Inclusive business models

Empowering women in urban agriculture in Burkina Faso

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Chapter 2

Inclusive Value Chains and Businesses: Gender-Awareness and Bottom of the Pyramid Approaches

Inclusive Value Chains and Businesses: Gender-Awareness and Bottom of the Pyramid Approaches[8]

This chapter sheds further light on the broader theoretical and policy debates around inclusive development for all (see sections 1.4 &1.5; Pouw & Gupta, 2017; Gupta et al., 2015; Hickey, Sen & Bukenya, 2015; Humberg & Braun, 2014; Pouw, 2013; Duska & Ragatz, 2008; Seelos & Mair, 2005), and 'leaving no one behind' (UN, 2016; Overseas Development Institute-ODI, 2015). It contributes to the above debate by building upon the literature on inclusive businesses and women food entrepreneurship in the context of rapid urban growth in African cities. It addresses the question: What can be learnt from the relevant literature regarding the gaps in knowledge, and how best can the literature be used to develop a conceptual framework for application in this research?

This chapter reviews the state-of-the-art literature on value chains (see 2.1); inclusive business models emerging rapidly in regards to the globally and locally valued notions of social entrepreneurship (Kourula, Pisani & Kolk, 2017) and sustainable development (Pouw & Gupta, 2017) (see 2.2); gender awareness in business (see 2.3); economic empowerment (see 2.4); capabilities and functioning (see 2.5); and firm level economic wellbeing (see 2.6).

2.1 Value chain

The literature between 1980-2019 shows a contested debate on value chains among scholars and practitioners. Multiple definitions of value chains exist, ranging from simple to extended value chains (Kaplinsky & Morris, 2000). However, the common point in these definitions is that a value chain describes the range of activities from the production of goods and services to their final consumption (Bamber & Staritz, 2016; Bougdira, Ahaitouf & Akharraz, 2016; FAO, 2015; Mutua et al., 2014; FAO, 2014a; Kaplinsky & Morris, 2000; Christopher, 2000; Freeman & Liedtka, 1997).

On the one hand, some refer to the value chain definition as:

> *"a value chain refers to the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use"* (Kaplinsky and Morris, 2000, p. 4).

8 Sections of this chapter were published in the article "Inclusive business—a business approach to development: Current Opinion" in Environmental Sustainability, Volume 24, February 2017, Pages 84-88.

Others usually refer to the definition by FAO for whom:

> *"a value chain is the full range of farms and firms and successive coordinated value-adding activities that produce particular raw agricultural materials and transform them into given food products that are sold to final consumers and dispose after use, in a manner that is profitable throughout as broad-based for society, and does not permanently deplete natural resources"* (FAO, 2014a, p.6).

The first definition of value chain covers all economic sectors, whereas the second focuses on the agricultural sector (including agribusiness). This is probably because access to food is one of the most crucial issues worldwide and particularly in developing countries (FAO, IFAD, UNICEF, WFP & WHO, 2019).

The value chain has been also defined in more technical and generic terms as an analytical and operational model (Agro-Profocus, 2014; Safari, 2011). Such a model takes the idea that

> *"a product is rarely directly consumed at the place of its production as its starting point. Rather, the product is transformed, combined with other products, transported, packaged and displayed, until it reaches the final consumer. In this process, the raw materials, intermediate products and final products are owned by various actors who are linked by trade and services, whereby each actor adds value to the product"* (Agro-Profocus, 2014, p.9; Safari, 2011, p.18).

This research adopts this definition, as it can be applicable to all sorts of value chains, including food commodities, textiles, mobile phones and so on.

Two main strands of value chain literature can be identified: conventional value chain literature, which is critiqued to be largely poor-exclusive and 'gender-neutral', and gender-aware value chain literature.

2.1.1 Conventional value chains

The conventional value chain literature is embedded in two main positions. The first position considers value chains from the agile manufacturing approach (Tarafdar & Qrunfleh, 2016; FAO, 2014a; Roper, Du & Love 2008; Singer & Donoso, 2008; Zhang, Vonderembse & Lim, 2002; Freeman & Liedtka, 1997). The related body of literature focuses on the strategic alliances within the chain and partnerships to achieve speed and flexibility in the production and marketing process. Therefore, responsive as well as networking strategies between the chain actors feature centrally in value chain analysis and development.

The second position considers value chains from a governance and management approach (Mishra, Sharma, Kumar & Dubey 2016; McDonald, 2016; Sarkis, Zhu & Lai 2011; Carter & Rogers, 2008; Seuring & Müller, 2008). This approach puts forward the use of information and communication technologies to (better) connect stakeholders in the chain. Furthermore, this innovation-based approach ensures that goods and services are delivered at home and in time while recording the traceability of their flows over the chain (McDonald, 2016; Bougdira et al., 2016; Roper & Arvanitis, 2012). Interestingly, the producers and consumers do not need to physically meet each other, because the chain is formally organised. Only the price and information on the quality of the product provided by the supplier is sufficient for the demander to purchase it. However, traceability can be challenging depending on the length of the value chain. Indeed, with regards to the length of a value chain, the literature distinguishes between long value chains (Bolwig et al., 2011; DANIDA, 2010) and short value chains (Marsden, Banks & Bristow, 2000).

A long value chain involves many intermediaries from various locations. This requires looking into the horizontal and vertical linkages existing in the chain as well as the impact of the intermediaries' activities on the price, quality and availability of product (Bolwig et al., 2011). In this regard, it may be difficult for consumers to have a clear traceability of the products they purchase (Marsden et al., 2000). In contrast, a short value chain represents horizontal and vertical integration within the value chain (Marsden et al., 2000), which can allow the producer to reach the consumer directly and quickly with few (or no) intermediaries. Furthermore, control of information and knowledge shared between stakeholders (producers and consumers) and exchanged goods and services' traceability among others are the core elements in the short value chain (Marsden et al., 2000).

Two main weaknesses can be drawn from this conceptual and theoretical debate on value chains. The first weakness is the neoliberal underpinning, which implies a market-oriented focus on profit maximisation and individual gain. This mostly overlooks power differences within value chains, in particular the disenfranchised position and role of small producers and the poor (Hickey, 2010). The formal governance context is presumed and largely taken for granted. This limits the applicability of this literature to developing country contexts where formal structures and rules and regulations are often not in place, informality is high, and collaborative arrangements among value chain actors who are resource poor are a common strategy. The second weakness is that the early value chain literature is not gender-aware or even attentive to broader power differences that structure social-economic relations within and around the value chain. Hence, value chains are seen as 'gender-neutral', assuming equal access and control over different nodes and relationships in and outside the value chain by women and men as if they participate under similar conditions.

2.1.2 Gender awareness in value chains: focus and limitations

The literature on gender-aware value chains has increasingly emerged in the last 20 years, focusing on integrating gender inequalities faced by women into the conceptualisation and theorising of value chains (Ros-Tonen et al., 2019; FAO, 2016; Laven & Pyburn, 2015; Farnworth et al., 2015; Farnworth, 2011; Coles & Mitchell, 2011; Boodhna, 2011; Riisgaard et al., 2010; USAID, 2009). First, a gender-aware value chain approach analytically increases the visibility of the role of men and women in various segments of the chain, as well as gender-specific barriers to entry and opportunities for participation and development. For instance, some barriers include low access to markets due to cultural seclusion of women (Waithanji et al., 2013; Farnworth, 2011), reduced income control by women caused by increased commercialisation (Njuki et al., 2011), and women's lack of access to technology (FAO, 2011). These barriers determine the level of entry to value chains and the capacity of an actor to compete with other actors. This enhances our understanding of how different value chains function and with what results for different actors along the chain.

Second, gender dynamics also plays an important role in understanding value chain strategies (Waithanji et al., 2013; Farnworth, 2011; Njuki et al., 2011; FAO, 2011). Gender dynamics refer to the relationships and interactions between women and men (USAID, 2002). These dynamics can be captured by analysing the scale and participation of (groups of) women and men in the chains (Coles & Mitchell, 2011). At the scale of households and communities, gender dynamics shape individual and community interactions, which in turn influences the value chain. That is, household and community cultural norms for men's and women's roles influence individuals' behaviour so that their interactions in a value chain also affect the dynamics of this value chain. Moreover, with regard to participation and decision making, gender dynamics influence value chain governance and management. That is, in gender-neutral societies, the governance system is dominated by men who lead decision making because they are more powerful than women.

