

SUSTAINABILITY OF BUSINESS DEVELOPMENT SERVICES: GAPS ANALYSIS OF THE KENYAN MARKET

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ABSTRACT

A key challenge in entrepreneurship and private sector development is the provision of sustainable Business Development Services (BDS), particularly for micro and small enterprises. This study investigates how sustainability of BDS can be achieved, and how some providers manage to develop sustainable BDS and not others, using Grounded Theory. The findings suggest that there are at least nine specific demand-and-supply-side gaps in the BDS market which providers need to identify and fill if they are to become sustainable. The gaps relate to awareness, value, trust, quality, capacity, unwillingness to pay, appreciation, inability to pay and perception. How providers identify and fill these gaps depends on their strategic orientation, which is in turn shaped by their capabilities, their motivation to sustain the business and external factors. The findings have both theoretical and practical implications. Success in the industry requires a high level of dedication, commitment and patience than is typically needed in other industries. It takes time and personal sacrifice to invest in building relationships and trust with clients and incremental learning and innovation to fill the gaps. Filling some of the gaps requires collaboration among service providers. Some others require the action of the industry as a whole. The implications for policy is that BDS development endeavours should take into account the specific demands of the industry and take a holistic view that encourages the right kind of people to join the sector and for the gaps to be addressed at all levels.

INTRODUCTION

This paper analyses the gaps in the Business Development Services (BDS) market, showing how BDS providers (BDSPs) identify them, the consequences of the gaps and how they are filled by BDSPs who become sustainable. The gaps emerged as part of the findings of a study that sought to explain why some BDSPs become sustainable and

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others do not in the context of a developing economy. The study was conducted in Kenya through the use of grounded theory methodology.

BDS refers to a wide range of non-financial services provided to small enterprises (SEs) to help them operate efficiently and to grow their businesses with the broader purpose of contributing to economic growth, employment generation and poverty alleviation. The services include; Consultancy, Training, Counseling, Marketing Support, Provision of Technology, Policy Advocacy, Infrastructure and Access to finance (Miehlbradt & Mc Vay 2003a). Small and Medium Enterprises (SMEs) play a major role in economic development in all countries. They generate much employment and are widely considered to be vital for competitiveness and economic growth (Caniels & Romijn, 2005). However, smallness confers inherent competitive disadvantages especially in the context of globalization, which presents many opportunities as well as challenges to SEs. External support is therefore needed to help them reach their full potential. Therefore, services to promote and enhance SME competitive performance constitute important policy instruments in many countries, both developed and developing alike (OECD, 2004).

Until the early 1990s, the business support model was heavily supply driven, predominantly centrally organized and administered by governments, and heavily financed by foreign donors (Caniels & Romijn, 2005). This 'conventional' approach to BDS, emphasized donors' (supply-side) view of what was good for SMEs, focusing on training and counseling and saw SMEs as grateful beneficiaries of charity. However, these top-down programs suffered from widespread corruption and inefficiency, and lacked outreach, impact and relevance (Caniels & Romijn, 2005). The failures necessitated a number of paradigm shifts in the support models. First was the commercial approach under which service delivery was organized along commercial lines with the indirect facilitative role of donors, NGOs and developmental agencies. The Market Development Paradigm on the other hand emerged from a convergence of innovative practices, research and pioneering thinking. Under the market development approach, BDS must be demand driven, relevant, participatory and cost effective. The desirable result is that numerous SEs buy the BDS of their choice from a wide selection of products offered (primarily) by unsubsidized, private sector suppliers in a competitive and evolving market (McVay & Miehlbradt, 2001). In addition, services should be regarded as commercial products and companies that receive them as customers rather than beneficiaries. Furthermore, providers should always charge fees, and these fees should usually be high enough to secure the provider's financial sustainability (Swiss Agency for Development and Cooperation, 2000).

However, despite the paradigm shift in the support models, little seems to have been achieved in terms of impact, outreach or sustainability. Caniel's & Romijn (2005) noted that a great majority of small scale enterprises (consumers of BDS) in developing countries remain sluggish, struggling for survival. The majority of programmes and institutions designed to support small enterprises have reached and assisted only a minority of small enterprises (Mahemba & Druijn, 2003). Furthermore, huge amount of funds expended seem to have achieved little in terms of creating sustainable forms of institutional support (European Union, 2000). Public organizations supported to deliver services consumed the resources and continued to depend on aid, but with little or no income from SME clients. The workings of the BDSPs seemed more appropriate to the world of donors than to that of the SMEs. Impact has been minimal; there seemed to be little perceived value on the part of SME clients while the cost bases of the providers have been inefficient (Gibson, Hitchins & Bear, 2001).

Despite the apparent failure of BDS support models, individuals and/or organizations continue to offer BDS in developing countries. The Committee of Donor Agencies for Small Enterprise Development (CDAs), (2001) notes that, although many kinds of BDS in developing countries may not easily be visible, particularly to donors and other outsiders, there is evidence that BDS is being provided sustainably to very small enterprises on a profit basis. In Kenya, anecdotal evidence shows that there are private individuals and/or organizations offering BDS. This begs the following questions: are these businesses sustainable? If they are, and how can we explain their sustainability? And if they are not sustainable, how come private individuals/organizations continue to offer BDS? Indeed as highlighted above, the continued existence of BDS in developing countries suggests the need to further investigate the sustainability of BDS. Furthermore, despite concerns regarding the sustainability of BDS, there has been little academic research on the issue. Most research on the sustainability of BDS has been driven by donor rather than academic interests.

