Understanding trends toward social entrepreneurship by non-profit organisations

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Abstract

This paper investigated trends in social entrepreneurship within non-profit organisations (NPOs). It was inspired by a survey conducted by Trialogue, a non-profit research organisation that surveys corporate social investment in South Africa. The survey showed a significant number of Non-profit organisations (69%) are moving toward developing social enterprise due to issues of sustainability. The research sought to ascertain what are the causes for the trend.

The method of sampling used was non-probability, purposeful sampling to select 12 organisations from the available population. An exploratory qualitative study was conducted via face-to-face interviews with 12 organisations and 14 respondents. The transcripts of each were manually reviewed line-by-line for common themes to compare and generate results.

The study was undertaken to better understand what motivated NPOs to social entrepreneurship and how they identified and exploited opportunities; distributed revenues and what form of relationship was created with the parent organization. The study reviewed theoretical models and selected a best-fit model of the Opportunity Creation Process which had to be modified to suit the trends in thought that arose from the study.

The findings showed that funding challenges of the parent NPO and limited access to funds were key features likely to illustrate when an NPO will move into social entrepreneurship. The research concludes with evidence demonstrating that NPOs are not always willing participants in the social enterprise game, but are forced to discover opportunities to prove to funders that they are seeking means to be sustainable, with varying degrees of success. The form of social enterprise they select is often determined by the centrality of the NPOs mission to that of the social enterprise.

Keywords

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

_____________________________    _______________________
Monique D. Griffith      Date
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Table of Contents

Abstract..................................................................................................................................ii
Keywords ............................................................................................................................... ii
Declaration............................................................................................................................ iii
Acknowledgements ............................................................................................................... iv
1 Chapter 1: Introduction to Research Problem ............................................................... 1
  1.1 Introduction ............................................................................................................. 1
  1.2 Context of the Study ............................................................................................... 1
    1.2.1 Relevance of the Research ................................................................................. 2
  1.3 Problem Statement ................................................................................................. 3
  1.4 Scope of Research ................................................................................................. 3
  1.5 Research Objective ............................................................................................... 4
    1.5.1 Research Aims .................................................................................................... 4
  1.6 Anticipated Research Outcomes ............................................................................... 5
2 Chapter 2: Literature Review......................................................................................... 6
  2.1 Meeting Social Needs ............................................................................................. 6
  2.2 Non-Profit Sector .................................................................................................... 7
  2.3 Income-Generating Activities in the NPO Sector ..................................................... 8
  2.4 Reasons for Income Generation ............................................................................. 9
  2.5 Entrepreneurship .................................................................................................. 10
  2.6 Social Entrepreneurship ........................................................................................ 10
  2.7 Social Entrepreneurship in the Non-profit Sector .................................................. 13
  2.8 Social Enterprises ................................................................................................ 15
  2.9 The Donor Push toward being more Business Like ................................................. 16
  2.10 The Challenges of Sustainability .......................................................................... 17
  2.11 Identifying Opportunities ....................................................................................... 17
  2.12 Social Value Creation Theory ............................................................................... 18
2.12.1 Opportunity Creation Theory .............................................................. 18
2.12.2 Innovation Theory ............................................................................... 18
2.12.3 Legitimacy Theory ............................................................................... 19
2.12.4 Resource-Based View .......................................................................... 20
2.12.5 Institutional Structure Theories ........................................................... 21
2.13 Summary .................................................................................................. 21
3 Chapter 3: Research Questions ................................................................. 22
3.1 Research Question 1 .................................................................................. 23
3.2 Research Question 2 .................................................................................. 23
3.3 Research Question 3 .................................................................................. 23
3.4 Research Question 4 .................................................................................. 23
3.5 Research Question 5 .................................................................................. 24
4 Chapter 4: Research Methodology .............................................................. 25
4.1 Research Approach .................................................................................... 25
4.2 Research Design ........................................................................................ 26
4.3 Sample Size ................................................................................................ 27
4.3.1 Sampling Method .................................................................................... 27
4.4 Unit of Analysis .......................................................................................... 28
4.5 Population ................................................................................................... 28
4.6 Data Collection ............................................................................................ 29
4.6.1 Phase 1 – Desktop Research ................................................................. 29
4.6.2 Phase 2 – Interviews ............................................................................ 29
4.7 Data Analysis ............................................................................................... 32
4.8 Literature Analysis ...................................................................................... 33
4.8.1 Interview Analysis .................................................................................. 33
4.9 Methods of Verification ............................................................................. 34
4.9.1 Internal Validity ...................................................................................... 34
4.9.2 External Validity ..................................................................................... 35
4.10 Role of the Researcher .............................................................................. 35
Is the enterprise related or unrelated to the NPOs mission? ............................................ 53
What is the operational structure between the NPO, social enterprise, target beneficiaries and the market consuming its goods or services? ........................................................... 53
5.8.5 Summary of Operational Structure .................................................................... 54
What is the operational structure between the NPO, social enterprise, beneficiaries and the market they sell to? ................................................................................................... 54
How does the surplus generated by the enterprise get distributed? .............................. 55
5.8.6 Distributed to Parent Organisation...................................................................... 55
5.8.7 Distributed to Community .................................................................................. 55
5.8.8 Combination of both .......................................................................................... 56
5.8.9 Summary of Income Distribution........................................................................ 56
How does the surplus generated by the enterprises get distributed ............................... 56
Does tension exist between the parent NPO and the social enterprise? If so, what is the cause? ............................................................................................................................. 56
5.8.10 Summary of the Existence of Tension ............................................................. 57
Does tension exist between the NPO and enterprise? ..................................................... 57
5.8.10.1 If Tension exists, what is the Reason for it? ................................................ 57
This question sought to identify what types of tensions or competing concerns existed between the NPO and the income activity. The reasons for tension are usually financial resources and a conflict between mission and objectives. .............................................................. 57
5.8.11 Summary of Issues Creating Tension................................................................ 58
If tension exists, what is the predominant issue? ............................................................. 58
5.9 Conclusion............................................................................................................ 58
6 Chapter 6: Discussion of Results ............................................................................ 60
6.1 Introduction........................................................................................................... 60
6.2 Research Question 1: ........................................................................................ 61
Do common characteristics (e.g. size, age, staff, expertise, sector etc.) exist amongst organisations that develop a social enterprise that may illustrate when an NPO is likely to move into social entrepreneurship? ........................................................................... 61
6.3 Funding Challenges of the Parent NPO ............................................................. 62
6.3.1 Age and Gender ................................................................................................ 62
6.3.2 Management Experience and Expertise ............................................................ 63
6.3.3 Dedicated Personnel ......................................................................................... 64
6.3.4 Availability of Assets ...................................................................................... 66
6.3.5 Organisation’s Operational Years ...................................................................... 67
6.3.6 Other Results ................................................................................................... 68
6.4 Research Question 2 ............................................................................................ 69
Is there uniformity in understanding what defines an activity as a social enterprise versus an activity to generate income? ....................................................................................... 69
6.4.1 Does the manager define the entity as a social enterprise or income generating project/programme? ........................................................................................................ 69
6.5 Research Question 3 ............................................................................................ 72
Is there a theory that defines what are the key drivers or motivations that lead NPOs to pursue income opportunities? .......................................................................................... 72
6.5.1 Donor Funding ............................................................................................... 72
6.5.2 Sustainability ................................................................................................. 73
6.5.3 Supporting the Original Mission ....................................................................... 74
6.6 Research Question 4 ............................................................................................ 76
How do NPOs identify an income opportunity to pursue? ........................................... 76
6.6.1 Was the creation of the enterprise driven by a market demand or was it an opportunity to sell something for which you then had to stimulate demand? .................... 76
6.6.1.1 Demand Driven Enterprises ....................................................................... 76
6.6.2 Opportunity Driven Enterprises ...................................................................... 77
6.6.3 Opportunity Driven to Demand Driven Enterprises ....................................... 78
6.7 Research Question 5 ............................................................................................ 79
What impact does a dual objective have on the relationship between the parent NPO and its enterprise or income activities? ................................................................................... 79
6.7.1 Is the enterprise related or unrelated to the NPOs mission? .............................. 79
6.7.2 What is the operational relationship between the NPO and its social enterprise? 81
6.7.3 How does the surplus generated by the enterprise get distributed? .................... 84
6.7.3.1 Does tension exist between the parent NPO and the social enterprise? If so, what is the cause?.......................................................................................................................... 84
6.8 Theoretical context........................................................................................................ 87
6.9 Conclusion.................................................................................................................. 91
7 Chapter 7: Conclusion................................................................................................ 93
  7.1 Conclusion............................................................................................................. 93
  7.2 Recommendations................................................................................................. 94
  7.3 Limitation .............................................................................................................. 96
  7.4 Future Research .................................................................................................... 96
REFERENCE LIST ............................................................................................................. 98
APPENDIX 1: INFORMED CONSENT LETTER .............................................................. 104
APPENDIX 2: GIBS ETHICAL CLEARANCE REQUIREMENTS..................................... 105
APPENDIX 3: INTERVIEW SCHEDULE ........................................................................ 111
APPENDIX 4: SAMPLE TRANSCRIPTS OF RESPONDENT INTERVIEWS .................. 116
APPENDIX 5: CATEGORISED INTERVIEW RESPONSES ............................................ 133
Table 4-1: Sampling Parameters for Research ............................................................. 28
Table 4-2: Research Data Collection Tool ................................................................. 30
Table 5-1: Demographics of Respondents ................................................................. 40
Table 5-2: Characteristics of the 12 NPO Respondents ............................................. 42
Table 5-3: Summary of Findings for Question 1 ......................................................... 43
Table 6-1: Summary - Answers to Research Questions ............................................. 60
Table 6-2: Income Activity across a Spectrum of Structures ..................................... 70
Table 6-3: Alters Social Enterprise Models ................................................................. 83

Figure 3.5-1 Research Question Flow ......................................................................... 24
Figure 4-1: Research Design ..................................................................................... 37
Figure 6-1: Mission versus Profit Motives ................................................................. 71
Figure 6-2: Relationship to Organisation’s Mission .................................................... 80
Figure 6-3: Level of Integration between Social Programme & Income Activity ...... 80
Figure 6-4: The Opportunity Creation Process ......................................................... 88
Figure 6-5: Phase 1 - Idea Creation .......................................................................... 89
Figure 6-6: Phase 2 - Opportunity Creation ............................................................... 90
Figure 6-7: Revised OCP to a OCPP Model ............................................................... 91
1 Chapter 1: Introduction to Research Problem

1.1 Introduction

This paper investigates trends in social entrepreneurship within non-profit organisations (NPOs). It was based upon research conducted by Trialogue, a non-profit research organisation that surveys corporate social investment in South Africa. They conduct research annually on corporate giving as well as monitor trends and discussions relevant to the non-profit and corporate giving sector. In 2011, they reported results that demonstrated 69% of their non-profit respondents considered their organisation, or a part thereof, to be operating as social enterprises (Trialogue, 2011). It also disclosed that those investigating a social enterprise model were optimistic that they would be able to self-generate a portion of their income through the social enterprise within the next 5 years (Trialogue, 2011). Both statistics appeared overly optimistic or inflated given the nascent nature of social entrepreneurialism and it only recently being legitimised as a recognised form of meeting both social and economic objectives. However, if the trend is accurate, does the change toward profit motives change the historical contribution the social sector has had on society?

1.2 Context of the Study

A review of literature on the topic of non-profit organisations, social enterprise development and social entrepreneurialism demonstrated that non-profit organisations have often been the basis of study for social entrepreneurship. The non-profit sector has a rich tradition and an important future in championing social causes through collective means (Christie & Honig, 2006). Whilst governments have responsibilities to provide public goods and services
by means of organising and coordinating economic and social spheres, it has been
demonstrated that most successful governments rely upon support from the non-profit sector
(Thompson, Alvy, & Lees, 2000). The breadth of services and products derived from non-
profit organisations are so pervasive and significant that the sector is being positioned as the
third largest sector of economic activity behind business and government because not one
sector is capable of addressing social needs based on its own capacity (Raymond, 2004).

1.2.1 Relevance of the Research

Historically, non-profit organisations (NPOs) and non-governmental organisations (NGOs)
have been essential to improving people’s quality of life throughout the world. In South
Africa, the magnitude and spectrum of social missions range from supporting primary
schools sporting events to large corporations engaged in critical educational and health
interventions. Globally, the efforts of non-profits have enhanced or fundamentally changed
the social challenges faced by nations, communities, special needs populations, and the
average individual (Bornstein, 2004). The non-profit sector is therefore a crucial partner in
social and economic development and it is essential to understand trends that have the
potential to change the value they have historically contributed to society.

Growth in the South African non-profit sector has been significant since the enabling
environment was created in 1994. Non-profits, or section 29 companies, have grown 14 per
cent per Annam over the past two decades (Khumalo, 2012). Consequently, more jobs and
services are becoming available despite the fact that the growth of section 29 companies is
not keeping pace with the increase in demand for social products, services and
infrastructure. The activities have also expanded the most from anti-apartheid petitions and
protests to active service delivery initiatives in key areas of HIV and AIDS, child care,
poverty reduction, victim empowerment programmes, social crime prevention, economic
development and policy advocacy (Khumalo, 2012). There are now about 100 000
organisations in the NPO sector and more than 85 000 are registered in terms of the NPO
Act (Khumalo, 2012).

The core challenge within this context where NPOs are growing in number but still unable to
keep pace with the rise in societal needs, is the increasing competition between NPOs for
limited resources from government and the corporate sector. Access to resources is a
prominent issue amongst NPOs. It includes a need to acquire physical, financial, social, and
human capital coupled with government budget deficits that limit opportunities for grants and
contracts (Weerawardena, McDonald, & Mort, 2010). This makes it difficult for many non-profit organisations to have full resource capacity to carry out their social missions (Chell, 2007). The pursuit of funding may also impact the decision making of those in the NPO sector as they compete for funding; possibly altering their mandates and practices to suit donor requirement.

Social entrepreneurship has become one process of adjusting to limited financial resources by developing income-generating activities. The social enterprise is "a set of strategic responses to many of the varieties of environmental turbulences and situational challenges that non-profit organisations face today" (Dart, 2004, p. 413). These innovative approaches are problematic in terms of reconciling traditional ways of operating in the sector. Creative reallocation of resources is paramount to effective mission support although it puts pressure upon non-profit organisations to find creative ways to find streams of revenue to support their missions (Raymond, 2004). Increasingly, organisations are relying on fees and contracts as opposed to grants and donations (Dart, 2004).

1.3 Problem Statement

While social needs outpace the number and capacity of NPOs, the legitimisation of social entrepreneurship is a questionable response to meet the challenge as there is no clear understanding of how well the non-profit sector is engaging with the economic landscape or how adept NPOs are in identifying and exploiting social opportunities (Mair & Marti, 2004). The highly institutionalized character of the non-profit sector would seemingly make the shift between purely social to income generating activities a difficult transition, if not one met with resistance. Furthermore, society's expectations and norms are equally as difficult to alter when conventionally-held perceptions or legitimated images of the sector where services are most often expected to be free but change to being a charged service. This makes managing change particularly difficult for the social entrepreneur who is questionably unequipped to balance social mission, social expectations and the intent to generate income (Foster & Bradach, 2005).

1.4 Scope of Research

Short, Moss, & Lumpkin (2009) notes that future research would benefit from the incorporation of key themes in strategic entrepreneurship and frame research using established theories; such as the institutional theory (Dart 2004), opportunity creation theory.
(Alvarez & Barney, 2007), resource-based view (Das & Teng, 2000) and other theoretical bases relevant to strategic entrepreneurship research.

Grounded theory will be used in this research (explained in Chapter 4: Research Methodology) to discover if the current theoretical context is sufficient to describe the phenomenon seen in the NPO sector or if an emergent theory grounded in data will develop. Existing theories will be used to frame the study and will be useful to amplify the theoretical connections between an emerging theory and broader theories (Strauss & Corbin, 1998). Thus, this study will frame the research questions within existing theories to provide a basis to understand the variables at play in the analysis of the results, from which conclusions will be drawn.

Given the recent emergence of the field, social entrepreneurship requires theoretical relationships to become more explicit. Toward the effort to progress the field, this study incorporates an examination of the social entrepreneurship construct through a variety of established theoretical lenses making linkages between innovation theory, opportunity creation theory, social value creation theory, resource-based view theory and institutional structure theory.

### 1.5 Research Objective

An exploratory study into the creation of social enterprise will be undertaken to better understand what motivates NPOs to social entrepreneurship and how they identify and access opportunities is important to understand as the route toward self-sustaining activities becomes more prominent (Haugh, 2005). This study was placed within a broader body of research on social enterprises by reviewing current theoretical models that apply to the findings and/or to develop a merged or unique theory that explains the trends applicable to opportunity creation in the NPOs sector. The study seeks to explore the phenomenon of NPOs moving into social enterprise creation as depicted in Trialogue’s annual survey, to gain a richer understanding of the characteristics, motivations, and decision making of organisations that pursue income generation activities or social enterprises.

#### 1.5.1 Research Aims

The aims of this study are to answer the following questions:
(i) What common characteristics exist amongst organisations that develop a social enterprise (e.g. size, age, staff, expertise, sector etc.) that may illustrate when an NPO is likely to move into social entrepreneurship?

(ii) Is there uniformity in understanding what define a social enterprise versus an activity to generate income;

(iii) What are the key drivers and motivations leading lead NPOs to pursue income

(iv) How do they identify their income opportunities; and

(v) How a dual objective affects the relationship between the parent organisation and its enterprise?

1.6 **Anticipated Research Outcomes**

The following research outcomes are anticipated upon conclusion of the research methods:

An understanding of characteristics that illuminate when an NPO is likely to pursue income-generating activities.

1. An understanding of what distinguishes a social entrepreneur from income generating activities and if the industry understands the distinction.

2. An understanding of the motives that lead a NPOs to pursue income activities and whether it is voluntary or involuntary.

3. Understanding how well NPOs are able to identify and exploit income opportunities.

4. An understanding of the how having a dual objective (social and economic) impacts the relationship between the NPO and its enterprise.

This chapter reviewed the substantive goals of this study. A preview of the context for the study, the complexity of the problem and its significance, the methods used, and the guiding theoretical frameworks addressed. The next chapter reviews literature which connects theoretical progress in the field with the outcomes of this study.
2 Chapter 2: Literature Review

The literature reviewed in this section defined and described the non-profit sector to understand its fundamental purpose to meet social needs. To gain clarity into the emerging academic discussions of social entrepreneurialism the foundation upon which it is studied, e.g. the social, non-profit sector, should be understood. The literary research begins with defining a social need and a social economy. It then describes the types of organisations and individuals that play in the social sector. It discusses the trend toward the non-profit sector identify opportunities to become partially or totally self-sustainable and the challenges that expectation brings along with it, for all parties involved.