This literature on gender-aware value chains brings novelty in value chain theory in the sense that it puts at the heart how cultural norms shape the power relationships between both. By focusing on these gender issues, this literature values the specific position and roles of women in value chains and points out the restricted level of women's inclusion on an equal basis compared to men.

However, even if this body of literature is relevant to addressing the specific context of gender inequality in value chain participation, it does not address the resource constraints and informality conditions of women and men involved in those value chains. Moreover, this literature does not specifically consider the case of the bottom of the pyramid (BoP) population in value chains. Considering the BoP[9] population in value chains from a gender-aware perspective requires an inclusive approach. The reason for considering BoP population is that to achieve the SDGs, all policies, development interventions and businesses should leave no one behind.

Hence, an appropriate approach addressing gender inequalities faced by resource-poor women and men in value chains is therefore the main gap that still needs to be filled. For achieving this, this research holds that a more inclusive approach to value chain theory may be a solution and this is how it contributes to inclusive development.

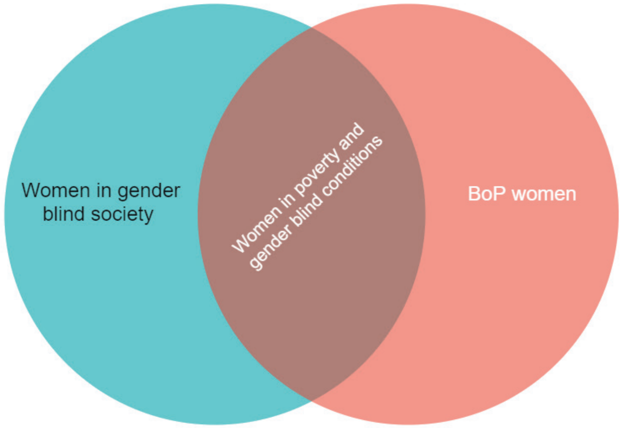
2.1.3 Inclusive approach to value chains

The literature sheds light on the possibility of a more inclusive approach to value chains. This perspective places human beings at the centre and integrates gender issues and BoP women's inclusion as shown in Figure 2.1. This figure indicates the scope of the inclusive approach to value chains, which is rooted in a gender-sensitive interpretation of Foucault's 'archaeology of knowledge' in human sciences which studies:

> *"man in so far as he lives, speaks, and produces. He is a living being that grows, that has functions and needs, that sees opening up a space whose movable coordinates meet in him; in a general fashion, his corporeal existence interlaces him through and through with the rest of the living world; since he produces objects and tools, exchanges the things he needs, organises a whole network of circulation along which what he is able to consume flows, and in which he himself is defined as an intermediary stage, he appears in his existence immediately interwoven with others; lastly, because he has a language, he can constitute a whole symbolic universe for himself, within which he has a relation to his past, to things, to other men, and on the basis of which he is able equally to build something like a body of knowledge (in particular, that knowledge of himself...)"* (Foucault, 1972, p.383).

9 Research shows that many of the BoP population, that is the extreme poor, self-exclude themselves so that it is sometimes difficult to get them included through development interventions (Altaf, 2018).

Figure 2.1: The scope of Gender-aware Inclusive Value Chain



Source: The Author

Analogical to this definition, this research sees a value chain as a living process or system that lives, speaks and produces. As such, the value chain grows, has functions and needs; it is like a system defined by Bressy and Konkuyt (2008), but different because it is not only profit-oriented[10], nor solely about market-orientation[11] and competitiveness. Instead, such a system operates with the aim to allow the entire chain to live, speak and produce over time and space. *Consequently, the value chain will perform well if each of its components plays its role in a durable way. This makes a distinction between the living performance (existing aspect), communicative performance (speaking aspect), and productive performance (producing aspect) of the system.*

10 Firm for profits or profit-oriented refers to a firm that exists to make money, and the primary objective of the manager or entrepreneur is to maximize the firm's profits (Carlton & Perloff, 2005). Profits are residual income (what is left after paying all the productive factors' owners) for the entrepreneur, and is mainly dependent on the ability of the manager to bear uncertainty and risk of the future and the environment the firm is evolving in (Brooke, 2010; Hawley, 2009; Bianchi & Reny, 2005; Diwedi, 2002; Dreze, 1985; Lucas, 1978; Knight, 1930).

11 Jaworski, Kohli & Sahay (2000) discussed market-orientation through two approaches: market-driven and driving market. "Market-driven refers to a business orientation that is based on understanding and reacting to the preferences and behaviors of players within a given market structure; whereas driving market implies influencing the structure of the market and/or the behavior(s) of market players in a direction that enhances the competitive position of the business" (Jaworski et al., 2000, p.45).

First, a value chain lives when its existing components exist—physical elements including stakeholders (people) and other physical entities (infrastructures, production sites, warehousing, shops, roads, equipment/materials, livestock). In a healthy human body, all these (autonomous) elements interact to keep the body alive and grow over time without any competition among and between themselves; they are cooperating and unifying. This assumes that all value chains' elements are as important as those in a human body since none of them can be excluded or marginalised by others for any purpose; they are individually necessary to allow the entire value chain to be alive and operating. Thus, stakeholders individually and collectively determine the other components of the chain; they influence the shape and dynamics of the value chain. Therefore, the stakeholders can be assimilated to the nervous system which orders and regulates the tasks of the other components in the value chain. Hence, stakeholders' socioeconomic characteristics (individual and collective agency and capabilities) significantly influence the shape and dynamics of the value chain. Finally, the process of growth or development in the value chain is determined by each component's capacity to ensure its own function as necessary condition to keep the value chain 'alive'.

Second, just as a human being speaks, value chains speak. The value chain's speech refers to the communication system used inside and outside; a value chain has an internal and external environment that communicates over time. The internal communication is similar to how a human body's components communicate with each other, creating an interlinked communication and information system. For example, information and networking systems used by stakeholders in the value chain are information, services and service flows between similar components and other components of the chain. The value chain also communicates with its external environment comprised of other value chains and natural environments (small scale and/or large scale) related to climate change risks or pollution concerns. Therefore, this assumes that sustainable internal and external environments positively influence the communicative performance as well as the gains from value chain participation.

Third, just as a human being produces to meet its needs and ensure its functions, the value chain is also assumed to produce goods and services. Functions refer to all activities in the value chain. Porter (1985), has identified five primary functions in a chain and four support activities which stand in the human centred approach to the value chain. (a) The value chain's primary functions are inbound logistics, operations, outbound logistics, marketing and sales, and services; whereas the support functions are procurement, technology, human resources management, infrastructure, and culture (Porter, 1985). (b) The value chains' needs refer to

Maslow's theory on living beings' needs under the "hierarchy of basic needs" (Maslow, 1943). However, instead of considering all five basic needs identified by Maslow, the physical survival needs and physical safety needs stand to fit better in the approach as they are preconditions for the other needs in a human being's life. The physical and survival needs mean the need for resources (e.g., human, natural, informational and communicative resources) that feed the value chain and allow it to survive and perform in both internal and external environments. Moreover, the physical safety needs are related to how to keep the value chain safe in its external environment. In other words, how to maintain the value chain free of dangers and threats from the other value chains in its external environment (e.g., competition from the other value chains) and from natural environment risks, particularly climate change concerns (pollution, droughts, floods).

Yet, this inclusive approach to value chains is complex as it requires a lot of information and data, as well as techniques and tools to analyse them. Indeed, the longer the chain is, the more data is required. For example, when the chain is long, there are a lot of intermediaries at the different nodes of the chain (e.g., transport, information and communication services providers) who are widely spread in the space (Bolwig et al., 2011). So, getting information and data from all these types of stakeholders is costly in time and financial resources. Some specific information, such as the quality goods and services, may not be traceable so that the accountability of actors in the chain is sometimes difficult to establish. It would require a costly investment to make goods and services traceable in a long value chain (Bougdira et al., 2016). In contrast, in a short value chain there are fewer or no intermediaries involved, thus facilitating knowledge and information sharing among the low-income stakeholders in the chain and traceability information can be low cost (Marsden et al., 2000). Therefore, the approach assumes that the shorter the length (less intermediaries) of the value chain, the more gender-aware and inclusive it is, and the expected outcomes are higher (i.e., material and non-material gains).