Existing theories and research findings on small firm success may not adequately explain the sustainability of BDS for a number of reasons: First, most BDS products are unique- they contain 'public' and 'private'¹ goods elements in them and as such markets cannot be expected to provide a socially optimal solution. Furthermore, the benefits of most BDS products are long term and indirect and so the market for BDS may not be ready for business. Second, the causes of success and failure of firms vary from one country to another, depending on economic, geographical and cultural differences, hence the need to carry out empirical investigation in different countries (Wijewardena & Garry, 1999). Furthermore, sustainability is not a 'clearly formulated concept'. The concept is ambiguous, multidimensional and contingent. Different people perceive sustainability in different ways and so it is difficult to arrive at a

consensus on the issue (Buchanan et al., 2005). For example, Owen, Mundy, Guild & Guild (2001) argue that organizations go into business to achieve long-term performance and create values and so a sustainable organization is one that thrives over the long haul and not just the short haul. A sustainable high performance organization is therefore one that is able to remain responsive to marketplace expectations and sustain the behaviours required to meet marketplace expectations (Owen et al., 2001).

The CDAs (2001) defines sustainability of BDS to mean that the provision of BDS should enable the generation of enough revenue to cover costs- excluding revenue from charitable sources (CDAs, 2001). Altenburg & Stamm (2004) strongly criticize this definition and argue that it presupposes that BDSPs use cost-analysis systems that enable them to determine the total cost and adequate price of each service product they provide, which may not be the case. They argue further that the market development approach, as expressed in the “Guiding Principles”, is too market-optimisticⁱⁱ and underestimates the degree of market failure in developing countries. They point out that, even in industrialized countries where service supply is usually of good quality and firms are able to pay sizable fees, many services are not provided on a cost-covering basis (Altenburg & Stamm, 2004). On the basis of the above arguments, the sustainability of BDS needs to be evaluated and understood in the context of a developing country and from the point of view of the providers. There is a need to investigate why and how some BDSPs become sustainable, whereas others do not in a developing country context. Although the knowledge of what brings sustainability is hereby examined in the context of BDS, it will be relevant in answering the broader question of why some enterprises survive and thrive and others do not or why some SME operators succeed and others do not.

In the BDS market, buyers and sellers exchange BDS products. According to Gibson et al., (2001) the level or volume of exchange or transaction that occurs between sellers and buyers of a given good or service determines a market’s effectiveness. Markets are effective where there is exchange between supply and demand at the market price. In the case of the BDS market, the market is effective when the consumer recognizes the causes of underperformance, concludes that a solution is required, and is willing to pay for a problem, solving service, while the provider has the abilities to present an attractive offer that the consumer wants and has the technical know-how to solve the problem with demonstrated positive impact on business performance (Gibson et al., (2001).

METHODOLOGY

The study employed grounded theory – the ‘approach to discovering theory from data’ (Partington, 2000). Grounded theory is an interpretive qualitative research method originally conceived by Glaser & Strauss (1967). Grounded Theory provides a researcher with data that will inform the research, resulting in the discovery of theoretical principles that are relevant to the investigation. In the current study, it made it possible to evaluate and understand the concept (sustainability of BDS) from the point of view of the actors. The choice of methodology was informed by three factors: First, there are no academic studies regarding the sustainability of BDS. Most of the studies have been donor driven. Second, the concept of sustainability is ambiguous, multidimensional and contingent; there is no consensus on the issue. Third, BDS have unique characteristics. For instance, some BDS are ‘public goods’ and as such markets cannot provide a socially optimal solution. Furthermore, the benefits of most BDS products are long term and/or indirect, implying that the market for BDS may not be ready for business.

The twin foundations of grounded theory are theoretical sampling and constant comparison. Under the approach, data collection, coding and analysis occur immediately, concurrently and throughout. Coding consists of naming and categorizing data. It is an analytical process through which “data are fractured, conceptualized and integrated to form theory” (Strauss & Corbin, 1998). Its aim is to recognize, develop and relate the concepts that are the building blocks of theory. Grounded theory uses the following levels of coding: open coding, axial coding, selective coding and theoretical coding (Glaser & Strauss, 1998). Open coding is the stage at which raw data are initially examined and coded through a process which fractures the interview into discrete threads of data which are then closely examined and compared for similarities and differences. Events, happenings, objects and actions interactions that are found to be conceptually similar in nature or related in nature or in meaning are grouped together under more abstract concepts termed “categories”. Axial coding (putting data back in new ways) is the process of relating codes (categories and properties) to each other, via a combination of inductive and deductive thinking (Strauss & Corbin, 1998). In axial coding categories are related to their sub-categories to form more precise and complete explanations of a phenomenon (Strauss, 1987).

Selective coding is the process of choosing one category to be the core category, and relating all other categories to it (core category). Selective coding allows the researcher to filter and code data which are determined to be more relevant to the emerging concepts. To facilitate this, the interview questions are continuously reformulated to encompass the new and more focused direction of the research (Jones, Kriflick &

Zanko, 2005). The final stage, theoretical coding, occurs when core categories have become saturated. Grounded theory builds an analytical case by constantly seeking new categories of evidence. Eventually after the period of data collection, a point is reached where no new data results from additional data collection; this is the point of saturation. Selden (2005) explains that one keeps on collecting data until one receives only already known statements. Theoretical coding examines these saturated categories and provides the researcher with analytical criteria which assist in the development of conceptual relationships between categories and their relevance to the literature (Glaser, 1978). Theoretical coding, along with sorting, puts the fractured pieces back together again to conceptualize relationships between the hypotheses derived through open and selective coding (Jones et al., 2005).

In the current study, the researchers identified and approached one BDS provider who was willing to participate in the initial interview. This participant was requested to tell her story. The issues that emerged (motives for venturing into BDS provision, her approach to business, and nature of the services provided and background characteristics) from this interview led to the selection of four other participants. These participants were approached and requested to participate in the research process. Using the issues that emerged from the initial interview, the researcher posed questions to these participants who were asked to tell their story as well. During the interviews, the researcher probed in order to clarify issues raised and to refocus the interview process. The researcher voice recorded the interviews and also wrote down field notes. After each interview the researcher transcribed these interviews. From these transcriptions the researcher wrote down short phrases. Allan (2003) describes this process as 'coding' and the short descriptor phrase as a code.

The initial open coding process generated seventeen categories, after which, the researcher revisited the data, collected more data (which involved selecting new participants as well as going back to the initial participants several times as new issues and new insights emerged), analyzed and compared the key points to see if similar codes occurred and grouped them together under related concepts. This is the stage of axial coding. Axial coding resulted in a reduced number of *seven* categories, called main categories. During axial coding some categories were changed as new data were collected and analyzed. Some of the names of the sub-categories (categories during open coding) also changed, while some categories were combined with others to form new categories. New categories also emerged during the axial coding process.

The next stage of coding is the selective coding stage- a process of integrating and refining categories (Strauss & Corbin, 1998). The selective coding process sought interrelationships between the categories. Selective coding requires the selection of the

central or core category, i.e. the central phenomenon which emerged from the axial coding process (Strauss & Corbin, 1990). After choosing one core category (BDSPs' strategic orientation) and positioning it at the centre of the process being explored, the researcher related all the other categories (motive to venture into business, BDSPs' background characteristics, BDSPs' ability to identify and fill gaps, external factors, BDSPs' perception of the business and BDSPs' motive to sustain the business) to it. These other categories are now referred to as "casual conditions, strategies, contextual conditions and consequences" (Creswell, 2002).

FINDINGS

Through constant comparison of incidents from the data, a number of categories and subcategories emerged. The categories were strategic orientation of BDSPs (core category); motive to venture into consultancy; BDSPs' background characteristics; BDSPs' ability to identify and fill gaps in the market; external factors; BDSPs' perception of the business; and BDSPs' motive to sustain business.

The main category 'BDSPs' ability to identify and fill gaps' refers to the provider's knowledge, skills and capacity to recognize the existence of the gaps as well as the ability to fill them. It resulted from combining three sub categories (categories during open coding) namely: staying close to clients, adding value, and building trust. It emerged that a number of *gaps exist* in the market and that for BDS to be sustainable, a provider needs to *identify and fill* the gaps. The participants consider this ability an important factor that *influences the performance of their* businesses. It also emerged that different providers use different ways to fill these gaps. There are a number of ways in which the providers identify the gaps. It also seems that identifying and filling the gaps is a continuous process. For example, one participant explained: "having worked with small-scale entrepreneurs, we realized that there were many small-scale entrepreneurs in Western Kenya who needed consultancy services". Another one said: "Whenever I met my former clients they would tell me you used to help us why don't you start something similar".

Table 1 summarizes the gaps in the BDS market and how BDSPs identify and fill them:

Table 1: The gaps in the BDS market, their consequences and how BDSPs fill them

Labeled codes	How BDSPs identify the gaps	Existence	Consequences	How BDSPs fill the gaps
Awareness Gap	BDSPs' own experience; Talking to potential clients and other BDSPs	Many people do not know about the benefits of BDS; BDSPs do not know one another	SE clients do not buy BDS	Awareness campaigns through workshops
Value Gap	Talking to existing and potential clients	Some BDPs sell services which don't add value	Clients are unwilling to buy	Demonstrating value e.g. through show case
Trust Gap	BDSPs' own experience; talking to clients and other BDSPs	Some clients/ providers have been cheated	Clients have lost trust	Building close contact with clients
Quality Gap	BDSPs' own experience; Talking to potential and existing clients	Lack of quality standards	Clients' inability to differentiate between products	Looking to regulate themselves/ demonstrating own quality
Unwillingness to pay	BDSPs' own experience; Talking to potential and existing clients	Many SE clients want free services	Clients are not accessing BDS	Facilitating workshops to change SE clients' attitude
Appreciation gap	Talking to potential and existing clients	SE clients don't value BDS or professionalism	SEs don't want to buy BDS	Use those who have used the services as show case
Inability to pay	Talking to existing and potential clients	Some SE clients have serious resource constraints	Some clients are unable to buy BDS	Design low priced products/ focus on those who can pay
Capacity gap	BDSPs' own experience; talking to other BDSPs	Some BDSPs don't have all the soft skills; lack of physical resources	Some BDSPs sell products that are not valued or wanted by clients	Forming collaborations/ synergies; forming reference alliances
Perception Gap	<i>(The gap is conceptualized by the researcher)</i>	BDSPs' concerns seem to be different from those of donors	Some BDSPs use donor subsidy as a temporary strategy to cover some of their overheads.	

The following narratives explain in detail how BDSPs identify and fill the gaps in the market. *Awareness Gap*: This gap appears to arise from both the supply and the demand side (as perceived by BDSPs). It appears that BDSPs perceive the general public to be

largely unaware of BDS and/or their benefits. For example, one participant explains: “Many entrepreneurs are not aware of the benefits of BDS and/or the existence of BDSPs”. This seems to suggest that some BDSPs may enter the market with wrong assumptions. It also suggests that sometimes providers may not be aware of the real needs of the market. Thus it is possible that some providers may try to sell what they perceive the market requires as opposed to what the market really wants. For example, one participant explained: “I came to realize that my assumptions about how the market works were wrong. So I had to change and look at the market in totality in terms of what value addition I could give. This realization made me change my approach. I decided to be flexible; to redesign not only my products but also to shift my networks”. Through workshops and seminars that bring together potential entrepreneurs and service providers, providers are able to reach out to SE clients as well as to other providers. One participant explained: “Through these events I have come into contact with many potential clients”. The participant added: “Talking to my clients regularly has enabled me to appreciate what they want”. *It suggests that being flexible and proactive enables BDSPs to respond to the needs of the market. Furthermore staying close to clients enables providers to know what their clients value and/or want. It enables providers to build long-term relationships with clients. Thus knowledge of clients enables providers to go after the needs of the market rather than supplier’s own perceived needs. Success requires BDSPs who know their clients’ real needs and wants.*

Appreciation Gap: Another participant explained: “Many small-scale entrepreneurs do not run their businesses professionally”. “They don’t appreciate professionalism and as such do not appreciate BDS. Many are used to doing things ‘kienyejiⁱⁱⁱⁱ’. There is also ‘self-deception’. Many small-scale entrepreneurs think they ‘know’; that because they have been doing business for a long time, they do not need advice from anybody”. The participants seem to concur that this self-deception needs to be changed. However changing attitudes takes time; it requires patience. One participant explained: “entrepreneurs must be given time to experience the products”. “I know that once they experience my services, they will not only be willing to buy my products but will also advertise me”. It emerged that, because of this belief; some providers are willing to develop a market from scratch and/or sometimes charge very low prices or even give free services (to give entrepreneurs a chance to experience the services).

Willingness to pay Gap: It emerged that BDSPs perceive that entrepreneurs’ unwillingness to pay for the services arises from how the concept of BDS was developed. One participant explains: “In order to encourage entrepreneurs to use BDS, donors paid for everything so that they could access the services. “The culture of ‘free things’ has stuck with the entrepreneurs”. Another participant adds that: “the culture of free things is deeply rooted in the minds of the many entrepreneurs, especially the

micro entrepreneurs”. Thus it seems that providers see the presence of donors as a threat which one that is largely responsible for the entrepreneurs’ unwillingness-to-pay attitude. The participant adds: “I have discovered what many providers do; they get subsidies from the donors which enables them to charge lower prices, although according to me this really defeats the whole idea of sustainability. However, this is what I intend to do at least as a temporary measure for as long as donors are still in the market”. It emerged that the culture and attitude of SE clients has to be dismantled.

Ability to pay Gap: It emerged that many small-scale entrepreneurs are operating with serious resource constraints and some are unable to pay for the services. For example, another participant explained: “sometimes these small-scale entrepreneurs are simply unable to pay for the services”. The challenge for BDSPs is therefore to design low priced products for the low end of the market. Filling this gap requires providers who take cognizance of this fact and who respond appropriately. For example, one participant mentioned that: “I am ready to work with entrepreneurs from the low end of the market and nurture them to become my niche market. Because of this I am willing to charge very low prices; sometimes even give free services to some entrepreneurs”. Other providers focus on those who can pay for the services.

Quality Gap: This gap arises from the lack of regulations and standards in the industry. One participant explained: “because there are no standards, there are many ‘quack’ consultants who charge low prices but offer low quality services”. “The problem is exacerbated by the fact that many entrepreneurs cannot differentiate between low and high quality services”. To fill this gap, participants explained that the providers need to help their clients learn to recognize and appreciate quality. In addition, BDSPs are looking to regulate themselves so that they can set standards in the industry.

Value Addition Gap: The category ‘value addition’ was identified by BDSPs as an important factor that influences SE clients’ willingness to pay for the services. It was seen in terms of the following properties: whether the services are able to give practical solutions to clients’ problems; whether the services suit the specific needs of the clientele; and whether the services help clients to recognize and appreciate the value of the services. It emerged that many small-scale entrepreneurs are operating with serious resource constraints. Thus they are only willing to pay for the services that add value for them, i.e. for entrepreneurs to pay for the services they must be able to see the value of the services. One participant argued: “BDS should be able to add value for entrepreneurs so that they are willing to pay for the services. Another participant explained: “Satisfying our clients is what keeps us going”. However, it emerged that willingness to enter into collaborations depends on the level of trust between providers. As one provider explained; “I only enter into temporary alliances because I have been

coned before but also because I am not sure of the quality of the work of other consultants”. *This suggests that successful providers are those who are able to demonstrate value to their clients. It emerged that value is demonstrated in different ways by different providers, but whatever the method used, clients must be convinced that the services are adding value for them.*

Trust Gap: Trust emerged as an important concept in the process of initiating and maintaining relationships. Its properties were identified as *the basis of trust, the level of trust; how it is built and its impact on the conduct of the business.* The basis of trust seemed to be prior past experience. It appeared that *trust was eroded by negative past experiences and strengthened by positive past experiences.* Trust was also located at the *personal level*, e.g. between provider and a client, between one provider and another and at the *industry level*. Participants mentioned certain words and used certain expressions that portrayed lack of trust by the general public and/or lack of trust in one another. For example, one participant explained: “I have been conned before by clients and associates and so am very hesitant to enter into any kind of contract with anybody”.

Secondly trust in BDS is intrinsic; entrepreneurs are taking a risk whenever they purchase the service. This requires trust. “Clients need to have faith in the provider; they must trust that the services being sold to them will work”. Creating personal relationships with the clients is one way in which providers fill the trust gap. One participant explained: “We have employed officers who live among the farmers (our clients). Because of this, we are able to live the experience of our clients. This has enabled us to identify with our clients. It has given them to have a sense of ownership”. “This mutual relationship has made it possible for entrepreneurs to develop trust in us”. Through regular feedback from clients and visiting clients, providers are able to keep in touch with their clients. *Thus it appears that trust is established through a mutual process; it takes a deliberate effort by the provider and takes time to establish, which suggests perseverance and patience. Furthermore, filling these gaps requires BDSPs who are proactive and flexible, and who extend their capacity and capabilities. It requires those who are motivated to sustain the business.*

Capacity Gap: For BDSPs to fill the gap they must have the capacity, the soft skills and the physical resources. For example, a participant explained: “I came to realize that most entrepreneurs want practical solutions to the problems they are facing. This suggests the need for providers to have soft skills; to be knowledgeable in their field”. However, some providers may not have the physical resources to provide certain services, hence the need to extend capacity. For example one participant explained: “I have a pool of associates to whom I sub-contract the assignments I cannot handle”.

Also changing the entrepreneurs' attitude requires the collaborative efforts of all providers. Furthermore, it requires BDSPs to regulate themselves which cannot be achieved by one individual provider. For example, another participant mentioned: "I still work as an associate of existing consultants because working with people has opened me up to new paths". *Thus it appears that BDSPs form alliances as a strategy to minimize costs but also to expand their business opportunities. This suggests that teaming up extends one capacities and capabilities as well as opening up new business paths, hence increasing one's chances of succeeding and becoming sustainable. It may suggest that sustainable BDSPs are action oriented and seek to extend their capacities and capabilities.*

Perception Gap: It emerged that different BDSPs have different perceptions of their businesses. The perception of the BDSPs' (i.e. frame of reference of the participants) regarding how the business was performing appeared to be linked to whether the provider's motive(s) for doing business was (were) being achieved or not. For example, those whose start-up motives were being achieved seemed to have a positive perception of the business and as such derived satisfaction from it. Furthermore, it appears that that BDSPs' concerns over their businesses are different from those of the donor agencies. Although BDSPs agree in principle that the provision of BDS should not be subsidized, they however do not mind getting a donor subsidy (for as long as donors are still in the market). In fact they see the donor subsidy as a temporary strategy which they can leverage on (particularly to cover some of the overhead costs that they are unable to cover from the revenue generated) irrespective of whether the business is financially sustainable or not. On the contrary, donor agencies see the continued 'reliance' on donor subsidy as an indicator of non-sustainability.

The category 'BDSPs' background characteristics' resulted from combining the following sub-categories (categories during open coding); 'BDSPs' personal attributes' and 'BDSPs' previous work environment'. The following personal attributes emerged: social concern, self-confidence, flexibility, passion, alertness, ability to empathize, perseverance, point proactive and risk taking, commitment, and patience. Also the degree of personal attributes seems to differ from one provider to another. For example, while one participant explains: "I am *very passionate* about what I am doing. This is where my boost and energy come from". Another one explains: "doing BDS is a stepping stone to another serious business in the future".

BDSPs came from diverse backgrounds. They had different work backgrounds and different years of experience. It appeared that the motive to venture into business consulting was partially prompted by previous industry experience. It seems that industry experience enables people to *acquire relevant skills*. The following statement

from different participants suggest this: one participant explained: “I wanted to put into practice the skills I had learnt.....”. Another one said: “I thought I had gained *enough skills* that could make me *succeed* out there”. In addition, it appears that working in the industry creates an opportunity for the providers to *build networks*, either with associates or potential clients. For example, one participant explains: “I thought I had built a network of associates whom I could rely on to get business once I stepped out of formal employment”. However, work environment sometimes makes providers *develop unrealistic assumptions about the market*. For example, one participant explained: “I realized that my assumptions about how the market works were wrong, so I decided to change not just my assumptions but also many of the products I had assumed would sell. I decided to adopt a flexible approach to business. I decided to redesign my whole approach to the market, redesign my products to suit the market, create a new target market as well as form new networks. “In the process I made mistakes but I was ready to learn from the mistakes and in making mistakes my eyes were opened”.

The category ‘external factors’ resulted from combining the following sub-categories: weak regulatory framework, nature of competition, continued presence of donors, attitude of SE clients, and the nature of BDS products. These factors seem to influence the conduct of the business and hence its sustainability. How BDSPs handle these factors seems to be linked to their strategic orientation and to the performance of the business hence its continued existence. For example, because trust in BDS is intrinsic, there is need for clients to have faith in the provider; they must trust that the services being sold to them will work. Different providers use different strategies to build trust and customer loyalty. For example, one participant has earned client loyalty by making them own the process. “We have employed field officers who stay among the farmers; this enables them (officers) to live the experiences of the entrepreneurs”.