This chapter journeys through the evolution of entrepreneurship amongst non-profit organisations; the definition of income generating activities and why income generation is becoming more prevalent within the NPO space; the role of entrepreneurship and how it is distinguished from social entrepreneurship; and finally the emergence of the social enterprise. The literature reviewed draws comparisons between the evolution of the social sector as compared to that experienced in business, management, economics and entrepreneurial studies. These borrowed theories attempt to explain the emergence of social entrepreneurship.

Being a fairly new field and this being an exploratory and qualitative study, the literature review presented in this section was not exhaustive and themes and topics not discussed here will be introduced in Chapter 6 as results evolve that may require additional literary support. (Creswell, 2003).

2.1 Meeting Social Needs

A social economy depends upon the prevalence of social needs. A social need is best defined as a market gap left by the private and public sector that results in social problems that mainstream business and government cannot or will not address. Social needs to the social enterprise are the equivalent to market opportunities for a profit-seeking enterprise (Dart, 2004).

Social needs are prevalent in places where there are low levels of economic activity or where poor market conditions exist (Haugh, 2005). Haugh explains that gaps in state
provision of services may be explained by financial limitations, bureaucracy, inflexibility, inability to define societal and individual needs and heterogeneous client needs. The market opportunities created by these needs are often unattractive to mainstream business, yet a market demand exists that fuels a social economy and generates opportunity for the social entrepreneur.

Pearce (2003) identified the following market opportunities in disadvantaged communities:

- **Local Development and Regeneration**
  - managed workspace, business incubation, enterprise training programmes, business advice and support, local development and infrastructure regeneration;
- **Working for the State by providing services formally provided by the state**
  - leisure and recreation, housing, child care and domiciliary care;
- **Providing services to the community in response to market demand; and**
- **Market-driven businesses that provide goods and services in direct competition with the public and private sectors. (Pearce, 2003)**

### 2.2 Non-Profit Sector

The majority of literature on social entrepreneurship has evolved within the domain of NPOs (Weerawardena & Mort, 2005) and there have been several functions observed that categorise a NPO as social entrepreneurs. Thompson (2002) identifies social entrepreneurship as possibly occurring in profit seeking businesses that have some commitment to doing good, in social enterprises set up for a social purpose but operating as businesses and in the voluntary or non-profit sector. However, he concludes that the main world of the social entrepreneur is the voluntary NPO sector despite all the attempts to move the sector into a profit direction.

Non-profit organisation’s missions range from educational, civic, social, fraternal, health, legal, religion, to arts and culture. These organisations target specific, needy populations to provide direct services or jobs with competitive wages (Raymond, 2004).

The four functions of the non-profit sector noted by Frumkin (2002) were:

1. to promote political and civic engagement,
2. to deliver critical social services,
3. to be a vehicle for social entrepreneurship, and
4. to serve as an outlet for expression of faith and values.

It is his premise that "only when non-profits achieve important successes in each of their functions will they receive and sustain financial support and public acceptance that they need to continue to grow" (Frumkin, 2002). This infers that a criteria for NPOs to get funding is the ability to show results and that even though the variety of services can be simplified as having "mutual benefit" or "public benefit" (Lee, 2002) effectiveness will still be determined by outsiders’ perceptions of mission fulfilment (Kaplan, 2001). Hence non-profit organisations often find themselves vulnerable to the changing focus and demands of an external donor committee of one sort or another (Sharir & Lerner, 2006).

2.3 Income-Generating Activities in the NPO Sector

Changes in the competitive environment in which non-profits work are causing organisations to move toward fees and charging for services (Weerawardena & Mort, 2005). The competitiveness of the environment is not only a result of the increasing needs of their target communities but also a tighter funding environment with growing competition amongst NPOs to attract and retain donor or grant funds (Weerawardena & Mort, 2005).

Non-profit organisations have moved more toward fees and charges for services (Salamon, 1999). Contracts with government and the private sector have required a reengineering of the non-profit sector’s ability to provide effective and cost efficient services. Greater efforts have been made by non-profit organisations to build internal capacities to provide and sustain programming (Lettis, Ryan, & Grossman, 1997). Traditionally, there has been trust in the non-profit sectors ability to be good stewards of philanthropic dollars. The new market-like character of the sector has undermined some of this trust. According to Salamon (2004), "a serious fault line seems to have opened in the foundation of public trust on which the entire edifice of the non-profit sector rests".

Values are a prominent feature of the sector. Volunteerism, pluralism, altruism and participation are the hallmarks (Aguilera, Rupp, Williams, & Ganapathi, 2007). The mainstay values conflict ideologically with the market-like quality of the sector. Consequently, the increased demands on leadership to follow current business trends must be balanced with preserving public perceptions of the organisations social character. It is beneficial for the role of non-profit entities to be more visible (Raymond, 2004), and to have organisational
accountability foremost on their agendas (Lee, 2002). However, the majority of non-profits work hard to encourage public trust. To do so, they must clearly demonstrate the connection between their social mission and their moneymaking ventures.

There is mounting uncertainty associated with government funding and increasing competition for donor funding. Social entrepreneurial NPOs find it difficult to forecast their revenue streams with a certain degree of accuracy (Weerawardena & Mort, 2005) and notes that while for-profit businesses have access to multiple sources of funding (e.g. shares issues, bank loans, etc.); social entrepreneurs are heavily constrained in generating funds for their operations. Their revenue comes from diverse sources such as client fee for services, government grants, donations and sponsorships.

2.4 Reasons for Income Generation

(Dees G., 1998) notes that NPOs have varying financial motives for incorporating social enterprises into their organisations, ranging from income diversification to full financial self-sufficiency with resource maximisation and cost savings also playing a part in the decision.

Diversification serves as a strategy to diversify their funding base with the intent to decrease reliance on donors, and recover or subsidise program costs. Diversification is a way to reduce program deficits and employ resources more efficiently. Often modest target are set (e.g. 30% of costs), which were previously covered 100% by grant-funded.

Financial Self-Sufficiency is achieved by generating sufficient income to cover all, or a significant portion, of their costs in order to fund social programs without reliance on donor funding. External subsidiaries are typically used to funnel money back to the parent organisation.

Cost Savings and Resource Maximisation often combines both financial self-sufficiency and income diversification to optimise resources and leverage assets for economic, social, and community development. Cost savings is achieved by sharing back office functions, optimising systems, and streamlining efficiencies to increase business performance and margins.

Resource maximization is achieved through leveraging the non-profit's financial assets, tangible assets (space, equipment, plant, building, etc.), and intangible assets (proprietary content, methodology, relationships, goodwill, name recognition, skills, and expertise).
2.5 Entrepreneurship

Entrepreneurs support new inventions and transform them into market innovations. Short term profits would then draw imitators into the market. As a result, existing market structures would destabilize and a rebound of innovation would occur. The seminal work of Joseph (Schumpeter & Backhaus, 2003) has been explored and referenced extensively in studies of entrepreneurship undertaken over the last half century. In Schumpeter's view, this model was perceived as a series of business cycles and considered economic development (Schumpeter & Backhaus, 2003).

There are six elements of the innovation process are frequently cited in the literature: (a) locate a business opportunity, (b) accumulate resources, (c) market products and services, (d) produce the product, (e) build an organisation, and (f) respond to government and society (Gartner, 1985). Gartner designated the individual, the organisation, and the environment as the three domains in his model. Entrepreneurship was distinguished as a process of the interaction among these variables, which would produce a variety of organisational forms and experiences.

Shane and Venkataram (2000) have integrated work from different social science disciplines and applied fields of business to create a conceptual framework for the field of entrepreneurship. Their work provides the definitional basis for discussions on conventional entrepreneurship. The focus of their framework centres on profitable opportunities, “how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited” (Shane & Venkataraman, 2000). The entrepreneur is therefore someone who discovers, evaluates and exploits profitable opportunities, taking into account risk, alertness to opportunity and the need for innovation.

2.6 Social Entrepreneurship

Interest in the social entrepreneur as a vehicle for social change has been gaining momentum since the 1990s (Short et al., 2009). The process of social entrepreneurship is not well defined and there is a lack of theoretical and data-based research that evaluates the context of social entrepreneurship in the non-profit setting (Dees, 2004). Lack of clarity and limited consensus on what is social entrepreneurship (Mair & Marti, 2006), and who is properly defined as a social entrepreneur (e.g. an individual, non-profit, for-profit with a
social agenda) (Hervieux et al., 2010) has perhaps been a contributing factor to the conflict between society’s expectations and norms related to the activities perceived to be traditionally performed by the non-profit sector.

The study of social entrepreneurship is bogged down with disagreement about definitions but arguably theories of entrepreneurship, marketing and management can be used to draw comparisons regarding the challenges of business formation, operation and the distinction of having a social mission instead of a profit driven one (Dees, 2001).

There is limited ability to identify what variable either constrains or facilitates non-profits moving into the social entrepreneurship arena. Although there are considerable conceptual writings and empirical research regarding the non-profit sector, there has been little analysis of what practices distinguishes a NPO’s revenue creation activities as a social enterprise from ‘income generating activity”, if a distinction actually exist (Austin, Stevenson, & Wei-Skillem, 2006).

A social entrepreneur’s purpose is the pursuit of a social mission that creates social value or the creation of an innovative way to provide a solution to a social problem (Austin et al., 2006; Cukier, Trenholm, Carl, & Gekas, 2011). Driven by social rather than financial outcomes (Mort et al., 2002), the social entrepreneur is able to demonstrate that its partnership with corporations impacts its sustainability by providing the resources necessary for the organisation to thrive. This forms a partnership that fulfils the needs and objectives of both parties.

The social entrepreneur is one who searches for social change, recognizes opportunities and takes action to develop these opportunities into social enterprise by mobilizing resources (Gupta et al., 2004; Stevens, 2003; Thompson, et al., 2000). Thus, Austin et al., (2006) notes that social entrepreneurship in the context of a non-profit organisation can be understood to mean the process of continuous realisation of opportunities to pursue social innovations and the adaptation and development of these innovations into social enterprises.

The differences between social entrepreneurship and commercial enterprise lead to the conclusion that social entrepreneurship is as much a process as much as it is an outcome. Its characteristics are as follows:

1. Views of opportunities as a response to market failure versus market demand,
2. Mission, management, motivation and tension between social and commercial activities,
3. Approaches in managing financial and human resources and
4. Performance measurement, accountability and stakeholder relations.

Weerawardena & Mort (2005) caution that not all NPOs are socially entrepreneurial; hence to distinguish those that are against those that are not, certain behavioural characteristics should be observed in the manner in which they respond to the environment. Observing a NPOs strategic decisions and vision is what distinguishes them from their NPOs counterparts that are not socially entrepreneurial. Social entrepreneurship construct is deeply rooted in an organisations social mission, its drive for sustainability and is highly influenced by environmental dynamics (Weerawardena & Mort, 2005).

The definition of Social Entrepreneurship has developed primarily in the domain of Not-for-profits, for-profits and the public sector (Christie & Honig, 2006). Mari and Marti (2006, p.37) proposed a broad definition as follows:

…We view social entrepreneurship as a process of creating value by combining resources in new ways. These resources combinations are intended primarily to explore and exploit opportunities to create social value by stimulating social change or meeting social needs…when viewed as a process, social entrepreneurship involves the offering of services and products but can also refer to the creation of new organisations…

Other definitions of social entrepreneurship were coined in the late 1990s to describe individuals who exhibit vision, energy, and ability to develop new ways of alleviating social problems in their communities (Dees, Emerson, & Economy, 2001).

Citing other sources from academic reviews, Korosec & Berman (2006) points out that social entrepreneurs are not business entrepreneurs but people who lead to bring about new community solutions through an organisation. They are also expected to use modern management practices in their efforts including community based and public-private partnerships, collaborative decision making and diversified, revenue generating approaches that look beyond sole reliance on public funding (Korosec & Berman, 2006).
Social entrepreneurship is a collective change process. Because global economic pressures have put economic development expectations upon non-profit organisations and social needs have increased, social entrepreneurship emerges through new social enterprises in existing organisations or through collaborative means (Weerawardena & Mort, 2005).

2.7 Social Entrepreneurship in the Non-profit Sector

Understanding social entrepreneurship is complicated by the different types of enterprises that occur in the non-profit setting. Dart (2004) notes that many non-profit organisations that previously relied solely on philanthropy, membership fees, or government funding are becoming entrepreneurial by combining resources from multiple sources. A combined model of social enterprise that serves both a financial (or for-profit) and a social mission is referred to as having 'double bottom lines' (Dart, 2004).

The multiple types of enterprise models operating in the non-profit setting represents a different legal, financial and social support commitment between the enterprise, NPO, beneficiary and market. The existence of 9 core models and 2 that combine elements of others are described by Alter (2006) as follows:

1. **Entrepreneur Model**

   ![Entrepreneur Model Diagram]

   Usually Business support and financial services provided to target population or "clients," who are self-employed individuals or firms. Enables Client to sell their products and services in the open market.

2. **Market Intermediary model (embedded),**

   ![Market Intermediary Model Diagram]

   Services provided to the target population or "clients," as an individual small producer (individual, firm or cooperative) to help them access markets which add value to client-made products. Either purchases the client-made products outright or takes the consignment and sells at a mark-up in high margin markets.

3. **Employment Model (embedded),**

   ![Employment Model Diagram]

   Employment opportunities and job training to its target populations or "clients," people with high barriers to employment such as disabled, homeless, at-risk youth, and ex-offenders.
4. Low Income Client Model

Provides poor and low-income clients’ access to products and services that price, distribution, product features, etc. often bar access for this market to services such as healthcare (vaccinations, prescription drugs, eye surgery).

5. Fee-For-Service Model (embedded),

Commercialises its social services to then sell them directly to the target populations or “clients,” individuals, firms, communities, or any other third party payer.

6. Cooperative Model (embedded),

Member services include market information, technical assistance, collective bargaining, bulk purchasing for economies, access to products and services, access to external markets.

7. Service Subsidisation Model (integrated),

Sells products or services to an external market. Uses the income to fund its social programs. Tangible assets (building, land, or equipment) or intangible assets (methodology, know-how, relationships, or brand) as the basis of their enterprise activities.

8. Organisational Support (external),

Profit not social impact is the prerequisite for this type of social enterprise. Sells products and services to an external market, businesses or general public. In some cases the target population or “client” is the customer.

9. Mixed Model

Non-profits employing a mixed model combine social and business entities; subsidiaries owned by the parent organisation or departments.
10. Complex Model (combination)

Combines two or more operational models. Complex models are flexible; virtually any number or type of operational models can be combined.

(Sourced from Alter (2006))

The new arrangements of the NPO sector toward business are reshaping many of the strategies, norms, and values to be characteristically similar to that of the business sector (Dart, 2004).

However, more recent definitions portray the above activities quite differently than defined by Dart (2004) and Johnson (2000). For example, terms of non-profit commercial ventures, social entrepreneurship, institutional entrepreneurship, and non-profit entrepreneurship are often used interchangeably in studies on social entrepreneurship (Dees G., 1998). This may come from inconsistent definitions and perceptions of the term 'entrepreneurship'. Because social entrepreneurship combines business and social interests, its roots are found in literature about entrepreneurship.

2.8 Social Enterprises

Definitions of social enterprise combine entrepreneurial strategy with social purpose. In the terminology, 'social' relates to their aim of generating non-economic outcomes, and 'enterprise' refers to their financial structure - they aim to be self-financing and independent and not reliant on donations and philanthropy. Innovation exists in the manner in which they trade goods and services, seeking to bring new responses to unmet needs, and/or contracting to supply services on behalf of the state (Haugh, A Research Agenda for Social Entrepreneurship, 2005).

In bringing together social purpose and entrepreneurial spirit, social enterprises might be described as hybrid organisations. From the enterprise perspective they are autonomous,
trade, generate profit, employ people and engage volunteers and adopt innovative strategies in pursuit of their social purpose. Unlike the private sector, social enterprises are prevented from distributing their profits to those who exercise control over them. Any surplus generated must be retained in the organisation and/or community, either as direct services or as grants to the service-targeted population (Dees, Anderson, & Wei-Skillern, 2004). The benefits of combining social purpose with enterprise have been found to include greater market responsiveness, efficiency, innovation and leveraging of resources (Dees and Anderson 2003).

Building on a shared understanding of social enterprise, it is submitted that social entrepreneurship is the process of creating a social enterprise. Drawing on a mainstream entrepreneurship definition by Bygrave and Hofer (1991), the process involves all activities associated with the perception of opportunities to create social value and the creation of social enterprises to pursue them. This definition therefore stipulates that the social entrepreneur actually creates an enterprise to exploit an opportunity. Research that examined the process of identifying and exploiting opportunities, the barriers faced by social entrepreneurs and how they are overcome is noted as being useful and beneficial research to for the sector.

An alternative explanation for the increased interest in social enterprises proposes that the social economy has the potential to capitalise on its differential capabilities (novel opportunity recognition, resource acquisition and opportunity exploitation; shared values of caring, mutual help, community and solidarity; legitimacy and client trust) and perform an integral role in the economy (Short, Moss, & Lumpkin, 2009).

**2.9 The Donor Push toward being more Business Like**

(Chell, 2007) benefits on the one hand, and wealth generation that is used to invest in the business and help to assure its sustainability, on the other (Dees, 1998; Tracey & Jarvis, 2007). The point is that social enterprises may need to make a surplus that will assure their survival, and to do so in the long term they should become entrepreneurial. However, there may be differences in economic and social perspectives of the incumbents working for social enterprises. The culture and ethos of the social enterprise are based on principles of voluntarism, ethical behaviour and a mission with a social cause. This, on the face of it, gives the appearance of a culture clash with the entrepreneurially led, for profit organization
that is based on an employment contract, pragmatism and instrumental actions, with a view to creating shareholder value. Is it possible to reconcile these disparate socio-economic standpoints?

2.10 The Challenges of Sustainability

(Chell, 2007) The suggestion that there is pressure on the leaders of social enterprises to behave entrepreneurially and adopt a business model has been challenged, not only as inappropriate in many instances as indicated earlier, but possibly also a threat to the realization of the enterprise’s primary mission (Dees, 1998; Foster and Bradach, 2005). Foster and Bradach (2005) suggest that managers of NFPs want to be viewed as entrepreneurs; they experience pressure to become self-sufficient; they exhibit a ‘pattern of unwarranted optimism’; the ‘challenges of running a successful business are routinely discounted’; and, they appear not to realize the extent to which the pursuit of commercialism could potentially subvert the organization from its core mission.