Hence, the concept of a short value chain fits better in the context of this research, as women's empowerment in such a value chain is much more relevant than in a long chain (which hides more disparities because of intermediaries and environmental costs (e.g., pollution) in goods transportation. Moreover, a short chain's dynamics in terms of temporal evolution may be deeply analysed compared to a long chain, as stakeholders on the supply side are not numerous in a short chain. In contrast, the space side of the short value chain fundamentally depends on the context or location. In the case at hand, it concerns (peri) urban areas.

From the gender-aware and inclusive perspective of value chains, it is worth looking at the literature and drawing on the inclusive business approach that fits in.

2.2 Inclusive business

Up until now, the concept of inclusive business (IB) has been anchored in the debate between two epistemological stances: the resources-based approach and the cultural cognitivism approach (Likoko & Kini, 2017). The resources-based approach looks into the firm's potential resources or internal capacities that are the basis of its competitive advantage (Wernerfelt, 1984; Sullivan, 1998). Therefore, the firm is performing when it is able to combine its scarce resources efficiently in order to achieve a maximum output (profit maximisation). However, this approach appears to be exclusive of the poor and creates more inequalities among populations according to the cultural cognitivism view of the firm that tries to address this limitation (Penrose, 1959; Nooteboom, 2006). Indeed, the latter approach calls for the inclusion of local populations and communities in doing business (Sullivan, 1998), in such a way that inclusive business models must aim at including low-income communities into a business value chain by addressing stakeholders' needs and perceptions, and adjusting the product to the target market (Golja & Pozega, 2012).

Unfortunately, the very challenge of inclusive business is related to its operationalisation. Divergent positions from practitioners and scholars are found in the literature, even if both recognise that inclusive business has to target low-income and marginalised populations (Likoko & Kini, 2017; Pouw et al. 2019a). On the one hand, scholarly discourses on inclusive business support inclusion of BoP populations into business to achieve poverty alleviation (Prahalad & Ramaswamy, 2004; London & Hart, 2011). For example, one school of thought claims that inclusivity involves the creation of positive development impact using economically viable business models that do not lead to negative ecological impacts in the short and long term (Wach, 2012). Another definition claims that the departure of the inclusive business approach from an exclusive focus on profit generation gives it the potential to supersede development programmes (Wach, 2012). As such, inclusive business is seen as "sustainable business solutions that go beyond philanthropy and expand access to goods, services and livelihood opportunities for low-income communities in commercially viable ways" (Bonnell & Veglio, 2011, p.2). Furthermore, another group of scholars defines inclusive business as accounting for human dignity or human rights considerations in businesses through: (a) protection against third party abuse, (b) respect for human rights, and (c) access to legal remedies by local people (Ioannou & Serafeim, 2012; Sopov et al., 2014). Thus, a business model is inclusive if it is durable, equitable, effective, adaptable and credible.

On the other hand, most inclusive business models from practitioner communities focus on the inclusion of the BoP (Likoko & Kini, 2017; Petkoski, 2014; UNCTAD, 1999; UNDP, 2010; Naguib, Oppermann & Rosendahl, 2013; Dietrich & Bauer, 2013), as the poor are included as employees, producers, business owners and/or consumers of affordable goods and services (UNDP, 2010; Naguib et al., 2013). From this perspective, IB is considered to be business that integrates smallholders/small producers/employees into markets with mutual benefits for the poor and the business community while enabling the poor to move out of poverty and establish food security. Such inclusion is not just a company's responsibility, but the responsibility of producers, the public sector, buyers and NGOs (FAO, 2015).

From these contesting discourses on inclusive business, both among practitioners and scholars (Likoko & Kini, 2017), inclusive business has to be connected to inclusive development (Gupta et al., 2015; Pouw et al., 2019). As such, the related theoretical stance rejects the idea of the firm or corporation being the main driver of business in the sense that it only includes the BoP population as raw material suppliers, workers or simple input distributors (Likoko & Kini, 2017); but it shares the human-rights approach where the BoP population benefits in win-win businesses and are not adversely included (Sopov et al., 2014; Hart, 2007). Therefore, inclusive businesses should also aim at providing sustainable livelihoods (Naguib et al., 2013) to companies and poor communities, and companies should not be the only drivers of these business models (FAO, 2015). Also, such business models tend to be less attractive for capital investors because most of them are risk-averse (Bannick et al., 2015; FAO, 2015), thus, there is a need for an alternative funding mechanism to guarantee the sustainability of such a business model.

2.3 Gender awareness in business

The understanding of inclusive business in section 2.2 is still general, as it does not consider the specific issues of gender inequality between men and women in doing business or starting-up a business in the first place. Indeed, the literature shows that men and women entrepreneurs do not face the same realities on the ground. The current section fills this gap in knowledge.

2.3.1 Gender in business

In business, gender refers to:

> *"the roles, behaviours, activities, and attributes that a given society at a given time considers appropriate for men and women. In addition to the social attributes and opportunities associated with being male and female and the relationships between women and men and girls and boys, gender also refers to the relations between women and those between men. These attributes, opportunities and relationships are socially constructed and are learned through socialisation processes. They are context/ time-specific and changeable. Gender determines what is expected, allowed and valued in a woman or a man in a given context…"* (UN Environment, 2019, p. 695).

Taking a gender-aware approach in studying inclusive business has five implications. First, it questions the dominance of profit maximisation as the sole motive for engaging in business. For example, considering gender in entrepreneurship puts an end to the definition of entrepreneurs as "rational money-driven" individuals pursuing financial profit maximisation (Vossenberg, 2016; West & Zimmerman, 1987). Aside from profit incentives to engage in business, social-relational and psychological aspects of wellbeing (Pouw, 2017; Pouw & Kini, 2016), particularly self-esteem, are needed for social relations or to feel socially useful.

Second, it sees entrepreneurs as decision makers with unbalanced distribution of "powers, resources and responsibilities for paid and unpaid work" (Vossenberg, 2016, p.11).

Third, it considers entrepreneurs as "socially embedded human beings who have a gender, body, class, age, family, religion and ethnicity, and live within a specific historical, social, economic and geographical context" (Vossenberg, 2016, p.12; Brush et al., 2009). As such, looking through a gender lens shows that it is not just microeconomic factors that affect the opportunities for women to participate in business (Vossenberg, 2016, p.12), but also macro factors such as institutions (Sen, 2015; Acemoglu & Robinson, 2012), and "different types of women entrepreneurs can have different practical or strategic needs" (Vossenberg, 2016, p.12).

Fourth, a gender lens shows how social identity including one's age, gender, health, religion can influence entrepreneurs and account for inequalities (Vossenberg, 2016, p.12).

Fifth, a gender-aware perspective on inclusive business distinguishes at least two types of entrepreneurs: survival and growth-oriented entrepreneurs (see Vossenberg, 2016; 8.5.3; 10.1; 10.4), or necessity and opportunity entrepreneurs (Zoumba, 2018; Fuentelasz, González, Maícas & Montero, 2015).

On the one hand, survival or necessity entrepreneurs are: (i) those with no or little intention/motivation to grow or expand their businesses (Hurst & Pugsley, 2011); (ii) involved in low-quality or subsistence entrepreneurial activities motivated by necessity (Fuentelasz et al., 2015; Schoar, 2010); and (iii) create jobs for their owners (Hurst & Pugsley, 2011; Reynolds, 2010). They struggle to balance their business with unpaid care responsibilities and they are challenged to earn enough income to satisfy their household's needs (Vossenberg, 2016; Berner et al., 2012; Karim, 2001). The main reason for staying survival entrepreneurs is that they do not have the capabilities, freedom or will to expand their business beyond the limits of their own labour and management capacities (Vossenberg, 2016; Berner et al., 2012). Thus, such entrepreneurial activities provide few benefits to society as a whole (Baumol, 1990). However, such entrepreneurs represent a significant part of business, for example, 31% and 37% of start-ups (nascent businesses) recorded in Ghana and Nigeria respectively were necessity entrepreneurs and had no intention to grow their businesses (Xavier et al., 2013, p.60). Consequently, entrepreneurship development policies often fail, since they fail to acknowledge the fact that survival entrepreneurs do not necessarily have a growth ambition (Vossenberg, 2016).

On the other hand, growth-oriented or opportunity entrepreneurs are: (i) engaged in more productive and transformational entrepreneurship; (ii) tend to be more innovative by creating new products, processes and jobs; and (iii) extend the tax base for the government (Fuentelasz et al., 2015; Hurst & Pugsley, 2011; Sobel, 2008). A rich literature gives the underlying factors enabling a business to grow (moving from survival to growth-oriented), which are embedded in the theory of institutions (North, 1990) and the politics of inclusive development (Sen, 2015). According to this literature, the fundamental determinants of an enterprise's growth are political[12] (regulatory), such as the institutions that encourage businesses (Sen, 2015; Khan, 2010; Acemoglu, 2009; North, 1990). This topic is further elaborated in section 2.3.3.

12 Likoko et al. (2019) have argued in the case of Kenyan women entrepreneurs that their ambitions and motivations are also fundamental in the growth orientation of their business.

2.3.2 Institutions and entrepreneurship

Entrepreneurship and business evolve within an institutional environment that is more or less conducive to doing business. "Institutions refer to the regularised patterns of interaction by which society organises itself: the rules, practices and conventions that structure human interaction" (UN Environment, 2019 p.698). Institutions can also be "the rules of the game or, more formally, the humanly devised constraints that shape human interaction" (North, 1990, p.3). As such, institutions can potentially shape the choices in societies in respect to technology and (capital) accumulation (Acemoglu, 2009). Thus, institutions encompass law, social relationships, property rights and tenurial systems, norms, beliefs, customs and codes of conduct, and as such, they can be "formal (explicit, written, often having the sanction of the state) or informal (unwritten, implied, tacit, mutually agreed and accepted)" (UN Environment, 2019, p.698).

In the entrepreneurial debate, strong evidence supports that institutions have an important impact on the entry, survival and growth of enterprises (Chowdhury et al., 2019; Eesley et al., 2018). First, institutions affect the quality and quantity of entrepreneurship via four layers (Chowdhury et al., 2019). The first layer is the informal institutions of a country, which are anchored in society and include habits, customs and beliefs (Chowdhury et al., 2019; Eesley et al., 2018; Bruton et al. 2010). Indeed, informal institutions first influence individuals' "choice to be entrepreneurs, the industries and sectors they will enter and the appropriate strategies[13] they will consider" (Eesley et al., 2018, p.395). In contrast, "norms of the various stakeholders" expressed in terms of "strategies" adopted influence the firms (Eesley et al., 2018, p.395; Pache & Santos, 2010). Moreover, informal institutions play an important role, particularly when institutional voids[14] occur (Mair, Marti & Ventresca, 2012). This is the case, for example, when there are contestations on right actions resulting in the "formation of informal norms and sanctions that allow the development of functioning markets" (Eesley et al., 2018, p.395).

13 Miller and Dess (1996) cited by Mainardes et al. (2014) define a (business) strategy as "a set of plans or decisions made in an effort to help organizations achieve their objectives" (p.48). To Porter (1996), also cited by Mainardes et al. (2014) strategy means "performing different activities than those performed by rivals or performing the same activities differently" (p.48).

14 Institutional voids address the absence of formal institutions and how informal institutions may facilitate the functioning of markets including the accepted norms of commercial behaviour (Greif, 2006).

The second layer is the formal regulatory institutions of a country (Chowdhury et al., 2019; Eesley et al., 2018), which can reduce the uncertainty and risk associated with the entrepreneurial activity (Smallbone & Welter, 2012). A rich literature shows evidence of the effects of formal institutions, which are embedded in the rules of law. Indeed, formal institutions affect entrepreneurship, notably the quantity of entrepreneurship (Eeslay et al., 2018; North, 1990). For example: 1) simplifying the "procedures for obtaining licenses and permits to start new firms increases venture formation" (Eesley et al., 2018, p.394; Klapper, Laeven & Rajan, 2006); 2) a decrease of the government's regulation burden engenders an increase of entry rates in business (Levie & Autio, 2011). However, formal institutions can negatively influence entrepreneurship as well if the costs of complying with regulations are high (Klapper et al., 2006). For example, complying with environmental taxes lead to environmental-orientation of entrepreneurial ventures, which may not be affordable for certain poorer entrepreneurs (Horisch, Kollat & Brieger, 2017).

The third layer of institutional influence is the governance, which drives the resource allocations in a country (Chowdhury et al., 2019). For example, some authors show that entrepreneurial activities are highly sensitive to the changes in government stability, internal and external conflicts, ethnic tension, control of corruption, and rules of law (Gholipour & Tajul, 2012).

The last layer of institutional influence is resource allocation, which is jointly determined by the first three layers (Chowdhury et al., 2019). For example, the "quality of the institutional environment influences an entrepreneur's attitudes, motives, and ability to mobilise resources" (Chowdhury et al., 2019, p.54; Reynolds, 2010); and "shapes the rules of the game, which in turn affects the quality of entrepreneurship" (Chowdhury et al., 2019, p.54-55; McMullen et al., 2008).

Second, much work has been done showing that institutions are interactive and dynamic over time (Chowdhury et al., 2019; Eesley et al., 2018). This suggests that focusing on interactions, of' informal institutions tend to be stronger or more influential compared to formal institutions in terms of the quantity of entrepreneurship. Indeed, a change in formal institutions aimed at boosting entrepreneurship can be a failure due to "the effects of informal institutional forces to seek legitimacy" (Eesley et al., 2018, p.395). Informal institutions can shape firm behaviour if they do not fit with the formal institutions because "the normative and cultural-cognitive elements provide the social framework within which entrepreneurship occurs" (Eesley et al., 2018, p.396). In addition, informal institutions are extremely influential because, instead of "being imposed on individuals by policymakers, they are 'taken-for-granted' social and cultural norms that are embedded in continuing social relationships" (Eesley et al., 2018, p.396; Tolbert & Zucker, 1983).

Third, many studies showcase that entrepreneurship in turn significantly influences the institutions (Chowdhury et al., 2019), both in the short and long-term (Samadi, 2019), in regard to the "level of economic development of countries" (Chowdhury et al., 2019, p.55; Samadi, 2019). The main conclusion of these studies is that "entrepreneurs are an important source to create institutional changes, especially in developing countries" (Samadi, 2019, p.3). For example, as "institutions influence individual behaviour, over time entrepreneurs also take the initiative to change the institutions that are beneficial to them" (Chowdhury et al., 2019, p.54).

Thus, this theoretical debate concludes on the 'bidirectional' relationship between institutions and entrepreneurship (Chowdhury et al., 2019, p.53), particularly in "innovation-driven countries and in the long run" (Samadi, 2019, p.11). Despite the relevance of this debate, it does not clearly show what and how institutional factors drive the growth orientation either at firm-level or country-level, particularly when adopting a gender lens for entrepreneurship in the low-income countries. Section 2.3.3 intends to address this point.

2.3.3 Institutions and growth-oriented entrepreneurship

Evidence shows the important role that institutions play in regard to the growth orientation of entrepreneurship and the economic development of a country (Fuentelasz et al., 2015). Growth-oriented entrepreneurs suppose that formal institutions are displayed in the economic game since the political authorities mainly recognise them as the major contributor to a country's economic growth (Samadi, 2019; Bosma, Content, Sanders & Stam., 2018). The main argument is that when regulations and laws function well, this encourages firms to invest in "productive activities and to develop new and better-quality goods and production technologies that lead to greater accumulation and technological change, and hence economic growth" (Sen, 2015, p.35; Acemoglu, Johnson & Robinson, 2005) while reducing the social and ecological externalities. Consequently, formal institutions are the key political drivers of growth through three main channels, namely "institutions of credible commitment, provision of public goods, overcoming of coordination failures" (Sen, 2015, p.42)[15] while protecting the environment.

The theory of political foundations of growth acceleration (Khan, 2010) gives an explanation on how politics influence institutions, which in turn influence economic growth politics. First, the main idea defended by this theory is that, if "inclusive economic institutions and inclusive political institutions" function well (Sen, 2015, p.43), there is a great potential to have broad-based and sustainable economic growth (Acemoglu & Robinson, 2012)[16]. In addition, economic institutions and political institutions are interlinked and they constitute the political economy perspective on economic growth at the firm and national level. For instance, economic institutions determine the distribution of resources in a country (Chowdhury et al., 2019; Sen, 2015). Second, since "economic institutions are politically determined, the prevalent power relations determine the set of institutions" that have great potential to emerge (Sen, 2015, p.43). As such, "political institutions are determined by the political power of different groups in society" (ibid). In addition, as the "distribution of political power determines the evolution of economic and political institutions, political elites holding power tend to maintain the political institutions that give them the political power and the economic institutions that distribute resources to them" (Sen, 2015, p.45). Therefore, "inclusive and political institutions" have much chance to prevail if they emerge from such institutions and result in strong economic performance (Sen, 2015, p.45; Acemoglu & Robinson, 2012).

15 For example, credible commitment (motivational and imperative as well as formal and informal) is a necessary and sufficient condition "for entrepreneurs to make the necessary investment in productivity enhancing changes in their enterprises" (Sen, 2015, p.38). Formal and informal institutions can bring about such credible commitment (Sen, 2015). Formal institutions encompass: (i) "laws that prohibit the expropriation of private property, (ii) courts that provide sanctions against the firm's customers when there is a non-payment of dues, and (iii) bankruptcy procedure protecting financiers (bondholders) when a firm enters into bankruptcy" (Sen, 2015, p.39; Acemoglu, 2009). Informal institutions are, among others, "kinship structures, social norms, and patron-buyer networks" (Sen, 2015, p.39; Acemoglu, 2009). An example can be a politician-entrepreneur relationship in which the politician protects the entrepreneur and provides him or her with access to funds and certain privileges in return for the rent that accrues from production.

16 Acemoglu and Robinson (2012), cited by Sen (2015), define inclusive economic institutions as "secure property rights for the majority of the population (including smallholder farmers and small firms), law and order, markets that are opened to relative free entry of new businesses, state support for markets (in public goods provision, regulation, and enforcement of contracts), and access to education and opportunity for the great majority of citizens. Whereas, inclusive political institutions are those that allow a broad participation of the country's citizens and uphold the rule of law, and place constraints and checks on politicians along with rule of law" (see Sen, 2015, p.43).

It stands from the theory of the political foundation of growth acceleration that policies which can be supportive to the poorest are more likely to face resistance from the elites (economic and political) if such policies are against the interests of the latter. A typical example is the reluctance of the financial institutions to release the constraints related to the access of the poorest to credit, as beyond the risk considerations, many political elites may be shareholders in these institutions.

The “level of financial development, availability of entrepreneurial capital and cognition, regulatory framework, corruption, government size and government support” are influential on growth-oriented entrepreneurial activities (Chowdhury et al., 2019, p.55). First, the change in the level of financial development significantly affects the quality and quantity of entrepreneurship, particularly in developing countries (Chowdhury et al., 2019) where scarce financial resources increase in value, contrary to the ‘abundance of finance’ in developed countries (Chowdhury et al., 2019, p.55), probably because the financial system (credit or capital markets) is less developed in developing countries (Whitley, 1999). Consequently, the scarcity of financial resources leads entrepreneurs to: 1) low ‘investment in high-growth-oriented’ entrepreneurial activities (Chowdhury et al., 2019, p.55; Black & Strahan, 2002); and 2) oftentimes count on their own assets or use “informal networks such as friends and family to acquire financial resources or formal networks such as customers or suppliers” (Chowdhury et al., 2019, p.55; Davidsson & Honig, 2003).

Second, the availability of entrepreneurial capital and cognition, understood as “the availability of resources and incentives to use them to create wealth” (Chowdhury et al., 2019, p.56), is a significant determinant of productive entrepreneurial activities (Sobel, 2008). Indeed, a greater availability of capital for entrepreneurial activities at any ‘level of economic development’ has a great chance to positively increase both the quantity and quality of the entrepreneurship (Chowdhury et al., 2019, p.56). For example, in countries where the cost for business start-up is low, entrepreneurial capital can “increase entrepreneurial entry and the self-selection of highly educated individuals into more productive activities” (Chowdhury et al., 2019, p.56; Cassar & Friedman, 2009).

Third, the formal regulatory framework influences the quality and quantity of entrepreneurship through three channels: labour market, fiscal regulation and bankruptcy law (Chowdhury et al., 2019). In the labour market, any regulation that hinders the opportunity of an entrepreneur to adjust the labour force is “expected to reduce entrepreneurial entry and negatively affect the incentives” for high-quality entrepreneurship” (Chowdhury et al., 2019, p.57). In addition, the literature shows that “high taxation on entrepreneurs’ income” leads to a low proportion of available income because if uniform tax is applied independently of the size of the firm, then small businesses are exposed to more burden (Chowdhury et al., 2019, p.57). Also, "bankruptcy laws" significantly impact growth-oriented entrepreneurship (Chowdhury et al., 2019, p.57; Armour & Cumming, 2008). For example, "friendlier bankruptcy laws are positively associated with new firm entry because the reformed laws lower the projected sanctions that entrepreneurs expect in the (likely) event of failure" (Eesley et al., 2018, p.395; Lee, Yamakawa, Peng & Barney, 2011).

Fourth, corruption in informal institutions affects entrepreneurship (Chowdhury et al., 2019, p.58; Mohammadi Khyareh, 2017). The literature shows that countries capable of controlling and reducing corruption can enhance the possibility of entrepreneurship in society (Chowdhury et al., 2019, p.59; Anokhin & Schulze, 2009). However, the existence of corrupt officials can hamper entrepreneurship (Chowdhury et al., 2019, p.59).

Fifth, government size, understood as "its fiscal, legal and collective capacity to function effectively" (Chowdhury et al., 2019, p.59; Besley & Persson, 2014), is a significant determinant of growth-oriented entrepreneurship (Chowdhury et al., 2019). For example, for the creation of "strong social institutions" and implementation of "its policies, the government needs "stable sources of revenues such as taxes" (Chowdhury et al., 2019, p.59). However, this tends to motivate individuals to "remain in the informal sector to avoid paying taxes" (Chowdhury et al., 2019, p.59; La Porta & Shleifer, 2014).

Sixth, government support to the private sector is important in boosting entrepreneurial activities. Indeed, government programmes can positively influence entrepreneurship especially in developing countries (Chowdhury et al., 2019, p.60). For example, they can provide incentives for entrepreneurs to promote education, innovation and business skills (ibid).

Overall, the gender lens on business suggests emphasising the roles that institutions play in the economic game. Moreover, in the context of low-income countries, understanding what and how institutions drive the choices of women in business is crucial for designing effective business models. This is particularly important in the age of inclusive business models, which are supposed to be the response of the inclusive development approach to the SDGs.

2.3.4 Gender awareness and inclusiveness in business

Integrating gender awareness and inclusiveness is challenging and tied to the operationalisation of inclusiveness. Some authors define an inclusive business as a business that is innovative, credible, affordable (equitable), adaptable and viable (efficient) (Likoko & Kini, 2017; Sopov et al., 2014). This research uses this operational definition of inclusive business to challenge the integration of gender awareness.

First, a business is innovative if it brings new ideas, creates opportunities by removing economic, social, ecological and geographic barriers (Likoko & Kini, 2017). Thus, it enhances the social and economic wellbeing of disenfranchised members of society (George, McGahan, & Prabhu, 2012), and maintains local ecosystems (Adams et al., 2016) by promoting sustainable value creation (Hart, Milstein, & Overview, 2003). As such, innovation is dynamic, based on learning processes which brings together scientific and local knowledge (Odame, 2014). Some authors consider a business as innovative if it is technologically simple both in the tools and practices. For example, Sopov et al. (2014) have shown that incremental technologies that are built on customary wisdom and practices can easily be assimilated into communities (Sopov et al., 2014). In contrast, other authors think that this view of innovation is restrictive, as innovation is only seen in terms of technological change in products and processes (Blake &Hanson, 2004)[17]. For the latter, this view of innovation is tied to the export-based theory in the neoliberalist development model where, for example, cities are only considered as production centres for products exported to the areas outside for further distribution and consumption.

In an operational perspective, integrating gender awareness as an innovative dimension of inclusive business means creating opportunities for the disenfranchised (i.e., the poor) WSEs/WFEs from informal settlements, addressing

17 Both authors call for contextualising innovation with geographic and gender considerations by making what is considered an innovation dependent on context; "for the theorising of innovations in place rather than accepting a universal norm; for a new way of thinking about how innovative activity relates to context. Specifically, they highlight the role of the social and economic environment in valuing and promoting certain kinds of innovative activities while devaluing and even actively discouraging others. A contextualised innovation acknowledges that innovators are embodied and therefore likely to relate to local contexts for innovation in distinctive ways. The social identities of innovators figure into the ways that institutions in particular contexts promote, value, and define innovations. Gender is therefore thoroughly implicated in the question of how and why certain geographic contexts encourage some kinds of innovations to emerge and develop while discouraging or preventing others" (Blake & Hanson, 2004, p.686).

the existing economic, social, ecological and geographic barriers and creating sustainable value, thus enhancing their wellbeing. Particularly, such a business focuses on breaking the gender barriers and ensures that the tools and practices used are built on customary wisdom[18]. It also considers the local scale (e.g., urban area) by capturing the place-specific nature of a market that enables the creation of a successful business in accordance to Blake and Hanson (2004).

Second, a business is credible if it offers real benefits in the form of stable and long-term commercial relations that can be tracked and reported (Sopov et al., 2014). In other words, such a business builds up strong/stable commercial connections both vertically and horizontally in the value chain they are evolving in. The business is also credible when these commercial relations are gender-aware and if no gender barrier exists which makes WSEs/WFEs powerless among the stakeholders involved.

Third, a business is affordable if it is equitable and effective (Sopov et al., 2014). It is equitable if it allows market access for smallholders with an equitable balance of risk, responsibilities and benefits; whereas it is effective when it strengthens the purchaser's access to consistent supplies for a reasonable price (Sopov et al., 2014). In the perspective of gender awareness, this business is affordable if it allows them to get access to markets to sell food which the poor can afford; their prices are not only for profit-making, but other social and environmental benefits can allow their business to sustain over time. However, this can only be possible if gender barriers do not exist, thus allowing women to make decisions by themselves (i.e., increasing their capabilities, see 2.5).

Fourth, a business is efficient or commercially viable/profitable if it improves its financial sustainability (Sopov et al., 2014) making profits durable. Thus, in a perspective of gender awareness, a business is viable if no or few gender barriers exist, and if it generates sustainable profits, including financial returns and non-monetary benefits.

Fifth, a business is adaptable if it enables flexible responses to changing market, social and environmental conditions (Sopov et al., 2014). In a perspective of gender awareness, a business is adaptable if its actors (e.g., poor resources women) can cope with their business environment, including market conditions, institutions

18 It is possible that customary wisdom may have created these barriers.

(see 2.3.2 and 2.3.3), social/cultural norms and natural environment (climate risk). Hence, an integration of gender awareness and inclusiveness in business is a good pathway towards successful women's empowerment.

2.4 Empowerment

Empowerment is at the heart of addressing gender inequality and women's exclusion, particularly in the value chain. There is a rich literature that allows us to understand the concept of empowerment from different angles. First, from a broad perspective, some authors define empowerment by focusing on the unbalanced power relations that divide the powerless and voiceless people (i.e., the poor) from the powerful actors (i.e., the rich). As such, empowerment can be understood as increasing the freedom of choice of poor people (Narayan, 2005, p.4; Narayan, 2002; Behal, 2011; Shettar, 2015; Bandiera et al., 2015), and enabling them to increase their capabilities, assets, and ability to hold institutions accountable (Narayan, 2005, p.5; Narayan, 2002, p.11). Such empowerment can be achieved by increasing context specific access to information, credit, opportunities and decision-making as well as strengthening their rights to resources (Narayan, 2002, p.14).

Second, empowerment also implies dismantling discriminatory rights faced by certain groups of people including women (Bandiera et al., 2015; Shankar et al., 2015a, 2015b; Samman & Santos, 2009; Laven et al., 2009; Kabeer, 1999). As such, empowerment refers to "a process by which those who have been denied the ability to make strategic life choices acquire the ability to do so" (Kabeer, 1999, p.437). In other words, empowerment is about changing gender relations between men and women in order to enhance women's ability to shape their lives (Laven et al., 2009). This body of literature focuses on the fact that several gender barriers (cultural norms) in developing countries prevent women from fully engaging themselves in politics or seizing opportunities to make a better live. That is the case in certain cultures that consider women as inferior to men, whereby women do not have the right to access and control resources such as lands (Pouw, 2017; Laven et al., 2009; Kabeer, 1999). It is also the case of women facing gender inequality in the entrepreneurship sphere (Pouw, 2017; Marlow & Dy, 2017; Vossenberg, 2016; Welter, 2011; Brush et al., 2009).

The second definition of empowerment is relevant to this research on business and value chain interventions. Perhaps this position ignores the necessity of creating the conditions in which gender discrimination does not take place as defended by the first definition. However, this position is supported by the assumption that much work has been done in this field, particularly by (feminist) scholars to raise this awareness for academia, practitioners and political spheres (Marlow & Dy, 2017); and it is assumed that both male and female (headed) households, and their communities, from around the world are aware of this problem. In addition, as gender inequality is a serious concern in society, it influences the institutions and governance so that solving it is somewhat beyond the capacity of this dissertation.

So far, two epistemological understandings have been addressed: resource-based empowerment and agency-based empowerment (Shankar et al, 2015a, 2015b; Samman & Santos, 2009; Kabeer, 1999). The resource-based empowerment approach is about economic empowerment focusing on the transformation of the material, human and social resources to improve the material wellbeing of the empowered people (World Bank, 2014; ILO, 2014; OECD, 2012; Gakidou, 2010; Kabeer, 1999). In contrast, agency-based empowerment focuses on the processes of decision making as well as the less measurable manifestations of agency such as negotiation, deception and manipulation (Kabeer, 1999). This latter can be assimilated in political empowerment (Bandiera et al., 2015; Narayan, 2005, 2002). The achievement of a given empowerment approach is to increase the wellbeing of the empowered people (Kabeer, 1999).

Hence, this research epistemologically combines, to some extent, the resource-based and agency-based approaches. The reason is that the expected achievement of the empowerment is not only material, but also non-material. In addition, WSEs/WFEs' capabilities are central in an empowerment process, thus, the agency perspective of empowerment is also relevant; agency is a core element of the capability approach and cannot be dissociated from the other elements such as functioning or achievements and the capabilities. This is illustrated by Narayan (2005) who shows the interactions between opportunities and agency, and how they contribute to the achievements of the empowered people.

Overall, it stands from this literature that the very challenge with the concept of empowerment is its operationalisation. Indeed, as a process, empowerment implies a contextualisation for a better grip on it. Thus, this research sees economic empowerment in a value chain as encompassing business interventions that focus on improving or forging vertical linkages along the value chain in order to improve their terms of participation (Riisgaard et al., 2010). Specifically, businesses (including capacity building interventions) that increase women's capabilities and improve their terms of participation in value chains can empower WSEs (Riisgaard et al., 2010).

2.5 Capabilities and functioning

2.5.1 Capability approach

Addressing gender inequality and women's exclusion through their empowerment in value chains is feasible if it is possible to enhance their capabilities (Riisgaard et al., 2010). The capability approach has appeared in the development debate when the existent dominant approaches were not able to consider the concept of development in a holistic manner (Frediani, 2010; Nassbaum, 2000; Sen, 1985, 1979). The capability approach goes beyond the sustainable livelihood framework (also resources-based approach) that emphasises the income earned by households through livelihood strategies as an outcome of development (Dekker, 2004; Moses & Norton, 2001; Scoones, 1998; Tendler, 1997; Evans, 1996). To complement the livelihood approach, the capability approach suggests focusing on the processes that make it possible to convert resources into what people value, and have the right to value, in regard to the contexts (locations), vulnerability, risk and social arrangements (Frediani, 2010; Clark, 2002; Nassbaum, 2000; Alkire, 2002; Bebbington, 1999; Sen, 1985). As such, cultural and environmental values and social (and political) interactions are considered to be important in development assessment (Bebbington, 1999).

Although, the capability approach shares a common motivation (i.e., the dignity and freedom of the individual) with the rights-based approach (Vizard, Fukuda-Parr & Elson, 2011), there is a difference between the two approaches as the latter is broader than the former. Indeed, capability focuses on opportunities and processes of freedom as outcomes of development (Frediani, 2010, 2007; Mander, 2005); whilst right-based approaches focus on freedom, respect, equality and non-discrimination, participation and autonomy and the arrangements needed to protect and promote them (Vizard et al., 2011). The main idea of the rights-based approach is that development is seen as normative goal as it must fulfil an agreed set of rights or norms such as, for example, freedom and protection of political processes that transform choices into achievement (Frediani, 2010). Thereby, the capability approach targets the measurement of wellbeing (development) seen as people's freedom and choices rather than their income or consumption (Bebbington, 1999; Sen, 1992, 1985).

