



Social Enterprises in South Africa

Discovering a vibrant sector

May 2018

**Gordon
Institute
of Business
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of Pretoria



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Contents

ACKNOWLEDGEMENTS

Over the past two years, we conducted the first national survey of social enterprises in South Africa. For those who are new to the idea, social enterprises are set up to address social or environmental challenges by using business methods to achieve and maintain financial sustainability. They exist in communities all over the world and are widely studied because of the positive impact they have, as well the innovation and experimentation that takes place to demonstrate new ways of doing business or advancing social change. The aim of this, the first and largest study of its kind, was to understand social enterprises in South Africa – WHO they are, WHERE they are, WHAT they do and HOW they operate.

The results were often surprising, but always interesting and valuable. What they showed was that social enterprises form another distinct sector of South Africa’s economy, alongside mainstream business, with an important role because of WHAT they do.

The survey was led by the GIBS Entrepreneurship Development Academy at the University of Pretoria, in academic partnership with the Bertha Centre for Social Innovation and Entrepreneurship at the University of


Cape Town Graduate School of Business, with funding from the Government of Flanders and the SAB Foundation.

The GIBS research team, led by Dr Kerrin Myres, included Dr Anastasia Mamabolo, Nyasha Mugudza and Lauren Jankelowitz. Plus 94 conducted the fieldwork and prepared the data. Dr François Bonnici, Dr Eliada Nwosu and Marcus Coetzee from the Bertha Centre contributed to the pilot stage of the research, helped to develop the research questionnaire and contributed to this final report.

Apart from academic papers that are being prepared, we believe the results are interesting enough to share more broadly in South Africa. Which is why you’re reading this report. We’ve included all the technical aspects (methodology, references) in the appendix for those who need that level of detail.

We thank all the South African social entrepreneurs who spent time sharing their information and experiences with us and acknowledge their important role in creating a healthy and prosperous society. We hope this report will go some way to advancing the understanding and legitimacy of the sector, and how to support it. Long may they thrive!

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A photograph of a man with short dark hair, wearing a patterned shirt, operating a sewing machine in a workshop. The background is slightly blurred, showing other people and equipment. A large red graphic element, resembling a stylized letter 'P', is overlaid on the right side of the image.

Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry.

BILL DRAYTON, LEADING SOCIAL ENTREPRENEURS CHANGING THE WORLD

Preface in a nutshell

South Africa is classified as a developing market (also an emerging market), implying that work is needed to reach the standards of more mature economies such as the United States, Europe and Britain. These standards range from how people live and how they are educated to how companies are run and the technology they use.



Across the country, tens of thousands of entities – from a single person to national organisations employing hundreds of people – are working to improve literacy, numeracy, skills, health and living conditions. Most operate with very little funding, instead buying and selling goods and services to generate income that is used for the greater good. Others receive corporate social investment (CSI) funding from corporates, some from government agencies, and still others have attracted funds from international donors. Large or small, their focus is the same: improving the quality of life for marginalised South Africans.

Clearly this sector is important to our future development but, as our analysis of past research shows, little is currently known about social enterprise in South Africa. Any effort to strengthen support for social enterprises to ensure that they flourish needs more detailed information about social enterprises currently operating across the country. Understanding the current situation is the foundation for any strategy and future policy initiatives, as well as the basis for further research into the phenomenon of social entrepreneurship in South Africa.

The survey was conducted over 2016 and 2017 to gather and then analyse information on social enterprises operating across South Africa. We screened over 33 780 organisations to end with 453 respondents. Based on existing local and international literature on the subject, we developed a survey questionnaire with 36 closed-ended questions (a single answer) and one open-ended question (free to answer). Each respondent was interviewed (by preference – telephonically, face-to-face, or online). All interviews were conducted with the founder or person managing the enterprise.

It is important to note that although this survey is a substantial sample by any standards, and the data was collected and analysed carefully and thoroughly, at this stage we have no way of knowing how representative the results are of the whole population of social enterprises in South Africa – quite simply because we have no comprehensive database of this kind of organisation. Therefore, we should be careful about how we interpret the information in this report.

But it's a start! And we believe this study shows that social enterprises are a vibrant and growing part of our economy. That means we should all be paying attention to them.

Headline indicators

The results were often surprising, but always interesting. Key findings include:

WHO ARE THEY?

- South African social enterprises either prioritise their social and environmental mission or strike a balance between their purpose and profits
- The majority do not depend on grants and donations. But they consider themselves non-profit companies or social enterprises, rather than businesses, religious or community organisations
- Most of the social enterprises in this study are based in Gauteng or the Western Cape, although they are present in all provinces
- Most have been operating for more than three years
- Most often, they have assumed the legal form of a non-profit organisation. However, one-quarter have adopted one of the for-profit legal forms and some use a combination of non-profit and for-profit structures.

WHAT DO THEY DO?

- They tend to focus on meeting basic needs in the education, health and housing sectors and are local, community-based entities
- The majority are involved in developing skills or promoting education and literacy. The focus is often on particular disadvantaged groups such as children and the youth, or supporting women, or improving a particular community
- Over the past 12 months, many had improved the quality of their goods/services and prepared a business plan. Around half had expanded the number of beneficiaries they served, entered a new and important partnership with another organisation or launched new goods and services.

HOW DO THEY DO IT?

- Social enterprises think of themselves as innovative. They agree that innovation makes their enterprises more effective, allowing them to serve more beneficiaries, and deliver better quality goods and services. For many, innovation allowed better profits than other similar organisations, and to operate at lower cost

- Half routinely involve stakeholders (employees, suppliers, subcontractors, community members) in decision-making, often through advisory boards, the board of directors, or a community trust
- Many have established internal monitoring and learning systems, with some producing integrated reports on their social and environmental impact
- Monitoring progress and achievements happens weekly or monthly in most organisations and they evaluate their impact on beneficiaries frequently.

HOW BIG ARE THEY?

- They are generally small, with only 12% generating an income of over R1 million. But they are growing, with over 65% reporting growth above inflation
- Most do not make a profit or surplus, although around one-fifth do. Those that do make profits tend to reinvest these in developing their enterprises
- The vast majority employ between 1 and 50 people, and serve fewer than 100 beneficiaries a month.

HOW ARE THEY FUNDED?

- They were most likely to have applied for funding from government entities, charitable foundations and corporate social investment funds, but succeeded mostly in attracting funds from the public
- They were least likely to have applied for funding from commercial banks or equity partners, but were as likely to succeed in attracting these funds as they were at applying for other sources
- In general, funds were used to cover operating costs or increase support for existing beneficiaries.

WHAT DOES THE FUTURE HOLD?

- Most expect their organisations to grow rapidly in the next 12 months, resulting in increased services to existing beneficiaries, as well as launching new goods and services, and attracting new customers
- However, this growth could be limited by their ability to access financial and physical resources, and by how they manage financial resources.

Read on for more fascinating details from the 2018 survey of social enterprises in South Africa (SSESA)...



Background

Formally titled the Survey of Social Enterprises of South Africa, this research is the **largest and most comprehensive study** of social enterprises in the country to date. The result is a rich set of data that will be interesting and useful to many stakeholders, locally and globally.

A note to readers: This report is for stakeholders. Some of you will be interested purely in the results. Some may be interested in the academic research or literature behind the study. We've left these references in for your convenience.

Why this study? Why now?

Since South Africa became a democracy in 1994, poverty levels have reduced only moderately, while there has been a sharp rise in income inequality (Bhorat, 2015). This inequality is also referred to as the gap between rich and poor.

In 2016, GDP growth (gross domestic product, the primary way of measuring whether a country's economy is growing) dropped to 0.4% from 1.3% the year before. This was “the third consecutive year of negative per-capita growth and stagnating poverty” (World Bank, 2017, p1). In the first quarter of 2017, unemployment rose to a record 27.7% (Statistics South Africa, 2017). That's more than four times the global average for similar countries (6.2%). Turning a bland percentage into human lives, over 6 million South Africans of working age are jobless.

The World Bank (2017, p1) believes unemployment is the biggest hurdle for the country to overcome in meeting its national development goals of eliminating poverty and reducing inequality. In September 2017, the World Bank downgraded South Africa's 2017 growth forecast to 0.6%, stating that the country's recovery from a recession in the second quarter would not be enough to get back to actual GDP growth in 2017. GDP is expected to grow to only 1.1% in 2018 and 1.7% in 2019. Compare these figures to China, where GDP is off its highs of over 12% in 2010, but still hovering around 7% (www.tradingeconomics.com).

Simply, for a country that depends on labour, like South Africa, higher GDP translates into more jobs and that

means a wealthier and healthier society. Right now though, our population suffers from a variety of challenges stemming from poverty and inequality.

This is where social enterprise comes in. By its nature, social enterprise focuses on solving social problems while generating revenue to ensure future sustainability. This makes it a model that can strengthen both the economic and social pillars of a country (Urban, 2008; Steinman, 2010; Visser, 2011; Littlewood & Holt, 2015).

Globally, social entrepreneurship is relatively rare, on average involving under 4% of the working population. Although South Africa is structurally similar to other countries in which social entrepreneurship flourishes in the sense that it is a middle-income country, highly industrialised, with high inequality and youth unemployment, its percentage of social entrepreneurs is well below international averages (Bosma, Schott, Terjesen, & Kew, 2015).

The Global Entrepreneurship Monitor finds that less than 2% of adults are involved in social entrepreneurship activity in South Africa (Bosma et al, 2015). This suggests significant potential to encourage social entrepreneurs by strengthening the support systems they need to start and run these important organisations. The first step is to improve our understanding of social enterprises currently operating across the country so that we can build strategies and policies to help them grow and flourish.

Hence this study.

There has not been much research into social enterprises in South Africa, so the nature and impacts of these organisations are not well understood, either by academics or policy-makers (Littlewood & Holt, 2015). As a result, policy development has been stunted and legislative barriers and red-tape remain (Littlewood & Holt, 2015; Steinman & van Rooij, 2012; Urban, 2013). Social enterprises are isolated from each other and from mainstream economic activity, and struggle to access the resources they need to achieve the impacts so desperately needed by an under-developed population (Steinman & van Rooij, 2012). These problems with the **system** are made worse by a broad lack of management and leadership **skills** in social leaders (Urban, 2013).

What were our aims for the study?

The **purpose** was to gather and analyse information on social enterprises operating across South Africa. This included:

- Understanding exactly what makes a social enterprise in the South African context
- Describing key characteristics of enterprises in the sector, including location, size, age, industry and scope of operations
- Detailing their activities and outlining some of their management methods
- Describing their customers and beneficiaries, as well as their employees
- Understanding their financial status and the funding mechanisms they use
- Exploring their growth plans and defining the challenges that could prevent them from achieving these plans.

In addition, we are beginning to build a validated national database of social enterprises that will be extremely useful for future research, policy development and for those organisations and agencies that support and fund social enterprise.

FAST FACT

THIS STUDY IS PART OF A BROADER EFFORT TO STRENGTHEN THE ECOSYSTEM FOR SOCIAL ENTERPRISE IN SOUTH AFRICA BY PRODUCING ROBUST INFORMATION ON SOCIAL ENTERPRISES OPERATING ACROSS THE COUNTRY. UNDERSTANDING THE CURRENT SITUATION IS THE FOUNDATION FOR ANY STRATEGY AND POLICY INITIATIVES THAT MIGHT BE CONSIDERED, AS WELL AS THE BASIS FOR FURTHER RESEARCH INTO THE PHENOMENON OF SOCIAL ENTREPRENEURSHIP.



Previous Research

in social enterprise

As the basis for designing the survey and understanding its results, this chapter summarises previous research in social enterprise, both in South Africa and around the world. The review focuses on: some debates about how social enterprises should be defined; outlines the South African context; provides an overview of research conducted in South Africa; outlines the organisational characteristics of social enterprises; and considers the funding mechanisms available to social enterprises.

**WHAT WE KNOW
ABOUT SOCIAL
ENTREPRENEURSHIP IN
SOUTH AFRICA**

ONE OF THE THINGS
THAT MAKES IT
DIFFICULT TO RESEARCH
AND DEVELOP SOCIAL
ENTREPRENEURSHIP
IN SOUTH AFRICA IS
THAT THERE IS NO
RELIABLE DATABASE OF
ORGANISATIONS THAT
WORK IN THE SECTOR
(FURY, 2010). THE LACK OF
TAX REGISTRATION AND
POOR CLARITY ON HOW
SOCIAL ENTERPRISES ARE
CLASSIFIED UNDER LAW
ALSO HAMPERS PROGRESS
(STEINMAN, 2010).

Why social enterprise is important

South Africa has seen a reduction in poverty levels since 1994, combined with a sharp rise in income inequality (Bhorat, 2015). In 2016, GDP growth reduced to 0.4%, down from 1.3% in 2015, making 2016 “the third consecutive year of negative per-capita growth and stagnating poverty” (World Bank, 2017, p1). The first quarter of 2017 saw the unemployment rate increasing to 27.7% (Statistics South Africa, 2017), making unemployment one of the major factors standing in the way of South Africa’s efforts to reduce poverty and inequality (World Bank, 2017).

South Africa’s population is relatively young, with 50% of citizens under the age of 35, but the youth struggle to enter the labour market, resulting in a youth unemployment rate of 37.5% (Statistics South Africa, 2016). This is made worse by the fact that the country is one of the most unequal in the world (World Bank, 2017).

Because it focuses on solving social problems and achieving economic sustainability, social entrepreneurship is a way of strengthening both the economic and social conditions in a country (Urban, 2008; Steinman, 2010; Visser, 2011; Littlewood & Holt, 2015). In developing countries such as South Africa, social entrepreneurship potentially has a critical role to play in development, because governments are not able to meet the vast social needs of the population. And businesses can’t provide for all those looking for employment and economic security (Urban, 2013; Littlewood & Holt, 2015; Rivera-Santos, Holt, Littlewood & Kolk, 2015).

It seems logical that social enterprises would thrive in such situations. However, the Global Entrepreneurship Monitor finds that fewer than 2% of adults are involved in social entrepreneurship activity in South Africa (Bosma, Schott, Terjesen & Kew, 2015).

To make matters worse, there has been little research on social entrepreneurship in South Africa, even though experts agree that it could play an important role in developing the society (Littlewood & Holt, 2015). Before this study, we simply did not know who social entrepreneurs are, how they work and what kind of socio-economic benefits they generate. As a result, it has been difficult for government to develop policies to support social enterprise (Littlewood & Holt, 2015; Steinman & van Rooij, 2012). So, these important organisations struggle to access the resources they need to make a real difference to the communities they serve (Steinman & van Rooij, 2012).

The characteristics of social entrepreneurs in South Africa

In 2009, the Global Entrepreneurship Monitor (GEM) reported on social entrepreneurial activity in South Africa (Herrington, Kew & Kew, 2010; Terjesen, Lepoutre, Justo & Bosma, 2009). The GEM study found that early-stage social enterprise activity was 1.8%, about the same as the average rate reported across all 49 countries involved in the GEM studies. However, South Africa had a lower rate than Uganda (2.2%), the only other sub-Saharan African country participating in GEM in 2009.

Social entrepreneurship in South Africa was believed to suit young people, particularly those who are unemployed (Urban, 2008). However, the GEM (2009) study reported that South African social entrepreneurs are most likely to be male, educated to high-school level or above, between 25 and 44 years old, and urban-based.

Research shows that we can, to some extent, predict how much entrepreneurship will occur by finding out how many people intend to start a social enterprise. In South Africa, the intention to start a social enterprise is said to be influenced by a number of factors, including moral judgement and empathy, achievement and self-efficacy – all skills that can be developed in secondary and tertiary classrooms (Urban & Teise, 2015). A recent survey of university students confirmed that motivation and ease of access in setting up a social enterprise is an important first step in encouraging social entrepreneurs (Urban & Kujinga, 2017). So, it seems that young people find social entrepreneurship an appealing way of entering the working world.

The context and management of social enterprise

Research in social enterprise emphasises the importance of context – these organisations are specifically set up to solve particular problems in their environments and they continuously adapt to suit those environments. For example, Karanda and Toledano (2012) found that social enterprise opportunity has a strongly localised flavour, to the extent that community-level cooperation is needed to solve the social problems identified and so generate social value.

In addition, when potential social entrepreneurs see regulations and institutions in their countries and communities as being supportive of social enterprise, they are more likely to feel confident that they can start an organisation that will make a difference. South African research has demonstrated that respondents have relatively favourable perceptions of the relevant regulations, and they believe societal values support social entrepreneurs. As a result, the nature of the environment makes them feel more confident that they will be able to start and run a social enterprise (Urban, 2013). A later study found that there are many different kinds of social enterprises in South Africa that do a wide variety of things with varying results, but they all have a social value and generate favourable social impact (Urban and Teise, 2015). In sub-Saharan Africa, social entrepreneurship is most likely to occur in places where there is acute poverty but similar ethnic group identities (Rivera-Santos et al, 2015).

Holt and Littlewood (2015) outline how South Africa’s legislated environment of transformation through the broad-based black economic empowerment codes (BBBEE) influence the way social enterprises employ people and gather resources). Currently, there is no fit-for-purpose legal framework for social enterprises in South Africa. However, in a study of the legal structures of social enterprises, Claeyé (2017) notes that a number of policy initiatives seem to be making it possible to establish social enterprises.

The challenge of pursuing a dual mission (profit and purpose) requires social enterprises to make trade-offs that might affect their ability to achieve results consistently. Operating management principles can help processes to be designed more efficiently so that resources are correctly allocated (Kodzi, 2015). In their study of the way in which tourism social enterprises influence livelihoods in



surrounding communities, Laeis and Lemke (2016) analysed relationships between various stakeholders. They noted that the project they were studying did not reach its full potential due to competing aims between pursuing profits and fulfilling their purpose, resulting in the lack of a clear vision and strategy.

In South Africa, HIV poses an enormous challenge to people and communities. Kahn (2016) argues that, in finding the resources to meet the challenges that HIV poses, organisations and individuals progress through a combination of ‘own science’ and social entrepreneurship. He presents the case that the Treatment Action Campaign offers a notable example of social entrepreneurship in action. Social enterprises do not simply innovate out of necessity, however. Particular organisational characteristics may need to be in place to foster social innovation. In their study of the roots of social innovation, Urban and Gaffurini (2017) found support for the idea that, for organisations to be social innovators, they are usually also skilled at knowledge gathering and use, risk management, organisational dialogue and participative decision-making.

It is clear from this analysis that while research on social entrepreneurship in South Africa is increasing, much remains to be learned, and much remains to be done in improving the environments in which social enterprises must operate.

Definitional debates in social entrepreneurship

Although there is global interest in social entrepreneurship by researchers and practitioners, there is no consensus on how social enterprise should be defined (Mair & Marti, 2006; Choi & Majumdar, 2014). Some scholars argue that this lack of consensus inhibits research progress (Santos, 2012).