2.11 Identifying Opportunities

Dees and Anderson (2003) approach opportunity recognition from the perspective of the value chain (Porter, 2007), and identify activities where the social business might achieve their social purpose and create economic value from procuring supplies to after sales care.
2.12 Social Value Creation Theory

Social value creation refers to the impact that a social enterprise has on the standard of living of an individual or community (Meykens, Carsrud, & Cardozo, 2010).

2.12.1 Opportunity Creation Theory

Opportunity creation theory asserts that opportunities do not exist independent of the entrepreneur, but rather are created by the actions, reaction and enactment of entrepreneurs as they explore ways to generate new products or services (Eckhardt & Shane, 2003). Accordingly, entrepreneurs do not search for opportunities but act and observe the effects of their actions.

A second view on opportunity creation presupposes that opportunities exist out there and need only to be discovered by an entrepreneur in order to be exploited (Sarason, Dean & Dillard, 2006).

Entrepreneurs are able to detect an opportunity where others would not (Alverez & Barney, 2007). More recent research incorporates both perspectives and suggests that social entrepreneurs using satisficing, rather than profit maximisation, to recognise social opportunities because the value of their opportunities is difficult to quantify (Zahra 2008).

2.12.2 Innovation Theory

Social enterprises find income opportunities to address disadvantage, poverty and social exclusion. Many have been created to deliver health care, arts, cultural, employment, housing, social care, education, environmental, and recycling services. Innovation is a conduit to exploit opportunities that generate value by delivering new services to the disadvantaged; identifying new ways of delivering existing services; implementing new strategies to generate income; delivering existing services to new individuals, or exploiting novel resources (Haugh, p. 5).

Innovation is a key precursor to change and is necessary for the continued success of an organisation (Tusman & Anderson, 2004). Innovation is a key theme in social entrepreneurship research. For Schumpeter (1936) and Drucker (1985) innovation is a fundamental part of entrepreneurship. Innovation is the process through which something
new and/or different (Drucker 1985), and of value is created and made available to society that had previously not been available. New combinations might involve the introduction of a new economic good and a new method of production, the opening up of a new market, the conquest of a new source of raw materials, and/or the creation of the new organisation of an industry (Schumpeter 1936). Innovation is a key concept within the discussion of entrepreneurship - whether social or economic.

Due to social mission objectives, NPOs make products that are of necessity and usually simpler and less expensive to use than similar products offered in the for-profit marketplace (Perry, 2006). This process may create a disruptive innovation that effectively meets the needs of more demanding consumers, and allows the product to supplant more expensive commercial products. While commercial enterprises continually engage in social entrepreneurship as a form of finding marketplace opportunities that meet the needs of their customer base, future research of social ventures may gain theoretical insights concerning the unique role social innovations may play in disrupting competition in the greater market as an increased number of social ventures evolve to compete in the for-profit sector (Weerawardena & Mort, 2005).

The issue of whether non-profit organisations have the capacity to be flexible and endure the risks involved for social entrepreneurship is an important one. Scale of the organisation is significant. The flexible organisation has more opportunity to forward social innovation. An ability to have lean, flexible organisations with decentralized knowledge and action is relevant to size and access to resources (Raymond, 2004).

2.12.3 Legitimacy Theory

Organisational legitimacy is an assumption that the actions of an entity are social desirable within some socially constructed system of norms, values, and beliefs (Suchman, 1995). From an institutional perspective, legitimacy is the means by which organisations obtain and maintain resources (Dart, 2004).

Legitimacy is important because social entrepreneurs find themselves at a cross road and must enter an arena of opposed logic. They must find legitimacy in the field before they can adopt it or reshape their operational thinking and actions (Cooney, 2006). It therefore becomes a challenge a social entrepreneur to justify their activities as legitimate for a social
purpose organisation (Hervieux, Gedajlovic, & Turcotte, 2010). An important source of uncertainty originates in the legitimacy issue regarding the dual logic of social enterprises. The potential negative impact commercial interests may have on the social mission is a primary concern of the social entrepreneur.

Research has shown that an organisation adopting a social mission and using commercial and/or business means to sustain itself is social entrepreneurship. Evidence of legitimisation is found in replication, consensus, reciprocal behaviour or institutionalisation across various actors through habitual actions (Maguire, Hardy, & Lawrence, 2004).

2.12.4 Resource-Based View

According to a resource based view, an organisation is composed of a bundle of resources that are considered their strengths, advantages or assets. These resources can either be tangible or intangible. Tangible resources included human, social and financial capital, while intangible resources entail the ability, knowledge and capabilities that enable firms to effectively complete processes, tasks and produce outcomes (Barney, 1991).

The resource based view suggests that competitive advantage and differences in firm performance is related to variance in firm resource acquisition and management. A resource based view suggests that social enterprise will be able to achieve their strategic objective if they adequately acquire and manage resources (Meyskens, Carsrud, & Cardozo, 2010).

Social enterprises require finance to fund complex, low-profit activities and many are financed by a combination of different types of finance, usually referred to as the funding mix (Haugh, 2005). The trading requirement of social enterprises necessarily means that their funding mix consists of earned revenue and non-revenue sources. Earned revenue generates the most flexible finance (Williams 2003) and is derived from the sale of goods and services of the social enterprise, for example, tuition fees for education and training, ticket sales for arts and cultural venues, fees for social services, income from property rental and leasing. Non-revenue sources include venture capital, commercial debt, and non-commercial debt (community-based funds, grants from foundations, Community Development Financial Institutions, programme-related investment (Williams 2003)), venture philanthropy (Letts et al 1999) and Community Development Venture Capital. “For funding organisations, the transaction costs of large numbers of small grants are high, as is the cost of meeting the requirements of a diverse target group with heterogeneous demands, and
these factors conspire to generate lower than commercial rate returns. As a result, social enterprises might be considered unattractive propositions to investors (Haugh 2005, p. 7-8)"

2.12.5 Institutional Structure Theories

Institutional structure supports the rules, roles, beliefs, and practices within organisations, which in turn influences and is influenced by individual understandings and actions (Meyerson, 1994). The antecedents of social entrepreneurship, or the patterns of behaviour, will be impacted by the institutional character of the organisation. Although most non-profits will reflect their founding missions, many will change radically in response to the challenges of resources and changes in the sector (Thornton, 1999). An entrepreneurial response is context dependent or has a cause-effect pattern, specifically related to institutional and economic stimuli (Hayton et. al, 2002). Thus, to prevail in changing times, non-profit organisations must create organisational capacities to foster their distinct social missions by balancing the workings of innovative enterprise with institutional effects and unstable economic environments.

Other studies have taken a supply-side view of entrepreneurship. This includes an individual level focus that concentrates on the traits and motives of the entrepreneur (Gartner, 1989b; Salamon, 2003). A less extended perspective is from the demand-side. The demand-side examines the process of entrepreneurship or the context in which entrepreneurship emerges (Thornton, 1999; Frumkin, 2002).

2.13 Summary

The review of literature informed and provided an historical context for the non-profit sector and social entrepreneurship. Previous studies made apparent the complex non-profit environment and the theories that may impact the understanding of the revenue generation within the non-profit sector. Studies found social entrepreneurship is often misunderstood and that a theoretical and practical understanding of social enterprise and social entrepreneurship remains unclear to many operating in the area.

The next chapter states the research questions that will be pursued in this study and hopefully bring further clarity into discussions about social enterprise and social entrepreneurship within the NPO sector.
3 Chapter 3: Research Questions

A research question considers the logical relationship between concepts so that they can be observed and determined to have an affirmative or the negative association (Zikmund, 2003). In a recent study conducted by Trialogue, they reported that 69% of their non-profit respondents considered their organisations, or a part thereof, to be operating as social enterprises (Trialogue, 2011, p. 41). Those investigating a social enterprise model were optimistic that they would be able to self-generate a portion of their income through the social enterprise within the next 5 years (Trialogue, 2011, p. 42). Given the important role that social entrepreneurs play in society on three levels – social, government and business – this study is deemed important to question and understand the evolving trends of social entrepreneurs and how trends may affect the three levels as well as NPOs and budding social entrepreneurs that may soon follow suit.

Several research questions were identified out of the literature review reflected in chapter two. Due to the emergence of the topic of social entrepreneurship, there continues there are ample themes to explore within the field.

The research questions explores the contentions of Weerawardena & Mort (2005) that state certain behavioural characteristics can be observed amongst NPOs if focus is given to their strategic decisions and vision. Their assertions highlight that an organisation’s social mission, its drive for sustainability and the dynamism of the environment in which they operate impacts its decisions related to the model of enterprise they will pursue.

Korosec and Berman (2006) point out that amongst entrepreneurs characteristics such as strong community leadership and the use of modern management practices helps to define their ability to find and exploit opportunities.

The questions seek to understand how social entrepreneurs deal with resources and if they are used to explore and exploit opportunities to stimulate social change or meet social needs

Mair & Marti (2006)

The Opportunity Creation Process model that Guclu et.al (2002) developed will be used for during this research as the model upon which the research methodology will be constructed. The literature suggest that the social entrepreneurship is a process of opportunity creation and that, even in the social sector, social entrepreneurs seek an attractive opportunity with
sufficient potential for positive social impact that justifies the time, energy and money they invest to pursue it (Guclu, et al., 2002). The model places a strong emphasis on the entrepreneur’s personal experience, the social assets at their disposal, the need for change and social needs as the drivers for the creation of a promising idea (Guclu, et al., 2002). This view was supported by Shane & Venkataraman (2000) who similarly creed a framework on profitably opportunities and noted that the entrepreneur discovered, evaluated and exploited opportunities.

The prevalence of social enterprise developed by NPOs demonstrated in the Trialogue findings and an assessment of the literature review and the quest to gain an understanding of the accuracy or inaccuracy of their findings evolved into the following questions to further explore the field:

3.1 Research Question 1

Do common characteristics (e.g. size, age, staff, expertise, sector etc.) exist amongst organisations that develop a social enterprise that may illustrate when an NPO is likely to move into social entrepreneurship?

3.2 Research Question 2

Is there uniformity in understanding what defines an activity as a social enterprise versus an activity to generate income?

3.3 Research Question 3

Is there a theory that explains the key drivers or motivations leading NPOs to pursue income opportunities?

3.4 Research Question 4

How do NPOs identify an income opportunity to pursue?
3.5 Research Question 5

What impact does a dual objective have on the relationship between the parent NPO and its enterprise or income activities?

Figure 3.5-1 Research Question Flow

Research questions establish parameters of a study and guide the choice of methods that are used (Creswell, 2002; Strauss & Corbin, 1998). In this study, the research questions led to the grounded theory paradigm as the preferred method for data collection. Grounded theory is selected or the purpose of building theory from the data or to denote theoretical constructs derived from qualitative analysis of data (Corbin & Strauss, 2008, p. 1). Due to the inductive nature of this particular research method, the research questions may become more refined and specific as the research progresses and the issues and problems of the area under investigation are identified. "The initial question starts out broadly; it becomes progressively narrowed and more focused during the research process as concepts and their relationships are discovered" (Corbin & Strauss, 2008, p. 41).

This chapter presented the research questions that guide this study. It noted the original research by Trialogue that influenced the goal of attaining additional information to explain the phenomenon behind their research findings. The next chapter focuses on the research methods used to collect and analyse data as well as how theory connected to the outcomes of this study.
4 Chapter 4: Research Methodology

This chapter outlined the methodology used in this exploratory, qualitative study. First, the assumptions and rationale for a qualitative design were explored. Following this, the grounded theory design was briefly described, followed by the role of the researcher, the data collection procedures, data analysis procedures, methods of verification, and the procedures for reporting the outcomes of the study.

The intent of this research was to identify common characteristics of the NPOs interviewed to determine (i) if common characteristics existed that illustrated factors likely to motivate a NPO toward social entrepreneurship, (ii) to identify if they could define themselves as which income producing versus social entrepreneurs, (iii) what motivated them toward income production, (iv) how they identified their income opportunity and (v) what impact the dual objective of social and economic value creation had on the relationship between the two entities.

4.1 Research Approach

As noted in the Literature Review (Chapter 2), research is fairly new in the areas of social entrepreneurship, social enterprise and the phenomenon of non-profit organisations pursuing income generating activities with much of the discussions focused on defining social entrepreneurship. From the literature reviewed, it was also evident that comparisons are being drawn from other areas of knowledge, such as entrepreneurship, management, sociology, and psychology with the expectation of drawing inferences to explain the process of social entrepreneurialism. There are significant gaps in research that speaks full to most aspects of social entrepreneurship, its drivers, processes and the challenges of creating and running a social enterprise.

Certain types of research problems call for specific approaches (Creswell, 2003; Ganeshasundaram & Henley, 2006). A qualitative approach is appropriate when a concept or phenomenon needs to be explored because little research had been done on it as is the case with social entrepreneurship. The exploratory nature of qualitative research was said to be especially helpful when the researcher did not know the important variables to examine (Creswell, 2003). A qualitative approach was needed when “the topic was new, never been
addressed with a certain sample or group of people, or existing theories do not apply to the particular sample or group under study” (Creswell, 2003, p. 22).

Interpretive research requires an understanding and analysis prompted by the researcher through interaction with the participants to get close to the findings; the "inquirer and the ‘inquired-into’ are interlocked in such a way that the findings of an investigation are the literal creation of the inquiry process" (Guba & Lincoln, 1994, p. 84). In order to find meaning, the researcher must engage and interact with the participant to uncover as much verbal, visual and other sensory information as possible that will assist with interpretation of the results.

A qualitative approach means the researcher was a participant with full awareness that it was a values-laden process that factored in personal experiences and orientations (Holliday, 2007). The researcher was an instrument in data collection. Therefore, a researcher's worldview was relevant as much as it made research imperfect. A researcher's educational beliefs or assumptions are often brought into a study. This bias related to how assumptions influenced research design and the efforts to understand the meaning of the data that was collected (Creswell, 2003).

The researcher acknowledged her experience and knowledge in the areas of economic development, small business development, entrepreneurship, and the non-profit sector. Attempts were made to remain cognisant of the potential bias of that knowledge but also had the potential benefits it had to understand and contextualise the discussions with those interviewed. The researcher endeavoured to establish an objective stance toward the content and findings as they emerged allowing the data to “speak for itself” and coding by themes that were actually verbalised (e.g. “fly-by-night”) or defined similarly amongst respondents (e.g. people who under quote in the market and are soon out of business = “fly-by-night”) (Holliday, 2007).

4.2 Research Design

Social entrepreneurship and social enterprises are relatively new fields of study; hence the availability of academic literature was limited for the exact purposes of this research. As a result, the most appropriate strategy of inquiry was a qualitative approach using grounded theory.
In conducting exploratory research, a number of research design approaches were available; including experience surveys, pilot studies, case studies and secondary data studies (Zikmund, 2003).

Grounded theory is associated with a researcher’s “attempts to derive general, abstract theory of a process, action or interaction grounded in the views of the participants in a study” (Creswell, 2003, p. 14). A preconceived theory is often used to facilitate understanding another’s reality and to explain behaviours or attitudes, particularly for an event, process, or situation (Creswell, 2003) by creating a premise from which to compare events or processes against. Identifying a preconceived theory assisted in providing a starting point for analysing data and was applied only if the data supported the assumption made (Holliiday, 2007).

4.3 Sample Size

Theoretical saturation is useful for qualitative research (Blanche, Durrheim, & Painter, 2006). Its premise is that a researcher must seek data until it no longer adds anything new to the analysis (Blanche, Durrheim, & Painter, 2006). While it is not always practical from a resource and time perspective, data is deemed adequate when it answers the question or when the same answers and themes begin being repeated (Marshall, 1996).

4.3.1 Sampling Method

The method of sampling used was non-probability, purposeful sampling to select 12 organisations from the available population as identified in the Trialogue research. The sampling method was non-probabilistic sampling, specifically using a purposive, typical case sample. Purposive sampling was an approach that allowed one to understand what was happening so that logical generalisations could be concluded (Saunders & Lewis, 2012). While typified of qualitative data (Saunders & Lewis, 2012, p. 138), purposive sampling was utilised in this instance to ensure that the respondents selected were those best able to answer the research question and draw conclusions about the sample population (Saunders & Lewis, 2012).

In depth interviews were conducted with 14 project managers, founders and those with oversight roles. The interview sample group needed to adequately reflect non-profit organisations operating income generating activities. Therefore, participants were selected randomly based on the criteria that they were non-profit organisations, operated in South
Africa, produce income, formed part of the Trialogue survey in 2011 and defined themselves as being or having a social enterprise. From the Trialogue list a diverse selection of social missions and organisational structures were sought in order to assess if similarities or differences existed across various types of organisations.

4.4 Unit of Analysis

The unit that was sought to be examined, or said something about, were NPOs operating social enterprises in various stages of development (Shaw, 1999).

4.5 Population

The population of relevance consists of:

- Founders, project managers, coordinators and those with oversight roles within non-profit organisations operating social enterprises or income generating activities.
- Participants in the Trialogue survey in 2011 because they accounted for the 69% that is being investigated.

Table 4-1: Sampling Parameters for Research

<table>
<thead>
<tr>
<th>Sampling Parameters</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Unit of Analysis</td>
<td>Non-profit organisations (e.g. section 29 companies) identified as participants in the Trialogue list of respondents for their annual survey</td>
</tr>
<tr>
<td>Population (interviewees)</td>
<td>Founders, programme managers, directors, coordinators or other titles that played oversight roles.</td>
</tr>
<tr>
<td>NPO’s Status of Activity</td>
<td>Conducted revenue generating programmes or created a social enterprise</td>
</tr>
<tr>
<td>Characteristics of Organisation of</td>
<td>Operating in South Africa (Johannesburg or Gauteng) with one exception from Cape Town</td>
</tr>
</tbody>
</table>

A total of 12 interviews were conducted for the study with 14 people interviewed from a total of 12 organisations. In two organisations, two people were interviewed (the founder and the project manager).
4.6 Data Collection

The intent of the study was to allow the data to emerge from the participants in the research rather than to specify the type of information to be collected in advance of the study. Therefore, open-ended questions were used to extract data that would develop common themes to explain the experiences of the participants. Data collection took place in two phases.

4.6.1 Phase 1 – Desktop Research

Information on social entrepreneurship was gathered from an extensive literature review. Learning was gained from a range of different sources including research papers, articles, books, industry studies and philanthropic websites. The purpose of the review was to gain a thorough understanding of social entrepreneurship as an emerging field of study and to look for key themes both on the social entrepreneur and social enterprises as a discipline as well as within the context of the evolution of non-profit organisation into the practice.

Haugh (2005) and Alter (2006) were particularly valuable in the identification of areas for future research and assisted in identifying questions that would lead to the extraction of information that would add to the body of current literature. Literary sources were also analysed to identify inconsistencies and divergences in thinking and academic opinion related to the subject matter.

From the Literature review and desktop research an interview schedule was developed. The desktop research looked at non-academic discussions in the field. The intent was to identify any themes to add to the exploration of the topic which may not have emerged yet in academic journals.

4.6.2 Phase 2 – Interviews

A pretesting phase was conducted to ascertain if the data collection plan for the main questionnaire was effective, appropriate and easy to comprehend. Comprehension was important to ensure that the interviewee would provide targeted responses that speak to the issue embedded in the question (Zikmund, 2003).
The Interview schedule (Appendix 1) was designed based on the analysis of available social entrepreneurship assessment schedules. In developing the schedule, the researcher focused on questions that would gain interesting insight into participant’s actions, considerations and decision-making processes in running a social enterprise or other income generating activity (Leedy et al., 2005). Table 4-2 demonstrates the elements of data collection tool, featuring the research questions and the interview questions expected to extract data to answer the questions.

In-depth interviews with founders, project managers or supervisors representing 12 NPOs were randomly selected from the list of respondents in the Trialogue 2011 CSI Handbook. They were further narrowed down to those with offices in Johannesburg or Gauteng, South Africa and defined themselves as operating a social enterprise in Trialogue’s survey. Interviews took place between July and September of the year 2012.

With the exception of two phone interviews, all first round interviews were done in-person at their work locations. The second round of clarification questions were conducted telephonically with five of the former respondents.

During the interviews, the researcher took notes about the surroundings, the interviewee’s inflections, facial expressions and body language to assist interpreting and understanding their comments. The researcher also noted responses that she did not agree with and had other information that contradict theirs. This was done in order to flag the need for special care to be taken when coding the response so not to be influence by personal bias.

**Table 4-2: Research Data Collection Tool**

<table>
<thead>
<tr>
<th>Research Question</th>
<th>Interview Schedule Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do Common Characteristics exist amongst organisations that develop a social enterprise that may illustrate when an NPO is likely to move into social entrepreneurship? (Content analysis on semi open-ended questions to compare responses between organisations for commonalities in operations)</td>
<td>Q14: Year the organisation was established?</td>
</tr>
<tr>
<td></td>
<td>Q14a: Respondents’ years with the NPO?</td>
</tr>
<tr>
<td></td>
<td>Q15: Type of organisation (legal structure)?</td>
</tr>
<tr>
<td></td>
<td>Q16. Category of core activities?</td>
</tr>
<tr>
<td></td>
<td>Q17. Where the organisation operates?</td>
</tr>
<tr>
<td></td>
<td>Q18. Main beneficiaries groups?</td>
</tr>
<tr>
<td></td>
<td>Q19. Who owns the organisation?</td>
</tr>
<tr>
<td></td>
<td>Q20. How many people on the management board?</td>
</tr>
</tbody>
</table>
| and structure | Q21. How many staff? Full and Part time  
Q22. How many volunteers? Full and Part time  
Q23. Last year’s annual turnover?  
Q24. Surplus or loss last year?  
Q25. How was surplus distributed?  
Q26. What were the main sources of funding?  
Q27. Ownership of fixed assets?  
Q28. Foreseeability of income increasing, decreasing or remaining the same.  
Q29. Projection of self sustainability of enterprise?  
Q30. Barriers to growth? |
|---|---|
| 2. Is there uniformity in understanding what defines an activity as a social enterprise versus an activity to generate income?  
(Content analysis on open-ended questions) | Q2. Would you define it as a social enterprise or income generating activity? Why?  
Q5: Who runs the activities of the income-operations?  
Q5a: Are they a specialist or a member of staff?  
Q6: Is the activity part of a long term vision  
Q13: Is there a business plan for the income generating activity? |
| 3. What are the key drivers or motives that lead NPOs to pursue income opportunities?  
(Content analysis on open-ended questions) | Q3: What motivated the organisation to pursue income generating activities? |
| 4. How do NPOs identify the income opportunity to pursue?  
(Content analysis on open-ended questions) | Q1: How does your organisation generate income for itself?  
Q3a. Was there a market demand or a market opportunity you were filling?  
Q9: Do you employ technology or some other form of innovation of creativity in your product or service? |
5. What impact does a dual objective have on the relationship between the parent NPO and its enterprise or income activities?

(content analysis on open-ended questions)

Q3c. Is the enterprise an extension of your normal activities as an NPO?
Q4: What social value does the income-generating activity have?
Q.10: What are the challenges with operating the business
Q.11: Do you find the income generating activities interfering with the primary objective of your NPO?

The net was thrown wide to catch as many themes as possible given the emergence of the field and the unpredictability of preconception. The data that could answer the question was used for this research. Information that did not answer the question formed part of recommendations for future research.

They were not all expected to be used in this study because the researcher saw the need for this research and future efforts to

The first 13 questions in the interview schedule were exploratory and open-ended to allow reflective answers and to allow the uninterrupted flow of thoughts and ideas. The researcher tried to limit asking additional questions that were not included in the interview schedule to those only serving the purpose of gaining clarity or further explanation on an idea expressed by the participant. However, all participants were asked the same standardised questions, despite times when it was answered in response to another question.

The second part of the questionnaire was exploratory and semi-open-ended. Interviewees were asked questions and asked if any of the responses were relevant to their organisation. They were allowed to supply additional information and to elaborate on their responses. The purpose of these questions was to extract answers that would offer a better basis to compare responses against to identify common demographics amongst the organisations.

4.7 Data Analysis

The approach used to analyse data was inductive in nature. The aim was to explore the data gathered, derive theories from it and subsequently relate it back to the theories reviewed in the literature. Data was analysed and ordered into categories and subsequently used to develop a theory (Leedy et al, 2005, p.140). Literature was then interrogated to identify common themes and linkages between thoughts and ideas of those interviewed. Therefore, the data collected and the theory that emerged from it was compared against
prevailing theories to identify if they adequately explained the trend toward social entrepreneurship. If not the data was used to identify gaps in theories or to outright contradict them. The findings were used to fill the gap in previous theories or develop a new model of social entrepreneurship. The research also incorporated a deductive approach because the literature was used to identify theories and themes around social entrepreneurship within the non-profit sector to deduce whether or not these themes could be applied to the selected sample of participants (Saunders, Lewis & Thornhill, 1997, p.38).

4.8 Literature Analysis

Literature was organised and analysed and categorised using suggested literature review methods from Creswell (2003) and Leedy et al, (2005).

- Various theoretical perspectives on Social Entrepreneurship were compared and contrasted to provide a lens to guide what issues are important to examine.

- Various trends in research findings were summarised and analysed.

- Possible explanations of discrepant and contradictory findings were recorded.

- Descriptive information about Social Entrepreneurs and the nature of Social Entrepreneurship that ran throughout the literature were used to divide findings into common categories and themes.

- A theory or combination on of theories emerged from the data and conclusions drawn from them.

4.8.1 Interview Analysis

Interviews were recorded and subsequently transcribed (See Appendix 4). The transcripts were used to identify commonalities in responses. The researcher developed a template to record the finding based on each question to compare key themes. The transcripts were manually read line-by-line and coded and loaded into the template. Common themes were identified and recorded. (Leedy et al, 2005). In some cases this required interpretation of the overall interview as well as the meaning behind participant’s reflections.
Analysis of interviews was done to ascertain whether or not there was enough evidence to suggest grouping material according to the categories (open coding) and themes identified by the literature review. The themes that emerged were then used to manually code the twelve interview transcripts sentence-by-sentence. This two-step process allowed the researcher to become immersed and more familiar in the data. There was constant comparison of the data throughout the process. Comparable data sets were grouped together under common themes, codes or “in vivo” terms, which is defined as a term based in the actual language of the participant (Corbin & Strauss, Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory, 2008, p. 192).

Relevant information from interviews was broken down into smaller segments, each reflecting a single category or theme (Creswell, 2003). The categories were then positioned within a theoretical model (axial coding), and a story developed that illuminated the interconnection between the categories (selective coding) (Creswell, 2003). Note all information collected from the questionnaire was relevant for answering the question; hence some results were not included in Chapter 6 (Discussion of Results).

4.9 Methods of Verification

Validity is the strength of qualitative research. It was used to suggest whether “the findings are accurate from the stand point of the research, the participant or the readers of an account (Creswell, 2003, p. 196).

4.9.1 Internal Validity

Following Creswell (2003), the steps used to ensure internal validity in this grounded theory study were:

1. **Triangulation.** Multiple sources of data and methods were used. The number and range of interviews were consistent with the exploratory, qualitative design. Sampling was completed when saturation of themes occurred (Strauss & Corbin, 1998). Additional materials were provided by participants such as web-based data, brochures and additional commentary from phone conversations. Observations of the researcher in the setting provided another source of data.
2. **Inquiry audit.** The researcher followed a process of constant comparative analysis of data and interview memos.

3. **Member checks.** All participants were given the opportunity to check the accuracy of the finding extracted from their interviews. A final report, a specific description or a theme was shared with the participant to confirm its accuracy.

4. **Peer debriefing.** An alternative to an external audit was a peer debriefing. The researcher met with Kojo Parris an expert in social enterprise research who was available for an open discussion on conceptual issues and methods that helped ensure the theories, concepts and interpretations were comprehensible to people other than the researcher.

5. **Recognition of researcher's biases.** At the onset of this chapter the researcher's biases and assumptions were stated. The researcher provided a full narrative under paragraph 4.10 entitled “Role of the Researcher”.

4.9.2 **External Validity**

According to Strauss and Corbin (1998), validity is the explanatory power of building a substantive theory from studying one small area of investigation within a set sample population and being able to apply the emerging theory systematically across a broader population from which a theory originates.

While the results of this study cannot be applied to all non-profit activities or to all cases of social entrepreneurship; the descriptive detail from interviews with NPOs conducting income generating activities and establishing social enterprises should provide the field with opportunity to compare, contrast, relate and test the theory that emerged.

4.10 **Role of the Researcher**

The researcher's bias was that the researcher's worldview was centred in experience and knowledge of the subject area. The researcher's past experience as a volunteer, consultant to non-profit organisations, several years’ experience as a practitioner in economic
development, graduate education in International law focusing on advocacy for community participation within the development planning process, and many years of experience in management and leadership roles, was helpful in gaining entry into the field portion of the study and was also useful in understanding terms or jargon used by practitioners.

The disadvantage was that the researcher presumed or anticipated the responses gathered from the interviewees. The predetermined organisation and techniques prescribed in the Strauss & Corbin (1998) methods were beneficial. This technique consistently grounds the analysis in data. The constant comparative analysis and simultaneous data collection gave sufficient opportunity for the researcher to remain close to the data without forcing or interfering with the development of theory. Glaser & Strauss (1967) called this relationship between the researcher and the data 'theoretical sensitivity'.

4.11 Ethical Considerations

According to the University of Pretoria research protocol, 12 non-profit organisations were first contacted telephonically by a student research assistant to introduce the study and invite participation. The student assistant screened the individuals to verify eligibility based on 4 factors. 1) Their organisation was a social enterprise or generates income for itself; 2) the person to be interviewed manages, supervises or oversees the income activity, 3) the organisation was located in Johannesburg or Gauteng or, if not was willing to conduct an interview telephonically, 4) the interviewee could dedicate at least one full hour for the interview.

The research assistant followed up via phone calls and email to schedule interviews with the 12 organisations. Approximately 15 organisations did not fit the criteria or did not meet the above criteria. Nine chose not to participate. Each willing participant signed an informed consent to be interviewed (see Appendix 2).

The following general standards were adhered to in this study:

(a) The researcher and her supervisor were responsible for the ethical standards;

(b) All participants were informed about aspects of the study that could influence their participation;
(c) Requirements of the University of Pretoria Ethical clearance committee were followed (see Appendix 3).

Those selected as interviewees were considered individuals with authority (Creswell, 2003). Their permission was sought for access to themselves or other relevant management level participants employed in their NPO. To respect privacy, no names were used for the participants and their organisations. They instead were referred to as Respondents and given a number in order of their interviews.

4.12 Summary of Research Methodology

Figure 4-1 represents the research design used in this study.

![Figure 4-1: Research Design](image)
4.13 Research Delimitations and Limitations

The unit of analysis was delimited to 12 non-profit organisations drawn from the Trialogue list of responding NPOs in their annual research. The population was further delimited to participants that responded in the positive that their organisations operate a social enterprise and that most were selected from the Gauteng area for the sake of time and travel costs.

Additionally, the population targeted for the Trialogue survey was compiled for a very different purpose from that of this study. Reasons very different than this study and there may be unknown variables that limit the generalizability of the results. There remains an inherent assumption that there will be generalizable conclusions made in the study that may aid future analysis of social entrepreneurship characteristics and drivers in a larger population.
5 Chapter 5: Results

5.1 Overview

This section presents results in this chapter are aimed at getting an in-depth understanding of NPO’s experiences of operating a social enterprise. It will inform what common characteristics exist amongst organisations that develop a social enterprise (e.g. size, age, staff, expertise, sector etc.) that may illustrate when an NPO is likely to move into social entrepreneurship. The results illuminate whether there is uniform understanding of what defines, in practice, when an NPO is operating a social enterprise versus an activity to generate income. It also compares motivation to produce income and how they identify the opportunity to create that income. Finally it answered the question about the impact a dual objectives (social and profit) have on the relationship between the parent NPO and its enterprise or income activities?

5.2 Introduction to Results

This section presents findings generated by the application of the methodology described in Chapter 4 which sought to explore respondents’ experiences to better understand the research questions proposed in Chapter 3.

The results of the interviews are presented with the first section highlighting the demographics of each respondent. Thereafter, the data will be segment according to each question and the outcomes which were analysed qualitatively and are presented in a table in broad themes and common strands of ideas across respondents to answer the research questions. Due to the small sample size, frequency tables were developed using the data.

5.3 Demographics of the Respondents

The fourteen research participants from twelve organisations represented various levels of seniority within their organisations but they all either manage the social enterprise or play an oversight role with respect to finances or marketing. This role was not always evident in their titles but was ascertained by the initial questions asked when setting up the interview to determine if they were a suitable candidate to respond to the questionnaire. The names of
the organisations and the interviewees have been held confidential and they are herein referred to as Respondents. The demographics of each are represented below in Table 5-1.

Table 5-1: Demographics of Respondents

<table>
<thead>
<tr>
<th>14 Respondents</th>
<th>Position</th>
<th>Years with Organisation</th>
<th>Gender</th>
<th>Race</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operations Manager</td>
<td>4</td>
<td>Female</td>
<td>White</td>
<td>47</td>
</tr>
<tr>
<td>2</td>
<td>Founder</td>
<td>6</td>
<td>Male</td>
<td>White</td>
<td>51</td>
</tr>
<tr>
<td>3</td>
<td>Consultant</td>
<td>10</td>
<td>Female</td>
<td>White</td>
<td>38</td>
</tr>
<tr>
<td>4</td>
<td>Researcher</td>
<td>21</td>
<td>Female</td>
<td>White</td>
<td>48</td>
</tr>
<tr>
<td>5</td>
<td>New Business Development Executive Director</td>
<td>7</td>
<td>Female</td>
<td>Black</td>
<td>31</td>
</tr>
<tr>
<td>6</td>
<td>Manager</td>
<td>20</td>
<td>Male</td>
<td>Black</td>
<td>55</td>
</tr>
<tr>
<td>7</td>
<td>Founder &amp; Programme Manager</td>
<td>6</td>
<td>Female</td>
<td>Black</td>
<td>68</td>
</tr>
<tr>
<td>8</td>
<td>Research Nurse</td>
<td>10</td>
<td>Female</td>
<td>Black</td>
<td>52</td>
</tr>
<tr>
<td>9 (a &amp; b)</td>
<td>Orphans and Vulnerable Children Coordinator</td>
<td>4</td>
<td>Female</td>
<td>Black</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>Black</td>
<td>57</td>
</tr>
<tr>
<td>10</td>
<td>Empowerment Manager</td>
<td>12</td>
<td>Female</td>
<td>White</td>
<td>48</td>
</tr>
<tr>
<td>11 (a &amp; b)</td>
<td>Marketing Coordinator Director</td>
<td>10</td>
<td>Male</td>
<td>Black</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15</td>
<td>Male</td>
<td>Black</td>
<td>54</td>
</tr>
<tr>
<td>12</td>
<td>Fundraising Coordinator</td>
<td>12</td>
<td>Female</td>
<td>White</td>
<td>46</td>
</tr>
</tbody>
</table>

The demographics of those interviewed demonstrate:

1. Management years - Most managers have been with their organisations for 10-14 years (5 respondents). A total of 8 respondents have been there over 10 years.

2. Race – There is almost an equal amount of black and whites heading up social enterprise programmes with 7 black interviewees in charge of programmes versus 6 whites.
3. Gender – Woman are represented far more than men with 9 women heading up programmes versus 4 men. Black men are more likely to head up a social programme as opposed to white men.

4. Age – Most programme managers or founders fall within the 45-54 age group.

5.4 Results - Research Question 1

What common characteristics exist amongst Non-profit organisations that establish a social enterprise?

In order to identify common characteristics amongst organisations, respondents were asked a series of questions about their organisation and their experiences. Research Question number 1 speaks to the demographics of the organisations and was expected to better acquaint the reader with the entity in aid of subsequent discussions that follow under Question 2 and 3.

A summary of responses from the 12 respondents are represented in Table 5-2.
### Table 5-2: Characteristics of the 12 NPO Respondents

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Income generating activity</th>
<th>NPOs Years in Operation</th>
<th>NPOs Sector</th>
<th>Where operates</th>
<th>Targeted beneficiaries</th>
<th># full-time staff</th>
<th># part-time staff</th>
<th>Annual Turnover (thousands)</th>
<th>Distribution of Profits</th>
<th>Owned assets (fixed)</th>
<th>Prediction of sustainability</th>
<th>Main barriers to growth</th>
<th>2nd barriers to growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sewing cooperative</td>
<td>12</td>
<td>Health</td>
<td>Regional</td>
<td>Rural Women</td>
<td>27*</td>
<td>86</td>
<td>100-500k</td>
<td>Organisation</td>
<td>no</td>
<td>End of 2013</td>
<td>Distance to market</td>
<td>Lack of specialist advice</td>
</tr>
<tr>
<td>2</td>
<td>Human Reserve and Lodge for the San Community</td>
<td>6</td>
<td>Cultural &amp; Tourism</td>
<td>Local</td>
<td>San Community</td>
<td>-</td>
<td>3</td>
<td>0</td>
<td>Social Enterprise &amp; Community</td>
<td>No</td>
<td>None to date. Once funded anticipate 2-3 years</td>
<td>Access to funding</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Beading Cooperative</td>
<td>12</td>
<td>Health</td>
<td>Regional</td>
<td>Rural Woman</td>
<td>21 as need</td>
<td>100-500k</td>
<td>Organisation &amp; Community</td>
<td>No</td>
<td>Self-funded - 4 years</td>
<td>Lack of specialist advice (for marketing)</td>
<td>Management skills</td>
<td>Access to Funding</td>
</tr>
<tr>
<td>4</td>
<td>Bee Keeping, Honey &amp; Training Project</td>
<td>20</td>
<td>Agriculture</td>
<td>National</td>
<td>Disadvantage communities</td>
<td>1 -</td>
<td>20-50k Community</td>
<td>No</td>
<td>Unknown</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Literacy training and programme development</td>
<td>39</td>
<td>Education &amp; Training</td>
<td>National</td>
<td>Disadvantaged communities</td>
<td>24</td>
<td>100</td>
<td>17 mill</td>
<td>Organisation</td>
<td>No</td>
<td>No</td>
<td>Undercutting by fly-by-nights</td>
<td>Lack of world class technology</td>
</tr>
<tr>
<td>6</td>
<td>Venue and SMME office rental</td>
<td>20</td>
<td>Education &amp; training</td>
<td>Local</td>
<td>Disadvantaged Communities</td>
<td>17 --</td>
<td>50-100k Organisation</td>
<td>Building and land</td>
<td>No. not with present activities</td>
<td>Lack of space/premises</td>
<td>Access to funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Internet, laundry, bakery, invitations and garden</td>
<td>7</td>
<td>Child Education and welfare</td>
<td>Local</td>
<td>Youth in Disadvantaged communities</td>
<td>10 --</td>
<td>0-10k Organisation</td>
<td>No</td>
<td>Yes. Within next 5-6 years</td>
<td>Access to funding lack of suitable premises</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Plastic hats and shoes</td>
<td>10</td>
<td>Education &amp; training</td>
<td>Local</td>
<td>Elderly</td>
<td>1</td>
<td>0-10k Community</td>
<td>No</td>
<td>None</td>
<td>Access to funding suitable premises</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Bioenergy tree plantation</td>
<td>13</td>
<td>Child Social Services</td>
<td>Local</td>
<td>Youth &amp; Vulnerable Children</td>
<td>50</td>
<td>22</td>
<td>0-10k community and organisation</td>
<td>Land</td>
<td>Goal to be sustainable in 5 years</td>
<td>Access to funding lack of specialist advice/support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Catering project</td>
<td>13</td>
<td>Services &amp; Shelter for abused women</td>
<td>Provincial</td>
<td>Abused Women</td>
<td>12 --</td>
<td>3 M organisation</td>
<td>No.</td>
<td>Haven’t looked that far yet.</td>
<td>Access to funding lack of partnerships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Health and social worker training and home care</td>
<td>17</td>
<td>Health</td>
<td>National</td>
<td>Disadvantaged Communities</td>
<td>10 --</td>
<td>1M organisation</td>
<td>No.</td>
<td>Next 3 years.</td>
<td>Access to funding Fly-by-nights</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Charity shop</td>
<td>20</td>
<td>Social Services Homeless children</td>
<td>Regional</td>
<td>Homeless Youth</td>
<td>84 --</td>
<td>10M organisation</td>
<td>Never. Seeking 10% of overall budget to be covered by enterprise</td>
<td>Access to funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Respondent gave a range from 25-30 being unsure. The researcher averaged the two numbers to create a single figure.
A summary of key findings relevant to the research question are found in Table 5-3 below.

Table 5-3: Summary of Findings for Question 1

<table>
<thead>
<tr>
<th>Common Characteristic</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>The majority of organisations with social enterprise are older than 10 years</td>
<td>10</td>
</tr>
<tr>
<td>Most social enterprises began operations before 2002.</td>
<td>7</td>
</tr>
<tr>
<td>The principle manager has been with the project over 10 years</td>
<td>8</td>
</tr>
<tr>
<td>The principle manager has been with the project since its inception</td>
<td>9</td>
</tr>
<tr>
<td>Most NPOs have less than 20 fulltime staff.</td>
<td>7</td>
</tr>
<tr>
<td>Income from the organisation is typically channelled back to the parent organisation either fully or partially</td>
<td>10</td>
</tr>
<tr>
<td>Most NPOs expect to continue being donor dependent and do not foresee the enterprise making them self-sustaining</td>
<td>7</td>
</tr>
<tr>
<td>Access to funding is the biggest barrier to growth.</td>
<td>8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Common Characteristic – Impact of location Revenue based on operation location – Sample size = 5</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisations that operate locally generate less revenue than those that operate outside their local areas.</td>
<td>4 out of 5</td>
</tr>
<tr>
<td>Annual turnover of greater than One Million is attributed to those operating provincially or nationally</td>
<td>4 out of 5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Common Characteristic of those with fixed assets Sample size = 2</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents that have fixed assets use it as a basis to earn income</td>
<td>2</td>
</tr>
</tbody>
</table>
5.5 Results – Research Question 2

Is there uniformity in understanding what defines an activity as a social enterprise versus an activity to generate income?

This question was asked to understand if there the respondents are able to define their income opportunities as an income generating activity or a social enterprise. The question sought to ascertain if those working in the field are aware of the difference, how they distinguish the two activities or if it has been accepted, hence legitimised as an action they must perform.

The respondents defined their entities along three lines; a social enterprise, an income generating activity or a combination of both. One respondent did not commit to one definition or the other.

Res4: “For us it is a social enterprise but for them it is something different. But, for us, [it’s] just a social enterprise. Because what we initially wanted to do was to generate or to increase the number of beekeepers in the country. …and what we started was the whole enterprise around farming with bees.”

Res10: “At the moment is a case of income generation. I think if we got our selves financially stable again that would certainly be a possibility that we would look at that becoming a business attached to us, but we haven’t gone that far yet in exploration.”

Res11: “We define it as a social enterprise but it is mainly to generate income”

Res8: “Well we apply for funding but we don’t have any funding what we do, we have a group of old ladies that we keep, we work with them. There is the day when they come to the centre, so they do hand work and we sell all those things for income.”
5.5.1 Summary

<table>
<thead>
<tr>
<th>Does the manager define the entity as a social enterprise or income generating project/programme?</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social enterprise</td>
<td>6</td>
</tr>
<tr>
<td>Income generating activity</td>
<td>4</td>
</tr>
<tr>
<td>A combination of both</td>
<td>1</td>
</tr>
<tr>
<td>Undefined</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

Half of the respondents (six) consider themselves social enterprises while four out of twelve acknowledge being an income generating project, activity or unit of the parent company. One defines themselves as both while another one fails to commit to a definition.

5.6 Results - Research Question 3

To ascertain motivating factors leading the NPO to start income generating activities, the respondents were asked a pointed question about what motivated them to create income for the organisation. Four distinct motivating factors became evident from the responses:

1. Donor push toward becoming more business orientated
2. Sustainability due to scarce and unpredictable funding
3. Empowerment through creating income opportunities
4. Marketing and branding

These four motivating factors are demonstrated in the respondent’s answers.

5.6.1 Donor Push toward Becoming More Business Orientated

Donor push is evidenced by comments from donors indicating their expectation that the organisation become more business orientated.
Respondent 2 noted that “From the beginning we have tried to raise donor funding, by hundreds of letters... to businesses, private individuals, government departments and any source that we thought might be interested .... with [the] negative responses we got from donors we approached, eventually [we] developed what we know is a solid business plan...”

Respondent 5 noted that “they had to think of ways to ... stay afloat”. “[Donors] talk this language of business oriented non-government organisations, not just focusing on the non-government part but actually becoming business orientated by...going out there, finding clients, applying for tenders and doing cold calls...”

5.6.2 Sustainability Due to Scarce and Unpredictable Funding

Sustainability is a theme created around the unpredictability of winning donor funds, experience with changing donor focus or actual comments by donors to minimise their dependence on their funds. This is distinct from Donor Push where donors have allegedly stated their expectation that the organisation become more business focused.

Respondent 2 stated: We all know that the donor funding pool is getting smaller and smaller by the day and inside of this donors turning around saying what are you doing to be sustainable if you don’t get funding?.”

Respondent 7 emphasised how they “can’t depend on fundraising alone. We can never depend on corporates and [sic] local or international....if a country like America decides that we are going to cut funds and you’re depending solely on their funding then it means one way or another some programmes have to be closed down, or you have to close down completely.”

The need to be sustainable was echoed by Respondent 10 who stated that “because funding has become just so difficult. For sustainability for NGOs it’s really really [sic] important these days. We get told by the government, we get told by the lottery board that we can’t depend on them and we have to find other ways of being sustainable.”

Respondent 12 reflectively expressed “the charity shop I need them to be doing more and more and more because the more money they make that way, the less money asking [sic] grant
makers who are changing their focus areas on a daily basis.... What frustrates me around the whole sustainability thing is that our level of expertise is social workers....child care ...”

5.6.3 Empowerment through Creating Income Opportunities

Empowerment was identified by the use of the word “empowerment, job creation or help people earn an income”.

Respondent 3 noted that their parent organisation, which is an antiretroviral clinic for HIV/AIDS patients “look[ed] at the community and realised that there were so many unemployed people in that area and they wanted to...somehow help in a certain way and do skills development.”

Respondent 4 is focused on environmental and honey bee research noted that “the direction in which government is moving...we need to empower people that were previously disempowered, so we need to help people with income generation and...beekeeping is one of those possibilities...combine bees with vegetable gardening and people can have a constant income.”

Respondent 9 offered a combined response. As an organisation assisting orphans and vulnerable children, they noted that “we have youth, our beneficiaries, to be the ones who are working there, so somehow we have created employment for them...to help the people and at the same time be able to sustain ourselves…”

5.6.4 Marketing and Brand Creation

Lastly, one respondent identified marketing and branding as a motivator which was unique to the other responses and a point of interest.

Respondent 1 noted the other motives and added another dimension to the discussion about what led the parent organisation to income generation. “… The other reason is the ability to brand themselves and to market themselves and to put a product out there [because] not everyone wants to go see a clinic or can go to a clinic, but people can go and buy something that is made by [them]…”
5.6.5 Summary of Motivations

To varying degrees, all respondents noted the scarcity of donor funding having an impact on their decisions; however six out of twelve discussed it as the primary motivator. Four out of twelve were primarily motivated by the desire to empower the disadvantaged through job creation and two out of twelve were motivated by funders pushing them toward becoming business orientated. It must be noted that it was not the primary motive of the one respondent that mentioned the desire to market and brand. The primary driver was the unpredictability of donor funding, followed by the desire to empower through creating income opportunities.

<table>
<thead>
<tr>
<th>Motivation to start income generating activities</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>The primary driver pushing organisations to develop social enterprises is related to donor funding and the need for the organisation to survive in an environment of unpredictable funding (Donor funding + sustainability).</td>
<td>6</td>
</tr>
<tr>
<td>NPOs pursue social enterprises in order to empower disadvantaged communities by creating income opportunities.</td>
<td>4</td>
</tr>
<tr>
<td>Income generation was a result of donor push toward becoming more business orientated.</td>
<td>2</td>
</tr>
<tr>
<td>NPOs create a social enterprise in order to brand and market themselves.</td>
<td>1</td>
</tr>
</tbody>
</table>

5.7 Results - Research Question 4

How do NPOs identify an income opportunity to pursue?

To understand how NPOs identified income opportunities to create a social enterprise or an income generating activity, they were asked whether they responded to a market demand (e.g. what was needed in the community) or did they develop the enterprise around an opportunity to sell something for which they then had to stimulate demand.
5.7.1 Opportunity Driven

Most respondent were opportunity driven. They surveyed the skills accessible to them and the assets at their disposal and created an income opportunity leveraging.

**Respondent 3:** “initially I use to organize transport for the women to come and sell their work at school fairs etc., but it was really [cumbersome] and to keep control over stock and this and that and it just became impractical so we just decided that we would buy the stock directly, and [our parent] buys it and [our parent] has a marketing and retail, actually a more wholesale outlet.”

**Respondent 8:** “It was just an opportunity.”

**Respondent 9:** “We were given a farm by somebody …and, at that time it was when the government was busy funding the, this agriculture, so that is how we got the opportunity.”

**Respondent 12:** “I think it is an opportunity that we can maximise. There is definitely a clientele that wants to come shopping at our shop, so it is an opportunity [that’s] there for the taking…”

5.7.2 Demand Driven

The other respondents were demand driven. They provide services to a market that already existed and in need of supply. The exception is Respondent 2 who has not yet started his business but has identified a demand market to supply.

**Respondent 1:** “We found we have a very limited product collection, but we find that people want different stuff all the time, so we respond to market demand … When [our parent] was first created they had a residential area for children who were orphan or abandoned due to HIV Aids and the sewing project was instructed to make school uniforms and the bedding needs of the clinic and the residential area… [parent company].”

**Respondent 2:** “There is the market for mountain biking, because we had to find something which can draw in the revenue.”
Respondent 5: “I would say we are filling a gap because the illiteracy in this country is phenomenal, so we are just trying to help where we can. People are so illiterate basically... most of them even the past where they come from, it’s things like apartheid and stuff like that... so yes, that is something I will say that we are filling the gap.”

Respondent 6: “Yes because it is the only one... I don’t know of a multipurpose community Centre [like ours] that is not run directly by government”.

Respondent 7: “We had problems with our beneficiaries always coming in asking for funds, you know, to go to the internet café for researches and all ... and that’s what started it all... and you know just looking around we also realized that there was no internet café around this area... but the initial start of it was because our own beneficiaries...”

5.7.3 Summary of Opportunity Identification

<table>
<thead>
<tr>
<th>Was the creation of the enterprise driven by a market demand or was it an opportunity to sell something for which you then had to stimulate demand?</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise is opportunity driven</td>
<td>7</td>
</tr>
<tr>
<td>Enterprise is demand driven</td>
<td>5</td>
</tr>
</tbody>
</table>

Seven out of twelve respondents found opportunities for which they then had to stimulate demand. Five out of twelve identified a market gap or demand in their targeted communities which they then decided to fill, making them demand driven enterprises.

5.8 Results - Research Question 5

Question 5 consisted of 3 sub-questions that explore the relationships between a parent NGO and its income activities. They address the relationship between mission, finance, and operations.
What impact does a dual objective have on the relationship between the parent NPO and its enterprise or income activities?

This question sought to understand the relationship between the parent organisation and the enterprise it created. The centrality or distance of the parent organisation's mission to that of the enterprise appeared to have an impact on the relationship between as regards the operational structure, use of income and presence of tension between the two entities and their primary activities.

The data demonstrates that there are three identified constructs that define the relationship between the NPO and its enterprise activities. Either the activities are related, separated or an extension of the parent organisation's mission.

5.8.1 Related to the Parent's Mission

Some respondent note that their activities are directly related to the parent's mission:

Res5: “We have a pool of community based organizations that we work with so for instance … we get a 2 million grant, we then partner with these CBOs who are on ground who then go offer the training on our behalf. We offer their educators with the skills and they go through our other practical learner ship, we give them the materials, stationary and we also then perform the managing relations session every month…”

Res6: “We created the facility so people can come to get information and people can get services that we are not able to provide. We hold the space for different types of meetings, social political etc. and our tenants also offer services to the community. On a daily basis we hire out all activity rooms and halls 4 activity room and 4 halls.”

Res10: “It should be and has been part of our normal activity so that we would have a staff member that would coordinate the training and we have had - up until this year - we have had training like home based care, first aid and - as well as the catering and then of course all the women want to learn basic computer skills…”
Res11: “We are a non-profit organisation in healthcare. What we do basically, our main, main, main [sic] focus is on training and development. We are fully accredited by health and welfare, education and training authorities. We have programmes that are outreach programme that are community based programmes. We have elderly care programmes and youth activities, and youth programs that we do… so primarily our organisation is training and development.”

5.8.2 Separate from the Parent’s Mission

Others note that their activities are separate from the mission of their parent organisation.

Res3: “I am a contractor to [the organisation] … I keep my independence as well, like that, and I'm actually quite glad that we did that because initially it was suggested by the directors then that we have a weekly wages and I explained my concept to them and it was accepted and I do think that one of the reasons why we are still going is that each person takes responsibility for their own work…”

Res9: “It’s very different [from the organisation],...when it started, it was focused on home based care, then they realized that people are dying, and kids are ending up with no parents, and then they converted everything to OVC where the training we were dealing with orphans and vulnerable children... so that is when he came up with the idea to start something that will be sustainable and be able to help on the other side of the organization.”

Res12: “We are a social welfare organization, so we are taking in homeless unaccompanied children, children on the streets or children at risk ... in 1992, we started receiving stuff and people bring their donation of clothing, or books, or whatever… we would take what we needed for our own uses and there was the start of a little charity shop.”

5.8.3 An Extension of the Parent’s Mission

The remaining respondents indicated that they are a combination of the two extremes; acting as an extension of the parent’s mission, created to support their primary mission.

Res7: “the principles of the organization is that we need to empower young people, that is why our new vision says we need to build a new generation of children for South Africa and the new
“generation has to be an empowered generation … …We have the internet [and a laundry room which is also an income generating programme for us… We do invitations… we have ladies that do very nice baking… for events, weddings…”

Res8: “We work hand-in-hand with Social Development and they give groceries to those kids…and we assist…like skill development, if there are people who want to train about 8 ladies for nursing. We are in partnership with the Dube School, Daliwonga, where we help the student maybe if they want bursaries … what we do, we have a group of old ladies that we keep, we work with them. There is [a] day when they come to the centre, so they do hand work and we sell all those things for income.”

5.8.4 Summary of Relationship to NPO’s Mission

<table>
<thead>
<tr>
<th>Is the enterprise related or unrelated to the NPOs mission?</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly related to the parent’s mission</td>
<td>4</td>
</tr>
<tr>
<td>An extension of the parent’s mission</td>
<td>2</td>
</tr>
<tr>
<td>Unrelated from the parent’s mission</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

The two most common forms of enterprise development are those that are unrelated to their parent organisation’s mission (six out of twelve), followed by those that are directly related to their parent organisation’s mission (four out of twelve). Only two to the respondents mentioned that they are an extension of the parent’s primary mission.

What is the operational structure between the NPO, social enterprise, target beneficiaries and the market consuming its goods or services?

The responses provided for the previous question were latent with extra elaborative information that a question was able to be raised and answered based on the responses found in the transcripts.
5.8.5 Summary of Operational Structure

<table>
<thead>
<tr>
<th>What is the operational structure between the NPO, social enterprise, beneficiaries and the market they sell to?</th>
<th>Respondent</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>The social enterprise helps the beneficiaries to access markets.</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>The NPO provides employment opportunities and job training to the targeted beneficiaries, employs them and then sells the product or service they create to the market.</td>
<td>7,8,10</td>
<td>3</td>
</tr>
<tr>
<td>The social enterprise charges a fee for the social services it provides to the target beneficiary and the market.</td>
<td>5,6,11</td>
<td>3</td>
</tr>
<tr>
<td>The social enterprise provides direct benefit to its target beneficiaries who are cooperatives.</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>The social enterprise shares cost with its parent and provides a product or service to the market; using the revenue to support the targeted beneficiaries.</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>The social enterprise sells products or services to the market and the net revenues act as a funding stream for the parent.</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>The social enterprise sells to the market and subsidises the parent and/or its beneficiaries.</td>
<td>1,3</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

The responses determined that most social enterprises (three out of twelve) created by NPOs either provide employment opportunities and job training, employs or contracts them and then sells their products to a market or charge a fee to the target beneficiary or the market for their social services. The next common operational structure is a social enterprise that sells directly to a market in order to subsidise the parent organisation or its beneficiaries (two out of twelve).
How does the surplus generated by the enterprise get distributed?

This question sought to understand the financial relationship between the parent organisation and the income activity. It gauges if the NGO developed it to supplement its operational expenses or to support an expansion of their current mission. This speaks to the level of autonomy between the two organisations.

The monies either get distributed to the parent organisation, the community or a combination of the two.

5.8.6 Distributed to Parent Organisation

Most organisations who distribute income to the parent distribute all surplus to it.

Res12: “The charity shop is now generating R60 000 a month and all of a sudden we are now pushing 500-600 thousand a year which is starting to bring real material benefit. All of it …100% … goes into the organization and the costs of running the shop are held within the organization. We have a separate cost centre for it…”

Res10: “[income] goes back to the functioning of the organization.”

Res7: “Every rand that we create has number one, to be accounted for, because it needs to be ploughed back into the business so that the business doesn’t close down…”

5.8.7 Distributed to Community

Those who distribute money to the community actually do not “distribute” it but the community retains the money they obtain from selling the service or good directly to the marketplace.

Res4: “We give them all the equipment and they then start up the business…the beekeeping operation and whatever they harvest from the bees or get from the bees is their own income…We never take any of that, in the end we are only interested in training them...”
**Res8:** “They sell the items and keep the money…It goes back to the old ladies it doesn’t come to the organisation.”

### 5.8.8 Combination of both

Those who distribute a portion to community members usually do so as a payment for services rendered or goods produced the greater amount goes to the parent organisation.

**Res3:** “If a certain target is reached by each leader then 5% of what the beader has brought in for themselves [remains theirs]…whatever is left over goes back to the [enterprise’s] bank account … it is like a buffer …in case we lack stock…”

### 5.8.9 Summary of Income Distribution

<table>
<thead>
<tr>
<th>How does the surplus generated by the enterprises get distributed</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly to the parent</td>
<td>7</td>
</tr>
<tr>
<td>Directly to the community</td>
<td>3</td>
</tr>
<tr>
<td>A combination of both</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

Seven out of twelve respondents distribute their income directly to their parent organisation. Three out of twelve distribute their surplus directly to the community while two distribute a portion to the community and the rest to the organisation.

**Does tension exist between the parent NPO and the social enterprise? If so, what is the cause?**

This question was asked to gauge the quality of relationship between the NPO and the income activity. It seeks to ascertain the ease of operating alongside entities with different objectives, social versus economic.
5.8.10 Summary of the Existence of Tension

<table>
<thead>
<tr>
<th>Does tension exist between the NPO and enterprise?</th>
<th># of Responses</th>
<th>% of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>2</td>
<td>17%</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>83%</td>
</tr>
</tbody>
</table>

The data notes that the majority (83%) of respondents exist symbiotically with their parent organisation. This was consistent across all types of relationships with the parent.

5.8.10.1 If Tension exists, what is the Reason for it?

This question sought to identify what types of tensions or competing concerns existed between the NPO and the income activity. The reasons for tension are usually financial resources and a conflict between mission and objectives.

Respondents 10 and 12 each noted that tension exists between them and the parent organisation. Respondent 12 gave several insights into the tension that exists between their parent and the social enterprise.

“Our shop person is saying I can sell all of this and give you cash in your hand right now. I have a demand, and I have built the demand in the shop, I need stock, you’ve got stock so let’s sell it and the social worker person says but maybe we are going to need it for the children…So there is a tension between childcare and finance…I don’t know how organizations like ours manage this because I see that as a tension.”…“There’s this tension between what the organization needs and is use to and what the retail section needs in order to generate the income that the parent company wants so badly.”

“Our attempt to have this charity shop that generates income it is really a good one and it is generating income but it is creating lots of tension because there is no link between the social side of things and the income side of things and I believe that somebody like the COO could be the linked could be the bridge between the social side and the business side…I think what will
happen is, if the parent company doesn’t acquiesce to enough of the income generating requirements. I think [the shop keeper] would leave and … it will be back into its state of pathetic-ness.”

Respondent 10 notes that competition for financial resources exists. “It means we have to look for funding, there is less money to put into it and if the equipment needs to be upgraded, we will have to look for funding… we don't have the capital ourselves, so it kind of means that we are limping along…so those kinds of things affect us…”

5.8.11 Summary of Issues Creating Tension

<table>
<thead>
<tr>
<th>If tension exists, what is the predominant issue?</th>
<th># of Responses out of 2</th>
<th>% of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharing scarce financial resources</td>
<td>1 out of 2</td>
<td>50 %</td>
</tr>
<tr>
<td>conflict between the mission and objectives</td>
<td>1 out of 2</td>
<td>50 %</td>
</tr>
</tbody>
</table>

The two respondents had different, but interrelated, primary issues causing tension between them and their parent. One was purely resource sharing (Res10) and the other was the conflict between the mission and objectives of the two organisations (Res12).

5.9 Conclusion

The results discussed in this chapter covered the key finding and themes. The results show:

- Women are more likely to be managers in the social sector than men.
- Black men are more prevalent in the industry than white men.
- Those ages 45-54 or more likely to manage and work in non-profit organisations.
- Most NPOs have consistent management with 10 years or more experience with the organisation.
- Most organisations understand when they are generating income or being a social entrepreneur. The distinction depends upon the relationship of the income activity and its parent organisation.
What primarily motivates most NPOs to generate income is a donor pushing them toward income generation and sustainability challenges.

Most NPOs start business based on an opportunity to use their or communities’ skills or using the excess capacity of their.

Most NPOs note their enterprise missions are unrelated to their parents.

Enterprises that provide job training and employment as well as those that charge a fee for services are the two highest types of NPOs.

Surplus usually gets distribute to the parent organisation to support its operations.

Most organisations do not experience tension between their operations and their income activities.

When tension exists, its due to limited resources that must be shared or a conflict between investing in growing the business versus supplying the needs of beneficiaries.

Chapter 6 will clarify the trends leading non-profit organisations to social enterprise creation as well as support or contradict the relevance of theories discussed in the literature review of chapter two in the context of this study.
6 Chapter 6: Discussion of Results

6.1 Introduction

In this chapter, the results from Chapter 5 will be analysed and discussed in terms of the research objectives defined in Chapter 1. The discussion of the results follows the structure used in Chapter 5 where each question is presented and its findings are discussed and integrated with theory. The chapter will synthesise the findings obtained from the respondents' interviews with the literature reviewed in Chapter 2 in order to construct an answer of the research question posed in Chapter 3 by reflecting on the results from Chapter 5.

This study was conducted on NPOs to identify emerging trends amongst them of seeking to generate income to support their missions. NPOs were selected as a unit of analysis because as mentioned by Weerawardena & Mort (2005), the majority of literature on social entrepreneurship has evolved within the domain of NPOs and they have been observed in the social enterprise context for the most time (Weerawardena & Mort, 2005).

The discussion of the results will demonstrate the following:

Table 6-1: Summary - Answers to Research Questions

<table>
<thead>
<tr>
<th>Research Question</th>
<th>Summary of Answers to Research Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The funding challenges of the parent NPO and the limited access to funding as a barrier to growth are the characteristics most likely to illustrate when an NPO is likely to move into social entrepreneurship</td>
</tr>
<tr>
<td>2</td>
<td>Respondents uniformly understand whether they are a social enterprise or engaged in activities to generate income and the definition appears to be dependent upon whether the activity is related or unrelated to the parent’s mission.</td>
</tr>
<tr>
<td>3</td>
<td>The shrinkage of donor funds and the pursuit of sustainability are two common drivers or motives that lead NPOs to pursue income opportunities.</td>
</tr>
</tbody>
</table>
NPOs identify enterprise opportunities based upon existing or hired-in expertise or assets it has at its disposal to leverage for income generation. This results in the income activity being opportunity driven rather than demand driven. The results demonstrate NPOs that are opportunity driven do not generate as much income as those that are demand driven.

The centrality or distance of the parent organisation’s mission to that of the enterprise impacts the operational model created by the organisation, how income gets distributed and the level of tension that exists between the organisations.

### 6.2 Research Question 1:

Do common characteristics (e.g. size, age, staff, expertise, sector etc.) exist amongst organisations that develop a social enterprise that may illustrate when an NPO is likely to move into social entrepreneurship?

Reviewing the Demographics of the Respondents (Table 5-1) together with the Characteristics of the Organisations (Table 5-2) shows the existence of several common characteristics amongst NPOs that started social enterprises. There is demonstrated commonality amongst (i) the age and gender of the person that initiates the activity; (ii) the level of experience or expertise of management; (iii) the dedication of full time resources to the activity; (iv) the number of years an organisation is in operation; and (iv) the use of available assets to generate income. While these findings did not conclusively illustrate when an NPO is likely to venture into income activity, they did shed light on what variables are important to consider for the successful initiation of a social enterprise.

One common characteristic did emerged to illustrate when an NPO is likely to move into social entrepreneurship. The characteristic shows that when the parent NPO is having funding challenges and access to funding is deemed a barrier to growth, it is likely to move into income generating activities. This theme was common amongst all respondents.
Data such as staff size, annual turnover, sector, targeted beneficiaries and geographical spread (Table 5-2) were also deemed inconclusive as an illustration of when an NPO is likely to move into social entrepreneurship and therefore was not discussed in the finding.

6.3 Funding Challenges of the Parent NPO

The characteristic that acts as a guide to when an NPO develops a social enterprise is when the parent NPO develops funding challenges and its access to funding becomes a major barrier to growth. Unexpectedly, this result links directly to research question three regarding the drivers and motivations that lead NPOs to pursue income activities. Accordingly, it will be discussed extensively under section 6.5.

6.3.1 Age and Gender

The results demonstrated the characteristics of individuals likely to initiate a social enterprise. These results showed that women are more likely to be social entrepreneurs as well as people between the ages of 45 – 54. While the study confirmed research about gender, it contradicted research about the highest propensity of social entrepreneurs being aged 25-34 or 35-44.

Teresen, et.al (2011) examined, in detail, the characteristics of social entrepreneurs and discovered that there is a relatively high prevalence of women, who tended to be young, and had diverse educational and work backgrounds. Around the world, people aged 25-34 and 35-44 have the highest propensity of being involved in a social enterprise. The next most involved population is 18-24, followed by 45-54. A very small fraction of adults aged 55-64 are involved in social enterprise activity.

Teresen, et.al's statement about gender was accurate. This finding was demonstrated by nine of the Respondents (1, 3, 4, 5, 7, 8, 9, 10 and 12). Nine of the twelve organisations were managed or created by woman. However, an analysis of Teresen, et.al's findings against the results of this study demonstrates that social entrepreneurs do not fall within the 25-34 or 35-44 aged groups as alleged. Only 1 respondent, aged 31 fell within the 25-34 age group and only 3 respondents (aged 35 and two at 38) fell within the age range. Predominantly, respondents fall
into the age group of 45-54; representing seven respondents. Only one respondent fell under each the 55-64 and 65-74 age groups. If generalised, the findings demonstrate that individuals who are running or managing a social enterprises locally tend to be older than international standards.

The results may also assist NPOs, especially those that are donor dependent, to begin harnessing the skills and expertise of women within their organisations, especially those between the ages of 35-44 since is appears this is a time when they should be more ready to take risks. It also seems recommendable to target women for social entrepreneurial training since they represent those most likely to explore social opportunities.

6.3.2 Management Experience and Expertise

An enterprise is most likely to be initiated by a principle manager who has been with the organisation for 10 years or more and has expertise in the field or sector entered by the organisation to derive an income.

10 out of 12 respondents have either been with the NPO since the inception of the income activity, or if they have been there less than 10 years, they have been the founder or part of the founding team of the enterprise. Respondent 3, Respondent 6, Respondent 9, Respondent 11 and Respondent 12 have had consistent management personnel in place for 12 years or more. This demonstrates that a long term commitment (>10 years) of management, or management experience may be a characteristic of organisations poised to develop a social enterprise or income activity. The researcher discovered a common theme amongst Respondents 1, 3 & 4 that gave evidence of the development of a social enterprise around the skills, expertise and experience of a member of staff or consultant. According to Guclu, et.al (2002) promising social ideas are often identified by an entrepreneurs personal experience, social needs, social assets, and desire to be a catalyst for change.

Focusing on personal experience, the findings show that Respondent 1 created a sewing project around the hobby of its manager. Respondent 3’s certification as a master beader was leveraged to create the rural beading project. Respondent 4 created a social enterprise around
their expertise in harvesting bees for their research whilst Respondent 10 used the chef on staff to create a catering enterprise. As noted in Table 5-2 Revenue columns, all three of these enterprises demonstrate the ability to generate surplus to benefit their NPO; earning R100 000-500 000 (1 & 3) and R20 000 – 50 000 per year.

These findings demonstrate the importance of having managers with knowledge and previous managerial experience when initiating a social enterprise (Shane & Venkataraman, 2000). The contrary was also evident. Respondents 2 and 8 have generated no income for their organisations over that last 6 and 10 years they have been in operation. It is apparent that they lack the skill, experience or expertise to build a successful enterprise.

Respondent 2 is an engineer for a hotel group but is attempting to launch a “human reserve” for the San Community in his spare time. Respondent 8 dedicates her spare time to working with elderly women to create income opportunities using craft. She has no expertise or experience in the activity but relies upon the elderly ladies to share their skills amongst the group. Whilst the skill does reside within the group, the enterprise is run irregularly. This leads the researcher to interpret that success may not only be dependent upon skills, but also a full time commitment is required to build a legitimate social enterprise, as is the case to build a for-profit venture.

6.3.3 Dedicated Personnel

Sarasvathy (2001) notes that dedication derives from the resolve, determination and belief of the entrepreneurs in the importance and necessity of the mission they wish to accomplish. Accordingly, Respondents 1, 3 and 12 have experienced and dedicated consultants to run the operations. They develop plans to increase sales, and thus income into the organisation. Respondent 1 is trying to specialise their sewing abilities and broaden their product collection to meet market demand. Respondent 3 wants to design beaded items and exhibit them at leading local exhibitions in order to ascertain if there is market interest in her new creative designs to generate more orders. Respondent 12 speaks of the retail manager hired to run their charity shop. She redesigned the shop to make it more aesthetically pleasing, reengineered the stock and separation processes and altered the previous pricing structure. “She brought basic retail principles that nobody was applying beforehand, and the proof is in the pudding. We are generating R30,000 more than we use to on a monthly basis.” They all demonstrate a high
level of commitment to their mission and seek opportunities to evolve their enterprises to meet changing market demands and needs.

In addition to the resolve, determination and belief discussed by Sarasvathy, total dedication is also measured by (i) the time invested in the development of a venture, (ii) the investment of the entrepreneur’s private resources, as well as (iii) readiness to work for a long period without any financial payment (Sharir & Lerner, 2006). Accordingly, total dedication to realising a venture’s mission is one of the contributing characteristics that explain the difference between successful and unsuccessful entrepreneurs.

To test the credibility of these definitions, the researcher compared the results against Respondents 2 and 8 whom are the only two entities with part time entrepreneurs and have been operating for 6 and 10 years respectively without an income. Although Respondent 7 and 9 do not earn surplus, they are not considered unsuccessful because they are still at the beginning stages of their initiatives.

In the case of Respondent 2 and 8, indications are that their poor financial performance can be attributed to the lack of time invested in the development of the income streams to augment their services. Respondent 2 appears dejected after his “futile attempts at producing a little bit of funding to carry [them] forward, with negative responses we got from donors.” He now focuses most of his spare time and attention on developing and circulating a business plan seeking commercial rather than donor funding and notes that “without funding we can do nothing”.

On the other hand, Respondent 9b also seeks to create a large agricultural estate that benefits the local community. He has shown a very different level of determination and resolve. He found ways to get what he needs to make the venture a success. He didn’t have funding but when he wanted land, he found someone willing to donate a portion of their land. He didn’t have trees but “[companies] have donated trees”, he didn’t have funding but found “agricultural grants from government”. When asking Respondent 9a if he has expertise in agriculture, she stated “Not at all, but he has the passion to start something that he can not only use but the community can as well.”
A summary of the results for research question one points to the importance of income generating activities being run by a person who understands the NPO very well and has the skill or expertise in the activity used to earn income. Results demonstrate that skill and time with an organisation does not suffice, it is also important that the entrepreneur works on developing the entity on a full time basis and shows passion or dedication to achieve the social mission beyond barriers and against the odds as show by Respondent 9. It also points to the fact that in South Africa women and people between the ages 45-54 are most likely to be social entrepreneurs and that NPOs should focus on this group when seeking to develop entrepreneurial skills. There appears to be an untapped opportunity with personnel between the ages of 35-44 to develop social entrepreneurs at an earlier stage that coincides with international norms to provide a social contribution for a longer period of working years.

6.3.4 Availability of Assets

The data supported that the availability of an asset may likely point to the type of enterprise a NPO will establish. Two respondents with fixed assets at their disposal used them to earn income. Respondent 6 owns land and a building. He currently produces sustainable revenue with the community facility developed for the purpose of leasing low cost offices and event venues to the local community. Respondent 9 has farm land and plans to generate income with agriculture products; namely green trees. Both had the land donated to them, one by government and the other by a generous donor who no longer needed the land. The two demonstrated the value of having a fixed asset and the opportunity it provides to build a sustainable business, which Haugh (2005) terms a “strategy of physical asset acquisition” promoted as a means of generating an independent revenue stream for the social enterprise.