The sub-categories *‘start-up strategy’; change of business approach; building and managing partnerships and building and managing associations* were combined to form a main category *‘strategic orientation’*, because it emerged that the change in business approach was prompted by the provider’s ability to recognize the need to change as well as the willingness to change the approach, hence this was labelled *‘strategic orientation’*. It emerged that BDSPs change their approach to business over time in *response to the changing market* environment and also whenever they realize that their approaches are not working. For example, one participant explained: “I was forced to relook at my approach to business because I realized that my initial strategy could not work. That realization made me change my focus and strategy. I had to diversify and look at BDS in its their totality in terms of what value addition I could give to entrepreneurs, especially start-ups. I had to do this in order to survive”. It further emerged that the strategic orientation of the providers influences how they

respond to particular situations as well as the effectiveness of their responses. Furthermore it emerged that providers use more than one approach to business and that a particular strategy was expressed in different ways by each provider.

DISCUSSION OF FINDINGS

This paper has presented a number of gaps that exist in the BDS market. These gaps arise from both the demand and the supply side of the market. On the supply side, Gartner (1985) noted that small firm owners do not operate in a vacuum but respond to their environments. In the current study, BDSPs see the continued presence of donors as a threat and one that is partly responsible for entrepreneurs' unwillingness-to-pay attitude. It further emerged that how providers identify and fill these gaps depends on their strategic orientation, which in turn is partially shaped by external factors, the capabilities of BDSPs and their motivation to sustain the business. For example, though BDSPs agree in principle that the provision of BDS should not be subsidized, they do not mind getting a donor subsidy. In fact some BDSPs use the donor subsidy as a temporary strategy to leverage on (particularly to pay for some of the overhead costs) to allow them to charge entrepreneurs lower prices, irrespective of whether their businesses are financially sustainable or not.

Empirical studies have identified a number of gaps in the market. For example, Gagel (2006) argues that most of the business consultants are targeting medium and large enterprises because of the lack of capacity or willingness of micro and small enterprises to pay for management services, with rather a medium and long-term impact. Furthermore, micro and small enterprises are suspicious of foreigners and fear the direct and indirect costs to them (Gagel, 2006). It emerged that value addition is one challenge that is facing many BDSPs; the greatest challenge being the fact that BDS are intangible. BDSPs perceive that SE clients are said to be more willing to pay for statutory services and those services with an immediate and direct impact, as opposed to those with a long-term impact. Services that have long-term impact involve an element of risk whenever a client is purchasing them, hence requiring trust between the provider and the client. This suggests the need to build trust between providers and SE clients.

The unwillingness to pay for training services has also been attributed to the culture of self-deception which pervades the SE sector. Although many SEs recognize the importance of business skills, it appears that a great proportion perceive that their own skills are adequate (Kitching & Blackburn, 2002). According to Beresford & Saunders (2005), the gap between perception and reality is likely to be a key barrier to education and training providers engaging the small (micro) firms sector. This perception may be

reinforced by the belief of owners/managers of small firms' that they are too important to the business to take time away for any form of study (Kitching & Blackburn, 2002). Carter, Mason & Tagg (2004) identified lack of time as the key reason for non engagement with education and training providers. Other barriers to engaging micro and small businesses in training include cost, lack of awareness, relevance and the overly bureaucratic application process (Forrester, Payne & Ross, 2004). In the current study, it emerged that providers attribute SE clients' unwillingness to purchase BDS to self-deception. Furthermore, they seem to link the unwillingness to pay for the services to lack of appreciation of professionalism by the SE sector. Cost, lack of awareness, relevance and bureaucratic application processes have also been cited by Beresford & Capizzi, (2000); Devins, Johnson, Gold & Holden, (2002) as factors that prevent SEs from engaging in training. Devins et al., (2002) attribute lack of engagement in training to the BDSPs failure to connect with the micro business world. Furthermore, there remains a major supply side failure of mainstream offerings to reflect the interests of the micro-business managers and presenting them in a coherent way (Devins et al., (2002).

It emerged that there is weak regulatory framework in the BDS sector which gives rise to unfair competition in the industry. There are many 'fake' consultants who are offering substandard products hence eroding the public image of genuine consultants. Furthermore, some providers have also been conned by fellow consultants. This has made BDSPs suspicious of one another. The lack or low level of trust between the providers themselves undermines collaboration between them. It further emerged that because some clients have been conned by fake consultants, they shy away from purchasing BDS. The problem is compounded by the fact that BDSPs perceive the regulatory framework as very weak, hence making legal redress a slow and very costly affair. Thus building sustainable BDS requires establishing mutual relationship, not just between providers and clients, but also between the providers themselves. Lewicki & Bunker (1996) define trust as a state in which both parties are confident about the other parties' motives and conduct in situations involving risk. One of the factors that determine whether or not firms will enter into a strategic alliance is their level of trust. Trust is formed not on the basis of explicit rules and regulations but on a set of ethical habits and reciprocal moral obligations initiated by the community members (Fukuyama, 1995). Gibb (2006) adds that it is the building of social capital that reduces transaction costs.

It also emerged that there are certain gaps that require the collaboration of all stakeholders in the sector. For example, changing the attitude of the entrepreneurs and initiating self-regulation requires the collaboration of all providers. According to Uzzi (1997), network ties link business actors in multiple ways as business partners, friends,

agents and mentors – providing a means by which resources from one relationship can be exchanged for another. The existing literature suggests that the network system might be a major way for small firms to compensate for lack of resources. Gibb (1993) argues that SEs can achieve complementary skills and resources that are essential for competitiveness and survival in the market through entrepreneurial networks. According to Anon (2003), a significant source of sustainable small business success is accessibility to formal and informal business networks and markets. Street & Cameron (2007) define an external relationship as a commercially oriented connection between a small business and other organizations. One of the primary motivations for an organization to join an alliance or participate in a network is to gain access to complementary resources.