Scholars have tackled the challenge of defining social entrepreneurship from many perspectives (Martin & Osberg, 2007). “There are process based definitions including the creation of non-profits, new structures to solve social problems, innovative behaviour for social objectives and social value creating activities; and then there are entrepreneur-centric definitions” (Neck, Brush & Allen, 2009 p14). Initially, social entrepreneurship was seen as an activity undertaken by non-profit organisations that wanted to raise funds to finance charitable works. Later, social entrepreneurship was positioned as a type of entrepreneurship (Neck, Brush & Allen, 2009), with the distinction that the motivating focus is social impact.

Further challenges to defining social enterprise include the tension between pursuing financial gain versus pursuing social benefits (Zahra, Gedajlovic, Neubaum & Shulman, 2009). It is widely agreed that a focus on achieving a social or environmental mission is a defining feature of social enterprise, but it is less clear how this focus could be maintained when there is a need to achieve some level of economic viability for the purpose of financial sustainability.

Social enterprises are not only multidisciplinary, their size and scope can vary widely as well. Any definition must embrace simple local initiatives such supplying books to an isolated school in Nepal (Demsey & Sanders, 2010) to more complex initiatives such as a Fairtrade network that supports and protects the interests of small-scale farmers in developing economies (Nicholls, 2010).

Emerging clarity in definition

Although the literature is characterised by diverse perspectives and much debate, key dimensions of the definitions are illustrated in the table below:

KEY DIMENSIONS OF SOCIAL ENTERPRISE DEFINITIONS

DIMENSION	EXPLANATION	REFERENCE
Explicit social mission, more important than profit	An explicit social or environmental mission is generally agreed to be the most important characteristic of a social enterprise.	Dees (1998); Boschee & McClurg (2003); Abu-Saifan (2012) Lepoutre, Justo, Terjesen & Bosma (2013)
Operates like a business	Social enterprises sell goods and services to their customers. This makes them less dependent on donor funding than conventional non-profit organisations.	Abu Saifan (2012); Kodzi (2015)
Proportion of revenue from trading as part of overall income	The proportion of traded revenue distinguishes social enterprises from not-for-profit organisations. The goods or services traded can be related, unrelated or central to the organisation's social or environmental mission. There is debate about the level at which traded income assists the organisation in becoming financially sustainable.	Littlewood & Holt (2015); Hoogendoorn, Pennings & Thurik, (2010); Boschee & McClurg (2003)
Proportion of profit/ surplus reinvested	Some scholars argue all profits or surpluses should be reinvested in the organisation, but this does exclude structures such as cooperatives that distribute profits to members, or paying dividends or interest to investors.	Urban (2008); Hoogendoorn et al (2010); Villeneuve-Smith & Temple (2015)
Social enterprise as innovator	Innovation may occur at the start of the enterprise by creating a unique business model or solution to address a social problem, or it may manifest in the way the organisation operates.	Dees (1998); Urban (2008), Villeneuve-Smith & Temple (2015)
Level of social impact	Social enterprises measure the extent of their social change or impact, an activity that is almost universally demanded by stakeholders, donors and impact investors.	Herrington Kew & Kew (2015)
Legal structure	Some scholars believe that social enterprises must have the legal form of a non-profit organisation, while others argue for no limitation on legal structure. In South Africa, social enterprises may adopt a variety of legal forms.	Hoogendoorn et al (2010)
Governance	Social enterprises vary in terms of the extent to which stakeholders participate and are involved in its governance.	Hoogendoorn et al (2010)
Located in type of area, scope of operation, type of beneficiary served	Social enterprises can be found in rural or poorer areas, serving customers and beneficiaries in otherwise underserved markets and are often highly localised in focus. Some scholars have recently argued for the importance of context in the emergence of social enterprises, particularly in Africa.	Riviera-Santos et al (2015); Dacin Dacin & Matear (2010)

Key characteristics of the social enterprise

Social enterprises often operate in highly complex and severely resource-constrained environments, which means they are likely to develop unique ways of operating that for-profit enterprises could learn from. It is therefore useful to explore how social enterprises function at the organisational level, but this is currently an under-researched area (Sassmannshausen & Volkmann, 2016, p6).

For the past ten years, Social Enterprise UK has been studying the nature and characteristics of social enterprises (Temple, 2017). In 2017, 1 581 interviews were conducted with organisations that defined themselves as a social enterprise, and earned 25% or more of their income from trading activities (Temple, 2017). Social enterprises in the UK are likely to be small or even micro in size, as measured by number of employees and turnover. There is a clear relationship between age and turnover – the bigger organisations tend to be older and more established than smaller organisations (Temple, 2017).

In the UK, social enterprises are successful, to the extent that 70% made a profit or broke even in the previous year, in relatively challenging economic conditions (Temple, 2017). Interestingly, 74% of respondents to the UK study earn 76% to 100% of their income through trade, which is regarded as the critical difference between social enterprises and more traditional charitable models. Only 37% had received grants or donations in the last 12 months (Temple, 2017).

However, social enterprises are not entirely focused on traditional commercial objectives and outcomes (Mair, Battilana & Cardenas, 2012). Instead, they prioritise the concerns of the communities they serve or strike a balance between these and the need to manage costs and optimise profits. Success invariably requires imitating the operating logics of for-profit entities to capture market attention and compete. As a result, such hybrids tend to be complex organisations, if not in scale certainly in activity, requiring intensive coordination of diverse activity for success and sustainability (Mair, Battilana & Cardenas, 2012).

Social enterprises break convention in multiple ways. They often span sectors, both in terms of legal organisational conventions (Dorado, 2006) and technical operating competency requirements. As an extension of their hybrid context-specific structures, social enterprises have to define an identity that best serves their goals. The leadership must make sense of all involved parts in a bid to define values that motivate and inspire

followership by internal and external stakeholders. This may be in the form of a charismatic founder or recruiting experienced managerial teams and directors to develop comprehensive long-term plans (Waddock & Post, 1991; Diochon & Anderson, 2009).

Constituencies: employees, beneficiaries, customers

From an internal perspective, the complexity of social enterprise presents difficult leadership challenges that may not have been anticipated when it began. These firms tend to have staff, governance members and clients who are either fairly similar in background and interests or quite different from each other to meet the diverse needs of the organisation's operations and driving mission (Diochon & Anderson, 2009).

Social enterprises rely heavily on the individuals who work for them, for both practical, operational purposes and for the emotional commitment of employees, which allows them to deliver at very low cost to beneficiaries (Dempsey & Sanders, 2010; Chell, 2007). In the UK, social enterprises are growing in number and becoming important employers (Temple, 2017). They are also highly effective at dispersing employment opportunities as they tend to employ from local communities (such as rural villages) in which they operate (Villeneuve-Smith & Temple, 2015; Temple, 2017). Social enterprises may often employ disadvantaged groups such as disabled persons and marginalised minorities that are typically overlooked for mainstream employment opportunities (Gibbons & Hazy, 2017).

Many social enterprises in the UK sell directly to the general public and operate at local level, with a basis in local communities, to the extent that they involved their beneficiaries in decision-making (Temple, 2017). These organisations trade mainly with the general public and the public sector, but 37% trade with small businesses and 7% with large businesses

In the UK studies, the top five types of beneficiary include: people with mental illness; individuals with learning disability; long-term unemployed; ex-offenders; older people losing independence; young people leaving care (Temple, 2017). Around 70% of social enterprises actively involve their beneficiaries in decision-making (Temple, 2017).

Activities and management methods applied

The management of social enterprises is complex, in keeping with the missions that inform their founding and sustainability. Consequently, managers in social enterprises must have the capacity to learn and pragmatically evolve as stakeholder expectations and/or market conditions change. They must often contend with resentment and resistance from the very communities they seek to serve (Tracey & Phillips, 2017).

Other management challenges in social enterprises can be broadly grouped into four categories: performing, organising, belonging and learning (Smith, Gonin & Besharov, 2013). Performance complexities arise from difficulties associated with the competing goals that must exist to satisfy the needs of diverse stakeholders. Organising tensions emerge when social enterprises either integrate or separate social and business activities and therefore need to recruit and manage employees with a range of skills. Establishing a clear organisational identity creates a 'belonging' tension, since different stakeholders hold different expectations. Finally, social enterprises must balance the need for short-term financial gain with the need to achieve longer-term social impact, creating tensions in learning and competency development (Smith et al, 2013).

In an earlier review, Hoogendoorn, Pennings and Thurik (2010) arrange social entrepreneurship literature at the organisation level into two key themes, namely strategy elements and internal organisational characteristics. The strategy elements comprise topics relating to mission, goals and impact. The internal organisation characteristics theme includes governance, resources, legal form, learning and monitoring.

With respect to mission, there is general agreement that the importance of the social mission is not only characteristic of the social enterprise, but of great significance to organisational culture and operations (Hoogendoorn et al, 2010). The authors note that the "social mission must simultaneously be understood within its competitive environment" (Hoogendoorn et al, 2006, p22), giving rise to the notion of the hybrid nature of social enterprise. With organisation goals, it is interesting to note that the focus has tended to be on formulating and achieving financial goals, with the result that literature on achieving social goals is generally under-researched.

There are also limited studies on measuring and achieving social impact (Hoogendoorn et al, 2010).

Social enterprises are diverse in their legal form (Hoogendoorn et al, 2010). In terms of governance, studies have tended to focus on the extent to which multiple stakeholder involvement is characteristic of managing the social enterprise and the influence this has on effectiveness and on the social entrepreneur's span of control (Hoogendoorn et al, 2010). Social enterprises, like for-profit enterprises, are initiated and continue to operate despite resource scarcity, according to studies in the Hoogendoorn et al (2010) review. They might similarly use creative resource strategies such as bricolage (the process of improvisation in a human endeavour). At the same time, there may be resources that are uniquely available to social enterprises, such as volunteers, donated physical assets and grant funding.

Some scholars have found that learning is a pervasive activity in social enterprise, while others note that learning is heavily influenced by organisational social capital and sympathetic stakeholders (Hoogendoorn et al, 2010). Organisational learning is ideally intended to comply with long-term investment logics that determine the underlying rationale for prioritising investment in building competencies for now and for the future (Smith et al, 2013). However, social missions require a hybrid of evolving competencies as they advance, making the managerial task of what and how to prioritise mission-critical capability unduly complex.

There is increasing pressure for social enterprises to undertake detailed performance monitoring of their activities and impact (Hoogendoorn et al, 2010). However, it is widely acknowledged that establishing metrics to reliably track performance is a significant challenge for management in social enterprises (Kickul & Lyons, 2015). Investment requires the ability to set and manage realistic performance targets against which patterns of return can be anticipated (Somers, 2005).

Innovation in social enterprise

Innovation is a key component in the inception and running of social enterprises. In the UK studies, half of social enterprises had introduced new goods or services in the previous 12 months, a clear example of the seeds of innovation at work (Temple, 2017).

What is less well established is the character and form of innovative behaviour in social enterprise contexts. Emerging indications reveal there may be something distinctive about innovation in social settings. Innovations do not always result in tangible outcomes, but sometimes in the evolution of intangible qualities such as attitudes and behavioural transformations (Cajaiba-Santana, 2013). A definition of social enterprise innovation states that this innovation is “associated with intended, planned, coordinated, goal-oriented and legitimated actions” carried out by social operatives seeking to effect social change (Cajaiba-Santana, 2013, p43).

Theoretical consideration of the origins of social enterprise innovation initially pursued two paths. The first attributed innovation to an individual’s passion, typically the founding member, who at a macro level drives the development of an idea into a venturing solution (Maclean, Harvey & Gordon, 2013). The second view looks at opportunity identification, contending that enterprise innovation stems from structural and contextual effects. However, while valid in some regards, both views in isolation have been found wanting. For one, a lone individual cannot and does not single-handedly effect social change. At best, this individual can instigate activities that stimulate critical reflection and encourage envisioning a new reality. Human intervention is often needed to address structural and contextual failings to reveal venture opportunity (Cajaiba-Santana, 2013). This approach recognises the inherent need to harness multiple thought processes, cutting across disciplines as well as engaging multiple influencers in driving social enterprise innovation (Maclean et al, 2013; Phillips, Lee, Ghobadian, O’Reagan & James, 2015).

Growth, challenges and measurement

Globally, social entrepreneurs tend to be quite optimistic in their growth aspirations (Bosma et al, 2015). Scholars argue that business optimism is an important indicator of the health of the sector, because it has direct implications for future investment and employment. In the UK, 58% of social enterprises are expecting an increase in turnover in the next 12 months (Temple, 2017)

However, chronic financial constraints are an unfortunate reality of social entrepreneurship (Martin & Osberg, 2007). Some scholars argue that this funding challenge is what gave rise to blended-value thinking as those involved sought to develop the means to generate resources to self-finance their work (Moss, Lumpkin and Short, 2008). There is a tendency in social entrepreneurship literature to laud the positive features of such enterprise but simultaneously overlook the profound challenges encountered by those involved. While there is an effort to achieve blended value, these ventures often endure long periods of unprofitability and high dependency on donor funding to stay afloat (Smith et al, 2016). This is clear when looking at the five main challenges to the future sustainability of UK social enterprises: obtaining grant funding, cash flow, lack of demand/economic climate, obtaining debt or equity finance, difficulties with public sector procurement (Temple, 2017).

The broad diversity of business formats and blended-value agendas that characterise social entrepreneurship makes it extremely challenging to formulate metrics and, even more so, to standardise these across the discipline (Smith et al, 2016). This scenario is problematic for establishing a demonstrable impact on society (Bull, 2007; Defourny & Nyssens, 2008).

In any event, scholars question the extent to which observed changes in social challenges can be attributed solely to the efforts of the social enterprise versus other extraneous factors (Dees, 1998). Difficulties in demonstrating performance have also meant that funding has often been approved based on relationships rather than actual impact of programmes (Nicolls, 2010). Nevertheless, in the UK, 77% of respondents measure their social impact to some extent (Temple, 2017).

Financial status and funding mechanisms

Access to finance plays an influential role in the shaping and survival of all organisations (Bugg-Levine, Kogut & Kulatilaka, 2012), not least social enterprises. This is the rationale for the design of many social and hybrid enterprises. Many social enterprises have to rely on a combination of sources to raise the required operating capital

to fund their activities. As an added complication, these firms tend not to have balance sheets that are attractive enough for traditional debt funding (Diochon & Anderson, 2008). In other instances, regulatory requirements for social enterprises create barriers to accessing some funding structures. Consequently, the funding market for these firms is highly varied, with innovative solutions required to provide vehicles that enable prospective recipients to align intentionally with potential funders, as illustrated below.

TRADITIONAL AND INNOVATIVE WAYS OF FUNDING

APPROACH	DESCRIPTION
Government grants (Bosma et al, 2015; Nicholls, 2010)	Government support in the form of grants and donations is common for social enterprises. In the UK for instance, the government has recognised the potential for these ventures to support delivery of social services in communities and proactively allocates funding to stimulate their activities.
Loan guarantees (Beckmann, Zeyen & Krzeminska, 2014)	Funding institutions such as the Bill & Melinda Gates Foundation have started issuing guarantees to support loans to social enterprises. These structures increase the ability to attract discounted commercial funding while reducing the debt burden. These funding structures are well-suited to social enterprises as they enable them to fund their profit-generating operations and, in turn, the returns generated support the social programmes and loan repayments.
Equity (Zahra et al, 2009)	Funding that includes an investor ownership stake in the business is a long-standing vehicle for capturing resources to fund ventures. In the social enterprise space, the funder needs to not only believe in the driving mission but also have the appetite to withstand the often-turbulent and protracted journey to profitable returns.
Quasi-equity debt (Beckmann et al., 2014)	This financial vehicle allows social enterprises to navigate the regulatory restrictions of equity finance while reaping the benefits of the ability to align repayments with actual performance. In such an arrangement, the firm is given the required room to grow by pacing its debt against the realistic repayment capacity being generated.
Pooling (Beckmann et al., 2014)	Some financing institutions have set themselves up to pool funds and use these to structure financing that suits the tailored needs of investors and recipients.
Crowd-funding (Kickul & Lyons, 2015)	The newest addition to the repertoire of funding strategies, crowd-funding sees a large number of interested individuals contributing varying amounts to a venture. There is usually no expectation to recover any return from the donated funds.
Social impact bonds (Beckmann et al., 2014)	This new innovative bond structure was launched in 2010 in the UK. The bond enables private investors to invest in public projects by embracing the risk that returns are only payable on successful completion of these projects.
Debt (Dey & Steyaert, 2016)	In developing economies, microcredit plays a critical role in funding. Women are highlighted as particular beneficiaries of this form of funding as they are typically unable to meet the hurdle conditions of traditional institutions. For larger, more established social enterprises, commercial debt financing is a viable source of capital that they are eligible to access.
Angel investors (Bosma, Schott, Terjesen & Kew, 2015)	The community of angel investing has grown steadily, with increasing attention to philanthropic activity. Wealthy individuals set up funds to provide resources to worthy causes and businesses of interest.

Potential sources of funding are highly varied for social enterprises. Practically, however, similar to conventional commercial entrepreneurship, sources vary based on the life stage of an organisation. Research shows that, during the nascent formative phases, some social enterprises face significant challenges in meeting criteria to qualify for funder attention (Diochon & Anderson, 2009). Many founding members have had to self-finance or rely on friends and family to back their fledgling ideas (Dempsey & Sanders, 2010). Certain governments have chosen to allocate funding to social enterprises, particularly to support their participation in delivering public goods (Shaw & Carter, 2007). In addition, as interest and awareness of the potentially far-reaching impacts of social entrepreneurship have increased, other sources of funding are steadily emerging in the form of grants from socially-concerned foundations such as the Bill and Melinda Gates Foundation, Mayfield Foundation and Skoll Foundation, among others (Alter, 2007).

For the more established firms, however, the double bottom-line goals of the social enterprise venture structure are expected to include generating revenues that at the very least serve to keep the entity afloat (Tracey & Phillips, 2007; Moss et al., 2008). By employing sometimes-complex hybrid business models, firms set out with the goal of being financially self-sustainable (Somers, 2005). At least, these growing ventures should be able to capture equity or debt finance and honour the commercial obligations of such resources.

Nevertheless, cash flow remains one of the top three barriers for social enterprises of all types. Access to finance is the biggest barrier for start-ups and established social enterprises, with 34% of UK social enterprises having sought finance in the past 12 months (Temple, 2017). Grant funding is the most common (82%) type of funding applied for, second most common was a loan (24%). Over 60% of those applying for a loan were successful, compared to only 29% of those applying for grants. The purpose of the funding was equally for development capital and working capital at 42% of the sample, but also to purchase property or equipment (41%) (Temple, 2017).

Challenges faced in attracting funding

Social enterprises must often compete against regular market expectations. Many established social enterprises can offer some return on investment but at much lower levels than those attainable in the broader market, making them comparatively less attractive investment options (Bugg-Levine et al., 2012). Also, for younger organisations, returns may be erratic, requiring funding structures that have capacity for variable rates of return.

A limited appreciation of financial matters and financial industry dynamics makes many social enterprises blind to the opportunities of structured finance. These traditionally not-for-profit operatives often confess to being intimidated by the financial aspects of business, having limited industry networks in this regard and, as a result, relying on their own scope of understanding in accessing affordable funding to support their ideas (Villeneuve-Smith & Temple, 2015).

Those in the financial services industry express frustration at the lack of competency of some social enterprises in financial matters. The ability to engage and present opportunities in the right way and at the right level of detail is often the decision barrier between the business owner and would-be financiers. Smith, Cronley and Barr (2012) explored the decision criteria of financiers and identified three parameters: mission consistency, entrepreneurial competence and the attitude of the internal team to the respective activity streams.

One of the challenges that often comes with funding is the need to create space to accommodate the preferences of the funder. It is reasonable for one who takes a risk on a venture by extending their resources in its support to expect to wield some kind of influence to protect their interests (Zahra et al, 2009). The nature of this compromise with funders may, however, lead to the intended mission being diluted, and may have a demoralising effect on the social enterprise team.

Finally, and perhaps most significantly, investment requires the ability to set and manage realistic performance targets against which patterns of return can be anticipated (Somers, 2005). As noted, establishing metrics to reliably track performance is a significant challenge for managers in social enterprises (Kickul & Lyons, 2015).



CONCLUSION TO THE LITERATURE REVIEW

THIS REVIEW HIGHLIGHTS THAT THE LITERATURE ON SOCIAL ENTERPRISE CONTINUES TO DEVELOP, PARTICULARLY IN THE SOUTH AFRICAN CONTEXT. THERE IS A LIMITED UNDERSTANDING OF HOW THESE ORGANISATIONS ARE LED, MANAGED AND FINANCED, BUT A PICTURE OF THE COMPLEXITY INVOLVED IS BEGINNING TO EMERGE. THIS BECOMES A USEFUL BASIS FOR COMPARING SOUTH AFRICAN SOCIAL ENTERPRISES TO THOSE OPERATING ELSEWHERE AND THEREFORE SUPPORTS INTERPRETATION OF THE FINDINGS PRESENTED IN THE FOLLOWING CHAPTER.



Findings

from this study

From a database of 33 784 South African organisations operating in the social enterprise and civil society sectors, the final sample was 453 respondents, each representing a unique social enterprise. Data from the survey questionnaires was analysed by the GIBS research team, and a full set of descriptive statistics is available on request.

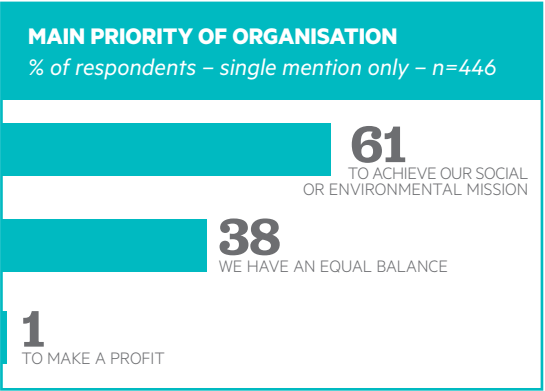
Note to readers: all comments in this section refer only to the **sample in the study** and not the South African social enterprise sector as a whole.

Defining features of South African social enterprises

We asked five questions to identify social enterprises, including their main priority; proportion of income from grants and donations; and a description of the nature of the organisation. Each respondent was also asked what position they held in the organisation and whether they identified themselves as a social entrepreneur.

1 MAIN PRIORITY

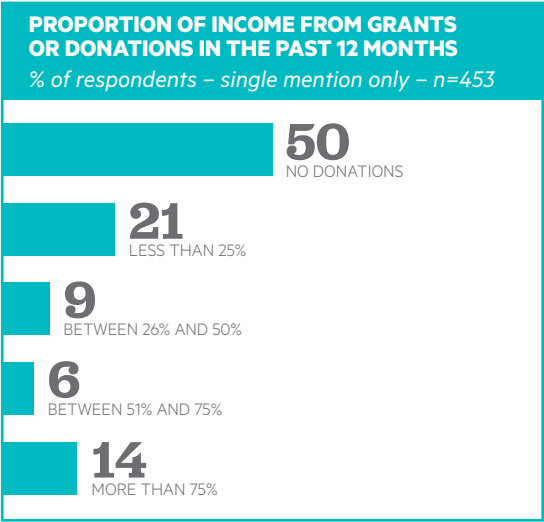
Respondents were asked to indicate whether the organisation's main priority was to make a profit, achieve a social or environmental mission, or if there was a balance between the two.



While most South African social enterprises prioritise achieving their social or environmental mission, over a **third balance making a profit with achieving their mission.**

2 PROPORTION OF INCOME FROM GRANTS OR DONATIONS

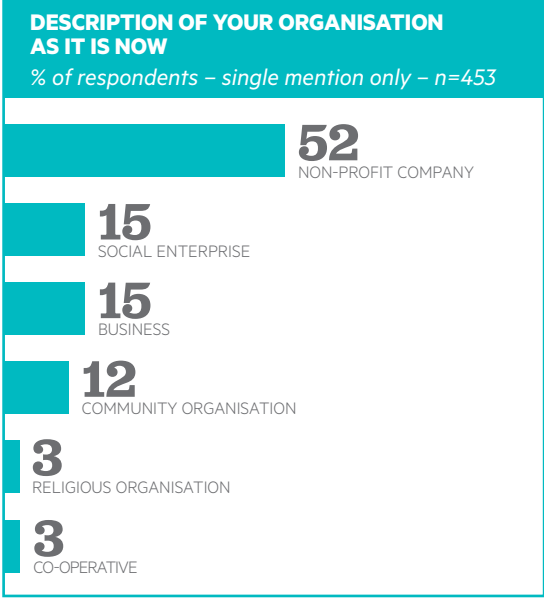
Respondents were asked to select a category that best represented what proportion of their income in the past 12 months came from grants or donations.



Perhaps surprisingly, **nearly half indicated they had received no grants or donations in the last year.** For another 20%, grants or donations were less than a quarter of total income. Only 14% were highly dependent on grants and donations for over three-quarters of their income.

3 DESCRIPTION OF ORGANISATION AS IT IS NOW

To understand how respondents identify themselves, they were asked to select a single statement that best describes their organisation as it is now.

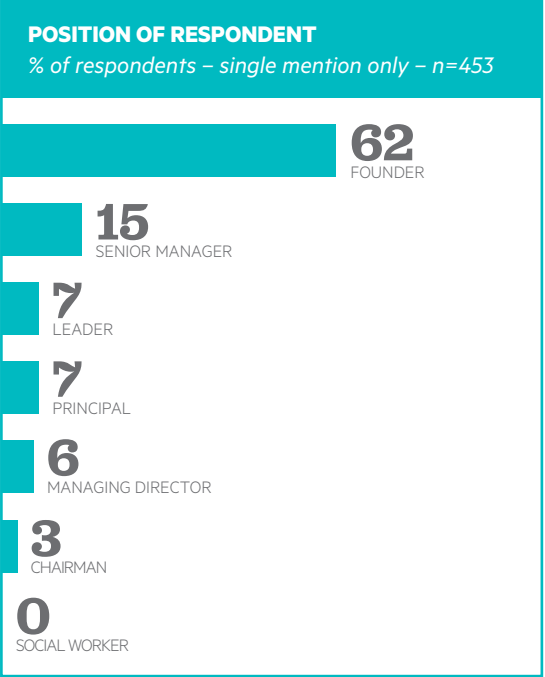


Over half described their organisation as a non-profit company, while almost **a third described themselves as either a social enterprise or a business.** Still fewer considered themselves to be community organisations.

Although respondents were asked to select a statement that 'best describes' their organisation, it is possible for organisations to belong to multiple categories, such as a religious organisation that has taken the legal form of a non-profit company and operates as a social enterprise.

4 POSITION OF RESPONDENT

The respondent was then asked to select a statement that best described their own role in the organisation. Almost two-thirds referred to themselves as the founder.



Clearly, the information in the survey was generally provided by a member of the top management team of participating organisations. Again, respondents could fall into more than one category.

5 IDENTIFY AS SOCIAL ENTREPRENEUR

Interestingly, **over 94% of respondents indicated that they personally identified as a social entrepreneur**. For this questionnaire, social entrepreneurs were defined as “individuals who start or currently lead any kind of activity, organisation or initiative that has a particularly social, environmental or community objective” (Bosma, Schott, Terjesen & Kew, 2015).

SUMMARY OF DEFINING FEATURES

- IN THIS STUDY OF SOCIAL ENTERPRISES IN SOUTH AFRICA, RESPONDENTS EITHER PRIORITISE THEIR SOCIAL AND ENVIRONMENTAL MISSION OR STRIKE A BALANCE BETWEEN PURPOSE AND PROFIT
- MOST DO NOT DEPEND ON GRANTS AND DONATIONS
- THEY CONSIDER THEMSELVES TO BE NON-PROFIT COMPANIES OR SOCIAL ENTERPRISES RATHER THAN BUSINESSES, RELIGIOUS OR COMMUNITY ORGANISATIONS
- RESPONDENTS CONSISTENTLY SELF-IDENTIFIED AS SOCIAL ENTREPRENEURS AND WERE MOSTLY THE FOUNDER OR PART OF THE SENIOR MANAGEMENT TEAM OF THE ORGANISATION.

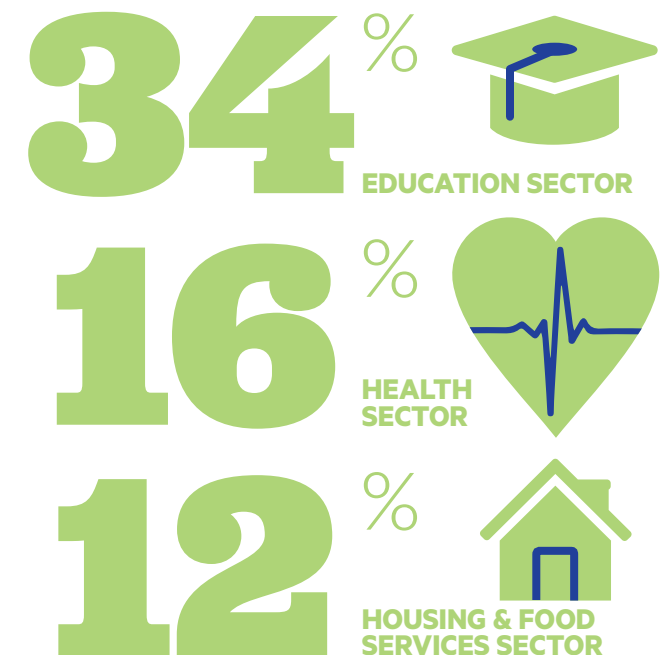
Who are they?

Defining features of South Africa's social enterprises*

*data based on a national sample of 453 social enterprises



68% OPERATING FOR MORE THAN THREE YEARS



Case Study

Quinton Naidoo

Quinton Naidoo: A 2016 graduate of the GIBS Social Entrepreneurship Certificate Programme

Supporting small farmers to make a big impact and build more agri-entrepreneurs

“I hope to support more and more smallholder farmers and help build agri-entrepreneurs to become part of the mainstream value chain.”

Johannesburg-based Quinton Naidoo is a Co-Founder of the Fair Food Company (Pty) Ltd which promotes business development amongst smallholder farmers in South Africa and helps them take their rightful place in the country’s food and agriculture value chain.

“I wanted to integrate smaller farmers into the main-stream and to create an environment in which farmers working the land on smallholdings and agri-entrepreneurs trying to get ahead could participate more easily in commercial activities,” says Quinton.

The Fair Food Company focuses on both developing and emerging farmers in South Africa and works with them to create sustainable livelihoods while promoting agri-cultural development. It builds partnerships with farmers and forges links with the mainstream food and agriculture sector.

Having heard about the GIBS Social Entrepreneurship Programme from colleagues, Quinton enrolled for the programme in 2015, and successfully completed it the following year.

“The GIBS programme provided an excellent framework for what a social enterprise actually is and what being a social entrepreneur is about. It included a comprehensive

set of courses such as Operations Management, Project Management, Alternate Revenue Streams that explained skills many of us take for granted but which are critical ingredients for the success of any enterprise.”

Quinton explains that having been in the NPO sector for many years, the GIBS programme allowed him to refine and even re-invent methodologies that he uses in his leadership position as well as in the operational aspects of the organisation. “It was an exciting process which forced me to push personal and professional boundaries in an entirely new way and which has provided me with a strong base of hard-earned learnings.”

With big clients such as Woolworths, RTE Snacks, Spar, Manolis, eThekweni Municipality, the Tsebo Group (Fedics), Quinton is promoting agribusiness development and supporting agri-entrepreneurs by offering support to micro and smallholder farmers.

“We work and grow with farming communities, government and the corporate sector to develop ethically sourced and sustainable agriculture sector programs. Our emerging farmers offer quality and healthy fresh well as processed foods which are produced according to fair and ethical principles,” he says.

“Our support includes technical interventions, market access promotion, business skills development and over-all mentoring.”

Quinton says his father is his role model. “He is a pastor and his constant example of servanthood, discipline and a heart for people continues to inspire me,” he says.

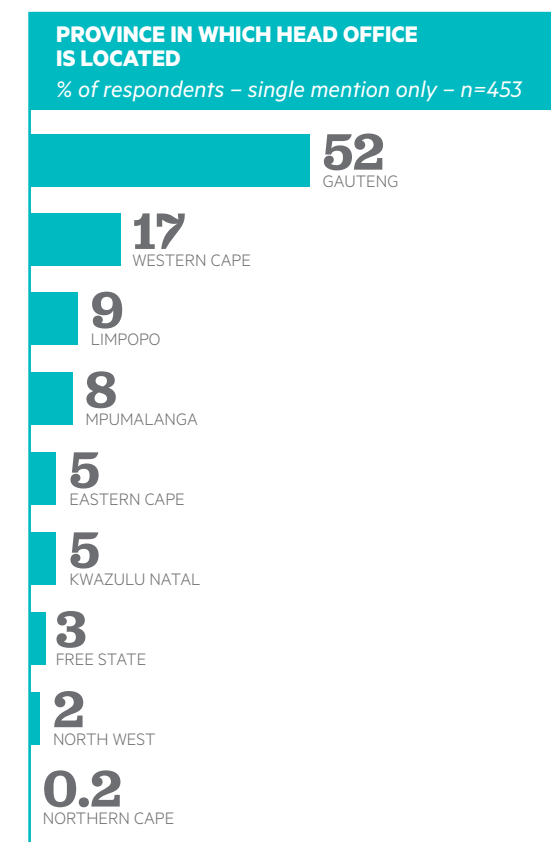
For more information visit www.thefairfoodco.com or email quinton@thefairfoodco.com.

Organisational characteristics of South African social enterprises

Four questions focused on key characteristics of social enterprises in the sample: location of head office; main industry in which it operates; length of time operating; legal status and scope of operations.

1 PROVINCE IN WHICH HEAD OFFICE IS LOCATED

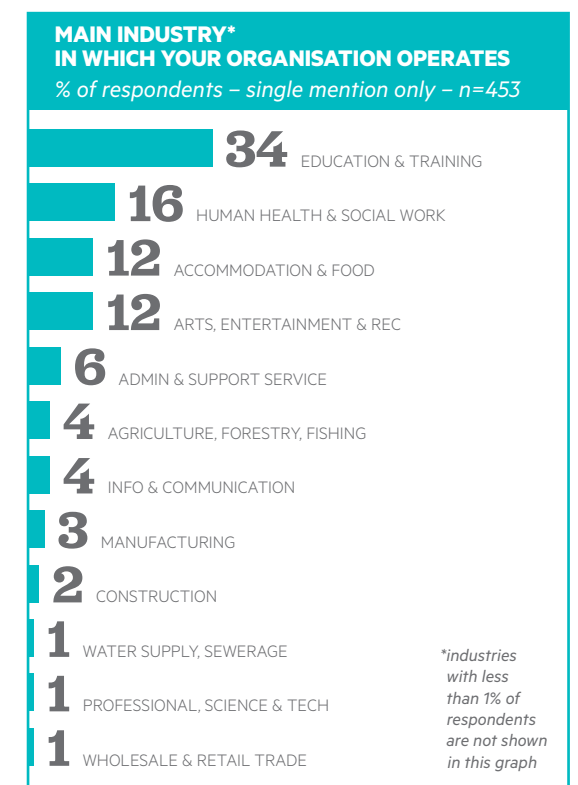
Respondents were asked to indicate in which of South Africa’s provinces their head office was located.



The sample is **dominated by social enterprises based in Gauteng**. As there is no other reliable sampling frame, we cannot determine whether this sample is representative of the actual geographic spread of social enterprises in South Africa.

2 MAIN INDUSTRY IN WHICH ORGANISATION OPERATES

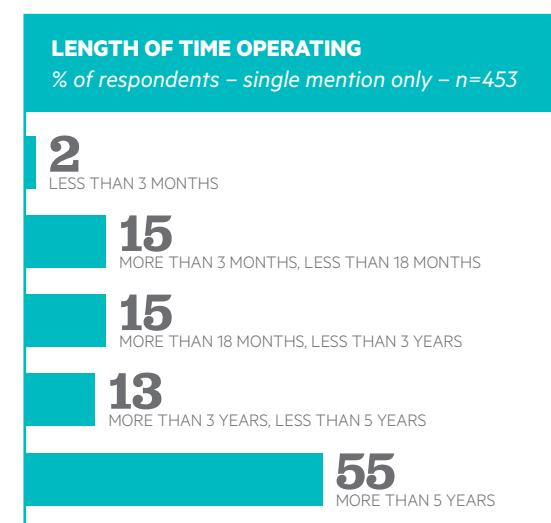
Respondents were asked to indicate the main industry in which they operate, using the Statistics South Africa standard industry classifications.



Over one-third of social enterprises classified themselves as being in the **education and training industry**, followed by **health and social work**, and **accommodation and food services**. With the first three categories accounting for 62% of the respondents’ enterprises, this could indicate the necessity of fulfilling basic human needs in a disadvantaged population.

3 LENGTH OF TIME OPERATING

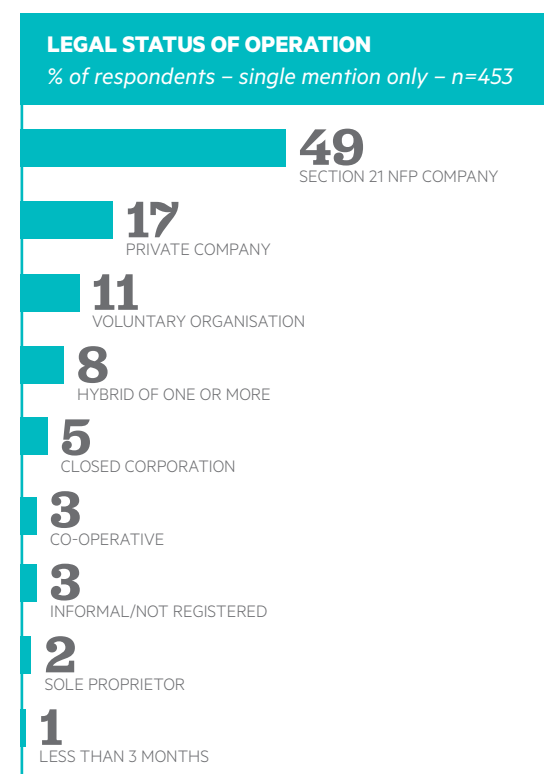
To understand how established South African social enterprises are, respondents were asked to indicate the period their enterprise had been operating, defined as receiving funds and serving beneficiaries or customers.



Over half had been **operating for over five years, and a further 13% had been operating for three to five years**. In other contexts, this might indicate the stability of an established sector. New social enterprises, those less than three years old, comprised 30% of the sample. Nascent social enterprises (those operating for less than three months) comprised 2% of the sample.

4 LEGAL STATUS OF ORGANISATION

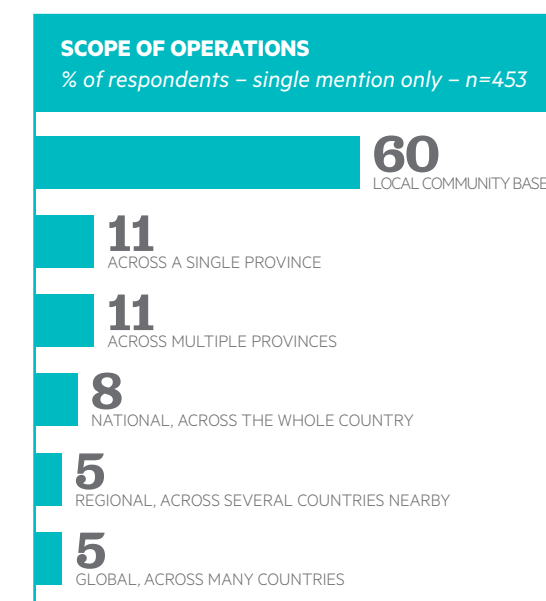
Given the current lack of a regulatory framework in which South African social enterprises can operate, it is particularly interesting to consider the legal status of organisations in this sample.



Almost half operate as **section 21 or not-for-profit (NFP) companies** and a further 11% as voluntary associations with a constitution. A sizeable portion (22%) are registered as private companies or closed corporations, structures intended to be for-profit. Interestingly, 8% of respondents indicated they had a hybrid structure that combined one or more of the other structures.

5 SCOPE OF OPERATIONS

The final question in this section focused on the scope of operations, asking respondents to indicate how far their operations extended.



Local community-based enterprises comprise the majority of the sample in this study. However, it is interesting that 18% operate nationally, regionally or globally.

SUMMARY OF ORGANISATIONAL FEATURES

- MOST ENTERPRISES IN THE SURVEY HAVE THEIR HEAD OFFICES IN GAUTENG PROVINCE, AND HAVE BEEN OPERATING FOR MORE THAN THREE YEARS
- THEY ARE FOCUSED ON MEETING BASIC NEEDS IN THE EDUCATION, HEALTH AND HOUSING SECTORS AND ARE LOCAL, COMMUNITY-BASED IN SCOPE
- MOST OFTEN, THEY ARE REGISTERED AS NOT-FOR-PROFIT LEGAL ENTITIES, ALTHOUGH ALMOST A THIRD ARE REGISTERED AS FOR-PROFIT ENTITIES OR HYBRIDS.

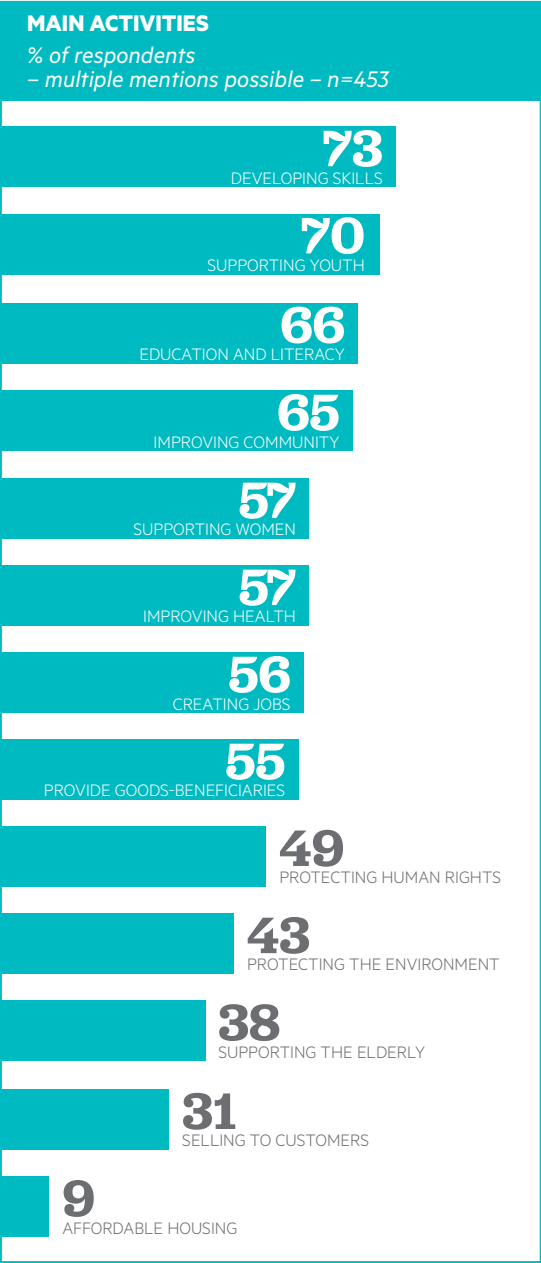
Activities undertaken by South African social enterprises

The third part of the study sought to understand what social enterprises do, for whom and how. Respondents were asked to describe: their main activities and achievements in the past 12 months; the extent to which stakeholders are involved in decision-making; levels of innovation and monitoring and evaluation practices.

1 MAIN ACTIVITIES

Respondents were asked to indicate which activities their organisation was currently engaged in.

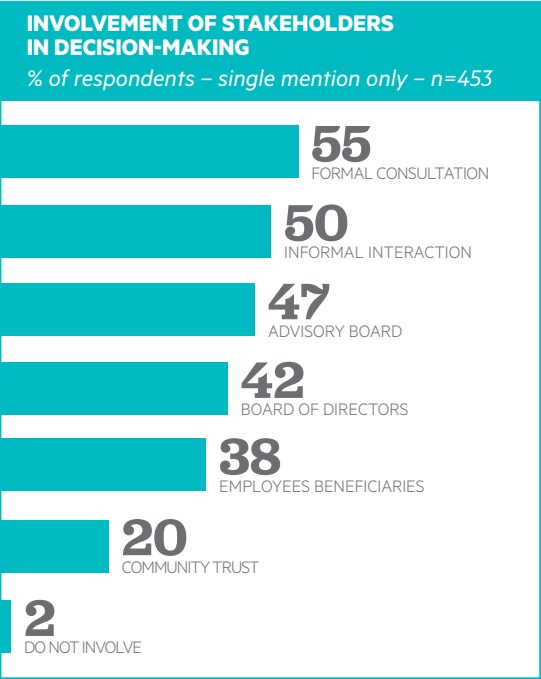
The majority of respondents indicated they were involved either in developing skills (73%) or promoting education and literacy (66%). They tend to focus on disadvantaged groups such as children and the youth, women and the elderly, or improving a particular community. Around half indicated they focused on health and well-being, or protecting human rights, while 43% were involved in protecting the environment. Job creation or providing goods and services to beneficiaries were other major focus areas.



2 INVOLVEMENT OF STAKEHOLDERS IN DECISION-MAKING

We probed the extent to which beneficiaries and other stakeholders were involved in key decisions on management and operations. Respondents were asked to characterise this involvement as: informal interaction; regular formal consultation; via an advisory board comprising beneficiaries and other stakeholders; through representation on the board of directors; via a community trust or directly because employees and managers are the main beneficiaries.

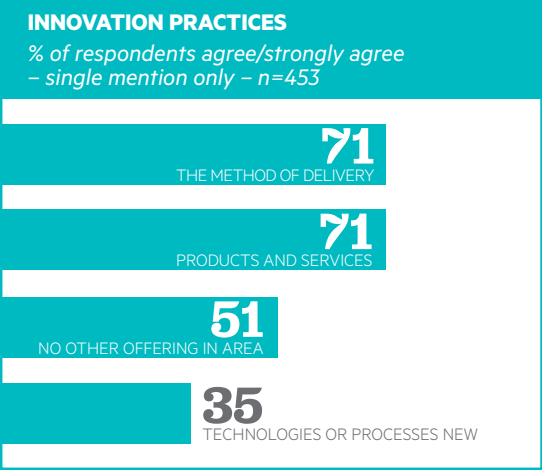
Very few respondents do not involve stakeholders and beneficiaries in key decisions. For others, there was both formal (54%) and informal interaction (50%) through advisory boards, the board of directors or a community trust. Almost 38% noted that employees and management were beneficiaries, and in that capacity, were involved in decision-making.



3 INNOVATION IN THE ORGANISATION

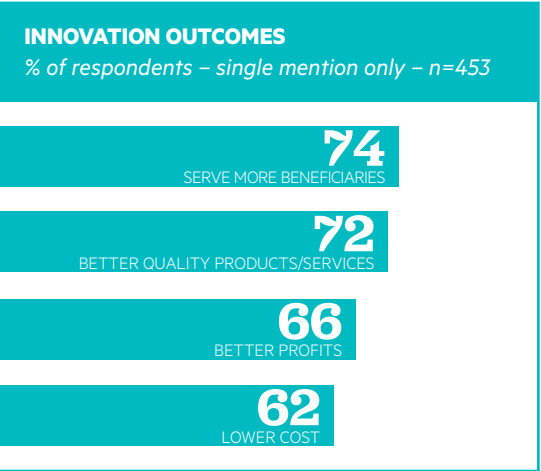
In terms of innovative practices, respondents were asked to what extent they agreed with statements on: goods and services being regarded by customers as new and different; delivery mechanisms being new and different; the uniqueness of goods and services in their sector; as well as the novelty of the underlying technologies and processes.

Over two-thirds believed customers and beneficiaries regarded their goods and services, as well as their method of delivery, as new and different. About half agreed there were no other organisations offering the same products and services in that area but only one-third agreed that underlying technologies and processes were novel.



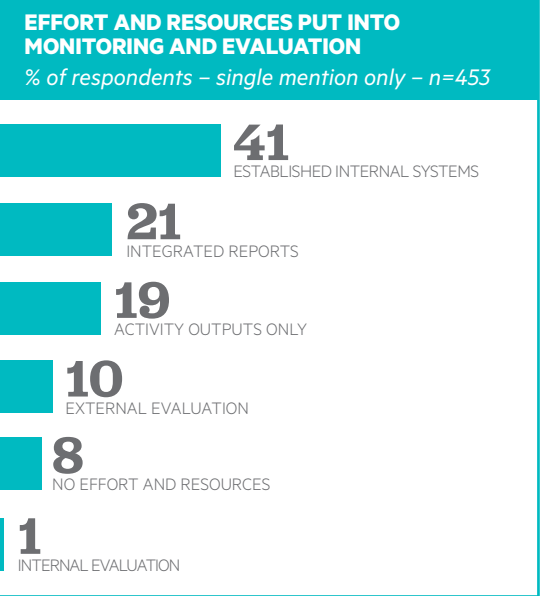
In addition, respondents were presented with statements on the outcomes of innovation, namely that it resulted in: better quality products and services; ability to serve more beneficiaries; ability to operate at lower cost; and ability to deliver better profits than similar organisations.

Most agreed that innovation had made their enterprises more effective, in different ways.



4 MONITORING AND EVALUATION

Three questions explored the respondents' monitoring and evaluation practices. Firstly, respondents were asked to indicate the degree of effort and resources assigned to monitoring and evaluation by indicating the nature of associated activities they had in place:

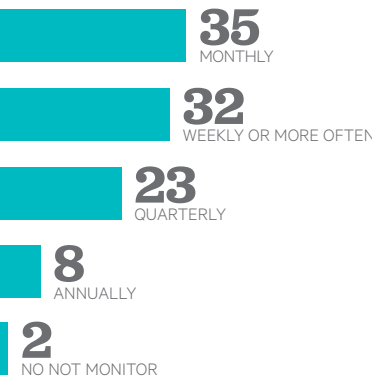


Four out of ten respondents said there were established systems in their organisations for monitoring and measuring their impact, while 21% said they produced integrated reports on their social and environmental impact. Over 18% of respondents measured only activity and outputs, and 8% put no effort or resources into monitoring and evaluation at all. Encouragingly, almost 90% of respondents said they monitored their activities, with two-thirds doing this at least once per month or more.

Asked to indicate when last the impact on beneficiaries had been evaluated, most respondents indicated this had taken place in the previous quarter.

FREQUENCY OF MONITORING

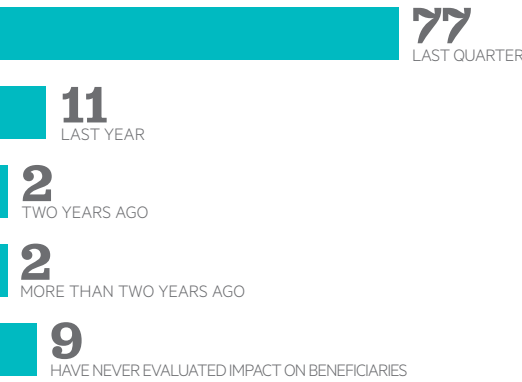
% of respondents – single mention only – n=453



As shown below, over three-quarters had evaluated their impact on beneficiaries in the last quarter, while a surprising 9% had never evaluated their impact on beneficiaries.

EVALUATION OF IMPACT ON BENEFICIARIES

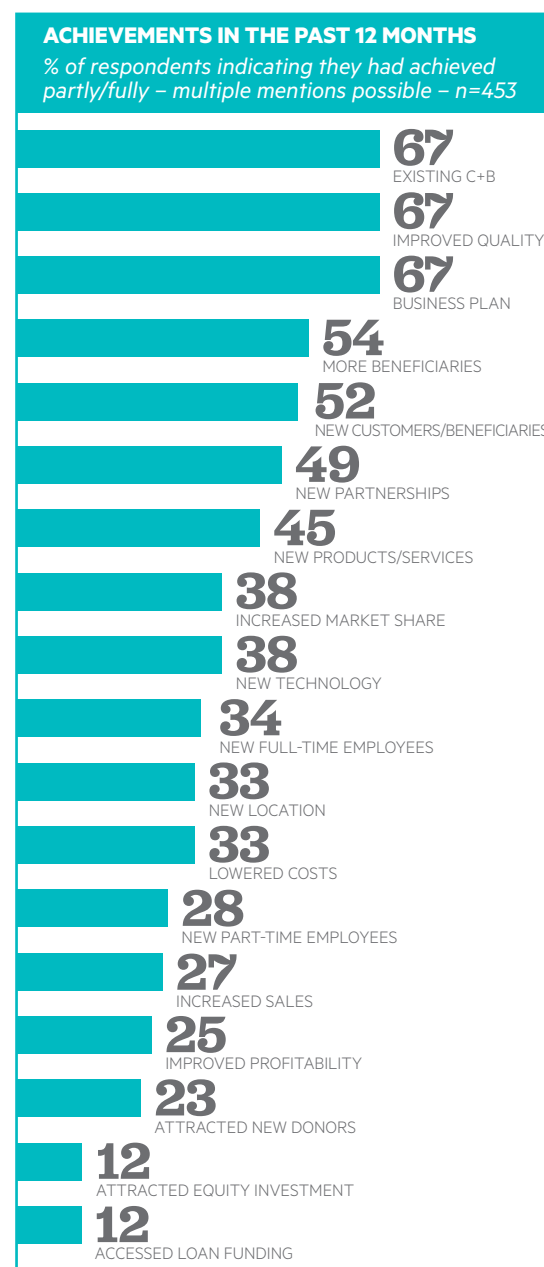
% of respondents – single mention only – n=453



5 ACHIEVEMENTS IN THE PAST 12 MONTHS

To understand the dynamism and effectiveness of social enterprises, respondents were asked to note their progress on 18 organisational indicators over the previous year. These included: increasing or maintaining customers and beneficiaries; expanding product range or market scope or level of innovation; increasing the number of employees; improving measures such as costs, sales, profitability, product/service quality and market share. Respondents were also asked to indicate whether they had prepared a business plan and attracted funding.

In the past 12 months, over two-thirds of social enterprises reported that they had served existing customers and beneficiaries (C + B in graph on right), improved their product/service quality and prepared a business plan. **Around half had expanded the number of beneficiaries they served**, entered new and important partnerships with another organisation or launched new products and services. Over one-third had implemented a new technology or increased market share. **Of all respondents, 38% had increased the number of full-time employees and a further 28% had increased their part-time employees.**



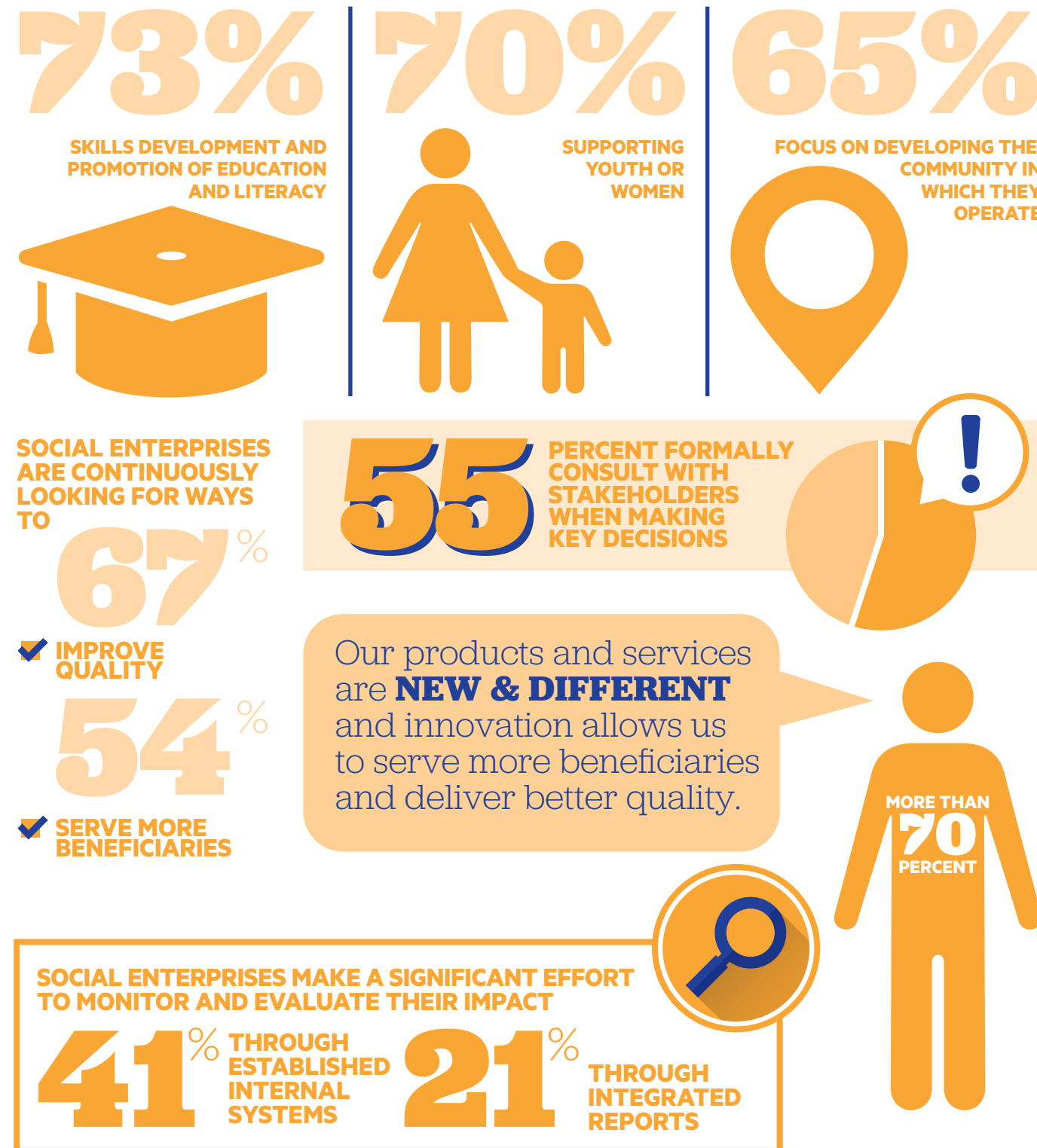
SUMMARY OF MAIN ACTIVITIES

- THE MAJORITY OF RESPONDENTS ARE INVOLVED IN DEVELOPING SKILLS OR PROMOTING EDUCATION AND LITERACY. THE FOCUS IS OFTEN ON DISADVANTAGED GROUPS SUCH AS CHILDREN AND THE YOUTH, SUPPORTING WOMEN OR IMPROVING A PARTICULAR COMMUNITY
- RESPONDENTS AGREE THAT INNOVATION HAD MADE THEIR ENTERPRISES MORE EFFECTIVE, ALLOWING THEM TO SERVE MORE BENEFICIARIES AND DELIVER BETTER PRODUCTS AND SERVICES. FOR MANY, INNOVATION SUPPORTED BETTER PROFITS AND OPERATING AT LOWER COST
- STAKEHOLDERS ARE ROUTINELY INVOLVED IN DECISIONS IN HALF THESE ORGANISATIONS, OFTEN THROUGH ADVISORY BOARDS, A BOARD OF DIRECTORS, OR COMMUNITY TRUSTS
- INTERNAL MONITORING AND LEARNING SYSTEMS ARE ESTABLISHED IN MANY ORGANISATIONS, WITH SOME PRODUCING INTEGRATED REPORTS ON THEIR SOCIAL AND ENVIRONMENTAL IMPACT. MONITORING PROGRESS AND ACHIEVEMENTS HAPPENS WEEKLY OR MONTHLY IN MOST ORGANISATIONS, AND THE MAJORITY EVALUATE THEIR IMPACT ON BENEFICIARIES OFTEN
- OVER THE PAST 12 MONTHS, RESPONDENTS CONSIDERED THEIR ABILITY TO SERVE EXISTING CUSTOMERS AND BENEFICIARIES AS AN ACHIEVEMENT. MANY IMPROVED THEIR PRODUCT/SERVICE QUALITY AND PREPARED A BUSINESS PLAN. AROUND HALF EXPANDED THE NUMBER OF BENEFICIARIES THEY SERVED, ENTERED A NEW AND IMPORTANT PARTNERSHIP WITH ANOTHER ORGANISATION OR LAUNCHED NEW PRODUCTS AND SERVICES.

What do they do?

Activities and practices of South Africa's social enterprises*

*data based on a national sample of 453 social enterprises



Myres K., Mamabolo A., Mugudza N. and Jankelowitz L., (2017). Survey of Social Enterprises in South Africa, Entrepreneur Development Academy, Gordon Institute of Business Science, University of Pretoria.

Case Study

Dr Hajira Mashego-Skaal:

Dr Hajira Mashego-Skaal: A 2017 graduate of the GIBS Social Entrepreneurship Certificate Programme

Low physical activity and increasing obesity levels in SA sees Hajira find a social solution

"The GIBS programme helped me shift my thinking style from that of a typical scientist to that of a social entrepreneur."

Dr Hajira Mashego-Skaal is the founder of the social enterprise Fitness Junction, which is far more than just an ordinary gym. "Fitness Junction is about using physical fitness to achieve positive health outcomes," says Hajira, who coined the slogan "Where fitness meets health" for her enterprise.

The first Fitness Junction is located in Danville, Pretoria, and targets township-based adults, who are 16 years and older. "A key focus of Fitness Junction is on adults located in townships who suffer with chronic lifestyle diseases such as diabetes or hypertension," says Hajira, who has now set up a referral system for General Practitioners (GPs) to refer clients to her gym.

But her journey before setting up Fitness Junction began with a lot of hard work at school, and then, with years of tertiary study. Hajira matriculated at St. Ursula's Convent in Krugersdorp, Gauteng, and went on to study a Bachelor of Science in Physiotherapy. Then she began her ambitious postgraduate qualification plan, first completing an Advanced Diploma in Physiotherapy focusing on Sport and Exercise, then completing a Masters Degree in Public Health, and finally obtaining a PHD in Human Movement Science.

Hajira attended the Social Entrepreneurship Certificate Programme at GIBS in 2016, an experience she says helped her shape the Fitness Junction model correctly. "The GIBS programme helped me shift my thinking style from that of a typical scientist to that of a social entrepreneur. It gave me confidence to make business decisions that I knew were right. Initially, I was considering a sports academy but as I moved through the GIBS programme, I came to realise that this would not work.

"And so, I started working on the fitness-meets-health concept, and as I handed my assignments in they came back to me with all the right boxes ticked. Fitness

Junction began to develop as a health-focused exercise service that can scale and be made available to more and more people."

"The findings of my PHD study had revealed that physical activity levels are very low amongst black South Africans and that obesity is on the increase amongst the black population as are chronic diseases of lifestyle. These findings were a key driver in starting a social enterprise focused on improving people's health and raising health awareness."

Hajira says the GIBS programme gave her the confidence to leave the public service and jump into the unknown world of social entrepreneurship.

"Health testing, exercise prescription and nutrition advice are integrated into the model, while we offer everything that the big gym brands offer - a cardio area, aerobics and spinning studios, a free weight area, circuit, weight building, boxing and a personal training zone. A group of five health and wellness professionals form the backbone of the Fitness Junction team and they conduct health and fitness screenings and provide professional counsel and guidance."

"Exercise is medicine and that is the essence of our offering," she adds.

Fitness Junction is currently obtaining registration to subscribe to the medical aid schemes benefit programmes. This is a big enabler for expansion of the Fitness Junction concept into other areas because it effectively provides a strong endorsement. Together with the GP referral system, the enterprise is gaining important buy-in from the healthcare sector.

Hajira says she is also reaching out to the elderly which is why special rates are available to pensioners. "We have specially designed classes for older people," she says.

Hajira is working on a franchise model to allow for expansion of the initiative, which ultimately addresses a serious and rapidly growing national health problem.

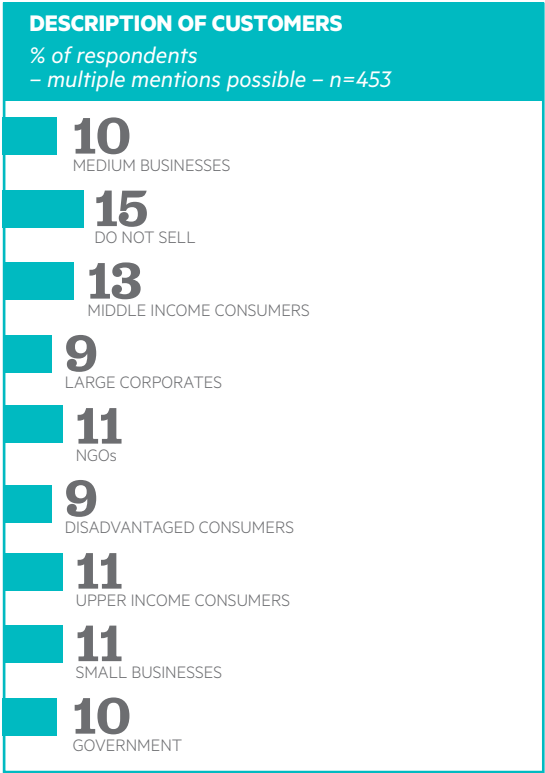
The Fitness Junction in Danville, Pretoria, officially opened on 23 February 2018. To get in touch call **(012) 3860501** or email **info@fitnessjunction.net** or visit **www.fitnessjunction.net**.

Customers, beneficiaries and employees

To understand the customers and beneficiaries of South Africa's social enterprises, respondents were asked to describe the customers they target for their goods and services. They were also asked to describe the type and number of beneficiaries they serve each month.

1 DESCRIPTION OF CUSTOMERS

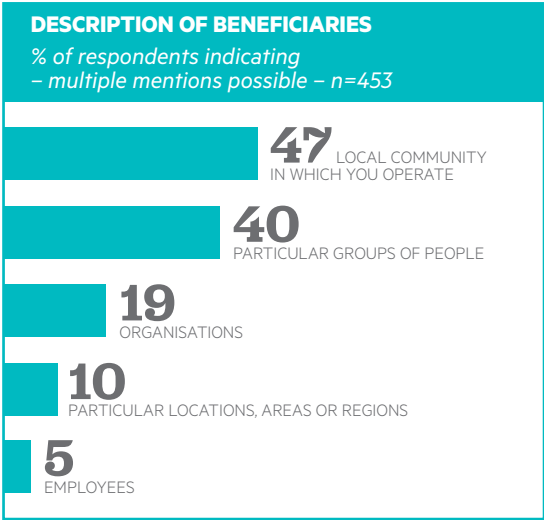
Respondents were asked to describe the profile of their customers, defined as the group they sell goods or services to currently. They were free to indicate all descriptions that applied to their enterprise.



Almost one-quarter of respondents indicated that they do not currently sell goods or services, which questions whether they are really social enterprises. Most described their customers as disadvantaged consumers (38%) or middle-income consumers (32%). Interestingly, government was a trading partner in a quarter of cases.

2 DESCRIPTION OF BENEFICIARIES

Respondents were asked to describe their main beneficiaries by selecting one or more of the following statements: local community in which you operate (including suppliers, producers and customers); particular groups of people (such as the aged, disabled, women, youth and impoverished people); particular locations (such as the inner city, rural areas or underdeveloped areas); organisations such as small businesses, NGOs, self-help groups, community and religious groups) and employees (specifically hired to address particular challenges).



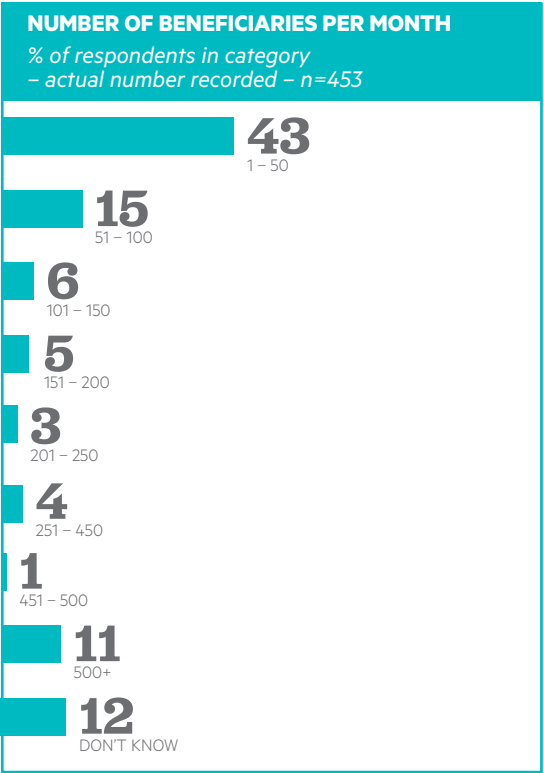
Most described their beneficiaries as being from the local community or particular groups of people, and only a minority considered their own employees to be the main beneficiaries.

SUMMARY OF CUSTOMERS, BENEFICIARIES AND EMPLOYEES

- THE VAST MAJORITY OF SOCIAL ENTERPRISES IN THIS SAMPLE EMPLOY BETWEEN 1 AND 50 PEOPLE. THEY MOSTLY DESCRIBED THEIR CUSTOMERS AS DISADVANTAGED CONSUMERS, MIDDLE-INCOME CONSUMERS OR SMALL BUSINESSES.
- BENEFICIARIES ARE MAINLY FROM THE LOCAL COMMUNITY OR PARTICULAR GROUPS OF PEOPLE. WHILE THE AVERAGE NUMBER OF BENEFICIARIES SERVED IS 412, MOST ORGANISATIONS SERVE UNDER 100 PER MONTH.

3 NUMBER OF BENEFICIARIES PER MONTH

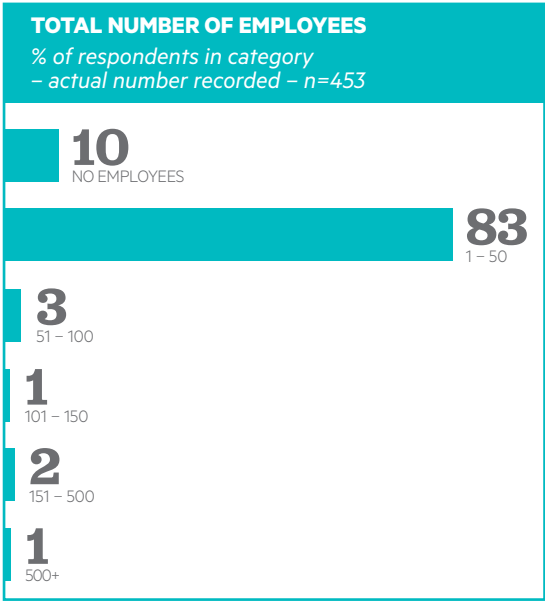
The majority of respondents serve 100 or fewer beneficiaries per month, with the average number being 412 and the median or mid-point number being 52.



Almost 12% of the sample don't know how many beneficiaries they serve each month. Most serve under 100 beneficiaries per month. Respondents were also asked to indicate how many of their beneficiaries were organisations, and how many were individuals. The average number of individual beneficiaries was 342, and 154 for organisational beneficiaries.

4 EMPLOYEES IN THE ENTERPRISE

In addition to total number of employees in each enterprise, respondents were also asked to indicate the breakdown of permanent salaried posts, temporary or contract employees, and volunteers.



The vast majority of social enterprises said they employed between 1 and 50 people.

The average number of employees is 30, with the median number being 8 employees. The average number of permanent employees is 21, while the mean number of temporary or contract workers is 12 and the mean number of volunteers is 15. This suggests that organisations are more likely to employ on a full-time basis than to use contract/temporary or volunteer workers.

Who do they serve?

Beneficiaries, customers and employees of South Africa's social enterprises*

*data based on a national sample of 453 social enterprises



BENEFICIARIES TEND TO BE FROM LOCAL COMMUNITIES IN WHICH THE SOCIAL ENTERPRISES OPERATE

47%



SALES OF GOODS AND SERVICES

disadvantaged consumers

38%

middle-income consumers

32%

non-government organisations

28%

small businesses

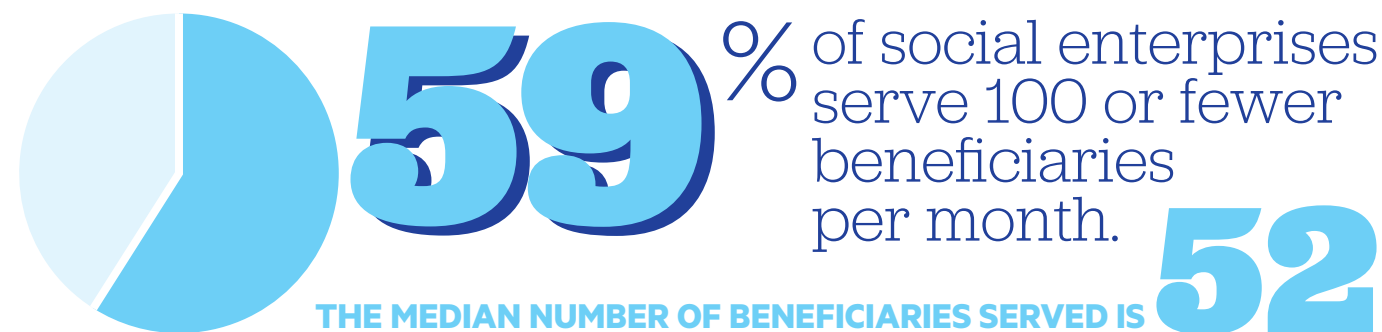
28%

PERMANENT FULL-TIME EMPLOYEES

83% PERCENT EMPLOY FEWER THAN FIFTY PEOPLE



THE MEDIAN NUMBER OF EMPLOYEES PER ENTERPRISE: 8



Case Study Itumeleng Hlapane

Itumeleng Hlapane: A 2017 graduate of the GIBS Social Entrepreneurship Certificate Programme

A new networking hub and organic eatery for African entrepreneurs opens up in the Vaal

"Effectively, a sustainable social enterprise model has been created right in a retail area not far from Gauteng's poorest 'skwatta' camps."

Itumeleng Hlapane is a disruptor, social entrepreneur, founder and chief executive officer of the social enterprise SHAPE Café and a Gordon Institute of Business Science Business mentor and alumnus.

After matriculating from the Thuto-Tiro Comprehensive School in the Vaal area, he spent many years working as a professional dance performer and choreographer, during which time he clocked up numerous awards and became a brand ambassador for a popular shoe brand.

Having lived in and around the Vaal most of his life whole life, Itumeleng came to realise that there were very few places where aspiring entrepreneurs and young people with great ideas could gather to work or network and share ideas. Furthermore, there were very few places that served great coffee and healthy café food at affordable prices. This is when the idea for SHAPE Café was born.

Itumeleng attended the Social Entrepreneurship Programme at GIBS in 2016 and graduated in 2017. "The programme really helped me grow my confidence, especially when dealing with well-established suppliers and business executives, which can be daunting. Through the programme, I also connected with a lot of influential people who I am still in touch with today."

"I saw a lack of sufficient resources, funds and structures to support small businesses and aspiring entrepreneurs around the Vaal area, as well as a lack of decent eateries that sell healthy, organic food. I combined these two negatives into a positive healthy space where entrepreneurs can gather, talk and plan around scaling their

businesses. I wanted to create a convenient business development hub to help people formalise their businesses and link them with impact investors."

Itumeleng says the GIBS programme also helped him to pitch his business with confidence and gave him a strong skills foundation in strategic planning, financial management and general business management. "The programme literally built the SHAPE Café and now that I look back, I realise that it engendered leadership skills in me as well," he says.

Itumeleng had identified a gap in the market and he filled it by developing a healthy organic coffee shop that doubled up as a working and networking space with basic administration services for small business owners and aspiring entrepreneurs. "I strongly believe in demand creation as opposed to demand supply. We created a demand for coffee in a non-existent market and soothed it with a convenient working space right in the middle of Sebokeng township, which is an industrial community with few corporate companies and very few young professionals whom you can easily entice to enjoy the connected-coffee lifestyle. Retail spaces are nearby, but they do not house any internet café/ coffee shop kind of environments."

"Effectively, a sustainable social enterprise model has been created not far from one of Gauteng's poorest 'skwatta' camps," he says.

Itumeleng adds that the words of Charlie Chaplin, who said, "More than machinery we need humanity. More than cleverness, we need kindness and gentleness," continue to guide him. His biggest inspiration has to be Vusi Thembekwayo, who is a world renowned South African entrepreneur, public speaker and venture capitalist, a young black South African man with a deep and real commitment to African economic development."

To find out more about SHAPE Café, please call **073 988 8618**, email Itumeleng@shapecafe.co.za or visit www.shapecafe.co.za.

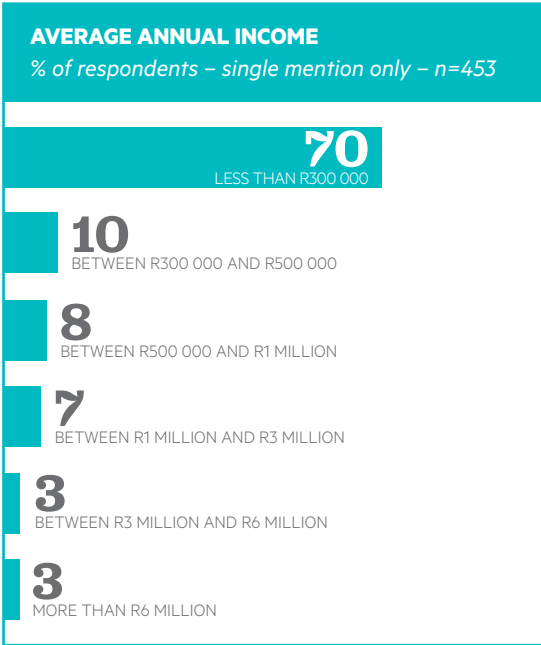
Financial status and funding mechanisms

The study set out to understand the financial characteristics of organisations in the sample. Respondents were asked to indicate the average annual income of the enterprise, level of growth in the last 12 months, whether they recorded a surplus or profit, and what that had been used for. They were also asked to describe the main ways in which money came into the organisation and to rank these in importance. Finally, they were asked whether they had applied for different types of funding in the previous year, whether the application had succeeded and, if so, how the money had been used.

1 AVERAGE ANNUAL INCOME

To establish income, respondents indicated the current average annual income of the enterprise.

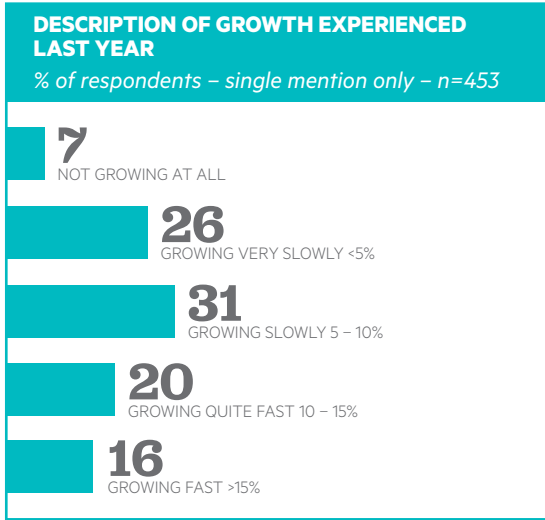
Most social enterprises reported an average annual income of under R300 000 (less than R25 000 per month). Only 12% of the total sample reported an income exceeding R1 million. This suggests that social enterprises in South Africa tend to be very small.



2 DESCRIPTION OF GROWTH

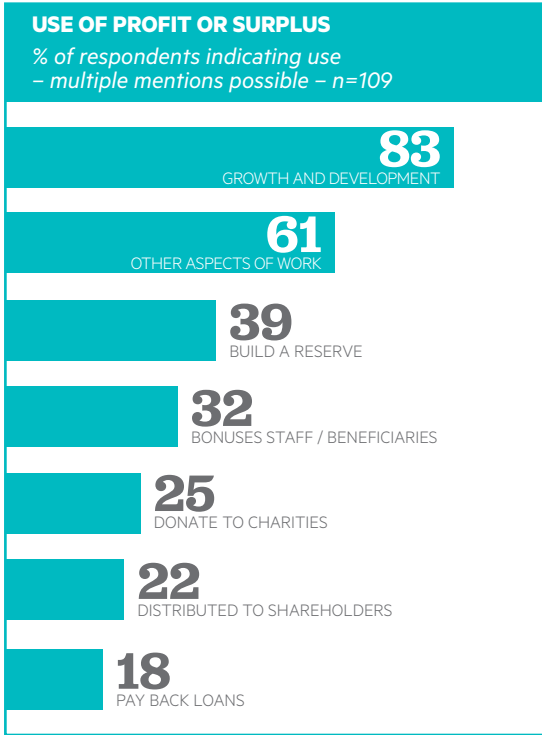
Respondents were asked to select a single statement that described their organisation's income growth in the past year.

Most organisations reported growth in the past 12 months, with over a third saying that they were growing either quite fast or fast.



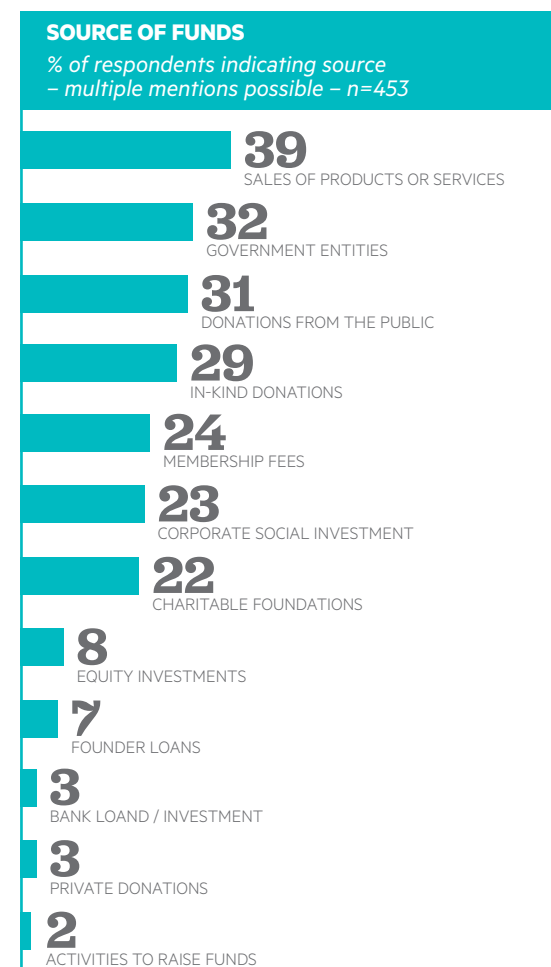
3 USE OF PROFIT OR SURPLUS

Only one-quarter of respondents **indicated that the enterprise had made a profit**. This was mainly used for growth and development of the social enterprise, or to cover the cost of other aspects of its work. In almost one-third of cases, profits or surpluses were used to pay bonuses to staff or beneficiaries.

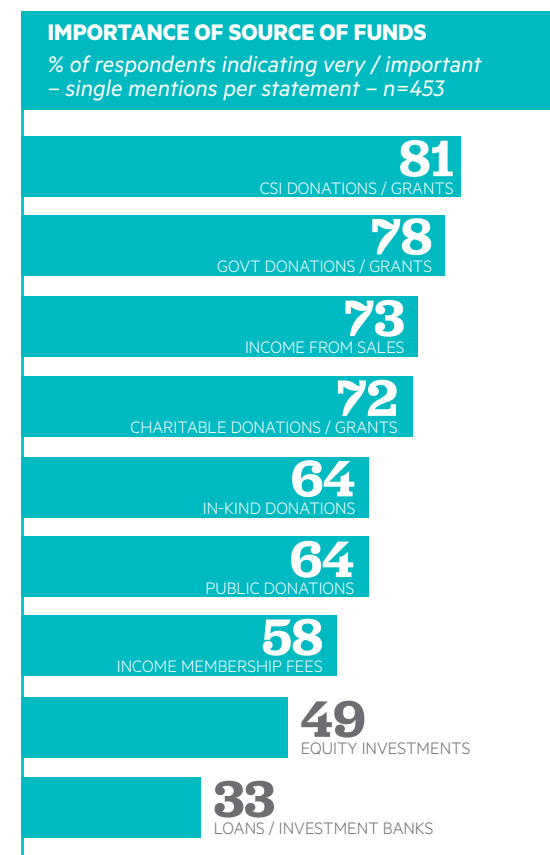


4 SOURCE OF FUNDING

Respondents were asked to indicate, from a list of ten statements, all the main ways money came over the previous 12 months. Interestingly, 'sales of products and services' was mentioned by four of every ten respondents as a source of funds, which is fitting since these organisations are social enterprises.

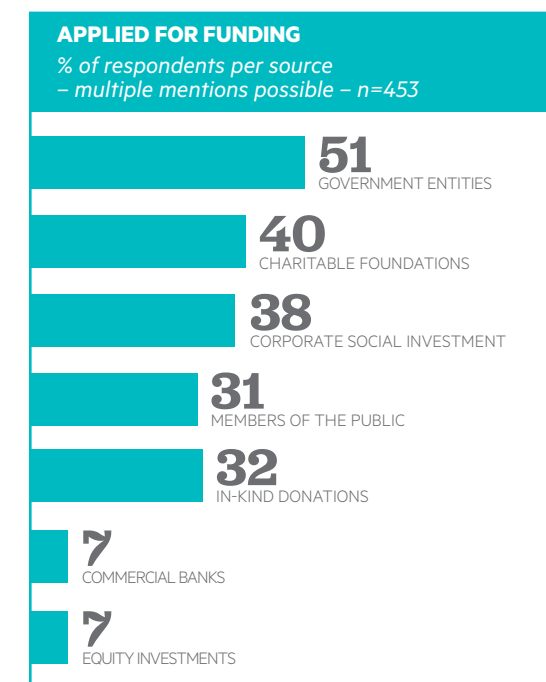


Corporate social investment was the highest-ranked source of funds, followed by government entities, charitable foundations and sales of products or services. In-kind donations, donations by the public, equity investments and membership fees were regarded as 'important' or 'very important' by three-quarters of the sample. Loans from commercial banks were regarded as important by only 47% of the sample.



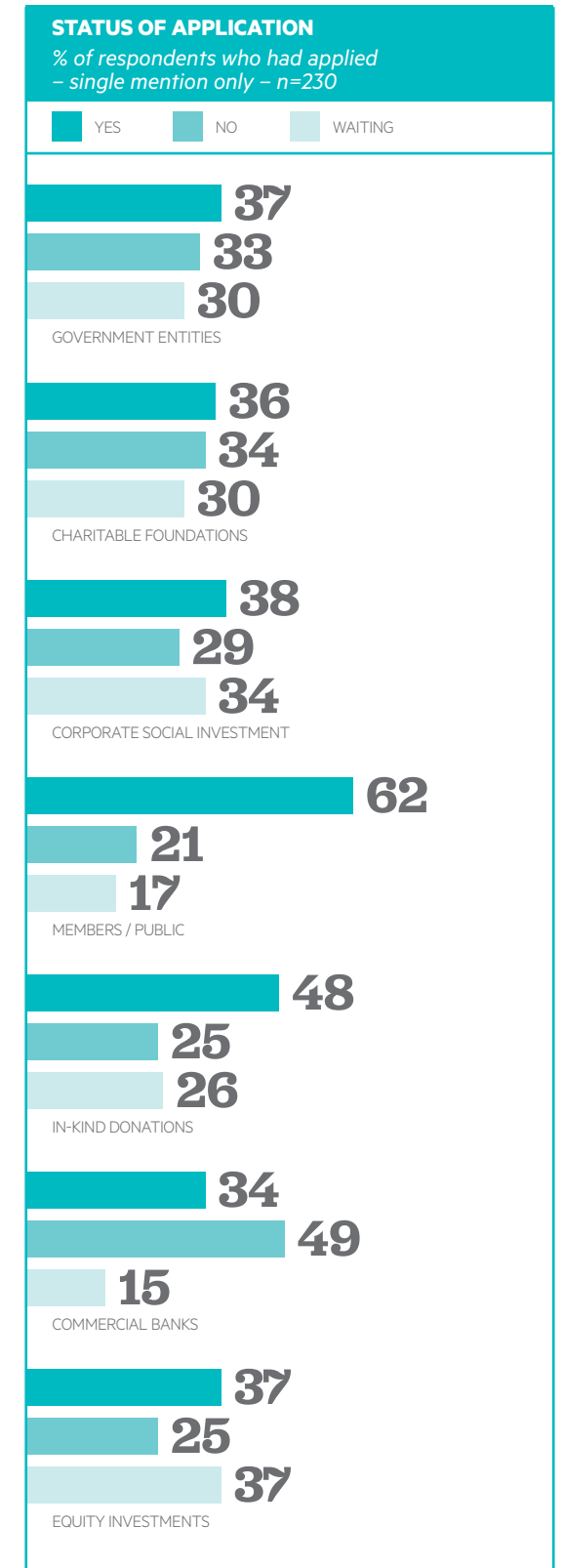
5 APPLIED FOR AND SUCCEEDED IN OBTAINING FUNDING

Respondents were asked to identify which sources of funding had been applied for in the past 12 months. Half had applied for grants or donations from government entities, and only 7% had applied for loans or investments from commercial banks or approached equity investors.



Of those that applied for funding in the previous 12 months, respondents were asked to indicate the status of that application.

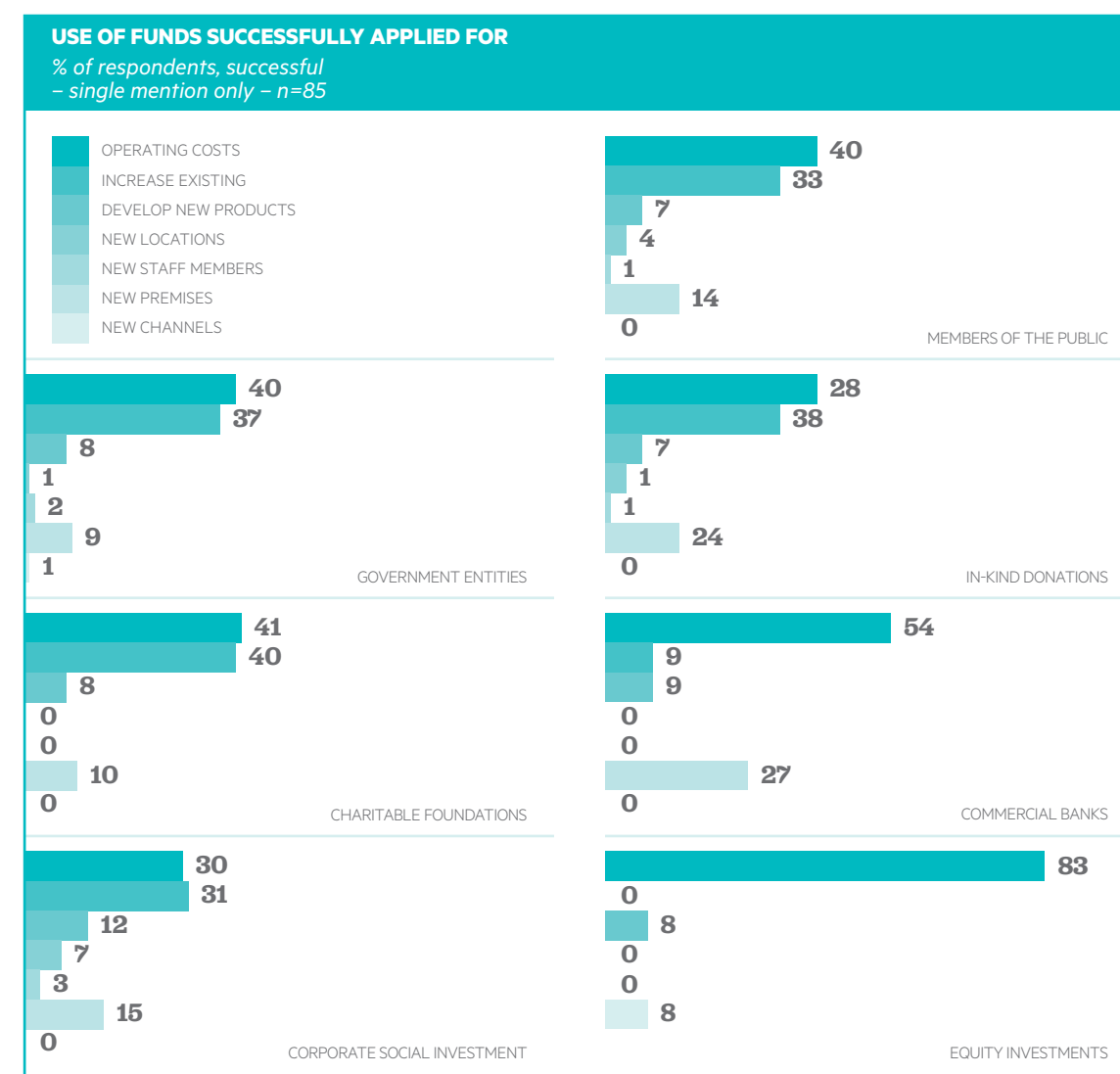
Of those who applied for government grants or donations, almost 40% had succeeded. For applications from charitable foundations, 36% had been successful. Corporate social investment sources demonstrated a similar pattern, with 38% of applications successful. Approaches to the general public succeeded in 62% of cases.



4 USE OF FUNDS

Respondents who had successfully applied for funds were asked how they had used the funds. On the whole, funds applied for from any source were used to cover operating costs or increase support for existing

beneficiaries (increase existing in the following graph). For in-kind donations and corporate social investment, funding was sometimes used to develop new premises in new locations.



SUMMARY OF FINANCIAL STATUS AND FUNDING MECHANISMS

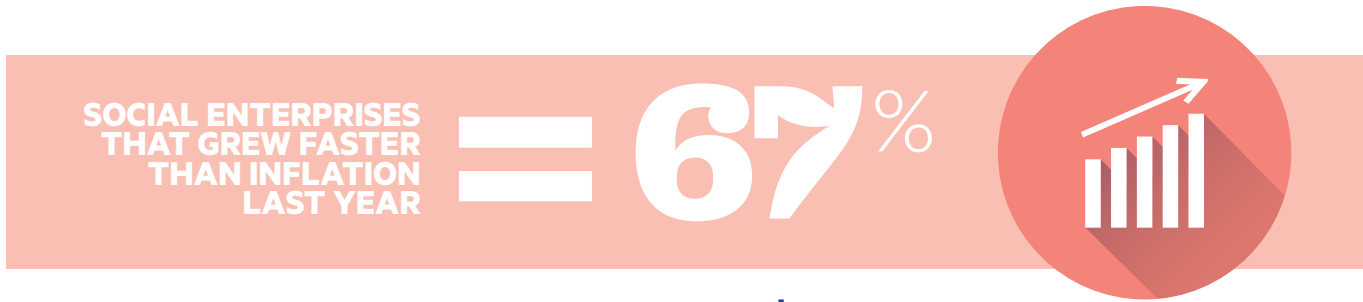
- SOCIAL ENTERPRISES IN THIS STUDY ARE GENERALLY SMALL (ONLY 12% HAVE ANNUAL INCOME OVER R1 MILLION). HOWEVER, THEY ARE GROWING, WITH OVER 65% REPORTING GROWTH ABOVE INFLATION. MOST DO NOT MAKE A PROFIT OR SURPLUS AND THOSE THAT DO MAKE PROFITS (AROUND ONE-FIFTH) TEND TO REINVEST THIS IN THE FURTHER GROWTH AND DEVELOPMENT OF THE ENTERPRISE
- WHILE MOST RESPONDENTS NOTE SALES FROM GOODS AND SERVICES AS A SOURCE OF INCOME, BY IMPORTANCE CORPORATE SOCIAL INVESTMENT RANKS HIGHEST, FOLLOWED BY GOVERNMENT ENTITIES AND CHARITABLE FOUNDATIONS, AHEAD OF THE SALE OF PRODUCTS AND SERVICES
- THE SOCIAL ENTERPRISES WERE MOST LIKELY TO HAVE APPLIED FOR FUNDING FROM GOVERNMENT ENTITIES, CHARITABLE FOUNDATIONS AND CORPORATE SOCIAL INVESTMENT FUNDS, BUT WERE MOST LIKELY TO SUCCEED IN ATTRACTING FUNDS FROM MEMBERS OF THE PUBLIC. WHILE THEY WERE LEAST LIKELY TO HAVE APPLIED FOR FUNDING FROM COMMERCIAL BANKS OR EQUITY PARTNERS, THEY WERE JUST AS LIKELY TO SUCCEED WITH THESE APPLICATIONS AS WITH OTHER SOURCES
- IN GENERAL, FUNDS FROM SUCCESSFUL APPLICATIONS WERE USED TO COVER OPERATING COSTS OR INCREASE SUPPORT FOR EXISTING BENEFICIARIES.

How are they funded?

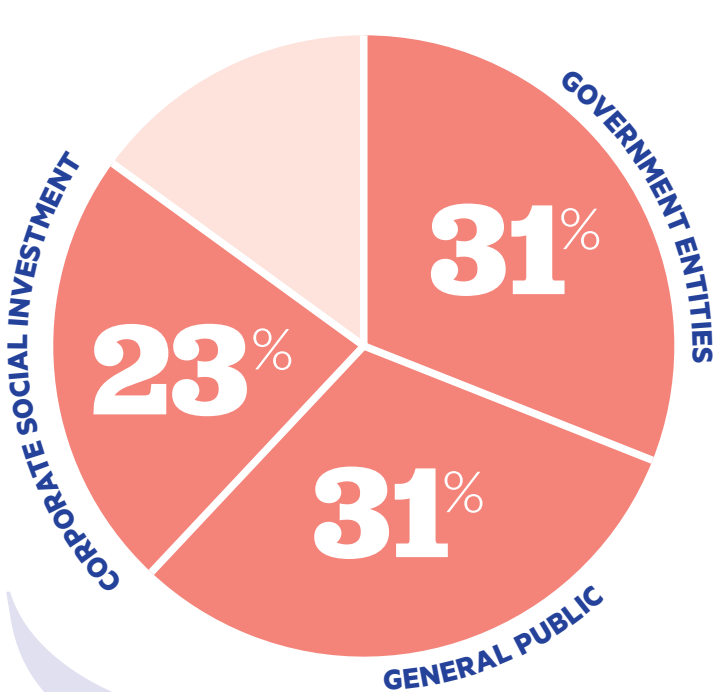
Financial status and funding mechanisms in South Africa's social enterprises*

*data based on a national sample of 453 social enterprises

80% HAVE AN INCOME OF LESS THAN R500 000 ANNUALLY



GRANTS/DONATIONS



37% of funding applications are successful

Myres K., Mamabolo A., Mugudza N. and Jankelowitz L., (2017). Survey of Social Enterprises in South Africa, Entrepreneur Development Academy, Gordon Institute of Business Science, University of Pretoria.

Case Study

Maurisa Moloto

Maurisa Moloto: A 2017 graduate of the GIBS Social Entrepreneurship Certificate Programme

A speech therapist with a passion places early childhood development in SA in the spotlight

"I wanted to improve the quality of early learning programmes and to positively impact childhood development in Africa and felt that this programme was right for me."

Maurisa Moloto attended Rustenburg High School for Girls in Cape Town and went on to complete her Bachelor of Science degree in Speech and Language Pathologies. She took a gap year, working as a child minder, while also volunteering at a nearby Autistic School. She then worked as a community speech therapist for the Gauteng Department of Health when her work focused on community clinics in Sebokeng, Orange farm, Sharpeville, Vanderbijlpark and surrounding areas. "I loved this experience," she recalls.

Last year, Maurisa took the plunge away from permanent employment into social entrepreneurship and set up The Lesedi Project, a play-based language and literacy programme which facilitates asset-based community development. Having heard about the GIBS Social Entrepreneurship Certificate Programme through a friend and mentor, Maurisa decided to attend the Programme, and began the first block of the four-block programme in February 2017.

"I wanted to improve the quality of early learning programmes and to positively impact childhood development in Africa and felt that this programme was right for me. I quickly learned how collaboration and multi-disciplinary teamwork could support my goal in an impactful way and help me bring about sustainable change," says Maurisa.

Maurisa says that the decision to launch The Lesedi Project was largely inspired by her colleagues who were also taking part in the GIBS Social Entrepreneurship Programme. "They shared their stories of success and the great impact their enterprises were making in communities, and on the African continent. This inspired me. Through the social business model canvas that was workshopped as part of the Programme I also learned how to shape and present my ideas through public speaking, elevator pitches and documentation."

It was after having her first child that Maurisa felt a strong need to take action and address the Early Childhood Development (ECD) challenges that South Africa faces. "I realised my own experience of my daughter's antenatal and early development was that of the exception, something that children in under-resourced communities are denied. I wanted to change that."

Through the GIBS programme, Maurisa says that she has grown in her ability to present herself and The Lesedi Project to other stakeholders and to the corporate world. "I have gained confidence and have a new-found ability to network which has proven invaluable. The GIBS programme also helped me shape the business strategy for The Lesedi Project, which has played an important role in giving it legitimacy. But it has also taught me to stand on the shoulders of giants who are doing great work and those who have already done great work before me." Maurisa says she remains in touch with the other social entrepreneurs who took part in the programme.

Her work through The Lesedi Project sees Maurisa consult to private schools, non-profit companies and socially relevant companies. She works closely with community schools and ECD centres. "Our focus is on under-resourced communities and schools that are challenged by limited resources or struggle with poverty in their community."

She says her grandmother was illiterate as she had to go work to help put her siblings and then other extended family members through school. "Her impact in caring for and nurturing young hearts at her own expense, showed me how important the early years of childhood are," says Maurisa, who lost her grandmother in her matric year.

Says Maurisa, "Lesedi means Light in Sotho, which is my married Sotho name, so I called the project The Lesedi Project in order to shine a light on education, but also to keep reminding myself to let my light shine and let it be powerful."

"My GIBS group was amazing and we still support and encourage each other on our own individual and social entrepreneurship journeys."

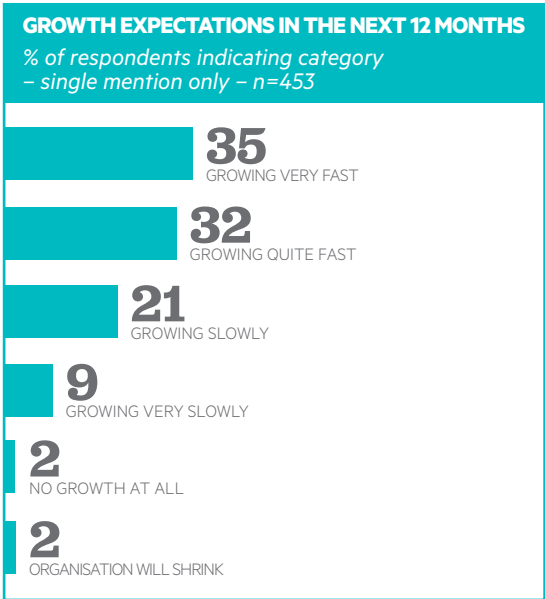
For more information on The Lesedi Project call **0724914091** or email **thelesediproject@gmail.com**. You can also visit Facebook: **TheLesediProject** or find the project on Twitter: **@LesediProject**.

Plans and challenges

To understand how South African social enterprises view the future, respondents were asked to indicate: how much they expected the organisation to grow in the next 12 months; the main ways in which they planned to achieve growth; and the challenges that might prevent them from growing in future.

1 GROWTH EXPECTATIONS

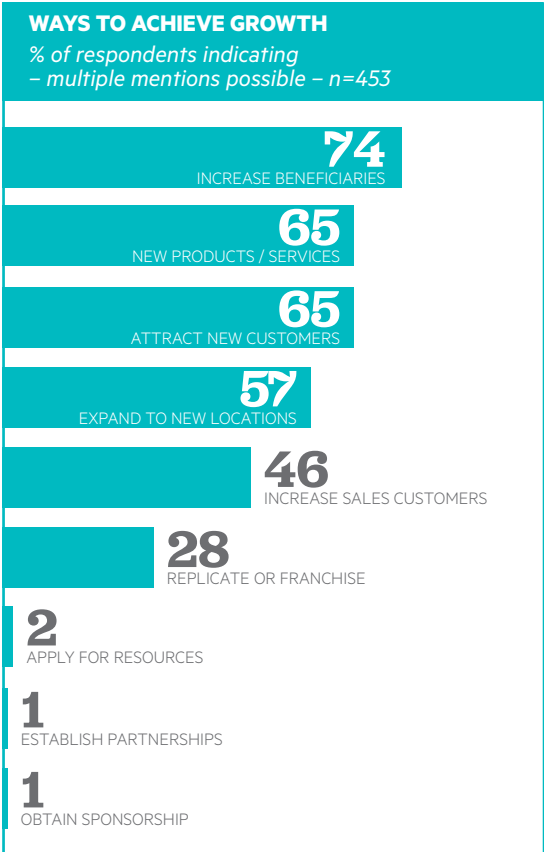
Respondents were asked to indicate their expectations for growth in the next 12 months, defined as: very fast (+15%); quite fast (10-15%); slowly (5-10%); very slowly (-5%); no growth at all; and expecting the organisation to shrink.



Nearly two-thirds **expect their organisations to grow very or quite fast in the next 12 months**. However, this is an optimistic view given the historical growth of these organisations.

2 WAYS TO ACHIEVE GROWTH

Respondents were asked to indicate how this growth would be achieved over the next 12 months. Three-quarters intend to increase services to existing beneficiaries, while almost two-thirds plan to launch new products and services or attract new customers.



3 MAJOR CHALLENGES

Finally, respondents were asked to describe the major challenges their organisations faced in the next three years by ranking each of 18 challenges (as 1 = not at all and 5 = to a great extent).

When these challenges are clustered into categories, it is clear that **access to resources** is a dominant theme. This includes challenges in donations and grant funding; lack of suitable premises and equipment; access to capital; and access to support and advisory services. **Managing financial resources** is a related challenge, including cash flow and late payments from customers. Respondents also feel challenged by **macro-environmental conditions** such as the economy and crime, as well as regulatory conditions and access to public services.

Perhaps less so than expected, respondents feel challenged by a **shortage of skills**, particularly the inability to pay for the right skills; and a shortage of financial, managerial, technical and marketing skills. Recruiting senior managers at executive level and non-executive board members is also a challenge.

SUMMARY OF FUTURE PLANS AND CHALLENGES

- MOST RESPONDENTS EXPECT THEIR ORGANISATIONS TO GROW RAPIDLY IN THE NEXT 12 MONTHS. THIS WILL SUPPORT INCREASED SERVICES TO EXISTING BENEFICIARIES, LAUNCHING NEW PRODUCTS AND SERVICES, AND ATTRACTING NEW CUSTOMERS
- HOWEVER, THEY BELIEVE GROWTH COULD BE INHIBITED BY THEIR ABILITY TO ACCESS FINANCIAL AND PHYSICAL RESOURCES, HOW THEY MANAGE FINANCIAL RESOURCES, AS WELL AS MACRO-ENVIRONMENTAL CONDITIONS AND SKILLS SHORTAGES.

MAJOR CHALLENGES FACING SOCIAL ENTERPRISES

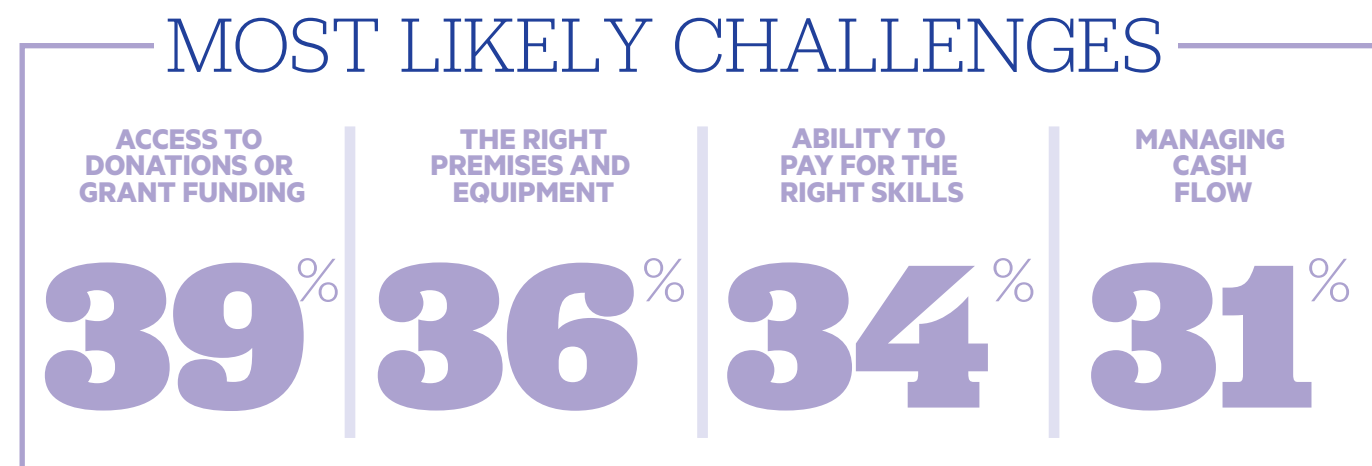
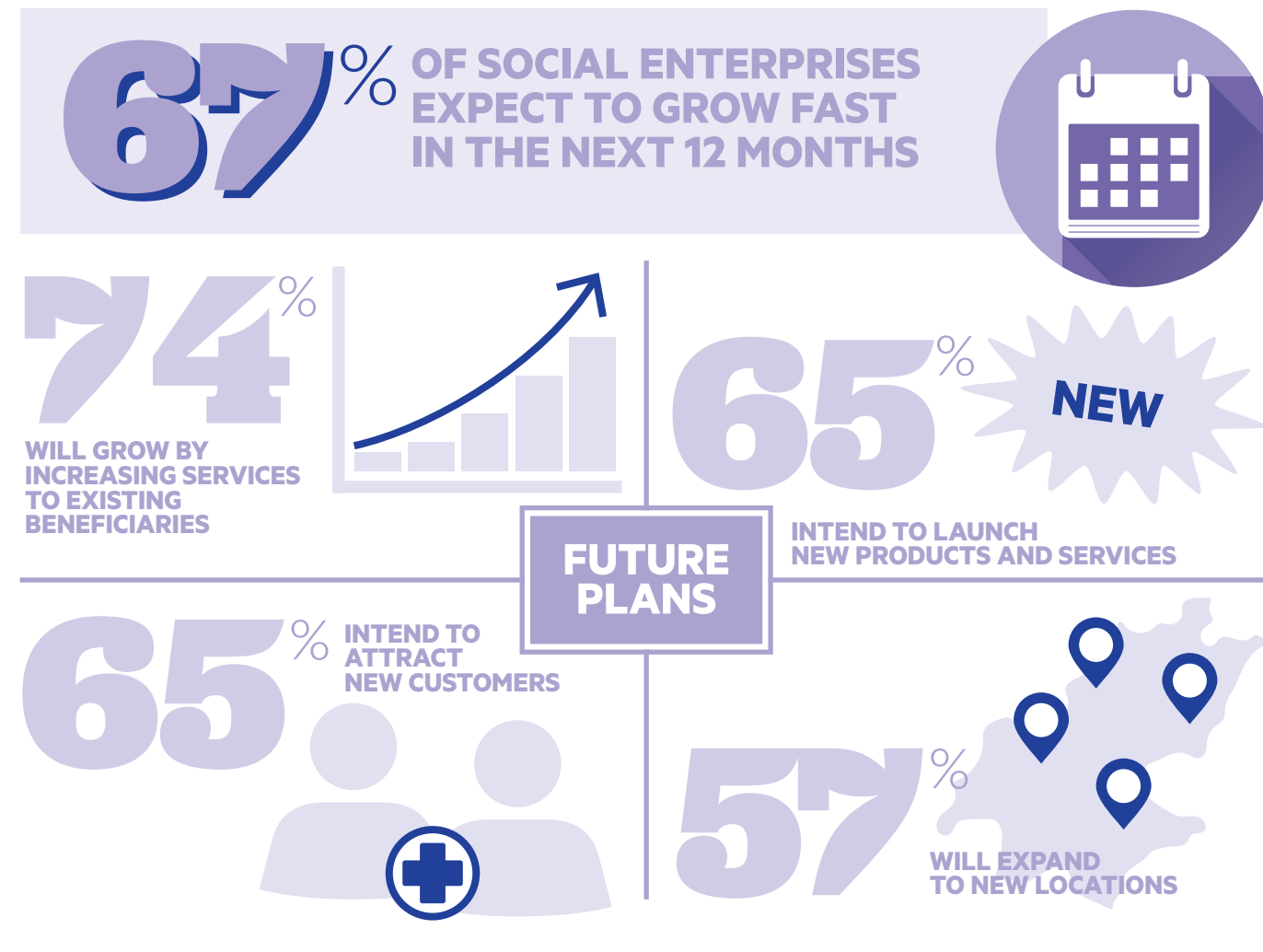
% of respondents indicating to some/great extent – multiple mentions possible – n=453



What does the future hold?

