grow their enterprises.

7.4 Research Limitations

7.4.1 Sampling Bias

The population was limited to Uber partners in Johannesburg. This may affect the ability to generalise the findings to a larger population group as the context may change in different areas.

The use of purposive sampling snowballing has created a bias in that respondents identify individuals with the same views they have. This risk was mitigated through only taking one referral per interviewee and is not expected to affect the reliability of the findings.

7.4.2 Researcher Bias

Qualitative research is subjective and as such, the results may be influenced by the researchers own viewpoints. This risk was mitigated through an iterative review

process with the academic supervisor and is not expected to affect the reliability of findings.

7.5 Recommendations for Future Research

This research used Uber as a sample of the gig economy; it may be that other gig economy companies operate models that are significantly different from the Uber model. Future study could look into the growth of micro-enterprises in the Airbnb model. This model exhibits differences in that customers are able to choose their preferred provider and have the ability to communicate more directly with the service provider (Airbnb, 2018). The longer-term contracts that customers have with service providers also provide interesting research possibilities. It is therefore recommended that other gig economy companies be used to explore the research problem.

The confining of the research to Johannesburg also brings some location specific limitations that may not be present in all locations. It may be worthwhile to explore the research topic in different locations.

Studies into the gig economy are still at their infancy (Healy et al., 2017). The study found that part of what limits the growth of micro-enterprises is the demand in the market. Partners mentioned that Uber limited the number of cars they could add onto the platform as a function of the limited demand for trips from customers. Future research could explore the management and creation of demand by platform providers in the gig economy.

7.6 Conclusion

The study undertook to explore the potential for micro-enterprises to grow into mainstream small businesses in the gig economy. While the study found that there are enabling regulatory, cultural and societal factors that foster growth for micro-entrepreneurs, it was also found that there are some factors that inhibit growth in the institutional environment.

The institutional context of Uber, as well as of South Africa, shows a number of inhibiting factors to the growth of micro-enterprises. The research has shown that the South African context exhibits a number of constraints to growth for micro-entrepreneurs such as a culture of collectivism, unemployment, inequality, and

corruption from a government and societal point of view. The institutional context of Uber displays some growth enabling factors; however, the research has shown that the institutional context exhibits many more growth inhibiting factors. The research shows that the institutional context is more conducive to providing additional income or subsistence income rather than transformational income. In addition, the research shows that the platform provides a healthy opportunity for micro-enterprises to operate and gain subsistence income but does not necessarily provide significant potential for micro-enterprises that would like to grow into transformational entrepreneurs. This research has found that the opportunities to create transformational income in the Uber model are limited.

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9. Appendix B Interview Schedule

Background Question: Please tell me when you started operating in the Uber business, how long you have been operating with Uber, how many cars you have on the platform and any other background information you think is important.

1. How does Uber and the Uber business model enable you to grow your business?
2. How does the environment you operate in enable you to grow your business?
3. How does Uber and the Uber business model prevent you from growing your business?
4. How does the environment you operate in enable you to grow your business?
5. Do you feel that Uber places equal value on customer views and complaints versus partner views and complaints?
6. What are the challenges you face in increasing your profitability?

10. Appendix C Interview consent form

I am conducting research at the University of Pretoria's Gordon Institute of Business Science on the potential for micro-enterprises to grow from subsistence entrepreneurship to mainstream small business ownership in the Gig Economy. Our interview is expected to last about 35 minutes and will help us understand if the entrepreneurship offered by companies like Uber allow for growth of micro-enterprises to small businesses in Johannesburg. Your participation is voluntary and you can withdraw at any time without penalty. All data will be reported without identifiers. Kindly note that the interview will be recorded.

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

Researcher Name: Otshepeng Seroka

Research Supervisor Signature

Email: tshepim@gmail.com

Email : kmguni@sword-sa.com

Phone: 082 920 9424

Phone: 082 498 8611

Signature of participant: _____ Date: _____

Signature of researcher: _____ Date: _____

11. Appendix D: Confidentiality Form

I _____ hereby agree to keep maintain all confidentiality in the study on the potential for micro-enterprises to grow from subsistence entrepreneurship to mainstream small business ownership in the gig economy.

I agree that:

I will maintain confidentiality of the individuals that may be revealed during the interview process

I will not make copies of the audio recordings

I will not share recordings or transcription with anyone other than the researcher

I will return all the information to the researcher and destroy all information in my possession once research is completed.

All recordings and transcripts will be held in a safe place for the duration of the research process.

Signed _____ Date _____

12. Appendix E: List of Codes

ATLAS.ti Report

Interview Analysis

Codes grouped by Code groups

Report created by Tshepi on 18 Sep 2018

⊞ Accessibility

7 Codes:

- communication
- inclusivity
- office accessibility
- office support
- Routes
- uber communication
- Uber penetration

⊞ Application Changes

5 Codes:

- app feature changes
- Deactivation of drivers
- introduction of cash
- operation changes
- price changes

⊞ Competition

2 Codes:

- competition
- market creation

⊞ Costs

3 Codes:

- car insurance
- car maintenance
- car petrol

⊞ Customer

4 Codes:

- Customer discounts
- customer free rides
- Customer Views vd Partener Views
- Rider fares

◇ customer loyalty

1 Codes:

○ customer loyalty

◇ Driver Behavior

7 Codes:

○ driver attitude

○ driver commitment

○ Driver dishonesty

○ driver reliability

○ driver schedule

○ Driver taking advantage

○ model adjustments by drivers

◇ driver dependency

2 Codes:

○ driver key resource

○ driver trust

◇ Driver networks

1 Codes:

○ Driver networks

◇ female dynamic

1 Codes:

○ female dynamic

◇ Government

6 Codes:

○ governments part

○ governments permits

○ Meter Taxi's

○ regulate and protect drivers

○ system corruption

○ taxi industry

◇ partner networks

3 Codes:

○ model adjustments by partners

○ networking-entrance

○ partner networks

◇ partner unique offering & differentiation

1 Codes:

- partner unique offering & differentiation

◇ Revenue

7 Codes:

- adding cars not linked to profitability
- negotiating fee
- non standardization of fee
- partner strikes
- profitability
- Revenue
- Uber %

◇ scalability & Sustainability

1 Codes:

- scalability & Sustainability

◇ Threat of Entry

7 Codes:

- early entrants advantage
- entry process
- flexibility
- lack of control of cars
- number of cars affecting profitability
- onboarding process
- too many cars

◇ Uber Brand

11 Codes:

- easy and convenient
- environmental concerns
- inefficient driver screening
- inefficient driver training
- security
- strict driver training
- strict driver screening
- traffic concerns
- uber good requirements and standards
- unemployment
- Value creation

◇ Uber Networks

2 Codes:

- uber & goverment

- uber partnerships

- ◊ Uber power

1 Codes:

- Uber power

- ◊ Uber Strategy

5 Codes:

- cashflow

- equitable practices by Uber

- Strategy

- Technology

- uber's growth

No code group

7 Codes:

- entrepreneurial choice

- entrepreneurial control

- livelihood

- Partner views

- passive income

- Recommendation

- spill over effects

13. Appendix F: Ethical Clearance

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

14 August 2018

Seroka Otshepeng

Dear Otshepeng

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee