



Scaling considerations for the social franchising model

Alicia DeSantola¹

Received: 2 September 2021 / Accepted: 8 October 2021
© The Author(s), under exclusive licence to Organizational Design Community 2021

Abstract

This commentary is part of the Organizational Zoo case series exploring the social franchising model of Unjani Clinics, a South African healthcare-focused social enterprise. The social franchising model has enabled Unjani to gain early traction and the social enterprise has ambitious plans for future growth. I describe and elaborate on organizational features of the social franchising model that may enable or constrain efforts to scale up. Noting the unique challenges and opportunities presented by emerging market contexts, I outline scaling considerations across three dimensions: organizational design, team composition, and organizational culture.

Keywords Scaling up · Growth · Organizational design · Social enterprises · Emerging markets

Introduction

The team at Unjani deserves applause for their efforts to identify creative solutions to tackling a pressing social impact issue: the dearth of reliable and affordable healthcare in many communities in South Africa. As do numerous unconventional forms of organizing (Puranam et al. 2014), including social enterprises that hybridize social and commercial logics (Battilana and Lee 2014), Unjani’s “social franchising” model borrows, bundles, and adapts elements from existing organizational templates, notably the franchise model ubiquitous in corporations ranging from fast-food chains to supply stores and the solo-practitioner healthcare model common among general practice (GP) physicians. Despite its hybrid structure, there is no doubt that a social mission is deeply integrated into the fabric of Unjani. Beyond its explicit healthcare orientation, Unjani’s approach helps empower a historically disadvantaged group—black women in South Africa—through the incubation of healthcare clinics led by professional “nursepreneurs.”

The case writers inform us that Unjani has already seen impressive traction, expanding to over 80 clinics since its founding in 2014; even greater still are the organization’s ambitions for growth, with plans to expand to 1000 clinics

in the next decade. Amidst calls for management scholars to address “grand challenges,” including access to healthcare (Agarwal et al. 2021; George et al. 2016), Unjani’s social franchising model presents an opportunity to investigate a promising organizational form. With an eye towards other organizations that might seek to emulate Unjani’s social franchising model, it seems key to explore: What organizational elements of the social franchising model have been conducive to Unjani’s initial growth? What might pose bottlenecks for Unjani or other would-be social franchise organizations with ambitions to scale up in the future?

I structure my commentary along three internal organizational dimensions central to scaling up: organizational design, team composition, and organizational culture (e.g., DeSantola and Gulati 2017). Yet, discussion of the social franchising model’s potential must take into account the emerging market environment in which Unjani is embedded, which may pose its own challenges and opportunities to scaling up (Khanna and Palepu 2010). Emerging market environments are often replete with extreme uncertainty (Hiatt and Sine 2014) and voids in political, civil, and market institutions (Gao et al. 2017; Gatignon and Capron 2020). The ability of the social franchise organizational model to realize ambitious growth plans will hinge not only on navigating the complexity and integration challenges that typically accompany rapid transitions to scale, but also the parallel navigation of institutional voids.

✉ Alicia DeSantola
aliciads@uw.edu

¹ Department of Management and Organization, Foster School of Business, University of Washington, Seattle, WA, USA

Organizational design considerations

At first glance, Unjani's social franchise design appears to negotiate the precarious balance between two oppositional forces that are key to scaling up: *replication* and *local adaptation* (Winter et al. 2012). Replication of key organizational practices is deeply interwoven into processes of scaling up (Reuber et al. 2021), facilitating reliability, cohesion, and consistency in the organization's engagement with internal and external stakeholders. For Unjani, the franchising non-profit corporation (NPC) apparently plays an effective central coordination role in establishing best practices and monitoring their replication by entrepreneurs. Just like a for-profit franchising organization, the clinics evidence consistency in elements ranging from building design—fashioned from two 12-m recycled shipping containers (Marchildon 2018)—to the list and pricing of services offered noted in the case. Yet, in parallel, scaling up demands a degree of *adaptation* of constituent subunits to local environmental conditions as a device for managing complexity and environmental dynamism (Lawrence and Lorsch 1967; Thompson 1967). While the NPC may play a central coordination role, the autonomy and authority afforded to the nursepreneurs act as mechanisms for facilitating such local adaptation because they help to push at least some decision rights to those who have the most locally specific information (i.e., Hayek 1945). Put another way, the social franchising organizational design shows promise for scaling up because it allows for “freedom within a framework” (Gulati and DeSantola 2016: 60).

Intriguingly, striking the right balance between high-fidelity replication of key practices and adaptation may be of elevated importance in emerging market contexts like the one in which Unjani is situated. On the one hand, successful negotiation of the turbulent environmental landscape in which Unjani is located is tightly coupled with the ability to build and maintain a strong reputation (Gao et al. 2017); a reputation is typically grounded in a track-record of reliably and consistently delivering a high-quality product or service (Hallen and Pahnke 2016). On the other hand, sensitivity to local norms and practices is key to overcoming barriers to community adoption in such environments, particularly in cases where there may be distrust of institutions.

While the social franchise design has helped Unjani gain early traction, there are pressures that could—if not carefully managed—potentially impede effectiveness in the face of rapid growth. I would contend that a critical boundary condition to the model's ability to scale is that the kinds of local adaptations permitted do not compromise the integrity of the product or service being

offered—in Unjani's case, the standard of care delivered. This requires the central NPC authority to maintain an active monitoring role in enforcing standards and templates, which can break down through growth as there are more franchisees to monitor. Attrition of franchisees from the network after the 5-year period, if high, could also lead to drift in quality standards, potentially undermining the reputation of the franchising organization as a whole even if those units are no longer under the auspices of its brand name.

Additionally, classic theory would predict that a two-layer structure may experience communication and information processing bottlenecks as an organization expands in size (March and Simon 1958). The present social franchise design sidesteps a layered organizational approach in favor of coordination via a direct tie between the franchisees and the central NPC authority, with the case even informing us that franchisees are “encouraged to have frequent and informal contact with the CEO”. There is a finite capacity in how many ties a central body can directly maintain without degrading quality of communication and information flows (Simon 1947; Thompson 1967), raising the question: Will the social franchise model continue to function effectively if direct ties between the franchisees and the central authority are attenuated through growth and concomitant organizational layering?

Growth in the number of franchises may also surface jurisdictional issues, particularly if demand in a given area rises beyond a franchisee's ability to meet it. Excess demand is more apt to crop up if the franchising organization's reputation for delivering high-quality services rises over time through the establishment of a successful track-record. How jurisdictions are set, overlaps are handled, and task-loads managed between them are important considerations that may reverberate into other organizational elements, such as recruitment and culture.

Team composition considerations

The team of individuals who act as franchisees is the most vital resource upon which the successful scaling of Unjani depends. Not only does Unjani's social franchise model require identification and vetting of recruits who buy into the hybrid social and entrepreneurial mission of the organization, but it hinges entirely on an ample supply of professional nurses with dispensing certificates. While tools and financial resources can be deployed to cultivate the business acumen of would-be franchisees and to aid in their business's launch, they are of little use in the absence of an adequate pool of trained, credentialed, and skilled professionals from which to recruit. Fortunately, Unjani seems to not yet have found the labor pool of credentialed professional nurses to have run

dry. Yet because “most emerging markets suffer from a scarcity of well-trained people” (Khanna and Palepu 1997: 44), the supply of sufficiently trained individuals is likely to pose the most critical bottleneck to the scaling capacity of any organization seeking to analogously deploy Unjani’s social franchising model. While labor supply issues are likely to be most acute in settings like healthcare, where external bodies tightly govern credentialing, they are also present to a certain extent in other settings like education or community banking and should be a careful consideration before adopting the social franchise approach.

Central too to the social franchise model is that franchisee team members are invested in building ties to the local communities in which their fledging enterprises are positioned. The Unjani design offers intriguing mechanisms for filtering members for this attribute: the Unjani website notes that potential recruits are tasked with site selection, meaning that they are more likely to establish franchises in communities to which they already have preexisting ties. It also appears that social franchisees engage in many extra-role activities because members of the communities in which they are situated view them as authority figures. While nominally outside of role scope, such community-engagement activities may lead to greater use and trust of the social franchise’s services and may be especially critical in environments where distrust of institutions is high, as is the case in many emerging markets (Gao et al. 2017). Establishing such trust is also critical in organizational settings such as healthcare where a high touch interpersonal interaction is embedded in the delivery of a product or service.

Despite the promising recruitment, selection, and training tools embedded in the Unjani model, several team-related challenges could gate the social franchising model’s viability in achieving scale. Most prominent among these are concerns about adequate supply of franchisees with requisite credentials and professional training. In some industry and market settings, cultivating technical skills through in-house training or scholarship programs—in addition to the business skills already embedded in the model—may be feasible or even necessary for ensuring an adequate supply of qualified franchisees to sustain growth. Second, as organizations scale up, they risk mission drift away from their intended purposes towards self-perpetuation (Weber 1946), a process attended by shifts in motivations of why members join the organization. While initial franchisee recruits may evidence a high-degree alignment with the hybrid social and commercial mission of the social franchising model, and thus may be comfortable with taking on the uncertainty of being an early adopter (McDonald 2020), later adopters may be drawn in by other features such as an established reputation, stability, or track-record of success for the franchisees (Wasserman 2012). Because team member characteristics are so integral to the success of the model, would-be social

franchising organizations might be well-advised to scale back their growth plans rather than compromise the quality or fit of team members.

Organizational culture considerations

As growth in organizational size during scaling introduces friction to the mechanics of aligning the actions of a larger body of members (Blau et al. 1966), a consistent and aligned organizational culture can act as a countervailing force, helping to integrate effort across the organization (Schein 2004). As described by the case writers, Unjani’s “family-like culture,” reinforced by connections from the nursepreneurs to the central NPC authority and to other franchisees within the community’s support network, may be a powerful asset in promoting cohesion and consistency across the organization as it scales. Indeed, other organizations seeking to emulate Unjani’s social franchising model should attend carefully to cultural considerations from the time of their inception. In the absence of normative controls derived from organizational culture, organizations may find themselves overly reliant on formal controls (Cardinal et al. 2004), which can carry with them the negative consequences of increased alienation and decreased motivation among constituent members (Adler and Borys 1996). For a social mission driven organization reliant on a sense of purpose among its members, such an organizational climate could be disastrous.

Yet, as Unjani seeks aggressive growth in the next decade, there appear to be a few elements embedded in the social franchising model that may pose a threat to cultural cohesion if not closely attended to by the central NPC. In particular, Unjani and others seeking to emulate its social franchising model should take care to monitor the extra-role activities of franchisees to alleviate the threat of burnout, which can have deleterious effects on organizational culture. Even among those who enter a workplace setting with a sense of purpose and calling, burnout may be tied to the assumption of extra-role responsibilities (Schabram and Maitlis 2017); proactive steps to ameliorate stressors may therefore be appropriate. In addition, as more clinics reach their five-year mark—opening up the opportunity to leave the network—Unjani’s central NPC authority may wish to carefully consider how it messages and engages in sense-making around potential attrition so that it does not have negative cultural spillovers to remaining members.

A few questions related to the future evolution of organizational culture at Unjani remain open. First, as increasing organizational size attenuates the direct connection between the NPC and the franchisees, will it also fray the cultural cohesion? The answer to this question will depend, at least in part, on architectural planning decisions concerning the

evolution of organizational structure. For example, grouping franchisees into pods may allow peer support networks to have substitutive effects or to fill in gaps in the cultural dissemination efforts of the central authority. Second, while Unjani is currently still reliant on the provision of financial and other resources by donors and partners, it has outlined plans for financial independence by the time it reaches 100 clinics. This raises the question: will this shift to financial independence lead to a greater dominance of a commercial logic, and if so, will there be mission drift?

Conclusion

In an interview with INSEAD's Ridhima Aggarwal, CEO Lynda Toussaint highlighted three principles that have guided Unjani's success to date since its founding in 2014: quality, simplicity, and affordability (INSEAD 2019). The ability of the social franchise model to scale up while retaining these principles requires careful attention to growth-related considerations in organizational design, team composition, and organizational culture. With deliberate regard for these considerations, the social franchise model advanced by Unjani shows promise for adaption and deployment in other contexts, particularly those replete with institutional voids.

Acknowledgements Not applicable.

Authors' contributions This is a solo authored publication. The author read and approved the final manuscript.

Funding No funding.

Availability of data and materials Not applicable.