Future expectations,
plans and challenges*

*data based on a national sample of 453 social enterprises



Myres K., Mamabolo A., Mugudza N. and Jankelowitz L., (2017). Survey of Social Enterprises in South Africa, Entrepreneur Development Academy, Gordon Institute of Business Science, University of Pretoria.

Case Study

Beth Arendse

Beth Arendse: A 2017 graduate of the GIBS Social Entrepreneurship Certificate Programme

Creating meaning and wealth through music

“The GIBS programme helped me to clarify questions I had and to drive my social enterprise meaningfully and profitably at the same time.”

Beth Arendse holds a National Diploma in Jazz Guitar and an Honours degree in Music Communication which she obtained from the Tshwane University of Technology and the University of Pretoria respectively. She then spent time in Hawaii where she worked with local music groups to showcase their unique cultures through music and to generate income for them. Upon returning to South Africa, in 2010, Beth conceptualised the Tshwane School of Music and three years later, its doors opened to the first 50 students.

“I had worked hard to establish something meaningful in the business, arts and communications space but really battled to reconcile the need to create revenue with the need to create positive impact for communities,” she says. “It was only when I successfully aligned these two issues that I was able to gear up the Tshwane School of Music. The GIBS programme helped me to clarify questions I had and to drive my social enterprise meaningfully and profitably at the same time.”

Today the Tshwane School of Music has a teaching arm as well as an income-generating arm which comes from performances that the students do for clients that range from venues such as hotels, to the corporate sector as well as arts organisations such as the National Arts Council, the Department of Arts and Culture and the National Lotteries Commission. Its beneficiaries include children and youth from communities as well as their extended families who Beth feels should be involved in developing young people.

“On a strategic level, the GIBS programme has greatly enhanced my network and therefore the profile of my organisation. I also gained valuable skills in general

business management, monitoring and evaluation and financial management. The programme also clearly outlined the Broad-based Black Economic Codes and how to align a social enterprise with them.”

“The day our lecturer sketched the characteristics of a social entrepreneur and I realised that the description matched me perfectly, I felt like a rock star,” says Beth. “It was tremendously affirming and brought much needed encouragement in a very difficult and challenging entrepreneurial journey. The positive feedback I received regarding my research focus for the programme gave me further confidence to pursue the school with renewed passion.”

Beth adds that during the sessions she found herself with like-minded individuals who were on a similar journey to me as they strived to build support, respect and traction for their own enterprises. “I realised that the social enterprise space is a valid and worthy pursuit that can add value to communities and the economy as a key strategic business platform in SA,” she says.

Beth explains that through music and the arts she is aiming to develop new models for education, people development and community development. “This includes mainstreaming music in education to bring a balance in learners’ cognitive development.”

Beth admires people who establish something that did not exist before or who push the boundaries of conventional thinking in their business and lives. One of these is Will.I.Am, a musician that she says is spearheading the development of technology products for the fourth industrial revolution, and another is Oprah Winfrey, who Beth is encouraged by because she is always reinventing her offering to be current, holistic and to have maximum impact. Beth is also a big fan of Julius Malema who she says is controversial but deals with issues that set the national political agenda.

To find out more visit:

www.tshwaneschoolofmusic.co.za or call: **(012) 806 6060** or email **beth@tsom.co.za**.



Conclusions and recommendations

Here are some of the insights
that emerged from this study.

The defining features of social enterprise

Social enterprises are purpose-driven – in our study, respondents either prioritise their social and environmental mission or strike a balance between purpose and profit. This finding is consistent with the accepted defining feature of a social enterprise, that social mission is prioritised (Lepoutre et al, 2013; Boschee & McClurg, 2003; Dees, 1998).

Social enterprises pay their own way – the majority of organisations in our sample said they do not depend on grants and donations. Scholars use the proportion of traded income to distinguish between social enterprises and not-for-profit organisations (Littlewood & Holt, 2015; Hoogendoorn et al, 2010).

Social enterprises have a particular identity – the organisations described themselves as non-profit companies or social enterprises rather than businesses, religious or community organisations. Respondents consistently self-identified as social entrepreneurs and were mostly either the founder or part of the senior management team in the organisation.

In summary, South African social enterprises are purpose-driven, relatively independent from grants and donations, founder-led and likely to identify as social entrepreneurs.

Conclusion: social enterprises in South Africa are distinctively different to traditional non-profit and for-profit enterprises, in keeping with existing literature.

Key characteristics of enterprises in the sector

Social enterprises are sustainable – enterprises in our survey have been operating for more than three years, and most for over five years, but they do not appear to be dependent on grant funding for their survival. This is consistent with the literature which argues that social enterprises trade to earn income (Hoogendoorn et al, 2010), and with social enterprises in the UK where the sector is dominated by organisations that have been operating for more than three years (Temple, 2017).

Social enterprises focus on meeting basic needs in local communities – they mostly operate in the education, health and housing sectors and are local, community-based in scope. The focus of operation mirrors the needs of their communities. This is consistent with the literature which argues that social enterprises focus on the communities they serve (Mair et al, 2012). In the UK, social enterprises are similarly community-based and local in scope (Temple, 2017).

Social enterprises are diverse in legal structure – mostly, social enterprises in this sample are registered as not-for profit organisations, although almost a third are registered as for-profit organisations. Around 8% are structured as a hybrid of one or more types. This diversity may reflect the lack of a legal framework specifically for operating a social enterprise in South Africa (Littlewood & Holt, 2015). Social enterprises choose from a range of available options to ensure their legal framework is appropriate for their operations and funding strategies.

In summary, social enterprises in South Africa are well-established, focused on local communities and their needs, and diverse in legal structure and location.

Conclusion: while South African social enterprises have much in common with their counterparts elsewhere, some aspect of their structure and functioning, specifically sector of operation and legal status, are context-specific.

Activities undertaken by social enterprises and management methods

Social enterprises focus on meeting community needs – most respondents are involved in developing skills or promoting education and literacy, as well as health and wellbeing. The focus is often on specific disadvantaged groups such as children and the youth, supporting women and the elderly, or improving a community. While South African social enterprises are focused on similar groups to those elsewhere (Temple, 2017), their context-specific activities reveal their concern for meeting actual community needs. The diversity of their activities is supported by the literature which sees social enterprises' activity as 'multidisciplinary' (Grimes, McMullen, Vogus & Miller, 2013).

Social enterprises are innovative – respondents agreed that innovation had made their enterprises more effective, allowing them to serve more beneficiaries, and deliver better-quality products and services. Many respondents felt that innovation supported better profits than similar organisations, and enabled them to operate at lower cost. This is consistent with the literature that social enterprises are particularly innovative in the solutions they offer and modes of operation (Cajaiba-Santana, 2013) and with the finding in UK studies that social enterprises are more innovative than their private-sector counterparts (Temple, 2017; Villeneuve-Smith & Temple, 2015).

Social enterprises involve stakeholders in decision-making in half the organisations in the sample, often through advisory boards, boards of directors, or a community trust. Involving stakeholders in decision-making is a distinctive feature of social enterprise (Temple, 2017).

Social enterprises measure their impact – internal monitoring and learning systems are established in many organisations in the sample, with some producing integrated reports on social and environmental impacts. Monitoring progress and achievements happens weekly or monthly in most organisations and the majority say they evaluate their impact on beneficiaries frequently. This is consistent with the literature (Hoogendoorn et al, 2010) that highlights this as a key mechanism for establishing the legitimacy and value of the social enterprise.

Social enterprises are business-like and dynamic – over the past 12 months, respondents regarded their ability to serve existing customers as an achievement. Many had improved the quality of their goods and services, and prepared a business plan. Around half had expanded their beneficiary base, entered a new and important partnership or launched new goods and services. This is consistent with the literature which argues that social enterprises are complex and behave in a business-like manner (Smith et al, 2013).

Conclusion: Perhaps because of the complexities of managing a social enterprise, these organisations are innovative, dynamic and focused on community needs to the extent that stakeholders are directly involved in decisions and management continuously monitors whether they are achieving the social mission.

Customers, beneficiaries and employees

Social enterprises trade at the ‘bottom of the pyramid’ – three-quarters of respondents sell goods or services. Most described their customers as disadvantaged consumers, middle-income consumers or small businesses. This is consistent with the nature of customers of social enterprises in the UK (Temple, 2017).

Social enterprises reach local communities – in this study, respondents mostly described their beneficiaries as being from the local community or particular groups of people. The average number of beneficiaries they serve per month is 412, with a mid-point of 53. Most serve under 100 beneficiaries per month. As in the UK, social enterprises are generally small (Temple, 2017).

Social enterprises are job creators – organisations in the sample are more likely to employ people on a full-time, permanent basis than use contract/temporary or volunteer workers. The vast majority employ between 1 and 50 people, with an average of 30 and mid-point of 8 people. This finding contradicts the literature which claims a propensity to exploit employees in favour of social mission (Dempsey & Sanders, 2010).

Conclusion: The findings point to the value of social enterprises in serving disadvantaged beneficiaries and customers not served by other institutions. Simultaneously, they create jobs at a local, community-based level.

Financial status and funding mechanisms they use

Social enterprises are small, but growing – in this study, only 12% of respondents have an income exceeding R1 million. However, they are growing, with two-thirds reporting growth above inflation in the last 12 months. Both the relatively small size and rapid growth of social enterprises in South Africa are consistent with findings in the UK, where social enterprise is described ‘commercially successful’ (Temple, 2017, p22).

Social enterprises reinvest surpluses – most respondents do not make a profit or surplus, but around one-fifth do and they tend to reinvest profits in growing and developing the enterprise. For some scholars, this reinvestment is a defining characteristic of social enterprise (Hoogendoorn et al, 2010; Urban, 2008).

Social enterprises value corporate social investment – when it comes to the importance of sources of income, corporate social investment ranks highest, followed by government entities and charitable foundations, ahead of the sale of products and services. The importance of corporate social investment to South African social enterprises is relatively distinctive in this context.

Social enterprises diversify their funding sources – enterprises in this study were most likely to have applied for funding from government entities, charitable foundations and corporate social investment funds, but most likely to succeed in attracting funds from members of the public. They were least likely to have applied for funding from commercial banks or equity partners, but as likely to succeed in attracting these funds as in applying for other sources. In general, funds granted were used to cover operating costs or increase support for existing beneficiaries.

Conclusion: As noted, social enterprises in this sample operate relatively independently of grants and donations, but actively seek funding from a variety of sources to sustain and grow their operations.

Growth plans of social enterprises and future challenges

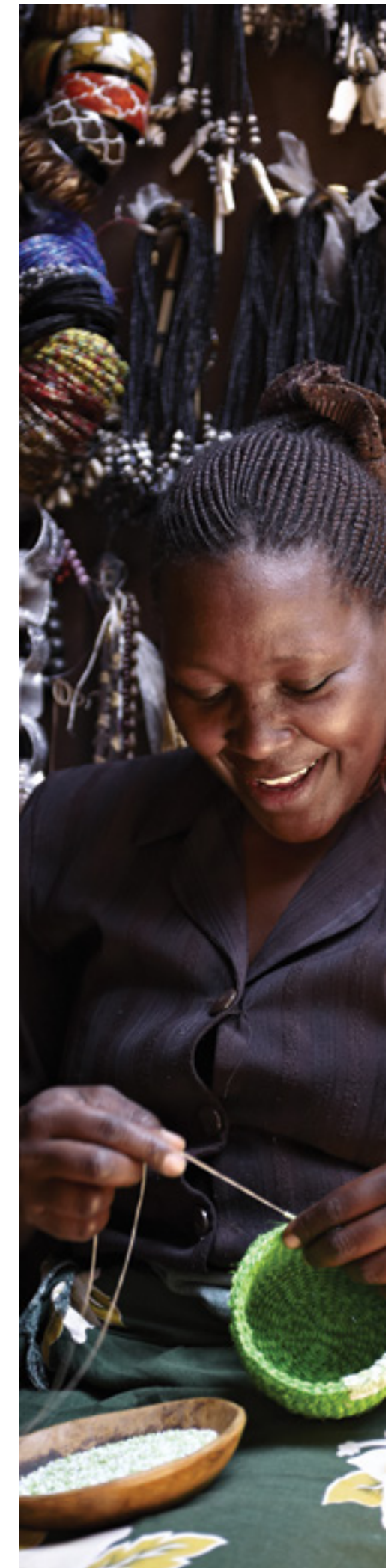
The final section asked respondents to indicate their growth plans and outline challenges in achieving their goals.

Social enterprises are optimistic – most respondents expect their organisations to grow rapidly in the next 12 months. This will support increased services to existing beneficiaries, launching new products and services, and attracting new customers. This optimism is evident in social enterprises operating elsewhere (Temple, 2017).

Social enterprises need resources – however, respondents indicated this growth could be inhibited by their ability to access financial and physical resources, as well as by their own management of financial resources. Respondents also feel challenged by macro-environmental conditions and skills shortages. This finding is consistent with the literature that argues social entrepreneurs require support to ensure survival of their enterprises (Grimes et al, 2013).

Conclusion: In South Africa, the opportunity to achieve a social impact is abundant, since social enterprises are ideally placed in local communities to reach underserved beneficiaries and trade with customers that other institutions might not be willing or able to engage with. Social enterprises can also create jobs in their communities. However, resources are scarce – social enterprises struggle to access appropriate funding and physical resources, even as the data demonstrates that both public and private sectors play a role in supporting social enterprise. In the face of this resource scarcity, social enterprises are innovative in the goods and services they develop and deliver, and the way they operate.

We conclude that strengthening the ecosystem is likely to have a significant impact on the current and future development of social enterprise in South Africa, to the benefit of all its people.





Appendix

Research design
and methodology

References

Research design and methodology

This chapter describes the research design and methodology employed in conducting the Survey of Social Enterprise in South Africa (SSESA). It describes the population and sample, and the methods employed in collecting the data. Also described are the data analysis methods that have been used in producing this report. Ethical considerations are also outlined.

RESEARCH DESIGN

Based on the experiences of conducting phase 1 of SSESA, as documented in a report dated 31 January 2017, it was determined that the study’s research questions could best be answered by a means of a national, cross-sectional survey. The opportunity to contribute to the domain of social entrepreneurship through empirical, large-sample studies of the phenomenon is clear (Sassmannshausen & Volkmann, 2016). Therefore, this was the guiding principle for the design of the current study, which was the first national cross-sectional survey of social enterprises operating in the formal sector of South Africa.

POPULATION AND SAMPLE

The population is defined as all social enterprises operating as formal-sector organisations, across South Africa. It is generally agreed that there is currently no comprehensive, available sampling frame or database of social enterprises in the country. The study therefore adopted a purposive sampling strategy in line with similar studies throughout the world. The criteria applied for selection to participate in the study included: prioritises social or environmental mission; more than 25% of revenue from trade or memberships; and self-identifies as a social enterprise.

The sample aimed to achieve a national spread in terms of coverage of all nine provinces and aimed to achieve 500 interviews. In the absence of any reliable sampling frame, this sample size estimate was based on similar studies conducted elsewhere in the world.

Social media campaigns were conducted by GIBS and its research partners to gather lists of potential research participants. Each participant had agreed to be contacted for research purposes. A list of 669 social enterprises gathered in this way were provided to the appointed fieldwork house. A supplementary list of 33 081 non-government organisations owned by the fieldwork house was also used to identify social enterprises. Those interviewed were also asked for referrals, which generated a further list of 201 social enterprises.

A total of **453 interviews** were completed for the project. There were 33 interviews conducted using an online self-completion questionnaire, and 106 through face-to-face interviews. The remaining 314 interviews were conducted telephonically. Of these, 133 came from the original telephone files that contained 669 contacts in detail, 147 came from the booster list of 33 081 contacts,

and the last 34 came from referrals, out of 201 contact details provided by respondents who were interviewed.

SAMPLE ACHIEVED IN PHASE 2 OF SSESA

DESCRIPTION	NUMBER
Social media-generated list of social enterprises	669
Public list of civil society organisations	33 081
Referrals from respondents	34
Total contacts	33 784
Telephonic interviews conducted	314
Face-to-face interviews	106
Online self-completion	33
Total interviews conducted	453

SURVEY INSTRUMENT AND DATA COLLECTION

Data was collected by Plus 94, a specialist fieldwork house appointed by GIBS after a formal request-for-proposal process. Plus 94 adheres to the code of conduct of the South African Market Research Association (SAMRA).

A survey questionnaire was developed based on the literature, comprising 36 closed-ended questions and 1 open-ended question, and circulated to all research partners for input. The questionnaire was field-tested by Plus 94 and adaptations made to survey questions where appropriate. Interviewer training materials were prepared by Plus 94 and fieldworkers trained accordingly. Careful management of the field-force during data collection ensured quality and consistency in data collection.

Respondents were contacted telephonically and an appointment made for the interview. The interviews were lasted around 45 minutes, and were conducted either telephonically, face-to-face, or online according to the respondent’s preference. All interviews were conducted with the founder or person responsible for the management of the social enterprise.

DATA ANALYSIS

Completed questionnaires were captured, cleaned and checked by Plus 94, before being delivered to GIBS in Excel and SPSS format. A full set of descriptive statistics

was prepared by the GIBS research team. This data and analysis forms the basis of this stakeholder report

ETHICAL CONSIDERATIONS

The respondents were protected from harm throughout the research process by adhering to the principles of good ethical conduct as defined by the GIBS ethics committee. Firstly, only potential individuals who had been contacted via social media and agreed to participate in the research were provided to Plus 94 as potential respondents.

Secondly, as part of the questionnaire, the study purpose and how the information would be used were explained to the participants. The principle of voluntary participation based on informed consent was applied in the case of each questionnaire completed – Plus 94 has provided evidence of informed consent for each respondent. No incentives were offered for participation in the survey.

Thirdly, respondents were asked to voluntarily and explicitly agree to be part of the social entrepreneurship database to be published online which includes: name of organisation; key activities and contact details. The database is kept separate from the data collected so that anonymity and confidentiality have been protected. All respondent data was included in the data set whether or not the respondent had agreed to be part of the database, which will be used for further research in future.

LIMITATIONS OF THE STUDY

This study was a quantitative survey design in which respondents were purposively selected. This means that the results should be interpreted cautiously as a result of the following limitations:

- Since we do not know the size or structure of the social enterprise sector in South Africa, we do not know to what extent the sample is representative of the population and cannot therefore generalise these findings to all social enterprises
- The questionnaire comprised closed-ended questions, which means that respondents were not invited to explain their answers
- All information is self-reported and cannot be validated against objective external data
- The data was analysed using descriptive methods only, which means that relationships between the data points were not explored.

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