

**SOCIAL ENTERPRISES AND SUSTAINABILITY
IN GAUTENG, SOUTH AFRICA**

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DECLARATION

I, Johnson Bungu, declare that the master's degree research dissertation that I herewith submit for the master's degree qualification *Master's in Development Studies* at the University of the Free State is my independent work, and that I have not previously submitted it for a qualification at another institution of higher education.

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TABLE OF CONTENTS

Declaration	ii
Acknowledgements.....	iii
Table of Contents	iv
List of Tables.....	vii
Acronyms and Abbreviations	viii
Chapter 1	
BACKGROUND INFORMATION.....	0
1.1 INTRODUCTION	0
1.2 PROBLEM STATEMENT	1
1.3 AIM AND OBJECTIVES	3
1.4 METHODOLOGY	3
1.4.1 Approach.....	4
1.4.2 Research design.....	5
1.4.3 Data collection strategy	5
1.4.4 Sample	6
1.4.5 Interview and interview schedule.....	7
1.5 ETHICS.....	8
1.5.1 Confidentiality.....	10
1.5.2 Informed consent.....	10
1.5.3 Harm to participants	10
1.5.4 Permission to conduct the study.....	11
1.6 LIMITATIONS.....	11
1.7 CONCLUSIONS	12
Chapter 2	
SOCIAL ENTREPRENEURSHIP IN DEVELOPED COUNTRIES.....	14
2.1 INTRODUCTION	14
2.2 WHAT IS SOCIAL ENTREPRENEURSHIP?.....	15
2.3 TYPES OF SOCIAL ENTREPRENEURSHIP.....	16
2.4 NEED FOR SOCIAL ENTREPRENEURSHIP.....	18
2.5 IMPORTANCE OF THE ENVIRONMENT	19
2.6 SOCIAL ENTREPRENEURSHIP IN EUROPE	20
2.6.1 Legal forms of social enterprises in Europe.....	25
2.6.2 Belgium and Denmark.....	26

2.6.3	Germany, Europe and Japan	27
2.6.4	United Kingdom, Wales, Scotland and Northern Ireland	28
2.6.5	France.....	29
2.6.6	Sweden.....	29
2.6.7	Finland	30
2.6.8	Measures for social economy support and funding from the European Union..	32
2.6.9	Political and legal recognition of social enterprises	34
2.7	SOCIAL ENTREPRENEURSHIP IN CANADA AND THE UNITED STATES	35
2.8	CONCLUSION.....	37

Chapter 3

SOCIAL ENTREPRENEURSHIP IN AFRICA..... 39

3.1	INTRODUCTION	39
3.2	AFRICAN CONTINENT AND SOCIAL ENTREPRENEURSHIP	40
3.3	SOCIAL ENTREPRENEURSHIP IN GHANA AND KENYA.....	42
3.4	SOCIAL ENTREPRENEURSHIP IN SOUTH AFRICA	43
3.4.1	Context of South Africa.....	44
3.4.2	Foundation of social entrepreneurship in South Africa	45
3.4.3	Social entrepreneurship in providing solutions.....	46
3.4.4	Policy in the country and its impact on the sector.....	47
3.4.5	Broad-based Black Economic Empowerment, National Development Plan and National Cooperative Development policy.....	49
3.5	SUSTAINABILITY OF SOCIAL ENTERPRISES	50
3.5.1	Role of government and legislation.....	52
3.6	CONCLUSION.....	53

Chapter 4

RESEARCH FINDINGS 55

4.1	INTRODUCTION	55
4.2	DEMOGRAPHIC PROFILE AND SAMPLE	55
4.2.1	Demographic profile of social enterprises	56
4.2.2	Demographics of the social enterprises	56
4.3	THEMES.....	58
4.3.1	Theme 1: Cooperative and collective action.....	59
4.3.2	Theme 2: Creation of social value and social impact.....	61
4.3.3	Theme 3: Government support through policy and legislation.....	64
4.3.4	Theme 4: Professional management, reporting and accountability of the social enterprise.....	66
4.3.5	Theme 5: Investment in technology and different skill sets	67
4.4	CONCLUSION.....	70

Chapter 5	
CONCLUSIONS AND RECOMMENDATIONS	72
5.1 INTRODUCTION	72
5.2 MAIN FINDINGS AND RECOMMENDATIONS ACCORDING TO THE OBJECTIVES.....	72
5.2.1 Objective 1 – To explore international literature on the sustainability of social entrepreneurship	73
5.2.2 Objective 2 – To probe how social enterprises in the developing and developing countries have been sustainable	75
5.2.3 Objective 3 – To uncover social enterprise sustainability in South Africa.....	77
5.2.4 Objective 4 – To recommend how social enterprises in Gauteng could become more sustainable	81
5.3 LIMITATIONS.....	85
5.4 RECOMMENDATIONS FOR FUTURE STUDIES	86
5.5 CONCLUSION.....	86
References	90
Appendix 1	
INTERVIEW SCHEDULES	101
Appendix 2	
RESEARCH STUDY INFORMATION LEAFLET AND CONSENT FORM FOR REPRESENTATIVE OF SEs	103

LIST OF TABLES

Table 1.1	List of organisations and their leading roles	6
Table 1.2	Demographics of social enterprises	7
Table 4.1	Table of social enterprises representatives.....	56
Table 4.2	Themes and subthemes of the study	59
Table 5.1	Summary of key findings and recommendations	88

ACRONYMS AND ABBREVIATIONS

B-BBEE	Broad-Based Black Economic Empowerment
CBO	Community-based organisation
CEO	Chief executive officer
CIC	Community Interest Company
EIB	European Investment Bank
EIF	European Investment Fund
EMES	European Network of Social Enterprises
EU	European Union
ILO	International Labour Organization
NGO	Non-governmental organisation
NPO	Non-profit organisation
REVES	European Network of Cities and Regions for the Social Economy
SESBA	Social Enterprise Skills for Business Advisers
SME	Small to Medium Enterprises
UNIOPSS	Union Nationale des Offices Publiques Sociales et Sanitaires / National Association Of Health Care and Social Welfare Organisations

Chapter 1

BACKGROUND INFORMATION

1.1 INTRODUCTION

Social entrepreneurship has become essential in several developed and underdeveloped countries (Defourny and Nyssens, 2010). In 1980, social entrepreneur Bill Drayton founded the Ashoka Innovators for the Public organisation (Shapiro, 2010). *Ashoka* referred to a passionate entrepreneur who was tackling a social issue. The entrepreneur's objective would be a social mission that is backed by entrepreneurial qualities of dynamism, innovation, and dedication. According to Shapiro (2010), the term has evolved and now has different meanings. Some of these include social activities with business attributes and businesses themselves. It is a business; however, it has a social objective, and any surplus income is invested (Roy et al., 2010). Social entrepreneurship creates value instead of capturing value (Santos, 2012). According to Littlewood (2015), the social mission is the most critical objective. Profits are the route to achieve this objective and are reinvested in the organisation and not given out to shareholders. It is an emerging field with no consensus on the definition (Austin et al., 2006).

In Europe, the conversations and ideas of social entrepreneurship began in the 1990s, while in the United States, the Harvard Business School started an initiative on social entrepreneurship in 1993. There were, however, different understandings and no consensus on what social entrepreneurship was (Bennati and Radi, 2018). Various institutions were set up, with universities starting research and training programmes in this area. Other networks were set up, including the emergence of social enterprises in Europe, such as the EMES European Research Network and the Social Enterprise Knowledge Network for Latin American business schools. This further led to various European countries passing laws that promoted social entrepreneurship. The European approach to social entrepreneurship emphasised the collective, cooperative and associative forms.

Social entrepreneurship is also attracting attention in Latin America and Eastern Asia (Defourny and Nyssens, 2010). Here, social networks are essential for understanding social entrepreneurship for three reasons: They drive the flow and quality of information and determine rewards and punishments. Trust emerges through social networks, which impact the

cost of transactions. Social networks, therefore, influence the organisation's performance and access to resources and help build legitimacy; social entrepreneurship results from pooling and exchanging resources by different organisations. Social entrepreneurs rely on wide and personal networks, unlike commercial businesses, which depend on professional networks (Trivedi and Stokols, 2011).

When social entrepreneurs address social problems, this creates social value. High unemployment, poverty and inequality are experienced in South Africa. These have remained extremely high and are predicted to remain as economic growth prospects are bleak. Social entrepreneurship, among other solutions, may help to address this situation. However, social entrepreneurship has faced sustainability challenges, and it is essential to look at how some established social enterprises have sustained themselves. This may help develop the sector in the Gauteng as well as the rest of the country.

1.2 PROBLEM STATEMENT

Social entrepreneurship solutions can address high unemployment, poverty and inequality in South Africa. The main focus of the social enterprise field is creating social value in the local communities instead of profit and shareholder gains (Zadek and Thake, 1997). Social purpose organisations are said to emerge where there is market failure (Austin et al., 2012). The Social Entrepreneurship Monitor Report, a global entrepreneurship monitor publication, provides the latest data on social entrepreneurship in the United Kingdom. From this report, social entrepreneurship has gained importance and influence socially, culturally and economically (Harding, 2007). Even though the measurement and maps of social entrepreneurship have improved considerably, it remains a new field and requires more research. When there is economic development, the rate of social entrepreneurial activities increases (Herrington et al., 2009). 'The scope, results, and role in growth and regeneration of social entrepreneurship still need to be developed.

The United Kingdom has an estimated fifty five thousand social enterprises, translating to approximately five percent of all businesses. They have a turnover of about £27 billion. Surpluses and profits generated are used for the particular social enterprise and not for shareholders or directors. This helps to achieve profitability, social importance, and environmental sustainability (Harding, 2007). This stands out about social entrepreneurship

and differentiates it from other business forms. The priorities of social entrepreneurs are to bring a solution that improves how things are done, thereby having a social impact.

Socially conscious individuals worldwide have used innovation to overcome social challenges and address problems in communities (Prahalad, 2007). Social entrepreneurs do not merely change one or two things. They focus on recreating a whole new system. Social entrepreneurship draws on the work of Joseph Schumpeter (1975), which introduced the term creative destruction. According to this concept, economic growth and value creation occur through innovation and technological advancement. Through creative destruction, new industries and a supporting ecosystem are created. This benefits the social entrepreneur and creates new opportunities and employment for others.

Social enterprises fall behind practice (Johnson, 2000). The removal of blockages, inefficiencies, and hurdles characterises it. It addresses social problems resulting from a lack of markets or weaknesses in the social welfare system. The economy benefits as new firms replace old firms (Ormiston & Seymour, 2011). This has helped to improve social conditions in underdeveloped and emerging economies. Social entrepreneurship has been able to bring about economic change while delivering a social impact. It is made up of a few parts: i) A stable yet unfair equilibrium that results in exclusion, inefficiency, marginalisation and suffering to specific segments of society that cannot afford it; ii) realising the potential in this unfair status quo and developing a solution that is delivered through courage, determination, commitment, and focus that can bring change; iii) bringing an equilibrium that unleashes potential, which changes inefficiencies and frustrations. Social entrepreneurship creates a new equilibrium. This new equilibrium has new opportunities for organisations in the sector and other organisations. The change brought about by social entrepreneurship will vary because of the socioeconomic, institutional and cultural environments.

The development of an ecosystem will create a better future. Social entrepreneurs do not accept the status quo but look at creating a new system to transform the whole sector. Different cases of social entrepreneurs operating in South Africa with different levels of success as measured by innovation. The levels of success of the various social entrepreneurs are difficult to determine. Each social enterprise was set up for a different reason, and the objectives differ depending on the organisation. There is also no single legal framework for them.

This study will determine the factors resulting in sustainable social entrepreneurship in Gauteng. Through case studies of selected social entrepreneurs in Gauteng, the study will

examine how they are structured, levels of success (as measured through innovation, social gain or value), objectives, critical success factors and how they have been sustained.

This will add to the limited knowledge of social entrepreneurs in the country. The environment influences the development of social entrepreneurship. There are different facets to the influence of the environment according to Gartner's framework (cited by Littlewood, 2015). Social entrepreneurship influences social outcomes, but the extent of the result depends on the socioeconomic, institutional and cultural environments (Urban, 2013). This will help shed light on how social entrepreneurship can address societal challenges. This will increase the understanding of social entrepreneurship, strengthen policymaking, and contribute to the country's development. South Africa focusses on building a social economy and inclusivity as part of the solution to current challenges of poverty, inequality and unemployment (Bignotti and Myres, 2022).

1.3 AIM AND OBJECTIVES

The main aim of the research study was to determine the factors that enhance the ability of social enterprises to be sustainable. The Gauteng province in South Africa was chosen as the area used as a case study for the research.

The following objectives can achieve the aim:

1. To explore international literature on the sustainability of social enterprises.
2. To probe how social enterprises in developed and developing countries have been sustainable.
3. To uncover social enterprise sustainability in South Africa.
4. To recommend how social enterprises in Gauteng could become more sustainable.

1.4 METHODOLOGY

The research assessed social entrepreneurship using qualitative research through case studies. The aim was to focus on the natural setting. Therefore, social enterprises sustained in Gauteng were the focus. Understanding what resulted in their sustainability was the main objective of the study. Case studies of social entrepreneurship were used. Social entrepreneurship examples were drawn from Gauteng. The research was conducted using an interview schedule with the option of a telephonic interview, online or face-to-face meeting. The time dimension was cross-sectional, with data drawn at a specific time and therefore drawn from existing social

enterprises in Gauteng in 2022 that have been sustainable. The approach was qualitative. The objectives were descriptive to draw out what social entrepreneurship is and how those in Gauteng have managed to sustain themselves. Information gathered from the different social entrepreneurs in Gauteng helped to define social entrepreneurship; however, more importantly, it would be the reasons or factors for the sustainability of these existing social entrepreneurs. The nature of the evidence was empirical. The study relied on information that the social entrepreneurs have collected regarding how they measured their performance. The data collected through interview schedules were used to develop a descriptive account of the factors influencing the sustainability of social enterprises.

1.4.1 Approach

The approach used for the study was qualitative. Qualitative research focuses on lived experiences and the human perception of those involved (Polit and Beck, 2012). Perception is critical in qualitative research. The intention was to understand the factors that result in the sustainability of the social enterprises in Gauteng. While they differed, most failed within a year or two of being established. In qualitative research, things are studied in natural settings or environments, and conclusions are drawn (Cooley, 2013). This can be done using different empirical materials, case studies, personal experiences, introspection, life stories, interviews, observation, history, interaction, and visual texts. Qualitative research takes place in the environment where the researcher can participate in data collection (Denzin, 2008). Words, pictures and data are collected and analysed to give meaning. Qualitative methods help in building an understanding the reasons for the success and sustainability of social enterprises. This requires delving into the purposes and drawing out the critical issues that will result in success. Qualitative research looks at the implications and develops an understanding of what underlies a situation (Cresswell, 1999).

Using the qualitative approach means that the system will be broad and open-ended. Qualitative researchers do not have preconceived ideas (Yauch and Stendel, 2003). Qualitative research can show the relationship between variables and outcomes. It is used to explain a problem thoroughly. In using qualitative research, data is collected where the participants experience the issue or problem. The researchers are the main instrument for collecting the data (Bryman, 2012). The data sources can be interviews, observations and collected documents. There is inductive data analysis using patterns, categories and themes. The researchers aim to learn the meaning that participants hold. The research plan may change as the research is being

conducted. A theoretical lens is used to view studies, and the researchers try to create a coherent picture of the problem or issue with its various interactions.

1.4.2 Research design

Case studies of social enterprises in Gauteng were analysed for the research. The case studies were of social enterprises operating in Gauteng and have been sustainable, as reflected by the time they have been operating. The critical factors for their success were looked at. A case study involves a detailed and extensive analysis of a single case (Bryman, 2012). It concerns the complexity and particular nature of the case in question. There is an intensive focus on the setting. The investigation was carried out to identify the key factors that have sustained the social enterprises in Gauteng.

Case studies have been criticised for lack of external validity. Concerns have been raised regarding how representative a case could be of the broader population and the chances of replicating what is represented. The main criticism is that the findings cannot be generalised. The main argument in response to this is that it differs from the study's primary objective. In contrast, however, case studies have demonstrated the importance of specific elements or issues. This study aimed at establishing which factors have influenced sustaining social enterprises in Gauteng. While social enterprises differ in what they do, they generally experience the same environment regarding legislation, policies and support. The factors that have allowed them to be successful under these circumstances may be similar or related.

1.4.3 Data collection strategy

Data collection comprised primary data collection from the source or participants. This yielded information on the types of social enterprises, where they are located and what areas they operate in. Secondary information like websites and annual reports helped to develop the background of these enterprises.

An investigation was done to determine the social enterprises in Gauteng. This was done through reading the local community newspapers and magazines and speaking to organisations and researchers working on social enterprises and internet searches. This work revealed several social enterprises working in South Africa. However, this had to be narrowed down to those operating in Gauteng. Through this methodology, the following social enterprises were

identified and contacted: one from the environment sector, textiles sector, welfare sector and charity/social development sector.

The organisations identified in Gauteng were contacted through phone calls and emails. The contact made was a request to determine if these organisations would participate in the research, which would be undertaken when the ethics clearance was received. An introductory email was sent to each of these organisations, first introducing the student, student number, the purpose of the survey, the name of the university, the title of the dissertation, contact number and why the study was necessary.

A phone call was then made to each of the organisations after a few days as a follow-up to the email previously sent. There were different responses to the emails and phone contact. Two organisations acknowledged receipt of the emails and wanted to get a better understanding regarding the request to participate in the survey. The other organisations, while not acknowledging receipt of the email, said they would check with the people who received it. There were indications of people being on leave. There were also indications that leadership or management would need to have a meeting to approve a response on participation. There were also indications that some beneficiaries who were disabled would not be able to participate.

Table 1.1 List of organisations and their leading roles

No.	Organisation	Sector	Main roles
I1	SE in environment sector	Environment	Cleaning up Hennops River to prevent flooding in the area
I2	SE in welfare sector	Children who are victims of trauma	Providing training for organisations who are dealing with children who are victims of trauma
I3	SE in textiles sector	Textiles	The organisation focusses on recycling and reusing clothes and textiles; in the process it creates employment for the mothers of disabled children
I4	SE in charity/social development	Health and mental health	The organisation focusses on mental health

1.4.4 Sample

Data was collected using an interview schedule. The interviews were arranged with the respondents. Purposive sampling was used as it was necessary to select sustainable social enterprises in Gauteng. Purposive sampling involves choosing a participant based on the

qualities that they possess. It is non-random without a set number of participants (Etikan et al., 2016). It helps to select, find and locate information-rich cases. It focuses on particular characteristics of interest. Individuals or groups that know a sector or area are targeted. The ability to take part and communicate are some of the considerations. Fourteen social enterprises working in different regions of Gauteng were identified. Communication was initiated to include them. The objectives, benefits, the name of the researcher and the University of the Free State were all communicated, and interest in taking part was requested. This was followed up by phone calls and emails to get responses to the requests. There were varying responses to the demand for participation in the research. In certain instances, there were no responses, promises to revert, others sought authorisation from management and, in some cases, referrals to other people. Four social enterprises responded positively to the request and filled in the interview schedule. I1 refers to an interview with the Founder of the social enterprise in the environment sector, I2 refers to the interview with the Founder of the social enterprise in the charity sector, I3 refers to an interview with the Founder/CEO of the social enterprise in the textile sector and I4 refers to an interview with the CEO of the social enterprise in the charity/social development sector.

Table 1.2 Demographics of social enterprises

No.	Position	Organisation	Gender	Age	Educational level
I1	Social enterprise focusing on the environment	Founder	Female	40	Matric
I2	Social enterprise focussing on welfare	Founder	Female	40	Degree
I3	Social enterprise focussing on textiles	Chief executive officer	Male	45	Degree
I4	Social enterprise focussing on charity/social development	Chief executive officer	Female	44	Degree

1.4.5 Interview and interview schedule

Secondary data collection about the social enterprise was supplemented by using interview schedules. The schedule collected specific background information, as this would yield information on demographic and socioeconomic variables. The interview schedule defined the particular problem, objectives, and terms of reference. The aim was to determine the

sustainability of social enterprises in Gauteng. It sought to determine what has allowed the social enterprises in Gauteng to be sustainable. A draft interview schedule was drawn up. Questions like the length of time that the social enterprise has existed in the focus area were included.

Several books such as those of Beardon et al. (1993) and Robinson (1991) are a source of established interview schedules. There was a need to determine the number of questions, choice of words, and nature of the questions. Pretesting of the interview schedule was done to determine any shortcomings and to correct them. Pretesting helped to reduce errors and to improve the data quality. It was done on a small sample of the target population. It helped to improve the reliability and validity of the survey instruments. This was done using a pilot test. This helped to ensure clarity of the questions, comprehensiveness, and quality of the evidence collected and to determine the ability to perform an analysis of the evidence. This helped to ensure that all relevant questions were included and to choose the likely response rate, time to respond to the questions of the interview schedule and possible cost.

Open-ended questions were used for the exploratory part of determining what social entrepreneurship is.

1.5 ETHICS

Respondents to the research were protected during the research process by following the principles of good ethical conduct in line with the ethics committee at the University of the Free State. The study conducted tried to identify the most important aspects and elements leading to the sustainability of social enterprises. There is an obligation to conduct the research while maintaining the confidentiality of the companies or social enterprises by not revealing their names and owners. The information was collected through interview schedules and meetings with owners and leadership of social enterprises. Depending on the ownership structure, the organisation may be owned by an individual or run by a director or representative of the board, cooperative, trust or company. The intention will be for an authorised representative of the social enterprise to be interviewed. Informed consent was requested from the social entrepreneurs operating in Gauteng. An introductory letter explained the background, objectives, commitment to confidentiality, source of funding it, what the findings will be used for, beneficiaries and information about the researcher. Before the research started, the researcher ensured that all relevant information had been disseminated to the targeted

participants and had been understood. Local language was used to ensure that the targeted participants had a complete understanding and could make an informed decision on whether they would participate. The language used was straightforward with no jargon and technical terms that could make it difficult to understand. It was at an appropriate reading level to ensure that the potential participants understood it well. No incentives were offered for participation in the research.

The potential risks were explained as part of getting informed consent. Potential risks differed according to the organisation. However, the fact that the social enterprises were informal made it risky if someone else understood their business well. It can be copied, resulting in loss of business and market share, and will impact livelihoods. Depending on whether the social enterprise has a for-profit element, this may be a risk area. Culturally there may be risks of having or promoting certain social enterprises if they are accepted for a specific gender. The issues or areas where the social enterprise operates may be new, raising sensitivities and suspicion. The findings will be shared and may result in more knowledge of the sector. With better understanding, policymakers and decision-makers may support and direct resources to develop social entrepreneurship as a way of uplifting communities. It was made clear to the potential participants that they would not receive anything regarding grants, allowances, or any pecuniary benefit from participating in the research. It was essential to ensure that no unrealistic expectations were created.

The interviews took place at a venue and time that was suitable for each one. The objective was to ensure that there was no cost or inconvenience resulting from participation in the research. The design of the interview schedule and its application were in such a manner as to make it convenient to conduct the research without incurring costs. The confidentiality of the potential participants was respected. The data analysis did not specify names, organisations and those participating in the research. Potential participants who were approached could refuse with no consequences.

Getting consent from the entrepreneurs was a starting point (Bryman, 2012). Informed consent was obtained from those that participated. It was important to share with them the findings of the research. The anonymity of the organisations was maintained, and the ethics guidelines of the University of the Free State followed.

1.5.1 Confidentiality

The confidentiality of the participants was respected. The introductory letter assured them of this. The research objectives were provided, who would benefit, who was funding it and for what the results would be used. A consent form was provided and filled out by each organisation indicating they understood the research. Confirmation was received that conducting the study in English was preferred as this was the language used by all the participants. It was essential to explain why the research was being undertaken and how it was promoted to avoid or prevent deception (Bryman, 2012). The data was provided, and the respondents would remain anonymous and not be publicised.

1.5.2 Informed consent

According to Cargan (2007), obtaining qualitative data will involve human beings. Bless and Higson-Smith (1995) highlighted the importance of ensuring that research participation is voluntary, and that people have a right to disclose information about themselves. The data obtained for the study was from interviews with the founder, chief executive officer (CEO) or director of the social enterprises. Informed consent was essential, and the participants were asked to acknowledge their willingness to be part of the study. It was indicated that the respondents were free to leave the research at any time if they so preferred.

1.5.3 Harm to participants

The researcher ensured that there would be no harm to those participating in the research. This harm included emotional, psychological, and even physical harm. The importance of ensuring that the respondents felt safe throughout the entire research process was highlighted. The research was conducted at a convenient time for the respondents, and they did not incur any cost. Different methods were used to collect that data according to what was suitable for the participants: telephone, Google Meet, physical meetings, and email. The interview dates were scheduled for a time that was convenient for the social enterprise and would, therefore, not deprive them of business or incur losses. It was also essential to ensure that participation risk should not exceed normal daily risks (Ormrod, 2014:101). The research instrument was also evaluated to ensure it did not cause stress.

1.5.4 Permission to conduct the study

Permission to conduct the study was requested and received from the University of the Free State. An ethics application was made to the general human resource ethics committee through the Faculty of Economic and Management sciences in 2023. The researcher used the letter from the University of the Free State as part of the introduction when seeking to set up an appointment for the research. The researcher made appointments with the social enterprises that agreed to participate, and where there was no formal acceptance or agreement to participate, no further communication took place. The information provided during the interviews was recorded using handwritten notes with the interviewee's permission.

1.6 LIMITATIONS

The limitations to the study were the different forms that social entrepreneurship takes in Gauteng. The location is in the smallest yet richest province in South Africa. The background of the organisations is that of an affluent section of society in South Africa. Even though poverty is experienced in Gauteng, the sampling frame was likely to be richer than the average South African. This raised concerns about how representative the sample was against the rest of the country. Social enterprises in Gauteng are likely set up to address social issues experienced in the province. Because of the unique nature of the environment and the factors driving social entrepreneurship, much of what was shared would be unique to Gauteng as the rest of the country is very different.

The country has an estimated sixty million people with twelve official languages. The result is different cultures, jurisdictions, and ways of doing things which introduce differences and variations. Social enterprises have struggled to succeed in South Africa and there is a limited sample to choose from. Social entrepreneurs can sustain themselves with substantial grant support and funding from different sources. The continued subsidised support also skews the results as some of the social enterprises that are in existence may not be sustainable. They may only be, in fact, because of guaranteed grant funding. The scope was on the sustainability of social entrepreneurship in Gauteng. There is interest in how social entrepreneurship can reduce poverty and inequality, which was not the focus of the current study.

1.7 CONCLUSIONS

Conclusions drawn are based on the trends that emerged from the data and not on specific individual elements. The researcher will maintain independence in reviewing the findings without any inclination to established, popular or prior positions on social entrepreneurship. The sector is emerging with no consensus on a definition as the term continues to evolve. Its focus is social activities with business attributes. Social objectives can be achieved using the profits reinvested in the community. The European approach to social entrepreneurship emphasises collective, cooperative and associative forms. Its focus is on social issues addressed because of the business's success.

The research approach was qualitative. Background research was conducted on social entrepreneurship in Gauteng with different organisations identified. An interview schedule was prepared for conducting the research. Communication with the other organisations was initiated. This was done using an introductory letter from the University. The initial letter explained the study's objectives, who would benefit, what the findings would be used for and asked if the selected organisations would like to participate. A consent letter also needed to be signed. The sampling method was purposive as the sector is new and developing, with few organisations.

The principles of conducting research require that confidentiality is respected, no harm to participants and consent. Anonymity of the participants was important; they could withdraw from the research and provide support. Permission was sought to conduct the study. The interviews took place at a convenient time and in the preferred language to ensure no harm.

Social entrepreneurship is an evolving field which has assumed great importance in various countries. It is based on business principles with a social mission and has been driven by innovation, dynamism and dedication. The social mission is the most crucial part. It creates value instead of capturing value. There is no standard agreed definition for social entrepreneurship. Various countries in Europe began by passing laws that promoted social entrepreneurship. Social entrepreneurship developed along the associative, cooperative and collective forms of organisations. Social entrepreneurship relies on wide and personal networks.

Unemployment in South Africa is high, resulting in poverty and inequality. Social enterprises emerge when there are market failures, and the United Kingdom has an estimated 55 000 social

enterprises. The surpluses and profits from these enterprises are used to address social issues and not for shareholder returns. Social entrepreneurship focuses on creating a new system called *creative destruction* with innovation and technological advancement being key drivers.

Chapter 2

SOCIAL ENTREPRENEURSHIP IN DEVELOPED COUNTRIES

2.1 INTRODUCTION

Social entrepreneurship is an emerging and new idea that has gained much interest globally. It is, however, fragmented with no clear theoretical framework. However, what exactly makes up social entrepreneurship also needs to be clarified, as many things have been included under this term. There needs to be clarity on the definition, which is debated because it has a certain level of flexibility. This is one of the main challenges for those that want to understand the discipline. This is still a new and young discipline with no unified position (Short et al., 2009). As pointed out by Dacin et al. (2011), there is disagreement among scholars about the boundaries of the definition and dimensions. “It is defined as involving innovation, opportunity and using available resources to bring change which has a social benefit or value” (Mair and Marti, 2006). It is not well defined, lacks clear boundaries, and has inconsistencies (Jiao, 2011). Social entrepreneurship combines profitability and social and environmental goals, as highlighted by Dacin et al. (2011). This has a significant influence on policy about social entrepreneurship. It can be found in several activities engaged in by various organisations, ranging from the economic, social, educational and research fields (Leadbeater, 1997). This chapter looks at the following areas:

- What is social entrepreneurship
- Types of social entrepreneurship
- Need for social entrepreneurship
- Importance of social entrepreneurship
- Social entrepreneurship in Europe
- Legal forms of social entrepreneurship in Europe
- Conclusion

2.2 WHAT IS SOCIAL ENTREPRENEURSHIP?

The International Labour Organization (ILO, 2016) defined a social enterprise as follows: “A business or other organisation characterised by the delivery of social value as the principal aim as opposed to maximising profit for the owners/shareholders and the ongoing production of goods or the provision of services to generate an income that covers costs and potentially allows for a surplus.” Gregory Dees (1998), a pioneer of the sector who was influenced by the work of Joseph Schumpeter and Jean Baptiste-Say, contended that entrepreneurs drive productive capacity and creative destruction, which fuels economic change in a country (see also Bornstein, 2010). Its goal is social performance, and the efforts are directed at the bottom of the pyramid (Rahman and Chowdhury, 2010). It impacts health, the environment, economic development, human rights, and learning/education. Social entrepreneurs provide services previously provided by government and non-governmental organisations (NGOs) through the efficient use of resources that delivers social value (Austin et al., 2006). Those entering social entrepreneurship are motivated to create social change.

Social entrepreneurship has a few common attributes. These attributes may include the provision of goods and services to customers and beneficiaries. People with a common objective set them up and may benefit from subsidised public support. They still remain independent and are not controlled by the organisations funding them. They determine the direction that they will follow. The success of social entrepreneurship depends on the beneficiaries and the services they derive; monetary and non-monetary support and voluntary work are part of social entrepreneurship, which benefits people. It is dependent on collective effort, leveraging relationships and the participation of many different people. It consists of organisations that do not distribute profits and cooperatives that may distribute profits.

According to Dees (2001), social entrepreneurship should result in value creation, moving the economy from low to high productivity. It helps to create and transform institutions which help to address poverty, illness, illiteracy, environmental destruction, and other social ills. Its objective is bringing about social change and not market expansion (Makhlouf, 2011). Research on social entrepreneurship emphasises innovation (Borins, 2000). Innovation, risk taking and proactiveness are key to social entrepreneurship (Prabhu, 1999). Innovation results in the development of new products and services that communities need. This brings change in society rather than focusing on profits. It is value creation that is innovative and happens in the

business, non-profit or public sector (Austin et al., 2012). Social purpose organisations emerge when there are social market failures or contract market failures.

It is also a popular construct because it holds so much promise (Martin and Osberg, 2007). Entrepreneurs, according to Drucker (1985), exploit the opportunities that change creates. Entrepreneurs are adept at identifying the opportunities rather than the challenges that are created by change. Social entrepreneurs are also filling the gaps which government and NGOs previously met by integrating efficient use of economic resources and social value creation (Ormiston and Seymour, 2010). The social enterprises and the development of a social economy provide solutions to problems in the community. They have shown resilience during times of crisis, be it economic, financial or otherwise, as has been experienced (European Commission, 2016). They have shown an ability to rebound and restore to the benefit of society.

2.3 TYPES OF SOCIAL ENTREPRENEURSHIP

There are four types of social entrepreneurs: Community social entrepreneurs, non-profit social entrepreneur, transformational social entrepreneur and global social entrepreneur (Net Impact, 2021):

- **Community social entrepreneur:** These entrepreneurs serve the community needs in a small defined geographical area. These entrepreneurs work directly with the community and are either individuals or small organisations. As a result of community involvement, sustainability is likely to be higher with a greater sense of ownership. The change brought can be felt directly due to the engagement with the community. Decision-making can sometimes be slow due to the consultation that is necessary.
- **Non-profit social entrepreneur:** These entrepreneurs prioritise social well-being over business needs and profits. Profits made from the business are reinvested to expand the social services. These are usually companies and organisations that focus on social good. They tend to be more successful due to available funding from the business, which results in social good. This is usually the route taken by businesses; however, the results may take a while to manifest.
- **Transformational social entrepreneur:** The focus is on meeting social needs that the government and other businesses are failing to provide. Non-profit organisations (NPOs) may evolve into transformational social entrepreneurs. They tend to become

larger. and along with this comes rules and regulations. They empower entrepreneurs to create social change and, in the process, create interconnected businesses. Transformational entrepreneurs attract talent and recruit in-house.

- **Global social entrepreneur:** These entrepreneurs endeavour to change social systems to meet social needs at a global level. This is often where companies end up when they concentrate on social change. Their focus is on global issues with many organisations involved. The largest charity organisations fall into this category.

Social entrepreneurship is seen as a bounded multidimensional social construct that depends on its mission with the environment, determining how it operates. Existing research on social entrepreneurship is full of different perspectives and no unifying paradigm (Mort et al., 2003). Integrity is a leadership quality that social entrepreneurs need to have as well as the ability to generate commitment to their vision. Social entrepreneurs are driven by the need to create social impact and social value (Dees J., 1998). Social enterprises have different purposes and combine different sources of funding to achieve them. They are culturally embedded and benefit from adaptive capacity (Steinerowski and Steinrowska-Streb, 2012). Those that lead social enterprises need to adapt according to policy needs, legislative and sectoral. Social entrepreneurs bring about change through new opportunities. Social enterprises are also seen as trivalued enterprises with their income coming from for-profit and non-profit enterprises, as well as the public sector (Herranz, 2011).

Social entrepreneurship is multidimensional, constantly evolving, and occurs at the intersection of the public, private and social sectors. As it combines the economic and social roles that are associated with each of these sectors it then becomes like non-profit, government or business undertakings. Social entrepreneurship therefore tends to exhibit characteristics of government, non-profit and business sectors. As will be found in businesses, social entrepreneurship uses markets as the driving force behind innovation and technology. Like the non-profit sector, social entrepreneurship achieves social goals through working with individuals. Social entrepreneurs therefore work in the business, non-profit and the public sector using different arrangements and organisational setups as they navigate these three spheres. In this way they bring about social change.

2.4 NEED FOR SOCIAL ENTREPRENEURSHIP

Against a backdrop of an increasing world population, the effects of climate change on food production, a growing middle class, and the depletion of natural resources, the world has had to adjust. Governments have struggled to deal with the needs of citizens while companies face supply chain issues. The solutions need the involvement of the private and public sectors as hunger, poverty, inequality and environmental degradation persist. Social entrepreneurship is one of the ways in which these problems should be addressed. Social entrepreneurs tackle social problems using innovation and market solutions. They aim to make an impact on society and to do this in a financially viable manner. Social entrepreneurship can be used creatively to deal with the different problems that communities face. Social value is, however, difficult to measure unlike financial value and cannot be easily communicated (Seda and Ismael, 2019).

Social entrepreneurship was a solution to unemployment, poverty and social exclusion which were a drain on the human resources. The working age population was shrinking as the proportion of older people was increasing. There was need for sustainable social protection systems. Social entrepreneurship and social enterprises were promoted to help to address economic and social well-being. Governments and public bodies therefore relied on social entrepreneurship to help address these problems. Social enterprises and local authorities partnered to get the local economies going in line with the support that social enterprises had been delivering for years. Apart from building financial and social capital, they provided essential and cost-effective solutions. The profits made by social enterprises were reinvested in the local communities, which resulted in multiplier effects when spent. In 2013, a survey conducted by Social Enterprise UK indicated an increase in social enterprises deriving their income from the public sector. The survey showed that 15% of the social enterprises that were in business for three years or less were in the health care sector (Matei et al., 2016).

The role of government in most countries shifted towards privatisation, resulting in lower budget allocations for charities. Social enterprises came in to provide training, social services, community development and education. This relieved pressure on public budgets as social enterprises picked up some of these costs. The social purpose of the organisation determines everything that they do. The purposes of social enterprises, which may be social, cultural or environmental, reflect the needs of the community.

Social enterprises have helped to address environmental problems, build social cohesion, increase corporate responsibility, improve public services, engage stakeholders, improve

inclusivity, bring new approaches and improve the chances of employment. They challenge the way the public sector delivers services. Social enterprises contribute to a just and fair society by ensuring participation by all its stakeholders in the life of the enterprise. Social enterprises encourage ethical markets through the increased transparency in their operations from a social and environmental point of view. Going forward into the future, social enterprises will be important. The problem-solving capabilities of social enterprises, if adopted, could benefit organisations that serve the public and provide services, especially the public sector.

2.5 IMPORTANCE OF THE ENVIRONMENT

The environment in which social entrepreneurship takes place is very important (Bacq and Jansen, 2011). New venture creation is influenced by the environment in a country. The form that social enterprises will take in a country, as well as the types that develop in a particular country, are all influenced by the environment. This may be the economic and physical infrastructure that influences the type of social enterprises that are formed. The environment plays a part in that it influences the needs and opportunities that are important to entrepreneurs. The institutional environment in a country determines the rate at which social entrepreneurship will develop (Rahman and Chowdhury, 2010). The institutional environment in a country is made up of the regulative, normative and cognitive components. The regulatory environment is made up of the laws and rules in a country, which promote or restrict behaviour.

Values, norms, beliefs and the ways in which to behave, make up the normative. The cognitive refers to understanding of how certain behaviours have become embedded. The way in which organisations are structured and their behaviour developed to reflect these normative, cognitive and regulative components of the institutional environment, influences legitimacy. The environment in the United States and Europe has been supportive with legislation and specific arms of government being identified. The social enterprises also arose in response to the needs and demands of society at the time. Social enterprises are part of the economic growth process. The mobilised networks can achieve their impact through them (Nicholls, 2006). They do this more effectively than public and for-profit sector organisations. They promote innovation, boost employment creation, provide goods and services locally and build relationships with the community (Matei et al., 2016). The legal form taken, as well as the type of social enterprise, will all be determined by the environment.

2.6 SOCIAL ENTREPRENEURSHIP IN EUROPE

In Europe, social entrepreneurship is an international phenomenon that receives support from governments and through policy. The sector's growth in Europe has been consistent (Sampson, 2011). The European approach emphasises the collective nature of social enterprise through associations and cooperatives. Europeans still highlight that social entrepreneurship happens in the "third sector" (private or non-profit sector). The EMES Network highlights those European social enterprises at the "crossroads of market, civil society, and public policies". They combine resources from different sources, including public subsidies with a link to their mission, incomes from fees and sales, and donations (Defourny, 2012).

A study done in England and Wales showed that social enterprises were creating new work opportunities at less than a third of the cost of the public sector (Smallbone et al., 2011). The work integration social enterprise is the primary type found in Europe. Structural unemployment, the failures of the labour policies and the need to create employment, were the reasons for the work integration social enterprise. The social enterprise model in Britain emphasises the business character. There is no specific requirement of market resources, although 50% is regarded as sufficient. In Belgium, the social enterprises need to be clearly defined and understood. The term has become more common, and the development of the legal framework has helped speed up its development (Moulearti, 2005).

Social purpose companies are a term that can be used for all types of businesses; however, there are requirements that include the distribution of profits. Commercial activities are allowed if they are not more important than the social objective. Adopting the legal form of a social purpose organisation is a requirement to access public support. The new legal form of the social enterprise was the cooperative type in France, Portugal, Spain and Greece. In Portugal, the social solidarity cooperative was created in 1997 with the aim of integrating the children, people with disabilities and vulnerable communities. The Portuguese solidarity cooperatives include workers, volunteers and members, with no distribution of profits (Matei et al., 2016).

New cooperative forms emerged in Italy in the 1980s, which addressed unmet needs. They differed from traditional cooperatives that dealt mainly with members' interests as they focussed on a broader range of stakeholders. From 2005, the law allowed the formation of various types of social enterprises (Defourny and Nyssens, 2010). This did, however, depend on the representation of various stakeholders, which included workers and beneficiaries as well as the non-distribution constraint. A decade later in the United Kingdom, social enterprises

were seen as businesses trying to achieve social objectives. They address social and environmental issues in the economy. According to this definition, the surpluses are invested to meet the social objectives and not for maximising shareholder returns or profits. The Social Enterprise Unit at the Department of Trade and Industry in the United Kingdom helped develop the sector. It was moved to the Cabinet Office, combining government responsibilities for the third sector. In 2004, Parliament agreed on the Community Interest Company (CIC) as the legal form. Its registration included ensuring that assets were protected as well as a community interest test (Defourney and Nyssens, 2008).

In Italy, social cooperatives were growing at an estimated ten to twenty percent per annum and in 2005, employed two hundred and forty thousand (240 000) workers across the seven thousand three hundred (7 300) social cooperatives. Germany and Sweden are still underdeveloped in this area, although positive social initiatives and new legal developments have taken place (Defourney et al., 2006). Poland has begun to put in place new legal structures as it attempts to grow social enterprises. In Ireland public policy began to recognise the growing importance of the sector in the early to mid-1990s (Matei et al., 2016).

The United Kingdom has a growing “social economy” in which social enterprises are key as they are between the private and public sector. Social enterprise refers to the third sector, which may be made up of community, voluntary, foundations and different types of associations (Kerlin, 2006). A social enterprise’s primary focus is social, and surpluses made are brought back into the business or community. They are in the form of cooperatives or mutuals, social cooperatives, voluntary sector structures, community businesses, social firms, housing organisations and transitional employment industries (Social Enterprise Skills for Business Advisers [SESBA], 2016).

Social entrepreneurship occurs through many and different organisational forms. Social entrepreneurship has an impact on economic development through its ability to add value, which may be social or economic. The Social Enterprise UK (2020) pointed out the following criteria:

- Most of the income is realised from trade.
- A large portion of the profit should be reinvested.
- Should be separate from the state.
- The interests of a social (or environmental) mission should be the majority control.

- There should be openness, accountability, and transparency.
- Social and environmental objectives are part of the governance documents.

These principles influence economic activities by addressing issues of equality, human needs, and the need for redistribution of resources (Moulaert and Ailenei, 2005). The EMES definition of social enterprises has indicators that are more economic and social. The economic indicators have four criteria, namely continuous activities that produce goods and services, have a high degree of autonomy, bear a significant level of risk and has a minimum amount of paid work.

Social indicators are bringing benefits to the community, the involvement of groups of citizens, the direction and decisions made with no emphasis on the prioritisation of owners or capital, participation of all parties is key, and while profit may be distributed, this is limited.

Dees (1998), a key pioneer of social entrepreneurship, has a widely quoted definition. His definition is based on the work of economists Jean Baptiste-Say and Joseph Schumpeter. Jean Baptiste-Say (cited by Bornstein, 2010) came up with the idea that entrepreneurs “move economic resources from areas of lower to an area of higher productivity and returns”. Joseph Schumpeter (1975), on the other hand, emphasised that entrepreneurs are innovators that drive the creative destruction of capitalism. They do this by looking at new ways of production, use untried technology, provide new outlets, reorganise the industry and look for new ways of supply Both Baptiste-Say and Schumpeter argued that social entrepreneurs provide the “creative destruction” that drives economic change while improving the productive capacity of society (Drucker, 1995). Peter Drucker (1975) emphasised that social entrepreneurs focus on opportunity and that they exploit the opportunities that change creates. Dees J. (1998) asserted that social entrepreneurs bring about social change through the creation of new combinations of resources and people with the consequent improvement in society’s capacity and ability to address problems. Dees further said that social entrepreneurship creates new opportunities, innovation, adaptation, accountability, boldness, and the ability to leverage resources which you do not control.

Social entrepreneurs are reformers and revolutionaries working to address the underlying causes of problems. This results in a reduction of the needs, creating systemic change and improvements. Profit is not the motive or gauge of success rather it is a long-term social return on investment. Social entrepreneurship results in value creation and not value appropriation. The entrepreneurs’ advantage stems from their ability to identify opportunities to generate social wealth by creating new or changing ways to deliver goods and services (Zahra et al.,

2009). Social enterprises are a tool for solving social and environmental problems while generating new opportunities in the social sphere and being active in the commercial sphere (Mikolajzak, 2020). Social enterprises also allow different contextual logics to coexist in the same organisation (Roy et al., 2010).

Social enterprises may create jobs, provide training, access for the disadvantaged and personal development opportunities. Cooperatives, community businesses, credit unions and social firms form part of social enterprises. They provide an innovative way of civic participation and engagement. A social enterprise should participate in the economy to achieve impact and not to make a profit, according to the European Commission (2016). It provides goods and services that meet a social need in an innovative and entrepreneurial way. Social issues should be addressed using the profits made. The management is responsible, open and transparent with employers, workers, consumers and stakeholders involved. The creation of social value is an important component and social enterprises set out to bring social change. Social change creates “blended value” made up of social, economic and environmental components (Emerson, 2021). Social enterprises are defined by opportunities, which could be an unmet need, demand or market failure. Through innovation and the combination of resources they help to address social needs and to bring change (Mair, 2006). The goal is to attain social performance, not financial performance, and the selection of activities is either philanthropic or commercial (Dees J., 1998).

The following are social enterprise organisations in Europe:

- Ashoka is a global organisation promoting social entrepreneurship through individuals being change makers. In Europe, it has worked on capacity building, networking and ensuring that social enterprises make an impact (Shapiro, 2010).
- CECOP (CICOPA Europe) is the European confederation of industrial and service cooperatives. They have twenty six (26) affiliates, which represent cooperatives drawn from ten countries in Europe (Monzon, 2008).
- COOPERATIVES EUROPE is the voice of cooperative enterprises made up of 84 members drawn from 33 countries in Europe (SESBA, 2016).
- DIESIS is the European Research and Development Service for the social economy. It helps develop the social economy through training, project design, consultancy, advisory services, technical assistance and research (Monzon, 2008).

- The European Social Franchising Network has shown the impact of social franchising which it promotes (Defourney et al., 2006).
- The European Association of Cooperative Banks has a membership of four thousand two hundred (4 200) cooperative banks, eighty one (81) million members and 860 000 employees who are drivers of local and social development in Europe. The cooperative banks have sixty eight thousand (68 000) outlets through which they operate to serve two hundred and five (205) million customers (Urbano et al., 2010). The customers are social economy organisations, consumers, communities and small to medium enterprises (SMEs).
- The European Network of Social Integration Enterprises has national and regional networks of work integration social enterprises coming from nineteen EU countries, including Serbia and Switzerland.
- The European Social Enterprise Law Association consists of academics, law firms and legal experts. It promotes the understanding of social enterprises and the law internationally. It was formed after the mapping of the social enterprise ecosystem (Thurik et al., 2011).
- The European Venture Philanthropy Association is a membership-based association established in 2004. It consists of organisations active in venture philanthropy and social investment in Europe (Kerlin, 2006). This is achieved through building and strengthening social purpose organisations. This is done by providing access to finance and non-financial support to increase their social impact. Current membership stands at 210 from 29 European countries.
- The European Federation of Ethical and Alternative Banks and Financiers is a federation of social finance institutions. It supports social entrepreneurs and those who work to develop an inclusive and sustainable society (Defourny and Nyssens, 2010).
- The Impact Hub is an international network of social businesses and innovation incubators that support the start-up and development of social enterprises.
- The International Association of Investors in the Social Economy is an international network of financial institutions that focus on social and environmental issues. Social investors the world over have been able to work together in achieving social and environmental change.

- The Institute for Social Banking has helped develop a social sector that integrates finance through research and education on social banking and finance. It promotes responsible banking that is ethical, social and ecological, with its membership limited to social banking. Only organisations that are closely linked to social banking can become members.
- The European Network of Cities and Regions for the Social Economy works to develop the social economy in collaboration with public authorities. It provides capacity building for managers of social enterprises and the social economy through collaboration with local and regional development agencies.
- Social Economy Europe represents associations, mutual societies, foundations and cooperatives focussing on advocacy in the EU. Its current membership is thirteen social economy national organisations and from the EU.

2.6.1 Legal forms of social enterprises in Europe

The legal structures taken by social enterprises in Europe can be grouped into three areas. These are states that have specific legislation for the social economy, states that have statutory provisions, which cover social economy along with other laws, and states that have no laws that cover the social economy.

Shortcomings in the legal framework can impact how the sector develops. This may slow down the development of the sector as sometimes it may need to change and adapt to the new needs of the sector. The countries of the European Union (EU) went through a phase of adapting laws relating to mutual associations, cooperatives and foundations. This happened to respond and adapt to the reality on the ground. Some countries within the EU have prioritised the social economy and have measures to support it, some of which are legal aspects and boundaries (Teasdale, 2012).

A social enterprise, as defined by the Social Business Initiative, is an operator in the social economy whose focus is making a social impact and not a profit. While it provides goods and services, the unique features are innovation and an entrepreneurial spirit (SESBA, 2016). The profits made are used to achieve social objectives. It is managed in an open and responsible manner and involves employees, consumers and stakeholders affected by its commercial activities. There has been a legal evolution across the EU countries as they have defined social enterprises more clearly according to their context (Santos, 2012). The goal of social

enterprises is to serve the community and members, not focussing on profit. The decision-making is democratic, which benefits the community. Cooperatives, associations and mutual organisations make up the social economy (Roy et al., 2015). The Charter of Principles of the Social Economy Europe, formerly known as the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations shows :

- The importance of the individual and social objective over capital.
- Voluntary and open membership.
- Democratic control by members.
- Combining the interests of users, members or general interest.
- The defence and application of the principle of solidarity and responsibility.
- Autonomous management and independence from public authorities.
- Surpluses are used to achieve sustainable development objectives (Teasdale, 2012).

Not all the organisations in the social economy are social enterprises as they carry out activities that do not benefit the community.

The term *social enterprise* refers to different legal forms that may change and is not necessarily a legal form. The financing needed by social enterprises for them to be sustained and to grow, is influenced by the legal framework and the services to be provided.

2.6.2 Belgium and Denmark

In Belgium, social enterprises have helped those excluded from work or the labour market through work integration activities. They have been brought back to productive activity with government funding. Work integration social enterprises were financed by government.

Social enterprise is a new term in Denmark and the social economy and social innovation have been the most important terms (Defourny and Nyssens, 2012). Social economy, in this instance, is like a social enterprise, although there is less focus on democratic control and use of capital to determine ownership. A key method of growing the social economy is innovation. Denmark, however, shows an integration between the third sector and social enterprises. Denmark also has work integration social enterprises whose focus is traineeship and temporary work. The legal status is that of a self-owning institution in the cultural, environmental, educational and social sector (SESBA, 2016). The strength of the ties between these organisations and the public entities differs per region, locality and nationally. The social enterprises and social

economy organisations are in four main groups, namely organisations that provide voluntary social support during a crisis, cooperatives and companies whose direction is determined through votes, organisations that provide on-the-job training and employment opportunities, and projects of local development and renewal in which the public and private sector work together.

2.6.3 Europe and Japan

In Germany, the social enterprises are not on the political agenda (Defourny, 2012). Most of the economists and politicians have ignored social entrepreneurship and the work around it. It is seen as an idea that was imported from outside the country, and hence, did not make sense to Germany. There was no support at both the regional and national level for social enterprises. However, there seems to have been a change in attitudes and increased openness to change and a conference on the “solidarity-based economy” was held in Germany in 2006 (Urbano et al., 2010). This can be compared to Japan, where there is lack of clarity about social enterprises and no specific legal form. In Japan work inclusion social enterprises include the disadvantaged and the disabled. The Japanese government has been working with NGOs to address social exclusion due to high unemployment and poverty.

Social enterprises need public support and finance as they carry out similar activities to the public welfare system. The regulation of social enterprises in Europe differs and mainly take the form of cooperatives, especially in Southern Europe (Italy, Spain, Portugal and Greece). (Defourny and Nyssens, 2012). Social enterprises are also registered as commercial enterprises with a social objective (Lithuania, England), cooperative association in public interest (France). The common thread is that the principle of social enterprises is a non-state entity which carries out economic activities that will result in the realisation of social goals (Mort et al., 2003). Social enterprises operate throughout the economy, including farming, banking, manufacturing, and construction, employing an estimated 14.5 million people that is six and a half per cent of the workforce in Europe. They provide employment and services to the poor and disenfranchised empowering communities and develop economies. Social economies are growing in Europe; however, they are often ambiguous and exist next to other similar forms (SESBA, 2016).

The European countries are divided into three groups of level of recognition of the social economy. There are areas where social enterprises are well accepted, and these are Spain, France, Portugal, Belgium, Ireland and Greece (Monzon and Chaves, 2008). There are areas

with moderate levels of acceptance like Sweden, Italy, Cyprus, Denmark, Finland, Latvia, Malta, Poland, Bulgaria, United Kingdom and Ireland (Mouleart and Ailenei, 2005). The terms *voluntary sector*, *non-profit sector* and *NGOs* are widely accepted and coexist along *social economy*. In England, however, the low levels of awareness of the social economy contradict the government's support for this sector. There are areas where there is no acceptance of social entrepreneurship, which include Germany, Austria, Estonia, the Czech Republic, Hungary, Lithuania, the Netherlands, Slovenia, Romania and Croatia.

In the EU there are other widely accepted notions that coexist alongside social enterprises, the third sector, social enterprise and related terms. In the French-speaking European countries (France, Belgium and Luxembourg) the solidarity economy and social economy are widely recognised. In the Germanic countries (Germany and Austria) the *Gemeinwirtschaft* (General Interest Economy) is recognised (Bacq and Jansen, 2011). The social economy is smaller in the new EU member states than in the fifteen older member states. For it to grow, it needs to reach the same level as the other countries in the EU.

2.6.4 United Kingdom, Wales, Scotland and Northern Ireland

The term *social* is not popular in the United Kingdom and is used in Wales, Scotland and Northern Ireland. In the United Kingdom, the third sector is more common and includes the voluntary sector, associations, cooperatives, foundations and social enterprises. The cooperative movement and voluntary sectors are very strong. The large share of economic activity and employment is in the social economy. Statistics show the United Kingdom to have the greatest economic activity and the highest numbers of people employed in the social economy (Defourny and Nyssens, 2010). Worker cooperatives and social cooperatives did not grow as fast in the United Kingdom; however, many businesses identified themselves as being in the social enterprises. The government set up the Social Enterprise Unit within the Department of Trade and Industry in 2000.

A three-year strategy was launched in 2002 with the Prime Minister's commitment. Targets were set towards creating the environment for establishing the value of social enterprises and for them to be better businesses (Kerlin, 2006). The unit formed, included the Active Communities Unit of the Home Office, and a new unit of the Third Sector was formed. The unit was in the cabinet office. The strategy was reviewed and updated in 2006 into a Social Enterprise Action Plan (European Commission, 2016). The focus of the action plan was on bringing about cultural change, ensuring access to finance, ensuring delivery of services,

creating a culture of social enterprise, making it possible for social enterprises to work with government, making information available for those running social enterprises. The sector can be broken down into cooperatives, mutual societies and associations (Leadbeater, 1997). Cooperatives consist of agricultural cooperatives, consumer cooperatives, credit unions, cooperative banks, and insurance. Associations are comprised of cultural voluntary organisations, social services, development and housing voluntary organisations.

2.6.5 France

The first ideas and thoughts about social entrepreneurship took place in France, although cooperatives and the public sector quickly gained prominence. In 1980, the Social Economy Charter was promoted by *Union Nationale des Offices Publiques Sociales et Sanitaires* (National Association of Health Care and Social Welfare Organisations) with the social economy being defined as being at the service of mankind (Defourney et al., 2006). The Socialist Party then came to power in 1981 and set up *Delegation Interministerielle a l'Economie Sociale*, which defined the social economy in terms of legal structures such as cooperatives and mutual associations that followed the principles of private ownership, democracy, solidarity and non-profit (Dacin et al., 2011). The French government defines the social and solidarity economy as being made up of different organisations defined by their legal status (associations, cooperatives, mutual, foundations) their activities and objectives (integration, fair trade) that are governed by the principles of voluntary membership, democratic operation and general interest purposes (Borzaga and Defourney, 2001). France influenced the development of the social economy in Europe. French organisations have been active members of the European representative organisations and the French Parliament has been supportive of developments in the sector.

2.6.6 Sweden

The concept of the social economy refers to organised activities to serve the community, built on democratic values and independent of the public sector. These social and economic activities are mainly run by cooperatives, foundations and associations. The main purpose or motive is to benefit the members of the association or the public and not to make a profit. The social economy has been associated with employment, structural funds, and regional policy matters (Defourny and Nyssens, 2012). A working group on the social economy and how to develop it was appointed in 1997. It was tasked to review the conditions under which the sector

operates and how it contributes to society. The working group was active for two years and was made up of several ministries, advisers and experts. It looked at the social economy, legislation, economic conditions, financial support from the EU and the relationship with the public sector, including the Swedish government.

The Swedish government assigned four authorities, namely AMS, NUTEK, Forsakringskassan and Socialstyrelsen, which developed a cross-sectoral programme that promoted and resulted in the growth of the sector (Hoogendoorn et al., 2011). The programme developed proposals to guarantee the situation of people working in social enterprises and support from the social security system.

2.6.7 Finland

Since 2004, Finland has had a definition for the term *social enterprise* (Defourney and Nyssens, 2006). It is based on the Act on Social Enterprises and is defined as a business, and it can be any legal business. The social enterprise tries to make a profit by producing goods and services to the market. The social aspect is met by ensuring that a percentage of the workforce are disadvantaged or disabled people from the community. Very few social enterprises have been established in the country, despite much enthusiasm. Finland has a well-developed cooperative sector, which is important to its economy. It is, however, not considered social. It is based on the old cooperative system and does not involve social aspects. Approximately 80% of the people in Finland are members of a consumer's cooperative and close to thirty five percent (35%) of the market share of banks is held by cooperatives. The public sector has managed most things in the sector. The third sector is the main term used, although its definition is not clear. It is, however, associated with ethical, social and voluntary sectors. Public funds have been used to develop third sector organisations. Many traditional associations are providing support to disadvantaged members of society using public funds and as an extension of government.

Third sector is a term used all over the world and in continental Europe to refer to the social economy and it has become a significant part of today's economy (Moulaert and Nussbaum, 2005). Social entrepreneurship is part of an economy that is based on the principles of democratic governance, cooperation, mutualism, association and solidarity, and responds to the various basic human needs of equality and redistribution. For social entrepreneurship to flourish, the institutional environment, the actors and the strategy will be key for scaling. An

enabling environment made up of policies and legislation has been part of the foundation for social entrepreneurship to develop.

The European Parliament created the Social Economy Intergroup in 1990, which showed the importance of the social economy. It served as a way for members of Parliament and civil society to exchange ideas as a part of the EU democratic process (Kerlin, 2006). The meetings that take place consist of members of associations, cooperatives, mutual societies, foundations and civil society. The group pushed for a report of the social economy in Europe, which was subsequently produced and adopted. The report made recommendations for the leadership of EU countries to adopt statutes on associations, mutual societies and foundations. The report also sought to get the recognition of the contribution of the social economy as well as the introduction of social services to the European debate.

The impact of the sector has been improvements in competitiveness and productivity. It results in the creation of new businesses in areas that are not considered attractive at the same time, taking on risk and creating employment opportunities (Mendell, 2007). It is also considered to create wealth through sustainable economic opportunities. They move from getting grants and being dependent on donors to commercial enterprises. They sustain themselves through the business they conduct and create opportunities. Social entrepreneurship is embedded in the community and the business and economic activity that happens, result in money that stays and circulates in the local economy.

Social entrepreneurship also results in the revitalisation of the economy. Investments are attracted to the community, which creates opportunities. Facilities and infrastructure develop with goods and services being available in the local community. Social entrepreneurship has also resulted in public service delivery as well as reform. Government has delivered public services through social entrepreneurship. This has happened because of the social focus and being close to local communities. Through innovativeness the quality of services delivered has improved. Social and financial inclusion have resulted from social entrepreneurship. Local people have been employed, reducing crime and unemployment and improving access to services for all. Social entrepreneurship has also shown what can be achieved through collective action.

Social entrepreneurs have different backgrounds and experiences. Literature shows that people will set up ventures that are in line with their skills. A study by Light (2005) found that social enterprises succeeded more because of leadership and the application of principles. Origin,

upbringing and background of the social entrepreneur are important determinants of whether they will start a social enterprise. Social entrepreneurship is important for people who are not happy with the existing situation and want change. It enables the collaboration of different people across cultural and geographical boundaries, while allowing the sharing of solutions at a global scale. According to Bornstein (2004), it shows how societies can renew themselves.

The success of social entrepreneurship requires enablers such as an enabling environment and capacity building. Governments are key to creating an enabling environment so that the social enterprises can grow. Key in this environment is competitiveness and economic growth. The active promotion of social entrepreneurship by government is also important for their development. Social entrepreneurship requires capacity building for success. This is because social enterprises are unique. Depending on their structure and setup, they may need to make a profit to be able to carry out their activities. The limited access to finance for social entrepreneurship limits development. At the same time dependency on grants limits what can be done.

2.6.8 Measures for social economy support and funding from the European Union

There are certain values, features and rules about democratic decision-making and the sharing of profits that are unique to social economy organisations. They also operate in a certain manner, depending on their legal structure or form. This structure allows them to lower their operating costs. Their costs appear in different forms and there may be restrictions on reserves, audit requirements, limitations on the development of large economic projects or limits of the available capital. The European Commission saw the growing significance of the social economy. In thirty one countries in Europe eighty two support measures were identified (Bacq and Jansen, 2011), consisting of tax exemptions and tax privileges for non-profit associations and organisations. Many countries have tax exemptions and tax privileges for non-profit associations and organisations. Legislation in these countries to develop the social enterprises consists of legal acts.

The support has differed with direct support provided as grants or subsidies and indirect support as wage support for those working in integration of labour. Support for businesses is mainly in the form of business incubators, consultancy, provision of training services and information (Hoogendoorn et al., 2010). There was improved cooperation between the social and the public sector and at the same time there was improved cooperation with the umbrella organisations representing social enterprises. In most countries in Europe, the foundations, associations,

cooperatives, and mutual societies enjoy certain tax benefits. Associations and foundations enjoy greater benefits because they do not earn profits. There have been changes to the taxation of non-profits as a result. Most countries do not have a tax system that extends to cooperatives.

The erosion of tax benefits has also been common in Europe. Some countries have consolidated tax regimes which recognise the role of the sector in their constitutions. Restrictions around cooperatives are being removed with the requirement on the minimum number required for forming a cooperative being changed (Galera and Borzaga, 2009). A few changes were made, which include members having more than one vote, use of different forms of debt, participation of third parties in shared capital, increasing the activities and the transition of cooperatives into joint stock companies. Lawmakers see lower operating costs for the social enterprises and have therefore been calling for less benefits in the form of tax.

The European Investment Bank (EIB) and the European Investment Fund (EIF) have funded the development of the social economy. The EIB lends to achieve the objectives of the EU as it is a long-term lender. It lends and supports SMEs through credit arrangements with local intermediary banks and financial institutions. Support is provided in the form of venture capital, SME portfolio guarantees and lines of credit (Bornstein, 2010). New SMEs and those that are technology-orientated are supported by incubators and investments from the EIF's capital instruments. The guaranteed instruments consist of guarantees to financial institutions that cover credits to SMEs. Each country in the EU has EIF intermediaries that provide access to SME funding for social enterprises.

Belgium established CoopEst in 2005. It is a limited liability company according to the law in Belgium. It is made up of several financial institutions that are active in France, Italy, Belgium and Poland. Its objective is to develop cooperatives, associations, mutual societies, foundations and social enterprises (Defourney et al., 2006). The target countries for CoopEst were Poland, Hungary, Czechoslovakia, Estonia, Latvia, Lithuania, Slovakia, Slovenia, Bulgaria, Romania, Croatia, Albania, Bosnia and Herzegovina, the Republic of Macedonia, Montenegro and Serbia. CoopEsts' mandate was to provide long-term financing in Central and Eastern Europe where it was lacking and difficult to access., SMEs struggled to get funding due to weak financial infrastructure. Support in the form of equity, guarantees and long-term loans have been provided and used to raise more funding. CoopEst mainly supports socially responsible initiatives that cover a wide range of economic activities. These have mainly been agricultural

cooperatives, social and housing cooperatives, organic agriculture, small business development and renewable energy.

The governments in Europe have funded the social economy directly through state budgets or indirectly through grants. The amounts that governments allocate, differ with twenty-nine per cent in Sweden and thirty-five per cent in Norway and seventy-seven per cent in Belgium and Ireland. The funding is between twenty per cent and thirty per cent on average in Central and Eastern Europe. Subsidies are provided to organisations that help with the policy implementation of government. The subsidies are prescribed by law. They are given to the international agencies, national interest groups, major service providing groups and advocacy groups. To provide funding for social services, a tender system is used to award grants. Government procurement may result in social entrepreneurs supplying goods and services.

2.6.9 Political and legal recognition of social enterprises

Social entrepreneurship is recognised in the political and legal circles in Europe. The political and legal recognition of social entrepreneurship as well as its importance for sustainability was first evident in France. France used the December 1981 decree to create the Inter-Ministerial Delegation to the Social Economy (*Delegation interministerielle a l Economie Sociale*). Spain passed the Social Economy Act in 2011, which was a first. The legislation is the Social Economy Act in Greece and a bill in Portugal. The European Commission funded the convening of the first European Social Economy Conference in 1989. It created a social economy unit in the DG XXIII, including enterprise policy, distributive trades, tourism and the social economy. Other European social economy conferences have been promoted and held by the Commission in different locations in Europe. In the European Parliament, the Social Economy Intergroup has been in operation since 1990. In 2009, the European Parliament, through a report, explicitly acknowledged the social enterprise as a social partner and key actor in achieving the Lisbon strategy objectives (Defourny, 2012).

The legislation, which was passed for social entrepreneurship, enabled the growth of the sector. The allocation of resources to support the development of the sector therefore followed. Supportive legislation also helped to institutionalise social entrepreneurship in Europe, contributing to its development. Governments allocated budgets and various departments to ensure the development of social entrepreneurship. The European Economic and Social Committee published reports on the contribution of the social economy. It has been acknowledged that the social economy has been important in achieving various public policy

objectives. While the sector is made up of different actors, it has been positioned in Europe as either the capitalist or public sector. The sector provides solutions for old and new needs. This has been key to the sustainability of the sector as it is viewed as providing solutions to emerging and existing challenges.

2.7 SOCIAL ENTREPRENEURSHIP IN CANADA AND THE UNITED STATES

A global comparison of social enterprises noted differences. Social enterprises are commercial ventures by NPOs in America, and in Europe these are cooperatives and other limited profit forms that government funds to address issues among marginalised groups (Kerlin, 2006). The structure and type of social enterprises in the respective countries were a result of the traditions and politics of the country from which they emerged. The American approach involved individuals devoted to a social mission who were entrepreneurial in their approach. They respond to social problems using new and innovative ways. Different countries have legislation and task forces on social entrepreneurship (Borzaga, 2001). The social innovation school and the social enterprise school are the two common schools of social entrepreneurship in the United States. The social innovation school focusses on the new technologies and innovation (Sampson, 2011). These include initiatives that seek to find innovative ways of addressing social problems such as poverty, hunger, unemployment, inequality, health or lack of access to education. Some of the solutions may be food banks, shelters, immunisation, social grants, school feeding schemes and medical facilities. The social enterprise school has a focus to work through organisations. Social enterprises have the “earned income” approach which means they fund their operations from paying customers. Ashoka, New Profit Inc, Venture Philanthropy Partners, and Schwab Foundation are some of the social enterprises that have been in existence.

Individuals who are social entrepreneurs are the foundation of the Innovation School of Thought (Hoogendoorn et al., 2011a). They find innovative ways of meeting social needs. These could be for profit or NPOs and foundations in the United States. The opportunities for social entrepreneurs have been found in exploiting the identified needs. The Social Enterprise School of Thought focusses on the enterprise and aims at generating resources that are independent from grants and subsidies. Following business principles is key for ensuring that social enterprises are entrepreneurial. The two schools are part of the American tradition that requires social entrepreneurship to be based on market-orientated economic activities. There is a distinct difference between how social enterprises are viewed. The view of the sector in the United States is that of NGOs that take a market orientation. They are transitioning to an earned

income strategy as the operating environment has less subsidies and public grants for funding. The view in Europe is that of the sector at the intersection of the market, public policies and civil society. There is therefore a combination of the resources coming from these three spheres.

Social entrepreneurship is a dynamic model of businesses operating in a competitive market where it reinvests profit to uplift communities with social, environmental and cultural objectives (Mendell, 2007). Social entrepreneurship in Canada is addressing exclusion, poverty and changing the labour market. They are widely acknowledged as solving social and environmental problems (Mikolajzak, 2020). The sector is critical to the development of an equal society, which is the aim of most economic development policies. They develop opportunities in the social and business arena. According to Mendell (2007), the United States definition of social entrepreneurship highlights NPOs and the restrictions around distributing profits. The office of social innovation and civic participation was established in the White House in the United States (Nicholls, 2010). Social entrepreneurs use creativity, resourcefulness, and ambition to achieve results that can change the lives of the marginalised and disenfranchised.

According to the *Chantier de l'économie sociale* (a network of networks representing the social economy in Quebec), a social enterprise is the product of a collective process. The main features are that they are collectively owned, democratically governed, and differs with the United States that emphasises profit distribution. In the United States and Canada, they meet new demands while responding to opportunities and social needs. The sector is a part of the economy made up of the public, private and civil society actors. The environment in the United Kingdom is supportive and enabling for social entrepreneurship (Nicholls, 2010). A social enterprise unit was created by the Department of Trade and Industry in the United Kingdom and is now the office for civil society. Successive British governments recognised that social enterprises were crucial for service delivery and contributed to social cohesion (Steiner and Teasdale, 2017). Supportive policies in Britain and Scotland enabled the sector to flourish (Roy et al., 2015). Developments in Europe led to Italy, Belgium and the United States developing new legal forms. In Japan, the sector is acknowledged as essential for a healthy society but is not well recognised (Nakagawa and Larrata, 2013). Public recognition of social enterprises is lacking. Japan predominantly has work integration social enterprises whose focus is social inclusion of people with disabilities.

Social entrepreneurship has an enterprise orientation, with its ownership being in the hands of the community and not shareholders of a company. Social entrepreneurship is important because it creates jobs and has become a significant part of today's economy. It is important to create employment, especially for those previously unemployed, people with disabilities, the homeless, the youth and women who are often discriminated against (Alter, 2007). Social entrepreneurship involves innovatively using and bringing resources together to bring social change and address social needs (Marti, 2006). The ability to bring social value and to sustain it, distinguishes social entrepreneurs (Nicholls, 2010). Bringing social value and impact are the common elements that define the sector (Zadek and Thake, 1996). Social entrepreneurs are businesses that are mission-based as they make changes and sustain improvements (Brinckerhoff, 2000). Social entrepreneurship has been characterised by innovation. The use of and introduction of these innovations has resulted in the influencing of policy. In the United Kingdom, half of the social enterprises had introduced a new service or product in the last year (Temple and Gregory, 2017). Social capital was created in the process. Economic partnerships require trust, shared values and a culture of cooperation that all make up social capital (Leadbeater, 1997). Social capital is essential for poverty alleviation and sustainable human and economic development.

2.8 CONCLUSION

Social entrepreneurship is important to ensuring equal societies. In the United States, social entrepreneurship has been associated with NGOs and restrictions around the distribution of profits. There is an office within the White House dealing with social entrepreneurship. It has helped to address exclusion, poverty and the labour market in Canada. Social enterprises are financially viable and socially profitable. Supportive policies in England and Scotland were critical to the sector's growth (Zadek and Thake, 1996). A specific legal form does not define the sector. Through innovativeness, social entrepreneurship has created jobs, leading to opportunities for the disabled, the excluded and disenfranchised.

In Europe, the development of the sector was catalysed by recognition in the political and legal circles (European Commission, 2016). This led to the development of various legal instruments to support social entrepreneurship. Different countries used these instruments to develop and expedite social entrepreneurship. Governments allocated budgets for social entrepreneurship that allowed things to be done. This was key to the sustainability of social entrepreneurship. Social economy conferences were held throughout Europe and were vital in bringing together

different countries. Governments in Europe have funded social entrepreneurship through subsidies and direct support. The level of support has differed with some countries providing high levels of support. There has also been recognition of the ability of social entrepreneurs to deliver. Support measures were identified for social entrepreneurship, which included tax exemptions and tax privileges.

Funding to develop the social economy in Europe was provided by the EIF and the IEB. This was mainly done by SMEs delivered through intermediary banks. The support provided was SME credit guarantees, venture capital and lines of credit. CoopEst, which was established in Belgium, provided funding for social entrepreneurship across various countries in Central and Eastern Europe (Defourny and Nyssens, 2010). This was due to limited access and weak infrastructure in these areas. Agricultural cooperatives, small business development, renewable energy, organic agriculture, social and housing cooperatives were the main social responsibility areas supported. The experiences in Europe helped to develop the sector in France (Borzaga and Defourny, 2001). Key features of this were democratic operation, voluntary membership and the general interest purpose and open membership, and these were mainly associations, cooperatives and foundations.

The third sector refers to social, ethical and voluntary sectors and is used in different parts of the world to refer to the social economy. The sector was supported by public funds. Social entrepreneurship is centred around basic human needs of equality and distribution. Social entrepreneurship is based on an economy whose principles are democratic governance, cooperation, mutualism, association and solidarity.

Chapter 3

SOCIAL ENTREPRENEURSHIP IN AFRICA

3.1 INTRODUCTION

There is limited research on social entrepreneurship on the African continent (Etim, 2020). It is a new and developing sector, and the informal nature of the economies of most of the African countries makes it relevant to address some of the challenges (Moreno and Agapitowa, 2017). Governments are seeing the role and results of social entrepreneurship as it helps address socioeconomic challenges. Education, health care and poverty alleviation are some of the areas that have been impacted positively (Visser, 2011). From a study done on the sector in sub-Saharan Africa, it became apparent that there are contextual influences on social entrepreneurship (Rivera-Santos et al., 2015). They influence how social entrepreneurs view themselves and their choice of activities. Acute poverty and ethnic groups are among the factors determining peoples' identities and what they do. The country's past history only influences how people see themselves. These factors are important in informing how the sector developed on the African continent.

The significance of the informal economy to African economies was highlighted in the study by Rivera-Santos et al. (2015). African economies are largely informal and social entrepreneurs operate at the intersection of the formal and informal economy. International Monetary Fund reports show that 26 of the 30 countries that make up sub-Saharan Africa are ranked among the poorest, which according to the sector, has therefore had to be in this lived reality. The success of the sector in Europe has been influenced by government support through policies and specific legislation, which is missing in African countries. Improvements in the regulatory environment may result in the expansion of social enterprises (Urban, 2015). Social entrepreneurship helps develop just and equal societies through social impact and not profit maximisation. Some of the achievements include availability of goods, services and inclusivity (Remenyi et al., 2006).

3.2 AFRICAN CONTINENT AND SOCIAL ENTREPRENEURSHIP

African countries also experience the effects of colonialism (Acemoglu et al., 2000). Social entrepreneurship tries to find sustainable solutions to problems that have often been ignored and achieves positive outcomes. Social entrepreneurship should not be considered separate from entrepreneurship (Dacin et al., 2011). Social entrepreneurship helps to bring about change and solves social challenges (Shukla et al., 2016). The goal for a social entrepreneur is to fulfil a mission; however, there is need for revenue or income to make it sustainable. Social entrepreneurship activities result in social value (Abu-Saifan, 2012). Social entrepreneurship has been defined as a for-profit business (Mendell, 2007). It has also been said to be an organisation that does not seek a profit but operates as business to support its mission. This is where it differs from entrepreneurship, where in some cases profit is the main objective.

Social businesses can become mainstream if they are recognised as credible economic structures and if a supporting framework in terms of policies, rules and regulations is put in place (Yunus, 2008). Presently very few countries appreciate that the sector can contribute to their economies. The supporting legislation, policies and environment end up missing because there is limited appreciation of the area by policymakers. Even though social entrepreneurs act locally, their actions can have global influence, depending on the sector.

Social entrepreneurship is well appreciated in France, Portugal, Sweden, Spain, Belgium, Ireland and Italy. Intersectoral organisations were created by the sector such as in Spain, the Spanish Business Confederation of the Social Economy; the Council of Social Economy, Companies and Institutions in Belgium; the Flemish VOLSEC and Waloon CONCERTES organisation; the Social Economy Platform in Luxembourg and the Social Economy Standing Conference in Poland (Monzon and Chaves, 2008). Belgium, France, the United Kingdom, Italy, Spain, Finland and Portugal have separate legislation that recognises social enterprises as distinct legal entities (Rivera-Santos et al., 2015).

In Italy, the law allows a wide cross-section of organisations to be classified as social enterprises. These are NPOs whose main objective is carrying out economic activities for the production and distribution of social benefit goods and services. This includes a total distribution constraint. The organisation structures differ and could be cooperatives, firms owned by investors and NPOs in the form of associations and foundations. The economic sectors where social enterprises operate are clearly spelt out. The structure of social enterprises should be transparent, efficient and protect workers (Fici, 2006). The law or legal framework

in Italy is new and there are no fiscal advantages. Consequently, social enterprises are still using the social cooperative form.

CICs in the United Kingdom were set up under company law and can be in any area. They are organisations that want to use their assets and profits for the benefit of the public. They complement government and there are no restrictions on the activities that can be carried out, except for the community interest test. The test assesses if assets are locked in and the production of a community interest report. The legal structure of a CIC is flexible, and their regulation is not as stringent as for charities. Shares can be issued to help raise finance, improve community ownership and improvement.

The importance of innovation in social entrepreneurial organisations was highlighted by several authors (Borins, 2000). Innovation, piloting and charting new areas were highlighted by Prabhu (1999) and Mort et al. (2003) as central to social entrepreneurship. The examples given of social entrepreneurship drawn globally are of focussed, committed, driven, talented men and women who refused to accept the status quo that was characterised by inefficiency, frustration, discomfort and poor service. They set out not to reduce the bottlenecks but to recreate a completely new system that redefined the parameters and boundaries of the sector. This required patience, resilience, ingenuity, self-belief, and the passion to see through this idea. This resulted in the creation of new industries, ecosystems and opportunities for many other organisations and stakeholders to benefit. Three types of social enterprises through the work of Kirzner, Schumpeter, and Hayek are the social bricoleurs, social engineer and social constructionist (Hayek, 1945). Small-scale local social needs are the focus of the social bricoleurs. Exploiting market failures and opportunities to address gaps in underserved markets through innovation and introducing changes to the broader society is the focus of social constructionists. Social engineers address the existing systemic problems by introducing revolutionary change (Kirzner, 1973).

An entrepreneur creates value by using resources in the areas where they have high productivity and yield (Dees G, 2001). Successful entrepreneurship sets off a sequence of events that encourages others to build and grow on the innovation, while establishing a new system or level that changes completely from the previous. A new ecosystem develops around the new system or level (Schumpeter, 1975). This built on the idea of creating value. The entrepreneur, as explained by Drucker (1995), looks for the potential and can develop their enterprise. Entrepreneurship is universally associated with opportunity and there are examples of many

who were able to exploit the opportunity, such as Muhammad Yunus, Robert Redford, Jeffrey Skoll, Steve Jobs, and Dr Bindeshwari Pathak.

3.3 SOCIAL ENTREPRENEURSHIP IN GHANA AND KENYA

In developing countries, social entrepreneurship helps to overcome challenges in education, work experience and gender issues (De Vlieger, 2013). These factors are self-reinforcing as they enhance the possibilities for entrepreneurship. Social entrepreneurship by its very nature can transcend all sectors and organisational forms. It can occur anywhere and through different arrangements and collaboration. Social entrepreneurship has been carried out for many years by different people. These people bring change and solutions to challenges that are near and far from them. Social entrepreneurship does not need one to be the inventor. One could adopt or implement something differently. Innovation, continuous improvement, and learning are the attributes of a social entrepreneur (Dzisi and Otsyina, 2014).

While there is evidence that firms with better educated people perform better, there are challenges around education. In the developing world, which includes Kenya and Ghana, the completion rates at school for children are a cause for concern. Primary school completion rates are low, and entrepreneurship is often undertaken for survival. Providing an education and training has stimulated entrepreneurship and impacted economies. Work experience has contributed to the growth and success of entrepreneurs.

In Kenya, entrepreneurs with at least seven years of experience expanded their business more than those that were less experienced. The lack of work opportunities in developing countries resulted in a lot of inexperienced entrepreneurs. Unemployment is high in African countries, and this is true in Ghana and Kenya. Social enterprises provide the opportunity for more people to gain experience of the world of work in preparation for opportunities that may come up. Northern Ghana is one of the poorest parts of the country. According to the Ghana Statistical Office (2015), more than half of the population in northern Ghana was classified as extremely poor. The education outcomes there, as well as the literacy rate, are low when compared to the rest of the country.

Consequently, the limited access to jobs for women and the barriers that they face in getting an education as well as employment result in most of them being entrepreneurs. Studies in Africa confirmed that women own most of the social enterprises (Rivera-Santos et al., 2015). Women are a significant part of local businesses and the local economy in Ghana. The influence of

women in family or local businesses is growing. Women-owned businesses support many people in both rural and urban settings (Bekele and Worku, 2008). Women are more likely to contribute to their families and as a result are very likely to cause social change. However, women still face challenges of limited access to markets, limited skills training, limited education, insufficient skills, overwhelming household responsibilities and limited rights (Amofah, 2021). Women-owned social enterprises in both Kenya and Ghana contribute to household income and compliments income brought in by husbands. In a study among women entrepreneurs in Ethiopia it was found that women are twice as likely to fail due to limited technical knowledge and limited training in business (Bekele and Worku, 2008). In Egypt, funding was identified as the main challenge for social entrepreneurs (Seda an Ismael, 2019).

3.4 SOCIAL ENTREPRENEURSHIP IN SOUTH AFRICA

In sub-Saharan Africa, local entrepreneurship is one area that remained new and needs to be better researched. There have been calls for more research in this area for countries outside of America and Europe. Rivera-Santos et al. did work in 2015 on social entrepreneurship covering Southern Africa and East Africa. This work looked at the contextual situation that social enterprises find themselves in and how this shapes the choices they make. Social entrepreneurship in the country is well documented in relation to other countries. The informal economy is a significant part of African countries.

Social entrepreneurship helps develop a society that is equal. This is achieved through social impact and not maximisation of profit. Some of the benefits and outcomes are the reintegration of the disadvantaged groups and access to services and goods at an affordable price (Remenyi et al., 2006). The country meets the requirements of social entrepreneurship as it is a middle-income country, is highly industrialised and has a high youth unemployment rate as well as inequality (Gordon Institute of Business Science, 2017). In responding to the challenges that society faces in South Africa, social entrepreneurship has been widely recommended.

Social entrepreneurship is a fluid term and has different meanings attached to it (Teasdale, 2012). The definitions also range from broad to narrow. Social enterprises operate with the aim of achieving social aims (Clayeyé, 2017; Littlewood, 2015). It can be an umbrella term for different organisations, among which are community-based organisations (CBOs), NPOs and cooperatives. The research and information on social entrepreneurship in South Africa are building up. While still new and limited, it is evolving and developing. Among the early

extensive work in this area in South Africa, was a partnership involving three organisations, namely the Belgian government, the ILO and the University of Johannesburg, which carried out detailed research in this area (Littlewood, 2015).

Fury (2010) discussed the sector in the country and the opportunity to attract investment. This was in relation to the Broad-Based Black Economic Empowerment (B-BBEE) model (Fury, 2010). Meldrum (2011) did work on measuring the social impact and using European models on the continent. Training material on social entrepreneurship was also made available in South Africa by organisations such as UnLtd, Social Enterprise Academy South Africa and the African Social Entrepreneurs Network.

South Africa had a cooperative in Pietermaritzburg as early as 1892 (Fury, 2010). There was a lot of social activism and the development of a strong civil society during the apartheid era. Social entrepreneurship has since taken root and grown with several significant milestones achieved. Phyto Trade Africa, whose focus is maintaining biodiversity and reducing poverty, was set up as a trade association. The Cooperation for Fair Trade in Africa, which included South Africa, was formed in 2004. Thereafter, the African Social Entrepreneurs Network was formed in 2009, although its activities were suspended in 2014. The Centre for Social Entrepreneurship and the Social Economy was started at the University of Johannesburg, with renewed interest in social entrepreneurship culminating in the hosting of the 2011 Social Enterprise World Forum by the Centre for Social Entrepreneurship and the Social Economy (Littlewood, 2015). In the same year, the Bertha Centre for Social Innovation and Entrepreneurship was established at the University of Cape Town. The Social Enterprise Academy Africa was formed in 2012 in South Africa. The year 2013 saw the Cooperation for Fair Trade in Africa, with the World Fair Trade Organisation Africa taking place in South Africa. In 2014, the Impact Hub in Johannesburg launched the Social Impact Accelerator. The Gordons Institute of Business Science at the University of Pretoria hosts the GIBS Network for Social Entrepreneurs at the Enterprise Development Academy.

3.4.1 Context of South Africa

South Africa, while highly industrialised, experiences high unemployment, poverty and inequality (Gordon Institute of Business Science, 2017). Social entrepreneurship may be a solution, given this background. Unemployment in South Africa averaged 26.38% between 2000 and 2008 (World Bank, 2012). It was at thirty comma one per cent (30.1%) in 2020 and at thirty five comma four per cent (35.4%) in 2022 (Statistics South Africa, 2022). The South

African economy experienced a fifty one per cent (51%) quarter-on-quarter seasonally adjusted and annualised contraction (Donnelly, 2020). This was a sixteen comma four per cent (16.4%) contraction when the second quarter results were not annualised. It is estimated that two million women lost their jobs during this period. With a Gini coefficient of 0.64 (based on per capita expenditure) extreme inequality and persistent poverty remain major issues for South Africa (Statistics South Africa, 2019). Over the period February and April 2020, approximately 2.5 to 3.6 million people lost their jobs because of the COVID-19 pandemic (Omarjee, 2020). This is the biggest quarterly drop in the gross domestic product on record and an estimated two million jobs were lost (Ensor, 2020). Using the broader definition of unemployment, approximately 42% or 10.3 million people of the economically active population were not employed. This is likely to exacerbate the poverty and inequality in the country. The social economy has been important during the times of a financial and social crisis. The beginning and start of the social economy coincided with periods of crisis and it was perceived as a possible solution to socioeconomic problems (Mouleart and Ailenei, 2005).

Teasdale (2012) argued that social entrepreneurship is a fluid term and has different meanings attached to it. In South Africa, social enterprises do not have a legal definition or clear registration pathway (Fonteneau, 2011). There are many activities covered by the term *social entrepreneurship*. Social entrepreneurship aims to achieve social aims (Clayeyé, 2017; Littlewood and Holt, 2015). It can be an umbrella term for different organisations, among which are CBOs, NGOs and cooperatives. The research resulted in the development of different tools for social entrepreneurship.

3.4.2 Foundation of social entrepreneurship in South Africa

Social entrepreneurship grew after the arrival of Ashoka in 1991. This was followed by the establishment of different institutions that worked or looked at this subject. Most of them were established at universities, with the following establishing a centre: University of Cape Town Graduate School of Business, University of Pretoria and the University of Johannesburg (Clayeyé, 2017). While there is limited information about the sector it may be part of the solutions to the country's challenges. The sector is characterised by different forms such as for-profit, non-profit and a combination of the two as a hybrid (Steinman, 2010). Social entrepreneurship takes different forms, allowing access to different forms of capital, which may be private, public, philanthropic, or other forms and help to achieve their objective (Bertha Institute for Social Innovation & Entrepreneurship, 2016). Social entrepreneurship also has no

clear legal form or structure, resulting in different forms and flexibility. The sector has been seen as a way of building sustainable economies in the townships and eradicating poverty in South Africa (Manyaka-Boshielo, 2017). This will be important for ensuring that those living in the townships can contribute to the economy. The New Growth Path is a policy document for South Africa that places the sector as key to economic growth and reducing unemployment. Sentiments are that the sector has not as much support from government as the Small Medium and Micro Enterprises sector to develop the economy (Pillay and Kaye, 2016).

3.4.3 Social entrepreneurship in providing solutions

The National Income Dynamic Study–Coronavirus Rapid Mobile Survey (CRAM, 2020) assessed the impact of the COVID-19 pandemic on employment and welfare, showing that the virus exacerbated inequalities in dimensions like gender, race, earnings, location, education and occupation. The informal economy was affected the most. The study showed an eighteen per cent (18%) increase in unemployment between February and April 2020, while vulnerable groups were impacted the most. Social entrepreneurship has been identified as one potential avenue of dealing with this challenge.

Against this backdrop, the country has one of the highest burdens of tuberculosis globally. Tuberculosis incidences increased following the development of multidrug resistant tuberculosis and extensively resistant tuberculosis (Saidi et al., 2017). According to Statistics South Africa (2019), tuberculosis was responsible for four hundred and fifty four thousand and fourteen (454 014) deaths in the country in 2018, making South Africa one of the thirty high-burden tuberculosis countries. The issues around health and lack of access to quality health services form part of the background environment. Youth unemployment is high and estimated at 50%. Lack of basic service provision is causing instability and social unrest. A total of 83% of the population use the public health system, which is crowded and overwhelmed (Karim et al., 2009). Furthermore, access to piped water in homes or an inside toilet is a major challenge.

High levels of crime continue to plague the country. As happened elsewhere in the world, the sector is becoming important for addressing development challenges. Social entrepreneurship and innovation have been highlighted as critical. Macroeconomic and structural reforms hampered the development of social enterprises (Masendeke and Mugova, 2009). Donors, the public and government have identified the sector as key to the development of South Africa. However, social, cultural and political factors played a part in determining the growth of the

sector. In a study by Riviera-Santos et al. (2015) on social entrepreneurship in sub-Saharan Africa, they found evidence that the context is key to understanding social entrepreneurship.

3.4.4 Policy in the country and its impact on the sector

The lack of coordination involving government, the business sector and small businesses who make up social enterprises has resulted in poor outcomes (Soni et al., 2014). The South African policy environment has several private and public sector policies, frameworks and interventions that directly and indirectly impact the social economy. These are the National Growth Plan, National Development Plan, B-BBEE, the Income Tax Act 58 of 1962 (South Africa, 1962), the Nonprofit Organisations Act 71 of 1997 (South Africa, 1997), the Companies Act of 2008 (South Africa, 2008) and the Co-operatives Act of 2014 (South Africa, 2014). In the New Growth Plan, the social economy is defined as different non-profit institutions that are providing goods and services like cooperatives, NGOs and stokvels. It emphasises public procurement through social enterprises as one way of developing the country (Sheik et al., 2023).

The sector is seen as a way to bring as well as achieve economic goals. The key forms in the social economy may be formal or informal, for-profit and non-profit and consist of cooperatives, CBOs, foundations, cooperative banks, voluntary associations, cooperative finance institutions, social financing institutions, philanthropy, public benefit organisations, community-based enterprises, trade union owned enterprises, NGOs, and informal enterprises with specific objectives. Seelos and Mair (2005) contend that social enterprises provide new ways of delivering products and services. Not all activities in the social economy in South Africa are formal as is evident through stokvels and burial societies. The fact that the sector does not have a specific structure, has been cited as one of the reasons for challenges in accessing finance (ILO, 2016). While the barriers for access to finance differ depending on the social enterprise, there is consensus that better linkages are required between demand and supply.

In 2009, the ILO took government officials from South Africa to Belgium and the United Kingdom to look at the legislative and supportive frameworks used for social enterprises in these countries (Watters et al., n.d.). The aim of the trip was to understand community interest companies. Meetings were held with the Charity Commission and the Office of the Third Sector. There were no similar developments of the sector after this. Once policymakers understand social entrepreneurship, there are higher chances of proper legislation and support

being made available. Social entrepreneurship can be for-profit or not for profit, which results in them being preferred due to their flexibility in combining profit with purpose (Rwigema et al., 2010). There are many organisations that fall under this classification, and they balance making profits with delivering a social gain or value. Social entrepreneurship must achieve the balance between profit and purpose (Katz and Page, 2010).

Creating social value is the main objective. The value could be through bringing change to the community while at the same time pursuing opportunities, innovating, taking risks and being accountable (Dees G., 1998). The best way to bring about social change, according to Ashoka, is to invest in innovative social entrepreneurs (Shapiro, 2010). They tend to have solutions that can be upscaled at national and international levels. Legislation and policies in place for the sector have achieved mixed results (Urban, 2015). In Europe, social enterprises take different legal and organisational models according to the circumstances. The type of social entrepreneurship will determine access to certain types of funding and tax benefits. There are different forms:

- Businesses owned by employees who start and own businesses.
- Community businesses that serve local markets and provide services with a geographical definition.
- Credit unions that provide access to finance.
- Cooperatives that are associations of people with common economic and social objectives.
- Development trusts that are important for community-based regeneration.
- Social firms that are empowering disadvantaged groups and people with disabilities through employment.
- Social businesses that are innovative and allow people to meet their objectives. Intermediate labour market companies help to address unemployment by providing training.

Each of these structures has advantages and weaknesses that will differ depending on the enterprise. It will still be important to ensure a social aim and have the intended ownership, including funding sources, type of activity and business aspects.

3.4.5 Broad-based Black Economic Empowerment, National Development Plan and National Cooperative Development policy

The B-BBEE legislation is important for social entrepreneurship with organisations engaging through this legislation. The legislation is key as social enterprises and the South African government do business comprising of procurement and other services. The National Cooperative Development policy and the National Development Plan are key policies that recognise how important social entrepreneurship is to the economy of South Africa. The formal and informal economies coexist side by side in South Africa, resulting in social enterprises operating in both. The informal economy in the country contributes an estimated 20% to the gross domestic product (Etim, 2020). The environment determines the social needs and what social enterprises can do. The low skills levels and poor quality education are key challenges among the majority black population due to previous discriminatory policies. The Skills Development Act 97 of 1998 (South Africa, 1998), National Skills Levy Act 9 of 1999 (South Africa, 1999) and the National Skills Development Strategy III (South Africa, Department of Higher Education and Training, 2012) are part of the legislation that the country has developed. Skills development is considered necessary to help fight unemployment, crime, economic exclusion, and other social ills.

During the first two years social enterprises are likely to fail (Pillay and Kaye, 2016). The Cooperatives Act 14 of 2005 (South Africa, 2005) encouraged the formation of cooperatives which is the main method for social entrepreneurship. There was, however, a high rate of failure among cooperatives. This was partly since people formed cooperatives to access money from government and not necessarily to operate a cooperative that is sustainable. Lack of training and the targeted beneficiaries were two of the reasons for failure. Social entrepreneurship in the country experiences mission drift as they navigate towards the B-BBEE legislation and the requirements when dealing with the corporate sector. Accessing the supply chains of the corporate sector requires substantial resources, which social entrepreneurship cannot access, thus compromising certain enterprise objectives. Social entrepreneurship is also characterised by auditing and reporting challenges.

There are numerous possible interpretations of the word *social entrepreneurship* (Dees J., 1998). The fragmented definitions are indicators of the different perspectives people have of social entrepreneurship. Even though the term is heterogeneous the definitions agree that social mission is a key objective (Leadbeater, 1997). Dominant conceptions of the terms are around

earned income and social innovation. According to Nagler (2007), social entrepreneurship results in employment development for the disadvantaged segments of society; the use of innovativeness and creativity resulting in new goods and services; economic, social and environmental development resulting from social capital; and ensuring equity in its various dimensions, which is key for developing the needs of the disadvantaged (Nagler, 2007). Equity promotion results in a more equitable society, which is one of the objectives of economic development policies. It is governed by many different policies, regulations and initiatives.

Social entrepreneurship in South Africa has many different forms as non-profits, trusts, associations, voluntary associations, hybrids, for-profits, close corporations, and sole proprietorship. These different forms that define the sector have an impact on the sustainability of the enterprise. There have been different levels of success for social entrepreneurship, following establishment with a large percentage failing shortly after commencing operations. The legislation and policies that exist in South Africa have achieved mixed results (Rivera-Santos et al., 2015). The empowerment of marginalised groups is a major objective of the sector. South Africa's challenges in education and training impact the social growth and progress with its various dimensions. This directly affects South Africa's competitiveness. Success for social entrepreneurship helps government in delivering its key policy objectives. The resilience of social entrepreneurship keeps enterprises growing when other sectors are declining. Social entrepreneurship has different legal forms (Hoogendoorn et al., 2010). The sector has provided solutions where government programmes have failed. The development of the sector will require government support through provision of resources and support. The form, structure, objectives and aims determine how sustainable it will be. Social entrepreneurship experiences high transaction and administration costs.

3.5 SUSTAINABILITY OF SOCIAL ENTERPRISES

The world is faced with many social problems that governments have been unable to address (Bennati and Radi, 2018). Social entrepreneurs have been key to the improvement of socially difficult conditions providing more sustainable and efficient solutions than what government could have provided. Entrepreneurship has been responsible for bringing growth and prosperity to society, while social entrepreneurship helps to create wealth in society when social and ecological needs abound (Hoogendoorn et al., 2010). The sector has lacked a unifying paradigm due to a variety of conceptual perspectives. It is not clear which social objectives will

impact society. Precisely defining social entrepreneurship is difficult, with clarification needed for investors and policymakers.

Social enterprises face the challenge of ensuring a trade-off between profit and purpose. This has been called the mission integrity problem (Besley and Ghatak, 2017). Unclear boundaries as well as landscape have been a hurdle. A common definition of the boundaries is missing (Nicholls, 2006). To develop the sector, clarity is necessary. In the United States, social enterprises can be sole proprietorship, partnership, corporations, limited liability, for-profit and non-profit (Galera and Borzaga, 2009). There are different schools of thought around the sector, which consist of the United Kingdom approach, the EMES School of Thought, the Innovation School of Thought and Social Enterprise School of Thought. The common thread among the different schools of thought is the creation of social value (Hoogendoorn et al., 2010). There are no strict boundaries between the approaches. Social enterprises were initially set up in Europe as associations in countries like Belgium and France, where the legal form allows them to be provided on the open market. Cooperatives started in those countries where associations were restricted in terms of what they could do. More general legal frameworks have also been introduced in Belgium.

The sustainability of social enterprises relied on the forms taken. Cooperatives were the main form taken and used to achieve different objectives (Dacin et al., 2011). Government in Europe provided support to the sector through subsidies, legislation and different infrastructure. This allowed the sector to grow and become established. The sector also demonstrated that different social issues could be addressed. This led to the emergence of social enterprises addressing different issues. The policies and legislation in respective countries responded by coming up with various acts and instruments to allow the new changes to the activities of the social enterprises. This led to different institutions like banks with specific funds earmarked for the sector being set up. The institutions were regional and made resources available across borders and in remote locations (Steinerowski and Steinrowska-Streb, 2012). The result was institutions that could deliver services more efficiently than government. This helped to further build the argument for greater allocation of resources to deliver services to communities.

Social enterprises have remained close to communities, and this is what has made them sustainable. By being close to communities they have been able to have an impact and bring social value (Moulaert and Nussbaum, 2005). The ability to strike a balance between making profits and supporting the non-profit activities with this money, was important for some social

enterprises. Other forms, such as Trusts, NPOs or cooperatives, have been successfully used to develop and sustain the sector (Clayeyé, 2017). Both government and the private sector have provided financial resources that helped to sustain the sector. This has, however, been for organisations that have been able to meet the reporting requirements as well as showing the impact of their work (International Institute of Labour Relations, 2011).

3.5.1 Role of government and legislation

Social entrepreneurship is well developed in various countries in Europe. It is impacting communities by providing access to employment, making communities inclusive and making services available locally (Defourny and Nyssens, 2010). Innovation within the sector has resulted in the efficient delivery of services and dealing with embedded bureaucracy. The progress and success of the sector was due to public support through grants and subsidies. Governments, especially in Europe, developed clear legislation dealing with social entrepreneurship. This made it possible for budgets to be allocated, which came in the form of grants and subsidies (Bornstein, 2010). Social entrepreneurship, in turn, developed well and quickly and diversified their sources of income. Social entrepreneurship through innovation was able to balance profit and social causes. The sustainability of the sector has therefore been dependent on clear policies, legislation and support from government. Governments had departments and units dedicated or set up for social entrepreneurship. This sent a clear message and showed commitment from government to develop the sector.

Social entrepreneurship needs to be relevant and delivering a service that the community needs and which solves a challenge. Innovation has made this possible and resulted in different stakeholders supporting social entrepreneurship (Austin et al., 2006). A good source of funding or support is key to get social entrepreneurship started and progressing. However, once the idea is accepted and implemented, a consistent and definite source of funding is required for the sector to develop. The funding or support could be from various sources and in certain instances the sector has delivered services at a fraction of the cost of what government would have done.

Key to the development of the sector has been the financial institutions and instruments to fund its development. Europe had institutions targeting the funding of social entrepreneurship and often across the economic blocs. The instruments and products that they developed were tailored to fill a gap that existed in the respective countries (Fury, 2010). This made it possible for social entrepreneurship to develop because even rural locations that would have been

overlooked, were covered. Social entrepreneurship has been able to identify areas that have been ignored but with potential.

The cooperative was the main channel through which the sector developed in Europe. This form required transparency and sharing for the benefit of all members. It also evolved to sharing benefits or profits in an equitable manner (Defourney et al., 2006). The development of the sector also took on other different forms. The balancing of profit and social needs as well as the utilisation of profit to achieve social needs are key to the sustainability of the sector.

The sector's sustainability has also depended on the ability to remain connected and deliver social value. Different forms of support have been provided, which helped to sustain social entrepreneurship where social value has been shown. The growth of social entrepreneurship has been good and continuous where they have shown social value and connection to the community (Seelos and Mair, 2005). This growth has seen expansion into new locations, often cities, towns and provinces. The growth resulted in the development of partnerships with other organisations, often working in different but related sectors (Shukla et al., 2016). The ability to meet reporting requirements, outcomes and targets has also helped the sector to receive continued support. Ensuring adherence to legislation and regulatory authority requirements has allowed social entrepreneurship to be authorised to operate.

3.6 CONCLUSION

Social entrepreneurship in Africa is a new area with limited research. It is, however, widely practised and is transforming communities and society. It is very relevant to the African continent as it helps address issues of poverty, unemployment, inequality and poor economic growth. African economies are also characterised by high levels of informality where a lot of activities and people are actively involved. The sector provides employment for many people on the continent. People from poor backgrounds and limited education have used social entrepreneurship to improve their livelihoods. The primary school completion rates in the various African countries are low, resulting in poor quality education. This results in a lot of people ending up in entrepreneurship (Etim and Daramola, 2020). Entrepreneurship activities can take place at different places and often in different forms. Most social enterprises are owned by women and experience high levels of failure due to limited funding and training (Amofah, 2021). However, women in social entrepreneurship contribute to their families.

The sector has not been well researched, and this area is developing. There are a number of universities that have departments of social entrepreneurship that have conducted research, offering programmes and are involved in work in this area. These universities have developed departments that offer specific attention to the sector.

The country is middle-income with high unemployment, inequality and poverty (Littlewood and Holt, 2015). The country does not have a clear legal structure for the sector. The existing policies and legislation have had mixed results. The formal and informal economy in the country exist side by side. A social enterprise can be a trust, cooperative, association, close corporation and voluntary association. The broad policy documents such as the National Development Plan, are specific about developing the social economy. The sector was characterised by high levels of failure among social enterprises within the first two years. They experienced high transaction and administration costs. The context is key to understanding the sector. The lack of coordination between government, small businesses and the business sector has resulted in poor outcomes for social entrepreneurship.

In terms of sustainability the sector faces the challenge of balancing between profit and purpose. There are different schools of thought about social entrepreneurship in Europe with no unifying paradigm; however, the creation of social capital is a common factor. Social enterprises started off as cooperatives and developed various forms in different countries. The governments of these countries supported social enterprises through legislation, grants and subsidies. This allowed social entrepreneurship to develop and with innovations took on various forms.

Chapter 4

RESEARCH FINDINGS

4.1 INTRODUCTION

The previous chapter gave an overview of the different types of social enterprises found in South Africa and the legal framework. This chapter aims to document the findings from the interviews of the social enterprises. Four in-depth interviews were conducted with social enterprises from Gauteng province. The study focused on the sustainability of social enterprises in Gauteng. Four social enterprises from the environment, textiles, welfare and the social development sector were interviewed. The questionnaire (see Appendix 2) allowed the participants representing the different organisations to explain what they do and give context. This was then followed by a comparison of the patterns that emerged throughout the data.

4.2 DEMOGRAPHIC PROFILE AND SAMPLE

Four social enterprises from Gauteng responded to the interview schedule from a total of sixteen that were approached and contacted. There were various reasons why the organisations did not participate. The various reasons for not taking part included that some needed authorisation from leadership, the people responsible for the area were unavailable, no response to phone calls, no response to emails, promises to respond, which never came, and organisations being busy with different things.

The interview schedule sought to determine the sustainability of the social enterprises. Therefore, the interview schedule was for the leader or CEO, the person responsible for finances and a beneficiary of the services of the social enterprise. The responses did not include interviews with all three people from each of the organisations that were interviewed. This was because social enterprises are small organisations. As a result, the leader, CEO or the founder may be the same person handling the organisation's finances. In certain instances, the beneficiaries were disabled children or mentally challenged patients; thus, they could not be interviewed.

4.2.1 Demographic profile of social enterprises

The participants were three females and one male, and the leader, CEO, or founder of the respective social enterprise. Most of them had been with the organisation since it started. Because of their leadership roles, the participants have been part of the respective organisations for a long time and were aware of the drivers of the organisation's sustainability. The age of the respective organisations differed, with one of them being 40 years old. The interviewees discussed the sectors where they worked, namely: environment, textiles, charity, and social development. These social enterprises benefited the local community, mothers of disabled children, children who suffered trauma and mental health patients. Table 4.1 gives the background information of the social enterprises that were involved.

Table 4.1 Table of social enterprises representatives

Interviewee number	Gender	Level	Department
I1	Female	Senior	Environment
I2	Female	Senior	Charity
I3	Male	Senior	Textiles
I4	Female	Senior	Social development

4.2.2 Demographics of the social enterprises

The four social enterprises differed in their focus on the environment, textiles, charity and social development. The social enterprise focusing on textiles registered as a non-profit and a for-profit organisation. The profit arm finances the non-profit arm to carry out its work. It was formed in 2011 and was self-financed up to 2018. Its focus is recycling second-hand clothing, shoes, and textiles for the mothers of disabled children. It gives employment opportunities to people with disabilities as well as a business opportunity for the mothers of disabled children. Mothers of disabled children are trained to run a business and given access to clothing, they can buy and resell for an income. The number of stores from which the clothes are recycled has increased from 46 to 600. There is a specific focus on the value cycle.

The social enterprise focusing on the environment is working on addressing the pollution of the Hennops River in Gauteng. The river flows through a large area from townships, suburbs, businesses, malls, residential estates, and regions where services are provided. Because of siltation along its route, the river has an impact on homes, roads, and businesses and damage infrastructure when it is flooding. The river is also polluted with plastics, debris and effluent, all deposited along its path. The activities have been to mobilise the community to work

together to clean up the river, which is full of plastics and rubbish that clogs the river, resulting in flooding. Volunteers started this social enterprise and have been able to collaborate efforts with the local municipality. It has steered away from politics and welcomes everyone who wants to contribute to its work. Donations from different stakeholders continue to be received to facilitate the creation of social enterprises. There are now two teams working in different areas through which the river flows. It is a registered NPO, which then added mowing and composting to its services. The organisation has a website highlighting the problems experienced with the river and encouraging people to assist in solving them.

Another social enterprise, which focuses on people with mental health conditions, is registered with the Ministry of Health and the Department of Social Development. It is Gauteng's largest mental health institution and works to make a difference in people's lives. The organisation receives funding from the government, has set up a Trust, accepts donations and at the same time, must pay residents that use the facility. The NGO is an umbrella structure for seven other organisations within it. The range of services includes care of patients within the facility, social work, and different training programmes to prepare patients for life outside the facility. Skills development training is provided so that residents can make things they can sell for income. Unemployed women from the surrounding informal settlements are taught business skills. Stock is delivered, which they can purchase and resell in their community. The organisation is registered as an NGO in a mental health facility. Social skills are also taught so that residents do not hurt each other. Funding is received from the Department of Health, the Department of Social Development, and the Social Relief of Distress grant from the South African Social Security Agency.

According to the CEO of I4: *"The organisation is run as a business and not according to charity principles. There is a budget which must be followed strictly."* There are strict financial policies and controls that everybody must know and follow. The organisation is complying with the requirements of the different funders. The subsidies from the various departments are critical to its funding and sustenance. The organisation has a good name, and the government departments often refer other organisations to learn how to run an organisation and manage funds from different donors. Social, business and financial management are critical in running such an organisation. Funding accompanied by sound financial management was highlighted as key to the organisation's sustainability going into the future.

One of the social enterprises is a charity organisation that focuses on children that have experienced trauma. The organisation's mission is to restore dignity to those who have experienced trauma, adversity, and shame through community-based relational interventions. According to the Director of I2: *“The organisation addresses childhood trauma by educating and empowering adult caregivers to support better-traumatised children rather than giving clinical or social services support.”*

There is a specific focus on children that have suffered abuse, trauma and neglect. There is a project for skills development and employment creation. This is done through a needlework programme where women earn an income from selling their products. The project creates gloves, headbands and aprons that a skincare range uses locally and internationally. Financial support has been provided to young learners in the form of registration fees, course fees and books.

The social enterprise has also been involved in community housing projects assisting underprivileged families to build homes. The social enterprise runs clothing schemes to provide school children with shoes and warm clothes during winter. A food scheme for older people is also run, which collects and delivers parcels to the elderly members of the community. They specifically focus on youth and community development, especially for those who have experienced trauma. It is funded mainly by a family business. It has been operating since 1997 and is expanding to other towns and cities away from where it started. In addition to the trauma victims, the organisation is working with the local community. There are attempts to diversify the income stream to realise more from other sources. One of the methods is to attach a cost to training. Modules have been developed that people can access online. Books and online courses are planned to generate additional income. Training has been carried out in collaboration with other partner NGOs.

4.3 THEMES

The study was qualitative, and an interview schedule was used to collect information from the representatives of the social enterprises. The responses were compiled and revealed that similar themes and patterns aligned with the objectives. The results from the data analysis were provided in a cohesive manner using comments made by the respective participants during interviews. From the data analysis, certain themes and subthemes were developed and are

shown in table 4.2 and discussed in the remainder of the chapter. Five main themes emerged with a number of subthemes.

Table 4.2 Themes and subthemes of the study

Themes	Subthemes
1. Cooperative and collective action	1.1 Innovation and dynamism 1.2 Dedication
2. Creation of social value and social impact	2.1 Economic use of resources 2.2 Removing inefficiencies, blockages and hurdles
3. Government support through policy and legislation	3.1 Specific legislation 3.2 Collective nature and combining resources
4. Professional management, reporting, accountability of the social enterprise	4.1 Financial management 4.2 Diversity of income and healthy cash flow
5. Investment in technology and different skills set.	5.1 Good reputation and empowerment 5.2 Community and youth development 5.3 Different skills set

The following sections will all concentrate on the five objectives and the subthemes indicated in Table 4.2.

4.3.1 Theme 1: Cooperative and collective action

The existing international literature on social entrepreneurship, mainly studies by Defourney and Nyssens (2012), shows its origin and early success because of the cooperative and collective structures used. The earliest evidence of social entrepreneurship was through cooperatives and drew on collaborative efforts. The cooperatives represented many different stakeholders, and the governance remained in the hands of the owners and therefore served their interests. Collective decision-making focusing on the collective needs of communities made it appealing to the government, and hence grants and subsidies were provided. Cooperatives became strong and, in the end, were formed for different interests. The countries that embraced cooperatives and had existing cooperative structures developed social entrepreneurship quickly. As shown in Chapter 2, certain countries in Europe had been using cooperatives and they were well developed. They became an entry point to develop the sector. Public support from the government was quickly identified and mobilised to create the sector.

4.3.1.1 Subtheme: Innovation and dynamism

Social entrepreneurship has advanced globally because of innovation. Innovation has been vital in developing and identifying solutions to address existing problems and bring them to scale.

The invention involved the creation of new systems and solutions that replaced inefficient and costly procedures (Defourny and Nyssens, 2010). According to I2: *“We had to change our systems to more efficient methods.”*

They had to change the data management and documentation system of the social enterprises. Previously, all the organisation’s information was on complex files in the administration office, which was moved to the cloud storage. The manual filing had to be stopped, with staff being trained to keep records on the cloud. This improved efficiency, reduced costs, and reduced risk and clutter in the organisation. The ability and willingness to innovate and look at new ways of doing things have been essential for developing social enterprises. Providing training and support to staff helped them adapt to the new working requirements and systems (Cooperider and Pasmore, 1991).

Innovation has improved access, availability, inclusion, and scale, with the consequent benefits experienced by community members. The ability to scale and enhance inclusion attracted the interests of the government needing help to do the same. This led to grants, subsidies and legislation to promote social entrepreneurship. This was something that I1 experienced as: *“People saw the change that the social enterprise was making in the community.”*

The government wanted to complement and partner with the social enterprise through the local municipality. The city saw the social enterprise not as a competitor but as an ally in service provision (Brinckerhoff, 2000). The founders of the social enterprise decided to get started and make progress and not rely on the government or others to bring change. Social entrepreneurship has also been dynamic as it has continued to evolve and improve its offerings. In the case of I4: *“The social enterprise was funded from our family business.”*

This is a common trend in which the founders used their resources to set up and find a way to keep advancing (Johnson, 2000). Over time, other organisations and individuals saw the change and decided to join and bring in help. From the social enterprises involved in the study, it was several years before they could get additional support from outside sources. The sector’s support, interest and growth have been anchored on its dynamic and innovative nature.

4.3.1.2 Subtheme: Dedication

The success of social entrepreneurship has been on the back of dedicated and committed people. A distinguishing factor behind social entrepreneurship is the dedication and commitment to finding a new way. I1 showed dedication: *“We just decided to get on with it*

and let people find us somewhere.” This got the social enterprise working with no external support but volunteers. Environmental pollution was identified as impacting the community through localised flooding, destroying infrastructure and causing traffic problems. The response was to team up with volunteers to pick up trash and clean the river. Initially, there were no financial resources, and people just met and cleaned up the river. As the work continued, more people took notice and donated materials, tools and volunteered to help. Businesses in the area took interest and wanted to know how they could help. The municipality also asked to play a role. The founders of the social enterprise made the initial investment, taking on the responsibility and having the drive and discipline to see it to the end. This agrees with the literature on social entrepreneurship, where social entrepreneurs pioneer new things and must navigate and deal with uncertainty, resistance, inertia and rejection. The hurdles that social entrepreneurs encounter are many and require commitment and focus.

Social entrepreneurship requires single-minded focus and determination, often not obtained from conventional markets. Conventional lending and finance institutions require a high return on investment in a short space of time. Social enterprises get off the ground with personal funding. Personal funding and belief in the vision as well as passion drive the early development (Galera and Borzaga, 2009). This was true with I3: *“We had to fund the organisation personally from 2008–2019.”*

The founders had to use their resources because they believed in their dream. They successfully secured a grant after 2019, which helped to move things. Social entrepreneurship ends up being funded by the founders and other means due to the patient nature of capital that is required. Scaling up social entrepreneurship takes time, uptake, and high adoption rates. When a new approach, service or product is offered, and people learn about it, it takes time. However, beyond this stage, there will be a turning point with high adoption rates. The high rates of adoption are now happening with I3: *“We were working with forty six shops, and these will increase to six hundred.”*

An international retail group works with the social enterprise and would like the service extended to many other shops.

4.3.2 Theme 2: Creation of social value and social impact

Literature shows that the development of social entrepreneurship depended on creating social value and social impact (Bignotti and Myres, 2022). While social entrepreneurship has taken

on many forms, even the business form aims to have a social impact. The profits made from business in a social entrepreneurial set-up are used to support social aims. Social entrepreneurs set up their operations with a social purpose rather than profit maximisation or shareholder returns. The experience of I2 was: *“We have been able to create an institution that can make a difference in people’s lives and give them a chance to go back into society and be self-reliant.”*

The creation of social value, which impacts communities and allows them to participate and benefit from infrastructure, access and efficiencies, is the main objective. As a result, social enterprises remain anchored on communities and their needs. This was echoed by I1: *“The community could identify with what we were doing, and we got donations and requests to help.”*

The experience was that the social enterprise had to set up formal accounting and reporting systems as different organisations got involved and provided funding (ILO, 2016). Other organisations were willing to donate resources and get involved but required transparent reporting, accountability and audits. The social enterprise must be well organised with the proper infrastructure and staff to meet these reporting requirements. Local ecosystems develop, which allows communities to benefit.

4.3.2.1 Subtheme: Economic use of resources

The sector has developed and progressed due to the ability to deliver services more efficiently. In certain instances, social entrepreneurship has delivered services more efficiently than the government (Defourny, 2012). According to I3: *“We had to work out our costs so that we could price our products appropriately.”*

While competing products were on the market, the social enterprise had to analyse all its costs to price its effects at the right level. Also, social enterprises must be prudent to survive because they need more funding support and grants. Social entrepreneurs look at new ways of organising and implementing activities. Working in the same way, I2 said: *“Everyone knows the budget, and we must stick to it.”*

This social enterprise receives funds from different sources with additional reporting requirements. Consequently, resources are invested in ensuring that financial systems are followed, and audits occur, so any problems can be picked up early (Defourny and Nyssens, 2012; Manyaka-Boshielo, 2017). This resulted in new ways to deliver benefits and allow those

who were underserved, excluded or not catered for, to be included. Social entrepreneurship attracted funding and interest to reach specific segments in various locations that would have yet to be serviced. European banks were set up to develop social entrepreneurship and lend to particular sectors in countries that otherwise would have needed access.

4.3.2.2 *Subtheme: Removing inefficiencies, blockages and hurdles*

Anecdotal evidence and literature on successful social entrepreneurs show the removal of inefficiencies and blockages as the foremost opportunity turned into a business opportunity (Harding, 2007). Social entrepreneurship has succeeded where it has been provided as an alternative to an inefficient setup. The social enterprise that focused on the environment experienced this. I1 had this to say: *“We focussed on a problem that was affecting everyone because of the flooding.”*

This social enterprise sought to address an issue everyone was experiencing and aware of. It encouraged volunteers and the local community to get involved in the cleanup because they were being affected. People not only responded by joining, but they also asked what they could bring and added their resources. The community ended up owning the initiative (Dees G., 1998). The social enterprise also avoided aligning with any political party. The founder of the social enterprise (I2) said: *“We decided not to have any political affiliation because we were going to involve people from different political backgrounds in our work and did not want to divide them.”*

By solving service delivery challenges and providing local solutions, social entrepreneurship has been embraced by communities and governments. Another social enterprise used the opportunity to educate children and allow them to make a change. The founder (I3) said: *“We wanted children to know that they could give away their old clothes for a good cause but also that these clothes could be recycled to make an item that could be sold and benefit someone else.”*

The children saw the clothes, shoes, cushions, and bags made from recycled garments. This helped to show that recycling was possible and helpful. Public sector funding, subsidies and grants have been channelled through social enterprises. This has resulted in a higher return on investment on funds allocated. Social enterprises are nimble and are not bogged down by bureaucracy and legacy commitments. This allows them to connect and respond to the needs of communities impacting society.

4.3.3 Theme 3: Government support through policy and legislation

The success of social entrepreneurship in Europe can be attributed to support from the government. The EU set up a platform to support social entrepreneurship. While the adoption rate in the respective countries differed, there was a body to support development, starting with policies. The policies led to legislation being adopted by the different countries. The legislation ranged from Acts, provisions, and specific laws. These led to departments and units within governments that specifically catered for social entrepreneurship. This led to support in the form of funding and development institutions providing this (Dees G., 1998; Defourny and Nyssens, 2012). Budgets were allocated, and financial products targeting the respective countries and sectors in the EU were made available. The enabling environment for the development of social entrepreneurship was created. This was experienced by a social enterprise that received government support and funding. The Director (I2) noted: *“We followed the reporting requirements and kept communication lines open so that the Department was fully aware of what we were doing.”*

This helped the social enterprise continue receiving financial support from the government. There were no surprises for the government as communication and updates were given frequently. The government’s commitments to the sector came through the acknowledgement by leaders of the transformative impact of social entrepreneurship. Respective countries went on to develop their sectors. There continued to be a platform that coordinated meetings, learning and direction for the sector at the EU.

4.3.3.1 Subtheme: Specific legislation

Specific legislation was critical to the sector’s development, and governments quickly developed it. This allowed the sector to be defined and understood and to place in an environment where it could be recognised. The allocation of public funding and subsidies was possible because laws specifically covered social enterprise. All four social enterprises that were interviewed for the study were registered. One was registered as a private (Pty) Limited and a Section 8 NPO. The founder of the social enterprise (I3) said: *“We use the profits from the Pty limited to support the NPO, but there are stringent reporting requirements.”*

One social enterprise started as a public benefit organisation that converted to an NPO that can issue tax exemption certificates for donations under Section 18. Another is registered as an NPO. One social enterprise has several registrations being registered as an NGO, an NPO and

a mental health facility registered with the Department of Health. These registrations ensure that the social enterprises can receive donations and issue a tax exemption certificate essential for the businesses providing funding support. One of the social enterprises is an umbrella organisation with seven organisations operating in their structure. The four organisations stretch across different sectors, some requiring specific registration to work there. Funding was very important for the organisations to get started and to grow. While government support and funding are available in South Africa, they can only be accessed if the organisations are registered correctly. Social entrepreneurship often depended on its own funding or seed funding from founders for the first few years as it developed capabilities and scale.

4.3.3.2 *Subtheme: Collective nature and combining resources*

The development of social entrepreneurship focussed on collective efforts and ensuring the community was involved (Kerlin, 2006). This enabled social value and resulted in social impact. The structure differed with the profit arm financing the non-profit arm in one instance. The founder of the social enterprise (I4) emphasised: *“The funding to start was coming from the family business.”*

This social enterprise has, over time, managed to get donations, designed courses and made things that could be sold. All of this has helped to provide an additional income. However, it remained primarily reliant on funding from the family business.

The social enterprise focussing on textiles has also looked at combining resources. According to the Founder (I3): *“There are a lot of costs in textiles around logistics and packaging which partnerships and collaboration with others can reduce.”*

Different forms emerged with a focus on benefitting the collective and not shareholders. This was made possible by the governance system, decision-making and ownership, which involved joint ventures. The focus was on creating value rather than capturing value. The founder (I4) indicated: *“We have started providing training to different clients in partnership with certain organisations that we have been working with for several years.”*

The combination of resources was also crucial with the social enterprise focussing on the environment (I1): *“We decided to get started and see where we would get to.”* At the setting up of the social enterprise, there were no resources. However, the founder started anyway, hoping more people would join and support the organisation. The social enterprise generated

interest and those who joined brought whatever they thought could be used. In this way, the community could play a part and own the initiative, which helped build sustainability.

4.3.4 Theme 4: Professional management, reporting and accountability of the social enterprise

To determine social enterprise sustainability in South Africa, the respondents to the interview emphasised the importance of professional management, reporting and accountability in the organisation's affairs. The main reason social enterprises had been sustained was because of how they could account for the resources they received. This was important for the social enterprises receiving financial support from government and the private sector. The government wanted audited financial reports submitted at certain intervals and according to the Public Finance Management Act 1 of 1999. Businesses wanted acknowledgement on the website of the social enterprises with their logos as funders. They also wanted financial reports prepared according to their reporting cycles and submitted on time. One social enterprise indicated that the private sector was ready to help in reporting. The Founder (I3) said: *“The funder was prepared to get their accountants and engineers to help us meet their reporting requirements.”*

The funder got to understand them and how they could fit into the funder's system. Because some of the funders were conglomerates, help from insiders was necessary to understand and navigate their operations. The social enterprises received resources from different organisations, and meeting the reporting requirements was considered vital. This would result in more resources being received, ensuring sustained operations and success (International Institute of Labour Relations, 2011).

4.3.4.1 Subtheme: Financial management

The respondents highlighted the primary factor driving the sustainability of social enterprises as the finances or funding. Managing the finances was vital in gaining the confidence of the funders (ILO, 2016). The social enterprises were mainly funded by two or more main donors with donations, fundraising and other initiatives making a small contribution. The primary funding organisations, therefore, needed accountability for the funds received to continue providing support. According to the CEO of one of the social enterprises (I2): *“The organisation is run according to business principles and not as a welfare organisation.”*

The importance of financial sustainability was emphasised along with financial management skills. The gelling of subsidies from the different departments and meeting their reporting requirements was emphasised. The most significant risk that the social enterprises had was funding to continue to operate. Some were self-funded for several years or relied on one funding source. When alternative funding resources were secured, they came with stringent reporting requirements. The financial management and reporting to continue to access this funding became critical. Investing in the capacity to report, manage and audit social enterprises was required. The performance of one social enterprise that was receiving support from the government resulted in other recipients of government funding being referred to learn how to report.

4.3.4.2 Subtheme: Diversity of income and healthy cash flow

The respondents highlighted the importance of the diversity of income and a healthy cash flow. The social enterprises were involved in different fund-raising initiatives to supplement their current funding. Training and the sale of other things were initiated to supplement existing income. The social enterprises were self-funded, requiring seed capital and risk-taking by the founders. Applications for grants then provided funding to get the social enterprise going. Calculating costs and ensuring that services and products were sold at the correct price was vital in ensuring income to sustain the social enterprise. The for-profit arm of the social enterprise funded their non-profit component. Donations from companies in return for their names being acknowledged on social media platforms also provided the required financial support. The respondents emphasised funding as the key driver for sustainability for the next ten years.

According to the founder of one of the social enterprises (I2): *“The biggest issue is financing. If we can increase our income stream, I believe we will be able to reach more communities and potentially hire more staff so that the workload is shared.”*

The social enterprises also highlighted the cyclical nature of the finances and the need for seed capital to support an idea from the beginning.

4.3.5 Theme 5: Investment in technology and different skill sets

Social enterprises have invested in technology and used different skill sets to achieve their objectives. The use of technology has included offering online courses that are paid for, which

helps to generate an income. Putting things on the cloud storage and minimising manual systems has resulted in savings and increased efficiency. There has also been a realisation by social enterprises that they need different skills. The success of social enterprises has been based on using social and financial skills. Financial skills have been crucial to the success of other organisations due to the reporting requirements of the respective donors and funders. Social skills have been vital as they form part of the services offered by most social enterprises. According to the CEO of one of the social enterprises (I4): *“Social skills training is important in ensuring that the residents do not hurt each other.”*

In addition, social enterprises have focused on imparting new skills to the beneficiaries, allowing them to earn an income. As the number of things the social enterprise can do increases, more people are employed. Skills development has expanded the services that one of the social enterprises was offering. This has also helped address a need in the community that still needs to be done. One of the social enterprises involved in textiles recycling and reusing has found a new use for the materials it uses, which provide an income for mothers of disabled children. This organisation has been able to leverage a funder’s skill set, which has helped them with financial reports and engineering.

4.3.5.1 Subtheme: Good reputation and empowerment

The importance of a good reputation arising from the work of the organisation was highlighted. The social enterprises deal with different organisations and institutions. It is important that a positive relationship is developed in relation to what funders require (Katz and Page, 2010). A good reputation as an organisation that delivers, pays its obligations and conducts itself ethically is important. This helps attract additional and new sources of funding. It also helps to nurture as well as develop relationships due to the trust that develops. The CEO of I1 emphasised that: *“It is important to have a good reputation because we rely on different stakeholders.”*

The expansion of the different organisations interviewed has been a result of the good reputation that has developed from the work that they are doing (Drucker, 1995). The good reputation develops from empowerment within the organisation. The people working in the organisation need to be empowered so they can make decisions that result in a good reputation. The empowerment depends on receiving adequate information and being part of decision-making. The budgets are shared, and employees know what they need to do to stay within the budget. They also know the importance of working within the budget. Training is provided so

employees are empowered to carry out their responsibilities (Prabhu, 1999). According to the founder of I4: *“I focus on the for profit arm of the organisation and my colleague focusses on the nonprofit arm which handles charitable activities.”*

4.3.5.2 Subtheme: Community and youth development

A connection and focus on the community and its needs remained the target. The aim of the organisations interviewed was to help the community. From the interviews it was clear that environmental problems resulting in pollution and ultimately flooding, were being addressed. Children that experienced trauma who normally would not receive attention were being helped. According to the founder (I2): *“Noone really looks at the victims of trauma and provides a solution.”*

The mothers of disabled children as well as disabled people were being given a chance to make a living by selling and they were equipped with skills. The founder (I3) said: *“Being disabled is taboo and there is no effort to give them an opportunity.”*

Mental patients were being given an opportunity to be rehabilitated and thereafter to return to their families. Ordinary citizens, as well as children, were being given an opportunity to donate old clothes or to clean the river. This method was used to educate children so that they could learn about the environment, recycling and helping other people. The social enterprises also looked at the surrounding community and reached out to them. According to the CEO of I4: *“We reach out to the community from the nearby informal settlements and work with the women.”*

Despite the social enterprises' focus on other work they integrated into the surrounding community and identified areas where they could help the local community. The social enterprise focusing on textiles visited schools to give presentations about recycling. They also hosted visits from schools so that young children could see how recycled clothes were made into hats, bags, aprons and other items that could be sold.

4.3.5.3 Subtheme: Different skills set

Different skills sets are required for the social enterprises to succeed. They are limited in terms of the staff that are employed due to limited funding. Efficient ways of operating are needed for them to achieve their objectives. Without the resources for publicity and marketing there is the option of using social media as well as the involvement of all staff in being brand

ambassadors. The flexibility and willingness to take on these responsibilities and implement it, is important in ensuring the success of the social enterprise. Creative ways of marketing the organisation, especially at events which show what beneficiaries have been able to do, help build interest. According to the CEO of I4: *“We have an annual Christmas market where we sell things made by patients.”*

The organisations have looked at different services to complement their core services. Training services are part of the services that were taken over by one organisation. The environment-focussed social enterprise looked beyond the cleaning up of the river. They started composting and mowing services which allowed them to provide other services and recruit more staff. The social enterprises are small organisations and do not have separate functions or people dealing with finance, marketing, administration, human resources and other functions. As a result, a fair amount of multitasking is necessary in running the organisation.

4.4 CONCLUSION

The findings from the social enterprises interviewed showed a number of themes and subthemes that were important for their sustainability. The importance of cooperative and collective action was a theme with subthemes of innovation and dynamism as well as dedication. The success of social enterprises depends on collective action from different stakeholders and the community. Much of this may be formal but it is also informal because communities feel a sense of ownership to something that impacts them. Innovation, dedication and dynamism is required from those that lead social enterprises. However, flexibility is required in order to allow different stakeholders to participate. Dynamism is required to manage the relationships.

The second theme was the creation of social value and social impact. This had subthemes, economic use of resources as well as removing inefficiencies, blockages and hurdles. For the social enterprise to be relevant it must create social value and impact. This, however, needs efficient and effective use of resources. This allows the resources to go far in terms of what can be achieved. The removal of blockages, inefficiencies and hurdles allows the social enterprise to have an impact.

The third theme was government support through policy and legislation. The subthemes were specific legislation, collective nature and combining resources. The importance of government support in developing and sustaining the sector was key. Having specific legislation for this

support to be provided and being able to combine the resources helped sustain the organisations.

The fourth theme was professional management, reporting and accountability of the social enterprise. Subthemes were financial management, diversity of income and a healthy cash flow. A professionally run organisation that had good financial management, was able to account and report, was successful. Funding from different sources was also important.

The fifth theme was investment in technology and different skills sets. The subthemes were good reputation and empowerment, community and youth development and different skills sets. Investment in technology and different skills sets was key to the success of the organisations. This helped build a good reputation while the commitment to the community and the youth was important for sustainability.

These five themes, which helped sustain the organisations, formed the basis of the recommendations of Chapter 5. The recommendations in Chapter 5 are based on the findings in Chapter 4 and are developed in line with the reality of social enterprises in South Africa and using the lessons of social enterprises from the literature.

Chapter 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The previous chapter provided the empirical findings obtained through a qualitative study on social enterprises and sustainability in Gauteng. This chapter portrays the relationship between the conclusions drawn from the results discussed in the previous chapter with the literature review in the second chapter and social entrepreneurship in Africa discussed in the third chapter. This chapter concludes the study and provides recommendations for each objective based on the findings and shortcomings identified.

The study revealed that social entrepreneurship is a new and evolving area without agreement on a standard definition. Social entrepreneurship involves a business which has a social objective, and any surplus income is invested (Roy et al., 2010). Social entrepreneurship creates value instead of capturing value (Santos, 2012). The social mission is the most critical objective of social entrepreneurship (Littlewood and Holt, 2015).

The origin and definitions of social entrepreneurship were discussed in Chapter 1. It takes different forms and is seen differently in various countries. It is well-understood, advanced and accepted in certain countries. It is, however, less developed and accepted in other countries. The different countries have various forms of legislation that support social entrepreneurship and even departments at the highest level. The legislation has helped to promote social entrepreneurship, ensuring the allocation of grants and budgets to the sector. This made social entrepreneurship more sustainable as the financial support continued.

The sections discussed below provide insight into the most prominent findings based on the research objectives listed in Chapter 1.

5.2 MAIN FINDINGS AND RECOMMENDATIONS ACCORDING TO THE OBJECTIVES

Social entrepreneurship is new and still developing as a sector. It delivers social impact while using business principles. It is driven by technology, innovation and passion. It involves finding

a more efficient and effective system that provides results and does not accept the status quo (Martin and Osberg, 2007). This study contains the research objectives, accompanying findings from the related chapters and recommendations for the sustainability of social enterprises in Gauteng.

5.2.1 Objective 1 – To explore international literature on the sustainability of social entrepreneurship

The literature review in Chapter 2 provided insights into the sustainability of social entrepreneurship. The increasing importance of the social sector is shown by the specific legislation to support it. Governments went on to establish particular departments for the sector. Developing policies and acts gave clear guidance and commitment to the sector (Defourney et al., 2006). Policy development should therefore include specific steps on how social entrepreneurship should be developed (Sheik et al., 2023). The increasing number of people employed in the industry and the budgets show its importance to the economy. The development and progression of the industry were from the cooperatives and support by government through grants and budgets, which was vital.

The sustainability of social entrepreneurship in Canada, France, the United States, the United Kingdom, Spain, Sweden, Finland and other countries was because of government support as discussed in section 2.6. The governments of various countries embraced and accepted social entrepreneurship as having the potential to address multiple issues ranging from unemployment, discrimination, inequality, poverty and other social problems. Social entrepreneurship impacts health, the environment, economic development, human rights and learning. Social entrepreneurship was found in the business, public and non-profit sector (Austin et al., 2012). Social entrepreneurship was adopted at EU level. The policy was developed at this level, and its implementation was coordinated. Specific departments, budgets and coordinating mechanisms across the countries were established. Following this, the governments of the United States and the United Kingdom had particular departments dealing with social entrepreneurship as discussed in sections 2.6 and 2.7. From an implementation and accountability perspective, specific departments were responsible for social entrepreneurship. This was important because governments cater for many things, and a new initiative like social entrepreneurship must be well coordinated. Social entrepreneurship being new, would need to be recognised and simultaneously linked to the rest of what was happening in government. This would be important for funding and budget allocation to the sector.

The various European countries that saw the potential of social entrepreneurship developed the requisite legislation. Early adopters got the legislation through parliament, with different acts being promulgated. The legislation was vital to clearly defining the boundaries of social entrepreneurship and how it differed from existing initiatives. With specific legislation, allocating resources for the sector was made possible. It was now possible for the various sectors to join regional initiatives and to learn from what was happening in other countries.

Governments of the respective countries created an enabling policy environment for developing social entrepreneurship. This involved political commitment at the highest level by establishing specific offices and units. The development and approval of legislation for social entrepreneurship allowed it to be embedded and supported within the various arms of government. National efforts around social entrepreneurship were linked to regional initiatives like the EU with conferences and multiple platforms. The different countries also determined the forms that social entrepreneurship would take. This differed depending on the history of the country. Cooperatives were the main form to develop the sector. They developed and took various forms depending on the nature of the social enterprise. Cooperatives were supported through grants and subsidies, resulting in the growth of social entrepreneurship.

Universities in the respective countries developed programmes and departments for social entrepreneurship. Business schools included the sector in their courses and research. There were different international and regional platforms for academia to share the latest developments about the sector. This resulted in research being conducted, improving the understanding and implementation of social entrepreneurship. Case studies, books and research helped improve the sector's performance.

5.2.1.1 Recommendations

Social entrepreneurship has developed quickly, and countries have developed specific legislation. Governments should establish legislation to support the growth of social entrepreneurship. With specific legislation, allocating support through grants and budgets becomes possible. Clear legislation helps build an understanding of the purpose and objectives of the social enterprise. Registration of the social enterprise is also simplified, allowing organisations to function properly within their mandate.

In terms of *financial support*, it is recommended that there be stable and consistent funding for the sector. The sector's development in Europe was achieved through support by the

government through grants and subsidies. Specific services allocated to the sector were implemented more efficiently than by the government. The funding provided to the sector was consistent and allowed the sector to grow. Funding is the biggest hurdle for social entrepreneurship and the foundation on which it will be built. Support from the government to the industry allows other types of funding from different sources to be attracted to complement.

Social entrepreneurship delivers *social impact and value*. It is multidimensional and constantly evolving. It is recommended that innovation and technological advancement can be used to overcome the status quo. The environment should be conducive to allowing social entrepreneurship to flourish. Social entrepreneurship helps create and find new ways of addressing society's challenges. It impacts health, the environment, education, economic development, and human rights. It addresses poverty, illness, illiteracy, social ills and environmental destruction. It should bring about social change rather than market expansion.

5.2.2 Objective 2 – To probe how social enterprises in the developing and developed countries have been sustainable

The environment in which social entrepreneurship takes place is critical. It is made up of the physical and economic infrastructure that influences the type or form social entrepreneurship may take. Social entrepreneurship arises in response to needs in the community more effectively than by public and private sector organisations (Defourny and Nyssens, 2012). Governments have created supportive environments through laws which determine the form that social entrepreneurship took.

The objectives of social enterprises were critical to their sustainability. Those in the sector are motivated to create social change and are not constrained by organisational boundaries, which often hamper and define what can be. The focus of social entrepreneurs was social change and not market expansion (Makhlouf, 2011). As a result, they remained connected to communities delivering services which brought change. The difference had an impact because it was relevant and addressed pertinent issues. The delivery of services to communities was done more efficiently with fewer resources than the government would have been able to do (Austin et al., 2012). Creating social change made the case for supporting social entrepreneurs more compelling as resources could be allocated and used more efficiently to achieve the aims of government. More attention and support were channelled towards the sector.

The success of social entrepreneurship also relied on what form it took. Social entrepreneurship took four states: community social entrepreneurship, non-profit social entrepreneurship, transformation social entrepreneurship and global social entrepreneurship (Brinckerhoff, 2000). These different forms differed in that they delivered social value at different levels and focussed on specific areas, which resulted in their success. Community social entrepreneurs operated within a small geographical location but ensured the communities benefitted (Monzon and Chaves, 2008). They worked directly with communities, and any change delivered would be apparent. High levels of sustainability are achieved because of community ownership and the fact that the shift is felt directly. The non-profit social entrepreneurs focus on social well-being. These tend to be companies and different organisations. They are well-funded and tend to be successful. Transformational social enterprises deliver on the needs that governments need to achieve. The non-profits may evolve into transformational social enterprises. Transformational social enterprises attract talent and may create related businesses. Global social entrepreneurs deliver benefits at a worldwide level.

Different networks like the EMES and the Social Enterprise Knowledge Network were established in Europe. Social enterprises and local authorities partnered to get the local economy going (Defourny and Nyssens, 2012). This enabled social enterprises to build financial and social capital. They provided essential and cost-effective solutions through training, social services, community development and education. The work integration social enterprise was the primary type used in Europe. The community interest company is the legal form approved by parliament in Britain. Various institutions at the EU level represent different organisations working and supporting the social economy in Europe (Kerlin, 2006). These range from confederations of cooperatives, banks, research and development institutions. The membership consists of thousands of organisations drawn from over 50 European countries. These representative bodies cover different organisations running into thousands and customers running into millions.

The EU countries had three main categories concerning legal frameworks for social enterprises. Some had specific legislation for social enterprises, those with statutory provisions covering social enterprises, and those without decree (Matei et al., 2016). The various countries adopted laws related to cooperatives, mutual associations, and other forms of social enterprise to develop the social economy. This helped to identify the necessary support measures and boundaries. This was important for the development of social entrepreneurship (Defourney et al., 2006).

Shortcomings of the legal framework can impact the development of the sector. This may slow down the sector's growth as sometimes it may need to adapt to new needs. The EU countries underwent a phase of adapting laws relating to mutual associations, cooperatives and foundations. This happened to respond and adapt to the reality on the ground. Some countries within the EU prioritised social entrepreneurship with the consequent support comprised of legal aspects and boundaries (Defourny and Nyssens, 2010). There was representation at the EU for associations, cooperatives and mutual associations. The European Parliament formed a social economy intergroup to allow the countries to collaborate. Eighty-two support measures for social enterprises were identified, including tax concessions and tax exemptions.

5.2.2.1 Recommendations

Social entrepreneurship has developed and progressed against a backdrop of a supportive environment. It is recommended that governments foster an enabling environment for social entrepreneurship. Government plays an essential role in growing the sector. Government's commitment, incentives, resources, and other support mechanisms are all important. This involves a clear strategy of how the sector will develop and sustain long-term commitment.

Social entrepreneurship occurs in many different forms. It recommended that other structures be allowed for social entrepreneurship, such as voluntary sector structures, community businesses, social firms, housing organisations and transitional employment industries. The rate of innovation and use of technology dictates that different social enterprises will emerge. The needs of society and communities will also result in social entrepreneurs coming up with other solutions. There is, therefore, a need for this to be realised and for legislation and registration to allow this formation to happen. Progressive and dynamic policies, regulations and laws make this possible.

5.2.3 Objective 3 – To uncover social enterprise sustainability in South Africa.

Social entrepreneurship is a new and developing sector. Professional management, accountability and reporting have been crucial to the sustainability of social enterprises. Funding from different sources demands that organisations are adequately prepared to meet funders' requirements. This requires organisation and investment to instil confidence in funders. Through its various arms, the private sector, foundations, trusts and others have provided funding to social entrepreneurs in the country. The funders have had different experiences and have either continued or withdrawn funding based on the successful outcomes.

Social entrepreneurship, which took the form of cooperatives in South Africa, was impacted following their delisting due to non-compliance. In addition, social enterprises have not been able to survive beyond a year or two of operation due to funding constraints. Where funding was from projects or donor organisations they could not operate beyond the project's end. Funding remains the main reason for social entrepreneurship not being sustainable. When the social enterprise is connected to communities and brings value, they tend to be sustainable. Innovation, technology and new methods help determine sustainability.

Social enterprises in the country make up part of the informal economy in which many people participate. The informal economy contributes an estimated twenty per cent to the gross domestic product. Social enterprises are found at the intersection of formal and informal economies. They have been able to achieve social impact by providing affordable goods and services as well as the integration of disadvantaged groups (Remenyi et al., 2006). *Social enterprise* has also been an umbrella term for CBOs, NGOs and cooperatives. There must be a legal definition or clear registration (Defourney et al., 2006) of institutes at various universities such as the University of Cape Town, the University of Pretoria and the University of Johannesburg (Sheik et al., 2023). The New Growth Path is a policy document that has recognised social entrepreneurship as key to South Africa's development.

The progress of social enterprises has been anchored on clear support in terms of policy. The Cooperative Development Act 14 of 2005 is part of existing legislation to support cooperatives. The environment in the country consisted of a lack of skills resulting in unemployment and social exclusion for most of the black population. The Skills Development Act 97 of 1998 and the Skills Development Levy were part of the measures to develop skills. There was a need for better coordination between government, businesses and the non-profit sector that makes up the social enterprise ecosystem (Soni et al., 2014). This is the reason behind the slow progress of social enterprises. It has been observed that the policies in place have achieved mixed results.

Social enterprises in the country experienced a high failure rate during the first two years (Pillay and Kaye, 2016). The contextual background of the country is unemployment, poverty and inequality (Corak, 2013). During the COVID-19 pandemic, the government exacerbated the situation with increased job losses, especially among women. Social entrepreneurship is seen as part of a solution during a crisis. In South Africa, reducing poverty and unemployment in the townships has relied on social entrepreneurship. High crime levels, lack of service delivery

and high unemployment among the youth, estimated at over 50%, are challenges the country faces.

South Africa has benefited from research, institutions and international events on social entrepreneurship that have been held in the country. Some of these looked at the social impact. Various departments, centres and institutes were established at universities in Cape Town, Johannesburg and Pretoria (Bignotti and Myres, 2022). International events on social entrepreneurship were also held in South Africa, which firmly put the spotlight on the sector. The University of Cape Town, the University of Pretoria and the University of Johannesburg have these various departments. The Belgian government working with the ILO and the University of Johannesburg, funded an extensive sector study (Gordon Institute of Business Science, 2017). For-profit, non-profit and a hybrid of the two are the forms that were taken. The private, public sector and other sources funded them.

Only some things in the social economy are formal, and the lack of a specific structure makes funding challenging due to the stringent financial requirements. There are various acts and legislation that social enterprises need to navigate, and which relate to the sector (ILO, 2021). Poor coordination between the government and the private sector made operating easier. However, coordination between the government and the private sector was responsible for the European success. The social economy is made up of organisations that include cooperatives, CBOs, foundations, cooperative banks, voluntary associations, cooperative finance institutions, social financing institutions, philanthropy, public benefit organisations, community-based enterprises, trade union-owned enterprises, NGOs, and informal enterprises.

The *reintegration of disadvantaged groups* and the provision of affordable goods and services are some of the outcomes of social enterprises experienced in South Africa. It is also developing the township economy in South Africa. The spillover and multiplier effect is that more young people are employed. With more work opportunities, the ability to look after families improves. Social enterprises that succeeded in combining the for-profit model with the non-profit model have also been sustainable (Gordon Institute of Business Science, 2017). The social impact they have shown on the non-profit side has helped garner support on the for-profit side. The private sector is willing to support social entrepreneurship where the social impact is clear. Social enterprises seeking approval from the private sector that could show social impact successfully attracted support.

Social enterprises depend on *partnerships* to succeed. In delivering their services, social enterprises have succeeded when they partnered with related organisations as discussed in Section 3.4.4. and Section 3.5. Close linkages to businesses or the private sector helped social enterprises get started and to sustain them. The ability to connect with the local community and provide a good service has also helped maintain social enterprises. Social enterprises that are nimble respond to the lived reality of the community to achieve success. Dealing with current issues in the district attracted support for social enterprises leading to success and sustainability.

5.2.3.1 Recommendations

For social entrepreneurship to be sustainable in Gauteng, there is a need for investment in the capacity to report professionally, accurately and consistently. This is a crucial requirement for donors and funding organisations. Direct funding is needed for social entrepreneurship to develop. The sector needs budgets to be allocated for its further development. There is a need for precise eligibility requirements for different organisations. There is also a need for a dedicated department to understand the needs of the sector.

Given the potential impact of social entrepreneurship in addressing poverty, unemployment and inequality in the country, it should be a standalone sector with all the *administrative support*. It is recommended that social entrepreneurship be given adequate resources and attention as a separate initiative without being lumped with other organisations (ILO, 2021). Social entrepreneurship, due to its unique nature, has specific requirements. Paying particular attention to social entrepreneurship with adequate financial, legislative, physical and other financial support will be critical to its sustainability. Coordination between the government and the private sector will be necessary to ensure the success of social entrepreneurship. An environment needs to be created where the private sector can help develop the social economy.

For social entrepreneurship to develop and be sustained, it needs to become embedded and part of the planning and strategies at the different levels of government. It is recommended that social entrepreneurship becomes part of the policy. The national, provincial and district policy-making processes need to ensure that social entrepreneurship is included and driven at all levels. The development of strategies, plans, budgets and implementation of activities must consist of social entrepreneurship. A corresponding allocation of funding should accompany this. Government is the most significant catalyst for social entrepreneurship, and its success requires government support from financing, legislation and institutional arrangements.

Social entrepreneurship, by its *nature*, will develop over time. Therefore, social entrepreneurship should not be tried as a quick fix that will immediately yield results. Social entrepreneurship will require a long-term strategy, view and implementation plan for its impact to be fully realised. Poverty, unemployment and inequality in the country cannot be solved quickly by one sector. The development of the sector will contribute to improvements in unemployment and reduce inequality and poverty levels as discussed in section 3.4.1. The financing, legislation and structures to develop social entrepreneurship should be cognisant of the long gestation period of social entrepreneurship. For these changes to be sustained, social entrepreneurship should continue to grow.

5.2.4 Objective 4 – To recommend how social enterprises in Gauteng could become more sustainable

Social entrepreneurship takes different forms in Gauteng as shown in the objectives of the various organisations. As the country's most prosperous province and economic hub, Gauteng is where social entrepreneurship may play a huge part in creating a social impact (Clayeyé, 2017). Social entrepreneurship is necessary to create opportunities for many people in the province. Social entrepreneurship is required to provide health solutions, employment opportunities, charity services, support to the vulnerable, service delivery and other needs. As shown through the study, the success of the sector was hinged on support at different levels. Government support in terms of policy will be critical. This will set the foundation of what social entrepreneurship is and sets its boundaries. Policy and legislation will work together and reinforce each other. The legislation will be critical for registration as well as financial support (Clayeyé, 2017; Sheik et al., 2023). Whether this is a grant, subsidy and other budgetary allocations from the Treasury, financial aid must be supported by legislation and policy. While the focus is on South Africa, efforts at a regional level in the economic blocks help to bring greater uptake. The success of social entrepreneurship in Europe was primarily driven by regional efforts coordinated at the EU level.

Establishing clear departments or arms of government to deal with social entrepreneurship is vital for ensuring that the sector gets enough support. The United States government and the British government all established departments at the highest level to demonstrate their commitment to the industry. The growth of the social economy and social entrepreneurship was coordinated through clear structures. In South Africa, the specific support for the sector needs to be strengthened with more active support to get things going. A partnership between

the public sector, private sector and social entrepreneurs is required to make progress. The identification of social entrepreneurs making a social impact is essential. People formed social enterprises under the guise of cooperatives to access money from the government and did not achieve anything. Many of these were subsequently deregistered.

A conducive policy environment for developing social enterprises is critical, and government plays a key role. Support for the sector in the country needs to be channelled through a specific source. The success of the industry in Europe was through cooperatives and associations. Support for these organisations was conducted through public support and other sources. In South Africa, it would be essential to identify a channel through which support for social enterprises should be directed. This channel should be linked to the public good for social impact. This also helps to allocate public funds to the track. Social enterprises also need support to meet funders' accounting and reporting requirements such as the government. Support structures to build capacity are critical to the success of the sector. Incubators that help nurture and scale social enterprises are part of the required support (ILO, 2021).

Financial support is critical to the success of the sector in South Africa. Organisations with good work making a social impact need help getting funding (ILO, 2021). As evident from the social enterprises in the study, most organisations have to self-fund from the beginning. Those that run out of budget or fail to secure financing inevitably go out of business. The success of social entrepreneurship in Europe depended on access to finance. The financial institutions targeted support to social enterprises with specific funds to cater for social enterprises. In South Africa, such support is lacking, and funds with concessionary interest rates to catalyse the growth of the social economy are necessary. Financial institutions lend at commercial rates with punitive interest rates. This makes it too expensive for social enterprises just starting and is not a viable option. Social entrepreneurship in Europe developed on the back of funding which could be accessed from institutions set up in other countries but with local operations. Financial institutions focussed on ensuring their products were available even to organisations in remote locations.

The success of social entrepreneurship will require professional management to deal with the requirements placed on them. Where funding is received from different sources, these come with specific reporting requirements, timelines and outputs. Funding organisations require transparency, accountability and particular deliverables, all of which must be addressed. The structure of the social enterprise and registration may require that money received is used in a

certain way, as in the case of social enterprises with a non-profit arm that benefits from the activities of the for-profit arm. For a social enterprise to be successful, there is a need for the capacity to report, account and address the requirements of different stakeholders. Social enterprises, therefore, have to invest in technology and infrastructure that will enable them to meet these needs as discussed in Section 4.3.4 and Section 4.3.5. Efficiency and effectiveness are needed so that costs are minimised. Social entrepreneurship can only achieve social impact through connection to communities. Connection to communities and stakeholders requires effort, focus and resources to reach a consensus and make decisions.

With the experience of delisting cooperatives in the country, organisations should be formed for the right reasons and not just to access money from the government. Checks, balances and safeguards must be in place where government funding is made available to prevent fraudulent activities stifling the development of social enterprises. Social enterprises that receive funding from the government must be mentored with enough monitoring and evaluation. As shown by the social enterprises in the survey, financial management and reporting is critical. There is a need for proactive reporting and audits so that problems are picked up early. There is a need to focus on working within the budgets, adhering to and communicating them. This is a big risk area for the sustainability of social entrepreneurship. Failure in this area will inevitably lead to loss of financial support.

Social entrepreneurship should be set up according to the appropriate legal form allowed in the country. It can take various forms depending on the objectives and nature of the organisation. When set up according to the different legal documents, it should be possible to receive support from the public sector through tax exemption, funding and sector-specific support. This will help catalyse the development of the social economy and is the model that allowed the sector's rapid growth in Europe. Support for social entrepreneurship from the government should be aligned with the various legal forms social enterprises can take in a country. Social entrepreneurship in a country may predominantly be a particular legal structure. The government must determine the predominant legal system and align support to develop the sector with this structure.

For social entrepreneurship to be sustainable, there is a need to identify which sectors are specifically essential. Specific sectors in Gauteng will be more important due to the unique nature of the province. Support should be allocated to those sectors, ensuring that the definitions of the sectors are broad enough to allow for different activities. Social entrepreneurs

whose activities are outside currently existing definitions may struggle to get support because the legislation is not dynamic and progressively sufficient to update the definitions. Government is critical to catalysing the sector's development, and the private sector can become a significant player if there is clarity and consistency in policies. Incentives from the government for the sector can also help attract increased investment.

The existing and sustainable social enterprises attribute their sustainability to having stable funding. It is recommended that there be stable funding for social entrepreneurship. The budget was for government support, private support, fundraising, grant funding and income generation. These organisations have a primary and consistent source of funding which they rely on. The support has continued to be provided because the organisations have been able to account for and report on the budget they have received. Sustainability is related to the ability to report timeously, account for and maintain clear communication with the supporting organisations. This has resulted in growth and more support being attracted to those organisations. Investments in systems and human resources to allow quality reporting at the required times is critical to the sector's sustainability.

The development of social entrepreneurship in Europe benefitted a lot from government support. The government is recommended to support social entrepreneurship through specific legislation for sustainability. Specific acts and authority allocation to social entrepreneurship are vital to mainstream them. Budget support from the government through grants, subsidies and sector support will help to develop and sustain social entrepreneurship. The support from the government in its various forms should be for the different avenues that social enterprises can take. Social enterprises have sometimes delivered other activities and services that the government delivered more efficiently. There is a need to look at the various services provided by social enterprises and how the delivery of some government services could be allocated to them. Social entrepreneurship, characterised by innovation and technology, has developed competencies and could deliver services to the public more efficiently than government. The government should consider what core services they want to maintain and what could be outsourced through social enterprises. As a result of the multiplier effect that social entrepreneurship can have on society, government should remain involved to monitor and ensure the success of social entrepreneurship.

The development and success of social entrepreneurship in Europe was based on a regional approach and an enabling environment. It is recommended that the development of social

entrepreneurship requires a holistic approach. This will require different stakeholders and supporting structures. Financing institutions that provide access to social enterprises, regardless of location and with attractive terms, are needed. An enabling environment for social enterprises to be registered and to find support is critical. This requires different sectors such as government, the private sector, donor organisations and other organisations to work collaboratively to ensure success. Their continued collaboration and building an ecosystem around social enterprises is critical.

5.3 LIMITATIONS

The limitations of the study were the different forms that social entrepreneurship takes in Gauteng. The location is in the smallest yet richest province in South Africa. The environment in which the social enterprise studies are located is that of an affluent section of society in South Africa. Even though poverty is experienced in Gauteng, the sampling frame is likely to be more affluent than the average South African. This raises concerns about how representative the sample is of the rest of the country. The social enterprises in Gauteng are likely set up to respond to social issues in the province. Because of the unique nature of the environment and the factors driving social entrepreneurship, much of what is experienced will be individual to Gauteng, as the rest of the country is very different.

South Africa has approximately sixty million people with twelve official languages. The result is different cultures, jurisdictions, and ways of doing things, which introduce significant differences and variations. Social enterprises have struggled to succeed in South Africa, and there is a limited sample to choose from. Social entrepreneurs can sustain themselves with substantial grant support and funding from different sources. The continued subsidised support also skews the results as some of the social enterprises that are in existence may need to be revised. They may be operating because of guaranteed grant funding. The scope is on the sustainability of social entrepreneurship in Gauteng. There is interest in how social entrepreneurship can reduce poverty and inequality, which was not the focus of the current study.

Fourteen social enterprises in Gauteng were identified and contacted to be included in the research. However, there needed to be more success in getting them to participate, with only four responding positively. This is because the decision-makers did not revert, referrals were made to others who have yet to respond, and there were no responses to emails or calls to

conduct the research. This made it difficult to get the views and experiences of these organisations. The study is therefore informed by the opinions of those that responded and not by all the social enterprises operating in Gauteng.

5.4 RECOMMENDATIONS FOR FUTURE STUDIES

The study provided the first step in determining the factors for the sustainability of social entrepreneurship in the Gauteng province in South Africa. The results from this study should be treated with caution because of the small sample size of the participants.

Future research could look at the factors for the sustainability of social entrepreneurship in South Africa. This could look at how social entrepreneurship is developing in South Africa and give insights into what happens in each province. The factors for the sustainability of social entrepreneurship as experienced in the nine different areas could provide insights into the successes, what is working, what is not working and what could be taken, copied or upscaled from one jurisdiction to another.

The findings provided are the product of a single case study. Future research could examine other social enterprises outside the Gauteng province and how they have remained sustainable.

5.5 CONCLUSION

This study aimed at determining the factors that enhance the ability of social enterprises to be sustainable in the Gauteng province in South Africa. Different social enterprises that have existed for a long time were selected and interviewed. This was to understand the critical success factors that helped them remain sustainable.

Social entrepreneurship in Gauteng faces the challenges of funding. The development of the social enterprises was done using self-funding or relying on one main sponsor who believed in the idea. The social enterprises have gone on to secure additional funding but pointed out that the initial budget was critical and challenging to get with the required self-funding. They pointed out that continued funding from the government, the private sector, donors, well-wishers and other sources has been critical to their sustainability.

For the funding to be secured and sustained, social enterprises have had to ensure that they can report and account for support transparently and timeously. The investments in infrastructure, systems and the ability to write and give feedback to the funders have been critical to the

continued confidence and support. Building a good reputation as an organisation in terms of the ability to meet commitments, respect budgets and deliver quality service is the main reason social enterprises have succeeded.

The establishment and development of social enterprises were done by people who had a vision and were willing to use their resources. Without this commitment and if there had been a focus on waiting for support from others, the social enterprises would not have started. Another common feature of social enterprises was to start and get things done. After the social enterprises had started, other organisations saw the impact and value, joining to support in various ways.

Innovation and adoption of technology were common factors that allowed social enterprises to operate efficiently. The ability to provide value to funders and meet their reporting requirements was made possible through various innovations and technology. It also enabled tracking budgets and spending and determining pricing versus competitors. The success of social entrepreneurship has relied on changing the status quo, which was made possible through technology and rapidly innovating. The innovation created entirely new systems that helped address current community issues. The innovations and use of technology improved access, reduced waiting time and addressed problems affecting communities.

The last chapter of this dissertation summarises and concludes the study by reviewing the main findings and providing recommendations in line with the objectives set for the study. Table 5.1 summarises the essential findings and recommendations from this study.

The objectives were:

- 1 To explore international literature on social enterprises.
- 2 To probe how social enterprises in developed and developing countries have been sustainable.
- 3 To uncover social enterprise sustainability in South Africa.
- 4 To recommend how social enterprises in Gauteng could become more sustainable.

Table 5.1 Summary of key findings and recommendations

Research objectives	Findings	Recommendation
1. To explore international literature on social enterprises	Findings from the literature are summarised in Chapters 2 and 3. Social enterprises have helped create an equal society. Key to their success has been innovativeness in how they address challenges while remaining connected to communities. Support from governments allowed social enterprises to access funds to develop. Social entrepreneurship has also taken different forms in various countries as associations, cooperatives and other forms.	Recommendations are aligned with what was found in the study.
2. To probe how social enterprises in developing and developed countries have been sustainable	The development of social enterprises in developed countries progressed quickly because of an enabling environment that was created. Governments set the foundation for how social enterprises can be set up and registered legally. There were clear legal regulations, incentives and support. Financial support from government was key to develop the sector with resources being allocated.	Governments should create an enabling environment for social entrepreneurship to develop. This consists of the legal, physical and infrastructure. The various forms that social enterprises can take should be clear and apparent. Governments should set the foundation for how social enterprises can be set up and registered legally. The legal regulations should be clear as incentives and support. Financial support from government is key to develop the sector with resources being allocated.
3. To uncover social enterprise sustainability in South Africa	Professional management, accountability and reporting are important for the sustainability of social enterprises. This becomes key due to the reliance on different funders for the sector to develop.	There is a need to invest in capacity to professionally report, manage and account. This is important because social enterprises receive funding from different organisations, all of whom have their own reporting requirements. It is also key that funders build confidence so they can allocate further funding.
4. To recommend how social enterprises in Gauteng could become more sustainable	Diversity of income and a healthy cash flow as well as investments in technology and different skill sets.	To ensure sustainability of the organisation social entrepreneurs should focus on ensuring they have a number of income sources and good cash flow. This allows operations to continue to be funded as the social enterprise grows. The use of technology and having different skill sets helps to navigate the challenges in the sector.

The study concludes that the sustainability of social enterprises in Gauteng depends on an enabling environment. This environment consists of clear frameworks and supporting legislation for social entrepreneurship, precise registration requirements, stable funding sources, technology use, and different skill sets. Professional management, accounting and reporting with the social enterprises help to instil and maintain confidence from the various funding sources. Government plays a significant role through policy, legislation and funding to develop the sector. The sector's development requires investment from the private sector, and it does take time for critical mass to be achieved.

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Appendix 1

INTERVIEW SCHEDULES

INTERVIEW SCHEDULE -CEO, FUNDER & BENEFICIARY OF THE SOCIAL ENTERPRISE

a) CEO

- 1) What is your position?
- 2) When was the organisation established?
- 3) What is the objective of the organisation?
- 4) Tell me more about your organisation.
- 5) What is the legal status of the organisation?
- 6) How does the organisation get income or funding?
- 7) What do you think is the reason for the sustenance or sustainability of your organisation?
- 8) How do you see the future of the organisation?
- 9) What can you do to help the organisation to survive and to get to where they want to be?
- 10) How do your finances look?
- 11) Are there any similar organisations like you in the area? Tell me how long they have been around.
- 12) What do you need as support to have the organisation continue for the next 10 years?

b) FUNDER

- 1) Tell me about the organisation.
- 2) What is your connection with them?
- 3) How long have you been working with them?
- 4) Are there similar organisations and why do you assist them as well?
- 5) How has the organisation been able to sustain itself?
- 6) Do you see a future for this organisation?

c) BENEFICIARY

- 1) Tell me about the organisation.

- 2) What does the organisation do for you?
- 3) How long have you worked with them?
- 4) How long do you think they will still be here?
- 5) How has the organisation been able to sustain itself?
- 6) Are there similar organisations in the area and why do you prefer this one?
- 7) What do you think the organisation can do to progress further?

Appendix 2

RESEARCH STUDY INFORMATION LEAFLET AND CONSENT FORM FOR REPRESENTATIVE OF SES

DATE: 05 November 2022

Date of research project: 1-15 November 2022

TITLE OF THE RESEARCH PROJECT

FACTORS THAT CAUSE SOCIAL ENTERPRISES TO BE SUSTAINABLE IN GAUTENG

**PRINCIPLE INVESTIGATOR / RESEARCHER(S) NAME(S) AND CONTACT
NUMBER(S):**

Johnson Bungu

2019736418

0713407832

FACULTY AND DEPARTMENT:

Faculty of Economics and Management Sciences

Centre for Development Support

STUDY LEADER(S) NAME AND CONTACT NUMBER:

Prof Deidre Van Rooyen

051 401 7059

Email: griesd@ufs.ac.za

WHAT IS THE AIM / PURPOSE OF THE STUDY?

The main aim of the study is to determine the factors that enhance the ability of social enterprises to be sustainable. Gauteng will be the area used as a case study for the research. It will provide evidence of what social enterprises are and how they can impact the economy of the country against a background of the myriad factors and challenges that confront it. Policymakers and government institutions can develop a better understanding of social enterprises and the potential that they hold.

WHO IS DOING THE RESEARCH?

I am a master's student at the University of Free State. The study is conducted for the purpose of fulfilling the requirements of master's degree in development studies. It is research on Social Entrepreneurship in Gauteng and the factors that result in sustainability of social enterprises.

WHY ARE YOU INVITED TO TAKE PART IN THIS RESEARCH PROJECT?

I would like to investigate the factors that result in the sustainability of social enterprises in Gauteng. These are five case studies. Each case will involve three officials from the social enterprise the CEO, head of finance and a representative of the beneficiaries of the social enterprise. The following criteria will be used to select the participants for the study. To qualify for the study, a participant must belong to the categories mentioned above. The participant also has to be older than 18 years and be involved with the organisation in some way.

WHAT IS THE NATURE OF PARTICIPATION IN THIS STUDY?

The participant will be requested to respond to the question as per the interview schedule. Interviews will be recorded in order to assist the researcher when doing data analyses. The field work exercise is anticipated to last for a period of one month but the study will be completed by the end November 2022. To achieve the broad aim of the study participants would be required to explain their knowledge and understanding of how the social enterprise that they work for or represent has managed to sustain itself. Each of the interviews will take approximately one hour.

CAN THE PARTICIPANT WITHDRAW FROM THE STUDY?

Participation in the study is voluntary and the participant is under no obligation to consent to participation. By participating, the participants will be granting the researcher permission to use their responses. Participants may refuse to participate or withdraw from the study at any time with no negative consequence. If you decide to take part, you will be given this information sheet to keep and be asked to sign a written consent form. You are free to withdraw at any time and without giving a reason.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

There will be no materialistic or monetary benefits for participating in the study. However participation may be beneficial to the organisation in terms of findings and recommendations. Findings and recommendations may be of assistance to the organisation by getting the

feedback on social enterprises, sustainability and the factors that have contributed to their success. This may help in strategizing and planning of the respective social enterprises..

WILL WHAT I SAY BE KEPT CONFIDENTIAL?

The consent of the participants will be sought prior to the study. The participants' anonymity will be protected by substituting their personal information with pseudonyms within the dissertation and future publications. In terms of confidentiality, data collected from the participants will be used only for its intended purpose. The transcribed data will be stored on USB and will be kept at a secured place within the university. Participants' answers will be given a fictitious code number or a pseudonym and they will be referred to in this way in the data. Participant's answers may be reviewed by people responsible for making sure that research is done properly, including the transcriber, external coder, and members of the Research Ethics Committee. Otherwise, records that identify participants may be available only to people working on the study, unless participants give permission for other people to see the records. A report of the study may be submitted for publication, but individual participants will not be identifiable in such a report: While every effort will be made by the researcher to ensure that participants will not be connected to the information that will be sought during interviews especially on the side of the beneficiaries, We cannot guarantee that other participants will not share given information. We shall, however, encourage all participants to keep their responses confidential. We will explain to the participant they can withdraw from the study at any time with no negative consequences.

HOW WILL THE INFORMATION BE STORED AND ULTIMATELY DESTROYED?

All data, both electronic and hard copy, will be securely stored during the study and archived for 5 years. After this time, all data will be destroyed. Hard copies of your answers will be stored by the researcher for a period of five years in a locked cupboard/filing cabinet for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. The information stored will be deleted, shredded or removed depending on the format and storage.

WILL I RECEIVE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

Participation in the study is voluntary and by participating, the participants will be granting the researcher permission to use their responses. Participants may refuse to participate or withdraw from the study at any time with no negative consequence. There will be no monetary gain from participating in the study. Anonymity will be maintained by the researcher and University of Free State and responses will not be used for any other purposes outside of this study. No cost will be incurred from the side of the participants.

HOW WILL THE PARTICIPANT BE INFORMED OF THE FINDINGS / RESULTS OF THE STUDY?

If you would like to be informed of the final research findings, please contact the researcher: Johnson Bungu @ joebungu@gmail.com or 071 340 7832. The findings will be available for the period of five years after the completion of the study. Should you require any further information or want to contact the researcher about any aspect of this study, please contact the researcher on the above stated contacts. Should you have concerns about the way in which the research has been conducted, you may contact my supervisor Prof Deidre Van Rooyen from University of Free State at the following contacts: telephone 051 401 7059, email address: griesd@ufs.ac.za.

Thank you for taking time to read this information sheet and for participating in this study.

CONSENT TO PARTICIPATE IN THIS STUDY

I, _____ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet. I have had sufficient opportunity to ask questions and am prepared to participate in the study. I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable). I am aware that the findings of this study will be anonymously processed into a research report, journal publications and/or conference proceedings.

I agree to the recording of the *insert specific data collection method*.

I have received a signed copy of the informed consent agreement.

Full Name of Participant:

Full Name(s) of Researcher(s): Johnson Bungu

Signature of Researcher:  Date: 5 November 2022