An extensive literature has been built upon Sen's work on the capability approach in terms of contestations. Even though this literature recognises the relevance and holistic basis of the capability approach as a strength, it also highlights its weakness relative to its operationalisation. Indeed, a first body of literature considers the capability approach as a normative framework for the evaluation of individual wellbeing and social arrangements (Frediani, 2010; Clark, 2002; Nassbaum, 2000;

Alkire, 2002; Bebbington, 1999; Sen, 1985). Another body of literature considers the capability approach as an informational space for making evaluative judgements (Frediani, 2010; Deneulin & Stewart, 2002; Sen, 1999). Both perspectives defend the idea that human wellbeing is multidimensional including income and people's perceptions. In contrast, a third body of literature focuses on the concerns related to the operationalisation of the capability approach, and its openness and incompleteness in assessing capabilities (Alkiré, 2007; Crocker, 2007; Biggeri et al., 2006; Frediani, 2010, 2007; Comim, 2001; Comim, et al., 2008). The main idea is that the complexity of the capability approach allows for various interpretations and operationalisations of the concept of capability. From this contested debate, what does the capability approach encompass in practice? The following subsection tries to give an answer to this question.

2.5.2 Capability analysis framework: functioning, capabilities and agency[19]

The capability approach, as developed by Amartya Sen, focuses on the moral significance of an individuals' capability (ability) of achieving the kind of life they have reason to value, and to enhance the substantive choices they have (Wells, 2012; Sen, 1997). As such, the approach puts human beings at the centre and manages to assess human beings' actual abilities that they achieve and acquire (Wells, 2012). This definition involves three main concepts which constitute the core elements of the capability approach: functioning (also achievement), abilities or capabilities and agency, and the way they are interlinked.

First, functioning consists of the states of "being and doing" (Wells, 2012, Core concepts and Structure of Sen's Capability Section, para.2), that is, the states and actions forming individual's being (Sen, 1992).

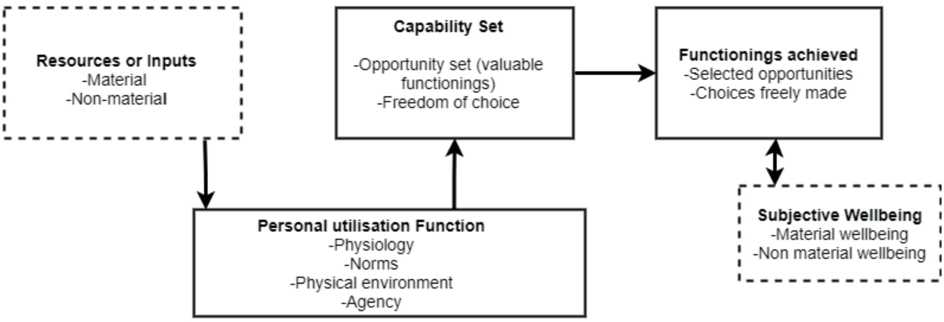
Second, capabilities refer to the "set of valuable functioning that a person has effective access to" (Wells, 2012, Core concepts and Structure of Sen's Capability Section, para.2; Sen, 1992). Thus, "a person's capability represents his or her effective freedom to choose between different functioning combinations", that is, a choice "between different kinds of life that she or he has reason to value" (Wells, 2012, Core concepts and Structure of Sen's Capability Section, para.2; Gore, 1997). As such, capabilities are a mixture of achievable functioning for a person, and therefore constitute her opportunity set (Gore, 1997). With regard to the concept of freedom, the literature distinguishes the wellbeing freedom from agency freedom (1992).

19 This section builds on Thomas Wells work on "Sen's capability approach" published in in the Internet Encyclopedia of Philosophy (see *https://iep.utm.edu/sen-cap/*)

The former refers to what an individual considers important for her wellbeing, whereas agency freedom pertains to one's freedom to select and make happen what she or he values the most (Frediani, 2010; Sen, 1992). This distinction is interesting as it sees freedom as both an instrument to reach development and an outcome of development (Sen, 1992).

Third, with regard to the agency, an agent is a person acting and generating change (Sen, 2001). This person's achieved change merely depends on his or her personal values and goals. Thus, agency refers to a person's capability to engage in the economic, social and political activities of this society (Alkiré, 2005). The conceptual framework of the capability approach as described in the definitions above can be found in Figure 2.2.

Figure 2.2: The core relationships in the Capability approach



Source: Adapted from Sen's Capability Approach by Thomas Wells 2012

The figure outlines

> *the core relationships in the capability approach, and how they relate to the main alternative approaches which focus on resources and utility (See 2.4.1). Resources are considered as inputs, but their value depends upon individuals' ability to convert them into valuable functioning, which depends, for example, on their personal physiology, social norms, and physical environment. An individual's capability set is the set of valuable functioning that he or she has real access to (e.g., opportunity set, freedom of choice), whereas the achieved functioning is that individuals actually select. Utility is considered as both an output and a functioning; it is an output because what people choose to do and to be naturally has an effect on their sense of subjective wellbeing (e.g., material and non-material wellbeing). However, the capability approach also considers*

> *subjective wellbeing as a valuable functioning in its own right and incorporates it into the capability framework* (Wells, 2012, Core concepts and Structure of Sen's Capability Section, para.3).

In this research, the capability approach tries to understand WSEs/WFEs (see 3.1) at two levels: as an individual agent and a collective agent (Narayan, 2005). First, the individual agent is related to WSEs/WFEs individually considered as agents. In this perspective, the capability analysis framework is applied to each WSE/WFE to understand her capabilities and functioning in the context of her living area, vulnerability, as well as her cultural, environmental, political and social positions that affect her agency. This implies looking at the resources she has access to and which can be converted into valuable functioning based on her ability to do so. For example, such an ability of a WSE/WFE to convert the resource she has access to into valuable functioning depends on her personal physiology, social norms or cultural, physical environment (Wells, 2012). In that vein, the individual capabilities, individual functioning and individual agency can be distinguished. In other words, WSEs/WFEs have individual access to resources, individual opportunities, and individual abilities to make valuable choices related to (i) their individual goals and values; (ii) individual freedoms and individual capacities to convert resources into their individual functioning; and (iii) individual cross-cultural norms, individual social position, individual political power relation, and so on.

Second, the collective agent refers to each WSEs/WFEs' group as an organisation of human beings. WSEs/WFEs' groups are organisations comprised of members who are part of society. The structure and dynamics of such organisations are deeply embedded in the behaviour of individuals that compose them. For this level of analysis, and by analogy to the individual level, this research refers to the concepts of collective capabilities, collective functioning, and collective agency. In other words, WSEs/WFEs' groups have each collective access to resources, collective opportunities and choices, collective abilities, collective goals and values, collective freedoms, collective agency to convert their collective resources into their collective functioning, and so on.

The group mentioned herein is another entity or organisation whose dynamics involve another type of consideration. The theory of organisations in economics, management science and sociology can contribute to explaining the motivations and purposes of creating an organisation and its functioning (Bressy & Konkuyt, 2014, 2008; Aïm, 2013; Natemeyer & Hersey, 2011; Jo Hatch & Cunliff, 2009). A relevant reference that structures the analysis is the principal-agent problem theory. In this theory, the concept of agency is different from the one in the capability approach;

an agent is a person acting on someone else's behalf (Sen, 2001). In other words, agency in the theory of organisations is linked to the concept of information asymmetry, which claims that economic agents do not have access to the same level of information (Natemeyer & Hersey, 2011; Jo Hatch & Cunliff, 2009; Akerlof, 1970). Consequently, WSE/WFE's groups can be analysed within this framework of organisations theory. Therefore, this research does not reject the concept of an agent as presented by Sen (Sen, 2001). Instead, this research considers Sen's definition of agent to be complementary to the definition of agency from the theory of organisations. So, beyond the fact that an agent is a member of society, his or her behaviour as an economic agent within an organisation can also reveal additional information about his or her access to resources, and his or her abilities to transform them into valuable functioning.

In so doing, the research came across with a **holistic-specific** understanding of WSEs/WFEs' empowerment by analogy to the concept of glocalization[20] in international marketing (Hollensen, 2014; Sarroub, 2009, 2008). The holistic side (global) considers the capability approach to identify all the factors influencing the access of the human being (agent) to resources and his or her capacities to convert them into valuable functioning. The specific side (local) of the analyses focuses on a human being as an economic agent, that is, influenced by both his or her agency as a member of society, and his or her economic agency in the economic arena, hereof called value chain. It appears that both types of agency are two sides of the same coin, as they express two different but interlinked realities (Wells, 2012).