Respondent 10 did not have ownership of the fixed asset; however, they used the excess capacity of an industrial-size kitchen that came with the leased facility to develop a catering business. Having access to moveable assets that an organisation has in abundance (e.g. excess second-hand donations) can be leveraged for income generation. This use of abundant resources management theorists call shifting resources to areas of higher yield (Drucker, 1985; Dees G., 1998) and creating value with resources at one’s disposal. Mair and Marti (2006) note that social entrepreneurs create value by combining resources in new ways. These resources are used to exploit opportunities to create social value that meets social needs.
While data supports that NPOs with fixed assets are more likely to develop enterprises or income activities that leverage the asset, the mere ownership of fixed assets is not an indicative characteristic of whether an NPO will begin an enterprise or income activity as per the research question. In fact, nine out of twelve respondents have done so without a fixed asset to leverage. The data is interesting because it demonstrates that NPOs with fixed assets are likely to develop an income opportunity specifically related to that asset. Those initiating social enterprises should audit their assets, both moveable and fixed, to identify what can be leveraged to generate social value and income.

### 6.3.5 Organisation’s Operational Years

There appeared to a relationship between an organisation’s age (e.g. older than 10 years) and the presence of an income generating activity. Between 1986 and 2005, eight of the twelve organisations began to operate a social enterprise. The data revealed that NPOs operating enterprises or income generating activities have run them for 10 or more years (Respondents 1, 3, 4, 5, 6, 8, 9, 11 and 12). This supported data that shows seven out of twelve NPOs surveyed began their enterprise or income activities during or before the year 2002.

This trend where the NPOs survey began income activities is supported by Short, Moss, & Lumpkin (2009) who noted that the rise of renowned social enterprises such as the Skoll Foundation - created to foster and promote social entrepreneurship - provides an indication of when social enterprises began to gain legitimacy. They particularly noted that Skoll’s growth began in 2000 when its endowment was about USD 40 million to a 2006 figure of over USD 600 million. It was also within the last 18 years that social entrepreneurship articles began increasing in management journals as the issue became more topical and the practice gained legitimacy (Hervieux, et al., 2010). The dates of articles indicate that the field became a recognised field of study between 1997 and 2006 where there is a notable cluster of topical articles.

Hervieux (2010) further states that the use of market-based initiatives became a legitimised means of funding a social mission within the last decade. The practice of social enterprise development has become a present norm while in the past it was deemed “contradictory logic” for an organisation to pursue both a civic (social) and market based mission. The perspective concludes by noting that there has been an institutional change brought about by actions and
discourse on social enterprises. The acceptance of the dual-logic by donors, consultants and foundations has legitimised social entrepreneurship and it has now become “desirable, proper, appropriate, and thus legitimate.”

An alternate explanation for the trend toward social enterprise development in the late 1990’s and early 2000’s in South Africa was stated by both Respondent 5 and Respondent 11 who associated a slowdown of funding with the 1994 elections when it became evident that international funding started going directly to government rather than non-profit agencies.

Respondent 5 - “Post 1994, after the new government was elected into power most of the funding was then channelled directly to government and it became difficult for these organisations to be able to sustain itself”.

Respondent 11- “Donations sort of ran dry with the dawning of democracy in South Africa.”

The above data demonstrates that South African NPOs were equally part of an international trend toward social enterprise development and the legitimisation of the practice for social organisations to generate income during the late 1990’s and early 2000’s. While the trend internationally may have been a response to an emerging practice of income generation, in South Africa evidence points to the entry of democracy with the 1994 elections or a combination of both as the key drivers of the transition.

The results are relevant to the emergence of understanding the dynamics within South Africa that led to the increase of social enterprises. The number of years in operation also relates to the enterprise gaining legitimacy, not only in the dual logic of creating social and economic value, but also in its ability to meet a social need satisfactorily for the community to continue to need their services and donors continuing to fund.

6.3.6 Other Results

Data such as staff size, annual turnover, sector, targeted beneficiaries and geographical spread (Table 5-2) were deemed inconclusive as an illustration of when an NPO is likely to move into social entrepreneurship. They established no relational connections that could answer research question one and were therefore excluded from discussion and linkage to the literature review.
6.4 Research Question 2

Is there uniformity in understanding what defines an activity as a social enterprise versus an activity to generate income?

The analysis of results demonstrates that respondents uniformly understand whether they are a social enterprise, engaged in activities to generate income or a combination of both. The analysis was able to highlight that the means of differentiating one from the other is dependent upon whether the activity is related or unrelated to the parent’s mission. There are different expectations for social enterprise versus an income generating activity. These distinctions guide the social entrepreneur to understand the nature of the two constructs and the operational criterion applicable to each. Alter was heavily used in this discourse due to the comprehensive research done, unlike any others.

6.4.1 Does the manager define the entity as a social enterprise or income generating project/programme?

The results demonstrated that those who identify themselves as being social enterprises also have separate, distinct activities from their parent organisation. Six out of twelve define themselves as social enterprises (Respondents 1-4, 9 and 12). All six have activities that are separate and differ from the parent organisation. When asked if the enterprise was separate from the original organisation, Res9 who is growing green plants stated “It’s very different…it was focused on home based care, then…they converted everything to OVC … orphans and vulnerable children... we have used our beneficiaries to be the ones who are working there, so somehow we have created employment for them.”

The four respondents defining themselves as income generating (5, 6, 7, & 10) perform activities that are either core or extensions of their parent organisations’ mandate (5-7, 10). Their mandates are either core to or extensions of the parent company. Respondent 10 notes “It should be and has been part of our normal activity…”
Of the two respondents remaining, Respondent 8 did not attempt to define themselves. The respondent merely noted that they “apply for funding”. Respondent 11 stated that they are “a social enterprise to generate income.” These respondents are treated as the equivalents of “don’t know” responses. Although, analysing their activities in comparison to the parent’s and the manner in which the other respondents defined themselves, it is evident that Respondent 8’s activities are extensions of the parent’s while Respondent 11’s is core to the parent’s.

Perhaps due to the nascent nature of the discussions of social entrepreneurship and the fact that much of the discussion has continued to centre on finding a popular definition for the activities, little academic research was found to support the distinction between social enterprise activity and income generating activity. Alter (2006) has the most detailed analysis about the process and constructs relating to social enterprises, income generation and their relationship to a non-for-profit or for-profit organisation. As depicted in Table 6-2, there is a distinction between a NPO that has income generating activities versus operating a social enterprise. The distinction is heavily dependent upon the mission motive, and to a lesser degree, to whom the organisation is accountable and the distribution of surplus.

Table 6-2: Income Activity across a Spectrum of Structures

![Image of Table 6-2: Income Activity across a Spectrum of Structures](Sourced from Alter 2006).

Figure 6-1 below (sourced from Alter (2006) demonstrates the varying relationships between social enterprises (black boxes) and how their relationship to the parent’s mission alters its profit motive. The more mission-centric it is, the less it has a profit motive. The less mission – centric (or unrelated) to the parent’s mission, the more profit motive it has.
Alter (2006) made attempts to define income-generating activities from those of a social enterprise. Noting that the distinction is subtle and subject to debate, it was pointed out that the differences can be guided by the nature of operations and how closely they resemble those of a for-profit business; hence whether:

1. The activity was established strategically to create social and/or economic value for the organisation.
2. It has a long-term vision and is managed as a going concern.
3. Growth and revenue targets are set for the activity in a business or operational plan.
4. Qualified staff with business or industry experience manages the activity or provide oversight, as opposed to non-profit program staff.

According to this definition, all of the respondents to this survey would be considered social enterprises with the exception of Respondents 4, 5, 6, 7 and 8 who are all disqualified on the basis of criteria three because they do not set growth or revenue targets for their income activity. Although all respondents have business plans, they do not use them to project income.
growth. In their budgets they account for inflationary changes to the following year’s costs but do not set goals for the social enterprise’s income performance. Respondents 2, 8 would be additionally disqualified as a social enterprise on the basis of criteria number four as they do not have qualified staff or management to oversee the income activities.

Of those respondents who defined themselves as social enterprises, only Respondents 2 and 4 believed themselves to be social enterprises when according to Alters criteria, they maybe more adequately labelled as income generating NPOs. Nine out of twelve respondents understood the distinction between them being an NPO with income generating activities versus being a social enterprise. They properly defined themselves under one or the other.

6.5 Research Question 3

Is there a theory that defines what are the key drivers or motivations that lead NPOs to pursue income opportunities?

There are two motives for NPOs to develop a social enterprise being the shrinkage of donor funding and the push toward sustainability. Donors and the flow of funds they provide have a significant influence on the behaviour of their grantees. There is evidence that points to the possibility that NPOs are actually unwilling participants in the social entrepreneurship space but the desire to attract donor funding causes them to comply with the changing demands of the funder.

6.5.1 Donor Funding

The data indicates overwhelmingly (eight out of twelve respondents), and perhaps predictably, that the primary driver pushing organisations to develop social enterprises is the shrinkage of donor funding available to NPOs. The respondents used language such as “no donor interests”; the need to attract alternative funding such as “commercial investors”; “staying afloat”; not being able to “depend on fundraising alone” because doing so “could result in programme closure or closing down completely.”
Weerawardena & Mort (2005) similarly note there is great uncertainty associated with government funding and increasing competition for private donor funds. This point is particularly reflective of Respondent 12’s statements that “grants makers and corporates change their focus” and from “one-year to the other you can’t be sure if your organisation still meets their focus.” Socially entrepreneurial NPOs therefore find it difficult to forecast their revenue streams within a certain degree of accuracy (p.29).

A social entrepreneurship construct is deeply rooted in an organisation’s social mission, its drive for sustainability and the influence of environmental dynamics (Salaman, 2003). Dynamics such as global economic pressures and economic development expectations being placed on NPOs has pushed them to commercial markets traditionally served exclusively by not-for profits. NPOs that previously offered free services now have to more toward charging fees for products and services (Salaman, 2003) and often at a discount from the for-profit sector. Legitimacy is defined as “a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system or norm (Salaman, 2003; Hervieux, et al., 2010). Respondent 1 noted that they often deal with legitimacy problems because of the perception of NGOs and her products. “People perceive our product to be sub-standard, they expect us to be cheap and to not utilise business practices to cost our goods and services…” she expressed concern over competitors that do not know how to cost themselves, under-quoting and under delivering. Both respondents 3, 5 and 11 called these competitors ‘fly-by-nights’. They are detrimental to the quest of social enterprises to achieve legitimacy in the market place, thus inhibiting their ability to meet their ‘double-bottom lines’ (Dart, 2004).

6.5.2 Sustainability

The responses indicate that sustainability is also another key factor leading NPOs to social enterprise development. Four out of twelve respondents speak to not only a resource or funding constraint, but also a sustainability challenge. In the responses it was evident that most respondents were being pushed into entrepreneurial activity by donors who ask “what are you doing to be sustainable if you don’t get funding?” (Respondent 2) How are you becoming a “business oriented non-government organisations?” (Respondent 5) Or, being told “not to depend on them [donor] and to “find other ways of being sustainable (Respondent 10).”
(Foster & Bradach, 2005) suggests that managers of NPOs want to be viewed as entrepreneurs. They challenge the suggestion that there is pressure on the leaders of social enterprises to behave entrepreneurially and adopt a business model (Dees, 1998; Foster and Bradach, 2005). However, citing other sources from academic reviews, Korosec & Berman (2006) points out that social entrepreneurs are not business entrepreneurs but people who lead to bring about new community solutions through an organisation. This is supported by Respondent 12 who expressed her frustrations around the whole “sustainability thing” is that the NPO’s level of expertise is social worker and child care.

“Grant makers and corporates change their focus [and we] try to match the giving to their core business and then you try to put a bit of a spin on what we are doing and to try to tailor make it to say…yet it does suit your king of corporate vision to fund…” Respondent 12.

Nowadays, NPOs are expected to use modern management practices in their efforts including community based and public-private partnerships, collaborative decision making and diversified, revenue generating approaches that look beyond sole reliance on public funding (Korosec & Berman, 2006). Therefore greater efforts have to be made by non-profit organisations to build internal capacities to provide and sustain their programming (Lets, Ryan & Groomsman, 1999).

Notes that social and community businesses have tendencies to (1) be grant-dependent, (2) be non-self-sustaining, and (3) employ non-entrepreneurial staff. These three characteristics throw into jeopardy the enterprise and may ironically undermine its social value as it seeks donations to fund intervention in its target communities (Chell, 2007). However, to do otherwise forces NPOs into acting in a manner that, although legitimised, is unnatural to their predispositions.

6.5.3 Supporting the Original Mission

The four remaining Respondents (3, 4, 8, & 9) noted that their motivation to develop a social enterprise was the need to empower disadvantaged communities by giving them job opportunities; thus expanding their mission to have greater social impact. However when the
researcher probed further, it became evident that the social enterprise was a sustainability strategy or strategy for continuation (Salaman, 2003). It was created in order to reduce the growing number of beneficiaries seeking the services of the parent NPO.

While the respondents noted that they “looked at the community they served and realized that there were so many unemployed people in that area and identified that skills development was needed to bring economic opportunity into a rural community” and that they “needed to empower people that were previously disempowered, so they needed to help people with income generation” and they employ beneficiaries and their guardian in order to “help the people and at the same time be able to sustain ourselves.”

Probing illustrated that the rationale had more to do with “reducing the stain of an increasing population of women needing ARV (Respondent 3), “helping the guardians of the orphans to make an income so they could afford to care for the child without their on-going social service supplementation (Respondent 9). In other words, the enterprise assisted in alleviating the strain on their parent organisation by attempting to reduce the growth in demand for the NPOs produces or services and providing a funding stream for the Parent.

Rangan (2004) notes that NPOs seek to expand their operation into new areas to make themselves financially sustainable, while Haugh (2007) notes that social ventures pursue social, environment, or economic aims to act as agents in regeneration and renewal and use trading to generate at least part of their income. The problem the researcher has with these definitions is they do not speak to the spirit of 3 of the respondent’s stated motives; which had nothing to do with sustainability but a desire to impact lives through the creation of income activities. Instead, Short, et al., (2009) better explains their motive as the use of practices and processes that are unique to achieve aims that are distinctly social, regardless of the presence or absence of a profit motive (p.171-172).

The distinction between the Rangan and Short et.al’s depiction of motive can perhaps be explained by whether or not one emphasizes the social enterprise as a program approach as Short et.al did or a funding approach as per Rangan’s view.
6.6 Research Question 4

How do NPOs identify an income opportunity to pursue?

The results demonstrate that respondents most often identify opportunities based upon the skills, expertise and assets that reside within the organisation. Reviewing the financial performance of entities that fashion their enterprise around a demand, there seems to be a correlation between their market focus and success.

6.6.1 Was the creation of the enterprise driven by a market demand or was it an opportunity to sell something for which you then had to stimulate demand?

This question sought to ascertain if respondents found a demand that they built a business around or found an opportunity that required them to stimulate demand. The outcome showed that most enterprises were developed around an opportunity. Linking back to question one, opportunities were often identified and developed around a skill or an asset. The response to this question adds on to those variables to conclude that skills and assets are not enough to ensure success. The best way to create social and economic value is to leverage a market demand using skills and assets rather than solely creating an opportunity around them.

6.6.1.1 Demand Driven Enterprises

Respondent 1’s, 5, 6, and 7 respond to a market demand. Respondent 1’s enterprise was developed based upon the demand of the parent organisation that needed school uniforms and the supply of bedding for its clinic and children’s residence. They were able to launch the business based on that demand. They later transitioned to serving the clinic and the external market once the residence closed. To date, they generate revenue between 100 000 - 500 000 Thousand Rand per year.

Respondent 5 and 6 both provide services that would otherwise be performed by government. This could also account for their financial success; pointing to the demand in services for literacy and a community centre. Alternatively it could be because government is their primary source of
income as a contractor. Respondent 5 turns over 17 000 000 Rand per year while Respondent 6 turns over a modest 50 000 -100 000 Rand per year.

**Respondent 7** is an anomaly in the sense that she meets a market demand for her services (such as internet) but is not turning over significant revenue. This could be due to the fact that organisation is still young (<10 years) and the enterprise is only a couple of years old. Additionally, the income generated from the services and products they provide is quite nominal and that, unlike the other demand-driven respondents, the market they serve is low income and for the moment, low volume. This Respondent only generates 0-10 Thousand Rand per year.

The results demonstrate that key elements for enterprise success appear to be finding institutions to provide services to as done with respondents 1, 5 and 6. Hence, rather than seeking a donation from large institutions, a strategy may be for social entrepreneurs to identify a service or product opportunities to sell. Additionally, to provide products or services to a low cost customer, volume is required to make profit. This would suggest the need for partnership formation to identify how to scale operations.

### 6.6.2 Opportunity Driven Enterprises

**Respondent 2** and 8 operate quite informally and do not have dedicated full time personnel. They have assessed the skills and capabilities of their targeted beneficiaries and are identifying what they hope to be long term employment opportunities for them. Their limitation is that there is not a ‘ready-and-waiting’ market demanding their products. Interestingly, a common theme amongst these two respondents is that their enterprises generate no income for their organisations despite their active involvement for 6 and 8 years respectively.

This phenomenon is often seen amongst the originator of a venture's idea. The founder generally seeks to retain implementation power and do not value differences in opinion. This was very evident with Respondent 2 when speaking of his inability to motivate for funding and his defensive response he felt clarification questions were challenging his decision who to approach for funding. In instances, such as this ventures are likely to fail upon founder’s exit (Sharir & Lerner, 2006).
Respondent 10 was the anomaly in this group. She noted an annual turnover of R3 Million but the enterprise is only five years old and she had expressed concerns about the ability to continue operations. The researcher surmises that the respondent provided the income of the overall organisation rather than the enterprise only.

Respondent 9 is at the early stages of their enterprise. They would be an interesting case study to identify how much of a market demand exists for the eco-friendly projects they anticipate and if they are able to build up a market whilst waiting for the trees to reach maturity and they are getting their beneficiaries skilled and trained in the manufacture of products from these tree sources.

An analysis of these organisations demonstrate that those that enter the market based upon an opportunity without having an established demand to service, find it harder to generate revenue than those that build themselves around a market demand and seek markets with consumers to whom they can sell higher priced services and products. These entities discover or create an opportunity to pursue as a sustainability strategy.