Kickul & Gundry (2002) noted that many new processes and innovations undertaken may be essential for the future growth and sustainability of small firms. They argue that the ability to arrive at new methods, to target customers through new promotional and distribution channels and to develop boundary support may allow the business to add value by increasing brand awareness and levels of efficiency (ibid, 2002). Their empirical results demonstrated that small owners' proactive personality is linked to the strategic orientation of a small firm that permits flexibility and change in response to surrounding business conditions. They showed that by employing a prospector strategy, these proactive owners have a direct impact on the goals and direction of their organizations (Kickul & Gundry, 2002). Frese (2000) also noted links between entrepreneurial success and the personal strategies of the operators; that proactive behaviour in planning and development is more likely to lead to success than reactive responses to unanticipated events (success being variously defined in terms of survival and growth). Also good management, access to financing, the personal qualities of the entrepreneur, and satisfactory government support are perceived by owner-managers as the most critical success factors in their businesses (Yusuf, 1995).

In order to remain competitive, some firms have responded to the modern competitive context by forming complex relationship where they cooperate and compete at the same time (Peng & Bourne 2009). Drawing on a detailed case study of two healthcare networks in Taiwan, demonstrated how the two firms first initiated competition, followed by cooperation and then competition. They established that two organizations will compete and cooperate simultaneously when each organization has a complementary but a distinctly different set of resources and when the fields of competition are distinctly separate. The current study established that BDSPs enter into alliances with their competitors as a cost-cutting strategy and also as a means through which they build their profile. It emerged that sustainable providers with such alliances

have a pool of associates to whom they sub-contract the assignments they cannot handle but whom they rely on to get business whenever they do not have enough work.

Cronin, Brady & Hult (2000), investigated the effects of service quality, customer satisfaction and customers' perception of value on behavioural intentions. They found out that the three factors; service quality, value and customer satisfaction have a direct and positive influence on customer behaviour. Of these, value represents the strongest influence followed by customer satisfaction. Cronin & Taylor (1992) also established a direct positive but weak relationship between service quality and purchase intentions. In addition, they established that service quality affects customer satisfaction which in turn had a strong effect on purchase intentions. Other researchers e.g., Wang, Lo, Chi, & Yang, (2004) looked at customer value, while Dodds, Monroe, & Grewal, (1991) focused on buyers' perception of value. Furthermore, there are different definitions of the same variables across different studies. For example, Gale (1994) considered value to be a market-perceived quality, adjusted for relative product price, while Zeithaml, (1988), considered value to be the customer's overall assessment of the utility of a product, based on the perception of what is received and what is given. Other aspects of the market have also been identified, e.g. mediating role of client satisfaction with service quality and marketing performance, (Chumpitaz & Paparoidamis, 2004); customer choice, (Brito, Aguilar, & Brito, 2007); effects of service quality, customer satisfaction and customer perception of service value on behavioural intentions (Cronin et al., 2000); professionalization of the business start-up process (Beresford and Saunders, 2005) and the effect of perceived quality on loyalty, (Parasuraman, 1998) among others.

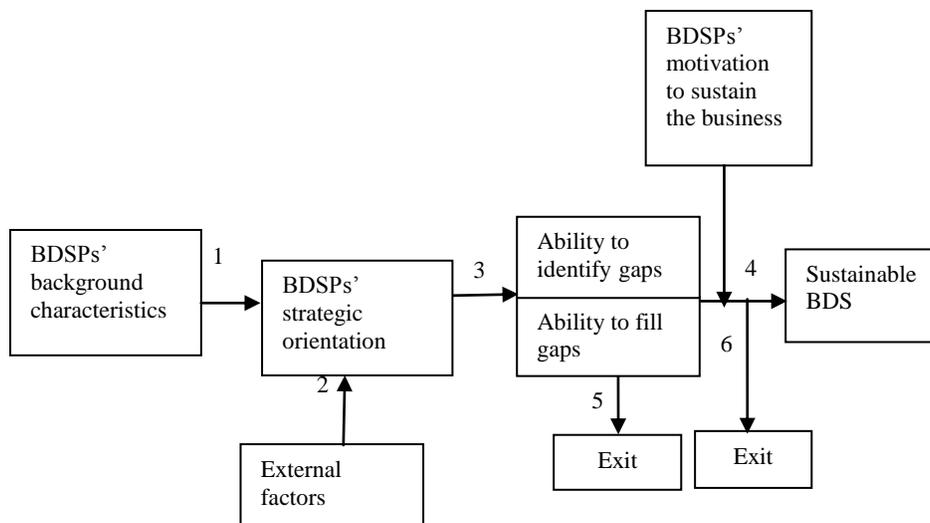
It emerged that the key to sustainability is the ability to fill critical gaps in the BDS market coupled with passion or motivation to sustain the services in a market, where demand must be painstakingly actualized over time. While some of the gaps have been identified in the literature, these have not been organized in a comprehensive, coherent logical way. The findings are scattered, with different studies focusing on different aspects of the gaps. This study has captured and organized these gaps in a comprehensive way in the context of BDS in a developing economy. Furthermore, existing studies do not explain how these gaps are identified or filled by service providers who manage to become sustainable. The current study has identified a number of gaps in the market and explained how these gaps are identified and filled to achieve sustainability. Furthermore, the gaps acquire a different meaning in the context of BDS.

Relationship between sustainable BDS and BDSPs' ability to identify and fill the gaps

The relationship between sustainable BDS and BDSPs' ability to identify and fill gaps in the market is presented in *figure 1*.