Declarations

Competing interests The author declares that she has no competing interests.

References

- Adler PS, Borys B (1996) Two types of bureaucracy: enabling and coercive. *Adm Sci Q* 41:61–89
- Agarwal R, Kim S, Moeen M (2021) Leveraging Private enterprise: incubation of new industries to address the public sector's mission-oriented grand challenges. *Strateg Sci*
- Battilana J, Lee M (2014) Advancing research on hybrid organizing—insights from the study of social enterprises. *Acad Manag Ann* 8:397–441
- Blau PM, Heydebrand WV, Stauffer RE (1966) The structure of small bureaucracies. *Am Sociol Rev* 31:179–191
- Cardinal LB, Sitkin SB, Long CP (2004) Balancing and rebalancing in the creation and evolution of organizational control. *Organ Sci* 15:411–431

- DeSantola A, Gulati R (2017) Scaling: organizing and growth in entrepreneurial ventures. *Acad Manag Ann* 11:640–668
- Gao C, Zuzul T, Jones G, Khanna T (2017) Overcoming institutional voids: a reputation-based view. *Strateg Manag J* 38:2147–2167
- Gatignon A, Capron L (2020) The firm as an architect of polycentric governance: building open institutional infrastructure in emerging markets. *Strateg Manag J*
- George G, Howard-Grenville J, Joshi A, Tihanyi L (2016) Understanding and tackling societal grand challenges through management research. *Acad Manag J* 59:1880–1895
- Gulati R, DeSantola A (2016) Start-ups that last: how to scale your business. *Harv Bus Rev* 94:54–61
- Hallen BL, Pahnke EC (2016) When do entrepreneurs accurately evaluate venture capital firms' track records? A bounded rationality perspective. *Acad Manag J* 59:1535–1560
- Hayek F (1945) The use of knowledge in society. *Am Econ Rev* 35:519–530
- Hiatt S, Sine WD (2014) Clear and present danger: planning and new venture survival amid political and civil violence. *Strateg Manag J* 35:773–785
- INSEAD (2019) INSEAD interviews CEO of Unjani Clinics NPC, Lynda Toussaint. In: YouTube. https://www.youtube.com/watch?v=5NqbxkDya_s
- Khanna T, Palepu K (1997) Why focused strategies may be wrong for emerging markets. *Harv Bus Rev* 41–51
- Khanna T, Palepu KG (2010) Winning in emerging markets: a road map for strategy and execution. Harvard Business Press, Boston
- Lawrence PR, Lorsch JW (1967) Organization and environment: managing differentiation and integration. R. D. Irwin, Homewood, IL
- March JG, Simon HA (1958) Organizations. Wiley, New York
- Marchildon J (2018) Shipping Containers Become Health Care Centers in South Africa. *Glob. Citiz.* <https://www.globalcitizen.org/en/content/shipping-container-clinics-south-africa/>
- McDonald RM (2020) Category Kings or Commoners? Market-Shaping and its Consequences in Nascent Categories. Harvard Bus Sch Work Pap No 16-095
- Puranam P, Alexy O, Reitzig M (2014) What's "New" about new forms of organizing? *Acad Manag Rev* 39:162–180
- Reuber AR, Tippmann E, Monaghan S (2021) Global scaling as a logic of multinationalization. *J Int Bus Stud* 52:1031–1046
- Schabram K, Maitlis S (2017) Negotiating the challenges of a calling: emotion and enacted sensemaking in animal shelter work. *Acad Manag J* 60:584–609
- Schein EH (2004) Organizational culture and leadership, 3rd edn. Jossey-Bass, San Francisco
- Simon H (1947) Administrative behavior: a study of decision-making processes in administrative organization. Macmillan, New York
- Thompson JD (1967) Organizations in action. McGraw-Hill, New York
- Wasserman N (2012) The Founder's Dilemmas: anticipating and avoiding the pitfalls that can sink a startup. Princeton University Press, Princeton
- Weber M (1946) From max weber: essays in sociology. Oxford University Press, New York
- Winter SG, Szulanski G, Ringov D, Jensen RJ (2012) Reproducing knowledge: inaccurate replication and failure in franchise organizations. *Organ Sci* 23:672–685

Publisher's Note Springer Nature remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.