Overall, this rich literature shows that the capability approach is often applied to human beings in society. However, the approach is too broad to be used in the specific case of WSEs/WFEs' empowerment. Indeed, the capability approach considers all the societal and environmental factors of life within the community, such as values, culture and norms (Sen, 2001, 1985). As such, the capability approach contributes to understanding the interactions between WSEs/WFEs and their living environment (household and community), and how this affects their daily profit-making activities. However, the capability approach does not fully capture the behaviour of women as individual economic agents within their (business) associations. To fill this gap, the firm-level economic wellbeing provides a sound analytical framework.

20 This refers to both the global and the local system and the relations between them.

2.6 Firm level economic wellbeing: firms, businesses and entrepreneurs (FBEs)

A firm-level economic wellbeing refers to "the business command over resources, relations, performances, goals and satisfaction thereof" (Pouw, 2017, p.95). Three main concepts are involved: firms, businesses and entrepreneurs (Pouw, 2017). A firm is defined as "an organisation that is engaged in the paid production of goods and services to customers for profit and other gains. In addition, a firm has a legal component, whereas a business refers to any profit-making activity" (Pouw, 2017, p.97). In contrast, "an entrepreneur is a person who organises, manages and assumes the risks and rewards for a business venture, including non-monetary business risks and rewards" (Pouw, 2017, p.97).

In this perspective, firms, businesses and entrepreneurs (FBEs) usually operate from the motivation of making profits and/or social and/or environmental gains. Specifically, they are key resource agents that produce paid goods and services, create employment, and form part and parcel of an entrepreneurial environment in which individual women and men can find jobs (Pouw, 2017). Societal norms and behavioural rules and practices, including those on gender, influence women's and men's activities, access to resources and generated outcomes in FBEs (Pouw, 2017). The outcomes of FBEs activities contribute to firm-level economic wellbeing, which is partly influenced by the entrepreneurial or stakeholder's subjective evaluations of aspired goals and satisfactions or dissatisfactions.

This theoretical thinking on firms, businesses and entrepreneurships suggests having a particular look at the concept of profit-making; profit-making guides the definition of business in the value chain analysis. Indeed, the position of Pouw (2017) on the business nature within the framework of firm-level economic wellbeing is questionable because it implicitly acknowledges the existence of competition between value chain's stakeholders. As in industrial economic theory, profit-making business leads to competition[21] between market actors (Carlton & Perloff, 2005; Jaworski et al., 2000; Encaoua, 1986). The main idea is that perfect competition leads to efficiency and innovation of firms, with more affordable goods and services exchanged on the market and generates profits for successful firms (Brooke, 2010; Carlton & Perloff, 2005; Encaoua, 1986). This perspective is contestable regarding WSEs' survival characteristic (Likoko et al., 2019; Zoumba, 2018), which does not fit in the conventional entrepreneur model (see 2.3). While

21 Three main types of markets can be identified in the literature: perfect competition with free entry and exit (Carlton & Perloff, 2005; Encaoua, 1986), contestable with free entry and no costly exist (Encaoua, 1986; Baumol, Panzar & Willig, 1982) and monopoly with heavy entry cost (Carlton & Perloff, 2005; Encaoua, 1986).

conventional firms require initial capital[22] (apart from their workforce) to start the activity, WSEs/WFEs usually lack such capital (Pouw, 2017; Vossenberg, 2016). As they lack access to credit, the financial risk undertaken is different from the one undertaken by a conventional firm.

Therefore, the concept of profit needs to be differentiated as follows: normal versus supernormal profit. Supernormal profit refers to profit above normal profit defined as the minimum return necessary to keep a firm in business; this particularly happens in a market with monopoly (Carlton & Perloff, 2005; Encaoua, 1986). Normal profit enables the firm to pay a reasonable salary to its workers and managers and its shareholders, as it is the case in a market with perfect competition (Brooke, 2010; Hawley, 2009; Bianchi & Henrekson, 2005; Carlton & Perloff, 2005; Jehle & Reny, 2000; Encaoua, 1986). Supernormal profit (typically for monopolies) is seen as an extra profit or "abnormal profit" because it is above the necessary profit, thus it creates incentives for other firms to enter the value chain or business sector if they can (Brooke, 2010; Carlton & Perloff, 2005). Therefore, it generates a source of competition between firms supplying goods and services. As the poorest engaged in survival entrepreneurial activities are usually vulnerable in business competition, a concern to raise pertains to their ability to seek out supernormal or normal profit. Indeed, the poorest are the most vulnerable to uncertainty or risk, which highly determines the expectations to earn profit (Brooke, 2010; Knight, 2006), but they lack the means to bear such uncertainty or risk. Thus, they just expect revenues earned from their activities to be able to cover the costs of inputs used in their business and their household's basic needs (food, education, health care). Hence, in this research profit-making activities refer to earning at least an income or a profit (after deducting their direct costs), which can be negative as stated by Knight (1930).

Thus, the firm-level economic wellbeing perspective is an important framework enabling the identification of agents involved in a value chain, and how they organise, manage and assume the risks and rewards for any profit-making activity. The framework also helps to identify the businesses or profit-making activities encountered in value chains, and to what extent they are gender-aware and

22 In the neoclassical theory, capital usually refers to the set of durable production means permitting to produce the goods and services in a short term (Hayek, 2009). Capital can be technical or financial, physical or natural. For example, technical capital includes facilities, equipment, land whereas financial capital corresponds to the financial resources necessary to set up an enterprise. Hayek also suggests to view capital as the set of non-permanent resources necessary to invest in some productive services and consumable goods (Hayek, 2009, p.58).

inclusive. However, FBE cannot provide clear information on the social institutions that women face in their household and community, and how they behave in such conditions. Furthermore, this theoretical model does not inform on how the economic environment of women in business (their business group) affects their social life (within their household and community). This gap in knowledge can be filled using the capability approach, particularly the holistic-specific approach presented in 2.5.

Particularly, the firm-level economic wellbeing approach contributes to identifying resources, roles, activities and outcomes (Pouw, 2017). Resources can be referred to as the assets that WSEs/WFEs have access to (Frediani, 2010; Bebbington, 1999). Specifically, resources encompass time resources, natural resources, space resources, human resources and financial resources (Pouw, 2017)[23]. Activities are hereby referred to as business activities, comprising food production, food processing and food marketing (WFE project, 2015). The concept of outcome, which is the result of the process transforming the resources, is the economic wellbeing of WSEs/WFEs (Pouw, 2017). This encompasses material gains (profit earned), non-material gains such as good customers relations, solid business reputation or brand name, and so on (Pouw, 2017). In a broad perspective, the outcome from this process can be referred to as the achievement of women empowerment (Sen, 1992) (see 2.4).

2.7 Conclusion

Overall, the literature review shows that there is a lack of a sound bottom-up approach addressing both gender issues and BoP inclusion in business and value chains.

In particular, three gaps in knowledge stand from this literature review. First, there is insufficient knowledge of an appropriate approach addressing gender inequalities faced by resource-poor women and men in both value chain and business. Second, there is insufficient evidence of how business models for inclusiveness in urban food value chains affect WSEs/WFEs' capabilities and functioning. Third, there is a lack of theory-based evidence on how gender-aware and inclusive business (GAIB) models can contribute to the economic empowerment of women in the food sector.

23 Pouw (2017) made this distinction as follows: time-resource is the daily time at disposal to carry out business activities if the time for natural rest is deduced; natural resources are those extract from the environment and sold as raw commodities or used as inputs into the production; space resources are related to the physical space required to carry out business operations; human resources are related to the employees and their relationships with employers.

The current research intends to fill these gaps by designing and field-testing an economic empowerment conceptual framework based on a gender-aware inclusive business model.

This chapter has also clarified some conceptual issues – differentiating between WFEs and WSEs and between income, profit and super-normal profit. First, the differentiation between WSEs and WFEs involves the existence of a cut-off point that needs to be calculated. Second, based on this differentiation, the relevance in using the concepts of income, profit and super-normal profit depends on women being WSEs or WFEs. These are some challenges this book also intends to address (see 8.5.3; 10.1).

Chapter 3 presents the details of these concepts and how they are interlinked to the other concepts such as empowerment and capabilities and functioning.