BDSPs' ability to identify and fill the gaps depends on their strategic orientation, which is partially influenced by their background characteristics and external factors –**arrows 1 and 2** respectively. BDSPs' strategic orientation refers to how they respond to the changes in the business environment, be they opportunities or threats. Opportunities and/or threats were classified as external factors. 'External factors' is a category that resulted from combining the following sub-categories: regulatory framework, nature of competition, attitude of entrepreneurs, presence of donors, and the nature of BDS products. BDSPs use a number of strategies, namely, client strategy, product strategy, price strategy, focus strategy, diversification strategy, and simultaneous cooperation and competition. BDSPs' strategic orientation appeared to influence their ability to identify and/or fill the gaps in the market -**arrow 3**; those BDSPs who are able to identify and fill the gaps become sustainable- **arrow 4a**; while those who are unable to do so quit the market- **arrow 5**. In addition to the BDSPs ability to identify and fill the gaps, they need to have the motivation to sustain the business -**arrow 4b**.

Figure 1: Grounded theory framework of sustainable BDS: BDSPs' ability to identify and fill gaps



It emerged that not all BDSPs have the intention to sustain the business even though the business may be financially viable, i.e. although some BDSPs have the ability to identify and fill the gaps, they have no motivation to sustain the business, and hence they quit the market **-arrow 6**. The motivation to sustain the business was expressed in terms of the level of commitment to make the business succeed. For example, one participant explained: “I am willing to do *anything and everything* to make the business succeed”. Also the degree of motivation appeared to depend on how one perceives the business. The participant added; “I know I am going to succeed. “I know a time is going to come when I will not have to struggle like this”. *This suggests that, regardless of whether the business is doing well or not, the provider’s motive to sustain the business influences whether or not he/she continues doing business. Thus the motive to sustain the business appears to be an intervening variable between the ability to identify and fill the gaps and sustainability.*

These relationships are summarized in the following hypotheses:

Hypothesis 1: There is a relationship between BDSPs’ strategic orientation and BDSPs’ background characteristics **–arrow 1**. This relationship is consistent with the findings of Miller, (1983); Kotey & Meredith, (1997); Kickul & Gundry, (2002).

Hypothesis 2: There is a relationship between BDSPs’ strategic orientation and external factors **–arrow 2**. Different studies have established a relationship between strategic orientation and different variables of the external environment, e.g. between strategy and competition (Peng & Bourne, 2009; Bengtsson & Kock, 2000); strategy and regulation (Barnet & King, 2008; Prakash & Potoski, 2006).

Hypothesis 3: There is a relationship between BDSPs’ strategic orientation and BDSPs’ ability to identify and fill gaps in the market- **arrow 3**. *The relationship between BDSPs’ strategic orientation and BDSPs’ ability to identify and fill the gaps shows how the lack of their ability to identify and/or fill gaps leads to their exit or sustainability has not been established.*

Hypothesis 4: There is a relationship between BDSPs’ ability to identify and fill the gaps in the market and sustainable BDS- **arrow 4a**. The relationship is moderated by BDSPs’ motivation to sustain the business- **arrow 4b**. *The relationship between BDSPs’ ability to identify and fill the gaps and sustainability with the moderating influence of BDSPs’ motivation to sustain the business has not been established.*

Conclusions, Implications and Recommendations

The main focus of this paper was to explain why some BDSPs manage to sustain services while others do not. It emerged that the key to sustainability is the ability to fill the critical gaps in the BDS market, coupled with the passion or motivation to sustain the services in a market where demand must be painstakingly actualized over time. While some of the gaps have been identified in the literature, these have not been organized in a comprehensive, coherent or logical way. This study has captured and organized these gaps in a comprehensive way in the context of the BDS in a developing economy. Furthermore, existing studies do not explain how these gaps are identified or filled by service providers who manage to become sustainable. The current study has identified a number of gaps in the market and explained how these gaps are identified and filled to achieve sustainability. Furthermore, some of these gaps have different meanings and implications in the context of BDS market. The findings of this study offer both theoretical and practical implications for consultants of small firms. Identifying and filling the gaps requires providers' dedication, commitment and patience. It takes time and personal sacrifice to invest in building personal relationships and trust with the clients. Filling some of the gaps requires collaboration among service providers. The implication here is that being a BDSP is not for every entrepreneur, and certainly not for those whose motive for venturing into business is to make a quick profit. Some of the gaps require the action of the industry as a whole. The implication for policy is that BDS development should take a holistic view that encourages the right kind of people to join the sector and for the gaps to be addressed at all levels.

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ENDNOTE

- i The main characteristics of private goods are that they have clearly identified owners and that they are rivalled and excludable, i.e. the owner can prevent others from using or consuming the good or service in question. The public good element of BDS arises from the BDS whose outcome is indirect, long term, uncertain and in many cases unpredictable. These characteristics make such services suffer from non-appropriability (Altenburg & Stamm, 2004).
- ii The Guiding Principles are based on a private sector-led, market economy framework which reflects:
- a fundamental belief in the principles of a market economy, where the state has a role in providing an enabling environment, in correcting or compensating for market failures, and in the provision of public goods, but not in the direct provision of private goods that can be more efficiently provided by the market;
 - the assumption that the majority of BDS are private goods and are thus similar to any other service, and so market rules apply; and the expectation that with appropriate product design, delivery and payment mechanisms, BDS can be provided on a commercial basis even for the lowest segment of the entrepreneurial SE sector (Committee of Donor Agencies 2001).
- iii Kienyeji is a Swahili word for local; traditional or unprofessional conduct.