6.6.3 Opportunity Driven to Demand Driven Enterprises

Respondent 3 and 4 developed their enterprises based on an opportunity built around the potential for skills development within their target market. They thereafter built up market demand for the products created by their beneficiaries. Respondent 3 has been successful enough to become self-sustainable; Respondent 4 has not created that enterprise with the expectation of revenue, but rather an opportunity for their beekeepers to generate on-going income. Respectively, their revenues are positive 100-500K and 20-50k.

Respondent 3 solely leveraged the skills she developed amongst rural women while Respondent 4 leveraged skills development and the natural environment their recipients had access to. Respondent 12 was in the unique position of receiving second hand donations which outpaced the needs of their recipients. The organisation developed a charity shop that was not performing well but is not able to generate R20-50k after finding a retail specialist that could facilitate building market demand as well as building efficiencies into the business.
These results demonstrate that it better to identify skills, assets and a market driven opportunity as a base from which to build a social venture. However, this does not negate the potential to achieve success with dedication, belief and resolve when pursuing an opportunity that is not based on demand by provides some form of innovation or new product into the market for which the market will have to be built. Social entrepreneurs should note however, that the latter may likely cause a shift from its core mission as resources (financial and human) will have to be hired or lent by the parent.

6.7 Research Question 5

What impact does a dual objective have on the relationship between the parent NPO and its enterprise or income activities?

This question sought to understand the relationship between the parent organisation and the enterprise or income generating activity that evolved from it. The centrality or distance of the parent organisation’s mission to that of the enterprise appeared to have an impact on the operational structure as well as the existence of tension between the two.

6.7.1 Is the enterprise related or unrelated to the NPOs mission?

Four respondents’ enterprises are core to the parent organisation’s activities or can be deemed part and parcel of the parent. In other words, the parent company is generating an income in fulfilment of its core mandate. Respondents 2, 5, 6 and 11 are examples.

Two respondents mentioned that their social enterprise is an extension of the NPO’s normal activities. One respondents’ revenue is absorbed into the parent while the other respondent allows the nominal amount to remain with the community. Respondents 7 and 8 are examples.

Six of the respondents noted that their activities are separate from the parent’s mission although they also produce revenue that is absorbed into the parent organisation that re-channels money for the enterprise’s operations back to them as a line item in a budget controlled by the Parent.
As demonstrated in Figure 6-2, there are three variations in the relationship between the income generating activity or social enterprise and its parent NPO. As described by Alter (2006) the relationship is either mission-centric, mission related or mission unrelated. Respectively, these descriptors have the equivalent meaning of the researcher’s use of the terms “Core, Extension or Separate” to describe the enterprise’s relationship to the parent’s mission. The centrality of the parent NPO’s mission to the income activity undertaken influences the level of integration between the two organisations which then impacts the operational structure (discussed in Paragraph 6.7.2).

Alter (2006) gave further insight into how the relationships between missions impacted the classification of the level of integration between social programs and business activities. She classifies them as Embedded, Integrated or External Social Enterprises (Figure 6-3).

The characteristics of each are as follows:

<table>
<thead>
<tr>
<th>Embedded</th>
<th>Integrated</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social programme and business activity are one in the same</td>
<td>Social programme overlaps with the business activities</td>
<td>Social programmes are distinct from business activities</td>
</tr>
</tbody>
</table>
The enterprise activities are mission centric to the Parent’s.
The enterprise activities are mission related to the parent’s.
The enterprise activities are unrelated to the mission of the parent.

Social programmes are self-funded through the enterprise activity.
Created as a funding mechanism to support the NPO operations and mission.
Created to fund parents social services and/or operating costs.

Functions as a sustainability program strategy and can take the form of a non-profit or for-profit organisation.
Functions as a profit centre or enterprise unit within the NPO or as a separate entity.
Functions as a profit centre within the parent or separately as a non-profit or for-profit subsidiary.

Financial and social benefits are achieved simultaneously.
Synergies exist between the social activity and the economic activity (e.g. cost sharing, asset leveraging, expanding or strengthening the Parent’s mission.
Function as a supplementary finance vehicle that is supportive of the parent by being economically focused.

Typified in the following operational models:
entrepreneur support, market intermediary, employment, fee-for-service, cooperative and market linkage.
Typified in the following operational models:
Market linkage, and service subsidisation.
Typified in the following operational models:
Organisational Support.

The ability to classify the mission and type of relationship the research respondents have with their parent organisation enhanced the ability to not only understand the decision of the NPO to select a particular type of enterprise, but also to explain why certain operational structures were used. This criterion will help NPOs that have not yet ventured into income activities to understand which form best suits their social and economic objectives.

### 6.7.2 What is the operational relationship between the NPO and its social enterprise?

The paragraph 5.8.5 gives a summary of a construction formed out of the interviewees’ responses. Although it was not a question in the questionnaire, the responses given to the question regarding the relationship to the NPOs mission illustrated several operational/business models existed amongst them. Seven constructs became evident from the information:

1. The social enterprise helps the beneficiaries to access markets (Respondent 9);
The NPO provides employment opportunities and job training to the targeted beneficiaries, employs them and then sells the product or service they create to the market (Respondents 7, 8 and 10);

2. The social enterprise charges a fee for the social services it provides to the target beneficiary and the market (Respondents 5, 6, and 11);

3. The social enterprise provides direct benefit to its target beneficiaries who are cooperatives (Respondent 4);

4. The social enterprise shares cost with its parent and provides a product or service to the market; using the revenue to support the targeted beneficiaries (Respondent 2);

5. The social enterprise sells products or services to the market and the net revenues act as a funding stream for the parent (Respondent 12);

6. The social enterprise sells to the market and subsidies the parent and the parent’s beneficiaries (Respondents 1 and 3).

According to Alter, the above descriptors are classified as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>Type</th>
</tr>
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<tr>
<td>Market Intermediary model</td>
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<tr>
<td>Employment Model</td>
<td>embedded</td>
</tr>
<tr>
<td>Fee-For-Service Model</td>
<td>embedded</td>
</tr>
<tr>
<td>Cooperative Model</td>
<td>embedded</td>
</tr>
<tr>
<td>Service Subsidisation Model</td>
<td>integrated</td>
</tr>
<tr>
<td>Organisational Support</td>
<td>external</td>
</tr>
<tr>
<td>Complex Model</td>
<td>combination</td>
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</table>

In total, Alter describes nine models, however only six appeared applicable to defining the operational models employed by the respondents. A full description of the models can be found in Appendix 4. These models illustrate the configurations used to create social value and possibly help measure social and economic impact. Alter notes that the significance of these
models are that they are designed in accordance with the social enterprise’s financial and social objectives, mission, marketplace dynamics, client needs and legal environment.

While the researcher was able to match each of Alter’s models to the respondents’ organisations, the models did not always align with the respondent’s classifications of themselves described under paragraph 6.7.1. According to Alter, certain models will always be categorised under embedded, integrated or external. The Market linkage model is the only exception, it straddles two different model categories (embedded and integrated). The results indicated the following consistencies and inconsistencies when her model was compared against the input from the respondents.

Table 6-3: Alters Social Enterprise Models

<table>
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<th>Social Enterprise Model</th>
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</tr>
<tr>
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<td>embedded</td>
<td>inconsistent with 3 classification results</td>
</tr>
<tr>
<td>Cooperative Model</td>
<td>embedded</td>
<td>inconsistent with 1 classification results</td>
</tr>
<tr>
<td>Fee-For-Service Model</td>
<td>embedded</td>
<td>consistent with 3 classification results</td>
</tr>
<tr>
<td>Service Subsidisation Model</td>
<td>integrated</td>
<td>consistent with 1 classification results</td>
</tr>
<tr>
<td>Organisational Support</td>
<td>external</td>
<td>consistent with 1 classification results</td>
</tr>
<tr>
<td>Complex Model</td>
<td>combination</td>
<td>consistent with 2 classification results</td>
</tr>
</tbody>
</table>

Alter’s models demonstrate a 50% consistency rate. It explains six of the respondents and is inconsistent with the other six. Hence, it appears that the model have more variables at play than she accounts for.
6.7.3 How does the surplus generated by the enterprise get distributed?

Respondents (1, 2, 3, 4, 9 & 12) have created enterprises with activities that are distinct from the purpose of the parent organisation; however they all provide supplementary funding to the parent organisation. Three out of the six apportion their income between the parent and the community that it contracts to produce goods or services.

The two projects that channel the money exclusively back into the community (Respondents 2, 8) have the mission to empower the community and to see their mission as creating income opportunities for their beneficiaries. They are also entities operating quite informally having one or no full time employees and no annual turnover. Arguably, they do not have the systems in place or the business acumen to build an organisation or they are just operating the NPO as a hobby/pastime.

Of the seven that channel their revenue back into the parent organisation (1,3,5,6,7,10,11 & 12), it is evident that the NPO sees the enterprise as a financial support mechanism for them and the reason for its existence is to facilitate support their sustainability. The revenue generated by the enterprise is submitted to the parent organisation who builds the enterprise into their general budget. The monies required to keep the enterprise in operation is allocated back to the enterprise from the general budget. This process is managed by the Parent organisations financial officer who typically does accounting on behalf of both entities.

The three entities that split the revenue between the community members and the organisation (Respondents 2, 3& 9) have a very distinct business model wherein the parent company acts as the wholesale purchaser of the goods or services produced by those employed in the enterprise. The parent then sells the products to the market at retail prices. A percentage is shared between the organisation and the community employees.

6.7.3.1 Does tension exist between the parent NPO and the social enterprise? If so, what is the cause?

Social enterprises blur the boundaries between for-profit enterprises and non-profit enterprises. Haugh (2005) notes the need to investigate the tensions that arise from managing potentially
conflicting aims would be useful for practitioners and policy makers. The following results will therefore begin a body of research that not only identifies tensions but makes recommendations how to manage through them (p.3). Similarly, Hockerts (2006) notes that depending on the primary source of opportunity social enterprises may have to adopt significantly different strategies to draw upon several sources of opportunity, this they note would be “interesting to study tensions between activism, self-help, and philanthropy” (p.15).

Respondent 12 gave truly interesting insights into the tension that potentially exists between the parent and the social enterprise. Because the charity shop relies upon the same resources that the NPO collects to distribute to its young wards, the shop's quest to sell higher volumes forces the organisation to have to make better and more frequent decisions about what items will be stored for the children versus given to the shop to sell and convert into cash. While it is in the parent organisation’s interest to have them sell more because the revenue comes back to it, there is a philosophical conflict between what the donor of the goods intent to see their donation in the hands of or on the back/feet of a child, and the sale of that donation to the public. While the cash equally goes to fulfil the mission, the donor’s support is often reliant upon emotional fulfilment.

An additional conflict exists between the demand that is generated by a social enterprise as it becomes successful. In this particular instance, the more successful the shop, the higher the demand is on the mining of items from the NPO’s storage, which is meant for the Respondent 12. Unlike a retail outlet where an order can be placed for an item that is not on the shelf, a charity shop relies upon the desire of an individual or corporate donor to part with old items. Hence, if a customer request as particular item, it will be long before the shop can satisfy that demand and pressure is put on the NPO to increase its marketing spend to stimulate donations. “Our shop person is saying, I can sell all of this and give you cash in your hand right now. I have a demand, and I have built the demand in the shop, I need stock, you’ve got stock so let’s sell it….and the social worker person says but maybe we are going to need if for the children, and it is far better to have it for the children than to buy it ourselves one day…”

Another tension is the cost and amount of effort it takes for an NPO to support this type of enterprise. “If you think you can simply take the stuff that you get donated and turn it into shop sales and all is going to be easy and the money come rolling in, you're fooled. It hasn't been like that.” “Suddenly we are turning stuff into money [but] the knock on effect is that…you sell more
so you have to get more stock because the clients are coming more and the demand is growing and you have to service that demand... [then] there is the spin of the collecting, and running a bakkie, running a trailer ...having a driver, and then having a driver’s assistant. You see...it is not as simple...I think this is the biggest tension”. **Respondent 10** notes similarly that when they have funding constraints for the parent organisation to meet its mission and have to go on funding drives but then the equipment needs to be upgraded and they have to also seek funds for that as well. Since the parent takes priority, it means that the enterprise will be “limping along” as with their catering delivery vehicle that is “really on its last leg”.

She noted a skills tension. To run an enterprise requires business skills. While their skill set allows them to deliver caring services to children, they are not business people hence cannot build systems and procedures let alone put together a break even plan or develop a viable business. This requires a person who is dedicated to the enterprise and has the requisite skills and know-how. Their charity shop was able to attract a volunteer who has a passion and vast experience in running charity shops. However, her success and skill has caused yet another type of tension between childcare and finance. She needs money to revamp the store just to make it look less dilapidated. The parent company does not want to invest cash into the charity shop, the board instead instructing her to make a list of needs and find in-kind donations.

**Respondent 7** noted that there is a book that takes a new look at philanthropy where a COO position is recommended within an NPO operating a social enterprise in order to bridge the diametrically opposed gap that exists between business and social philosophies. This COO would have a dual vision and mitigate the tensions that will potentially exists between parent and their separately operating enterprise.

There is an interesting finding where the 2 enterprises falling under one NPO seem to have a bit of rivalry or some other form of tension between them. One noted that there the parent needs to find a way to ensure that there is a fairer distribution of benefit when they jointly work on a project. To date, they bead an item created by the sewing enterprise and apparently do not share in the financial benefit; it was unclear if it is fully or partially the case.

Taking particular interest in the social enterprises that are separate from their NPOs, there is a pattern often sharing human resources. Most frequently, the NPO shares its financial officer, bookkeeper and various types of administrators. This creates a need for the two entities to
partition the amount of hours that personnel from the NPO can serve in both organisations. Priority of time is always given to the NPO who is responsible for paying their salaries and based upon the understanding that the enterprise is the secondary organisation, created to assist the primary. This set up is applicable to Respondents 1, 3, 9, 10 and 12.

6.8 Theoretical context

The grounded theory approach requires “thinking beyond the immediate substantive area of connection with other areas” (Charmaz, 2006, p. 168). It allows the opportunity to contribute a fresh topic, study a new group and research participants or create new methods. Reviewing the results of the study and the literature review, the theory that best explains the outcomes is what the researcher coins as the Opportunity Creation Process for Preservation (OCPP). The OCPP is a convergence and divergence of theoretical frameworks.

Unlike the other theories expressed in the literature review, the OCPP looks at what is behind the trends and identifies the challenges of the NPO entering into a social venture. It appreciates the competing objectives and the concerns of those in the study that enter ventures, especially those that are not truly entrepreneurial, but do so because they have a will to survive. It addresses the issue head-on about social enterprises and the reality that many merge profit motive into their operations because they have to. This is not only a conversation about sustainability, but a focus on preservation as a more emotive response to survival. Sustainability appears to speak to organisations with staff that have a level of strategy and management competence, unlike the Respondents in this study who may have business plans but often do not use them to assess targets or to determine where they have come.

This premise modifies Mair & Marti’s (2004) theory that NPOs are able to identify social opportunities to exploit them. It expresses that NPOs identify opportunities to exploit but they do not uniformly do so with the rigour of the entrepreneur to whom Mair & Marti draw comparisons to.
Guclu et al. (2002) states a process of entrepreneurship but again addresses it from the perspective of an NPO pursuing a desire to be trading for self-sustainability. As a practical model, it is utilised and modified to better fit the findings of this study. The model starts with the vision of an attractive opportunity and one that has potential for positive social impact to justify the investment of time, energy and money required to pursue it.

The Guclu et al. (2002) model of the opportunity creation process begins with a promising idea rooted in the personal experience of the entrepreneur or identified from assessing social needs, social assets and a changing environment. The model depicts opportunity as a creation process with two major steps (1) the generation of a promising idea and (2) the attempt to develop that idea into an attractive opportunity. Creating an idea requires an on-going creative process that requires continuous analysis and experimentation by launching into the programme and learning first hand.

In the study, social assets and personal expertise are found to be variables viewed as characteristics required for an NPO to leverage to their advantage if they are to begin an enterprise. They “tip the scales” toward revenue generation as seen by all respondents with an enterprise who leveraged an internal or external skill using excess assets at their disposal (e.g. second hand donations or land). Social need is at the heart of the social sector as well as the social enterprise; it is deemed an on-going prerequisite for the non-profit sector.
Where this model does not fit the findings is the area of change. Drucker (1985) defines change as something that entrepreneurs always search for, respond to and exploit as an opportunity. It is something that creates a new need, asset or both (Guclu, Dees, & Anderson, 2002). It creates new possibilities and prompts social entrepreneurs to generate new ideas. It speaks to innovation, cultural trends, fashions and exchanges in knowledge. The manner in which Drucker, Mair and Guclu discuss change is quite different from that expressed by the respondents to the study who were more concerned with finding means of self-preservation. Respondent 9b (tree planting project) seemingly developed a business as a function of a change in his environment e.g. the acquisition of land, but in actual fact, he all along was looking for an opportunity to reduce the future number of beneficiaries they will have to support, which will cause them to lose social impact.

This suggests that the description of “change” be broadened to incorporate issues that warrant a strategic response to preserve one’s mission from externalities or preserve one’s existence due to financial pressures. For example, finding job opportunities to provide the target community in order to reduce the impact unemployment has on meeting specific social impact objectives.

Another element of change that they do not note is the changes in donor criteria and standards which cause NPOs to find ideas to either prove they are taking steps toward sustainability or to, again, preserve the organisation from the threat of donors pulling their funding out. Preservation is as much a symbol of change as visible externally focused market opportunities. The following is therefore recommended as an alteration to the model.

**Figure 6-5: Phase 1 - Idea Creation**

Another factor of concern was the positioning of a resource strategy in the model. Again the model accommodates circumstance unlike many of the respondents who are entering entrepreneurial activities in response to donor’s insistence (push) or the unpredictability of donor’s funding.
The model discusses the resource strategy element as fundamental to achieving the objective of a venture creation. It addresses tangible and intangible assets such as skills, knowledge, personal networks, etc. as much as it does physical assets such as land and buildings.

Figure 6-6: Phase 2 - Opportunity Creation

For our respondents, the discussion of resource strategy appears in the process too late; perhaps because the mind-set displayed in Guclu’s models is focused on the willing social entrepreneur while the participants in the study appeared to be unwilling social ventures. The unit of analysis for the model may also be different. While the model speaks about a social entrepreneur, it does not define whether it is more applicable to an individual versus the organisations who are our unit of analysis.

Applying the model to an organisation is cumbersome in the sense that a resource strategy is usually why the idea is pursued; it is the outcome they seek. While the activity has to have a social purpose that ether is related, and extension or in some instance unrelated to the parent organisation’s mission, attaining additional resources is the end goal. The respondents do not demonstrate having a resource strategy for the business other than designating a portion of the Parents funding to provide seed capital to the new entity. They instead leverage available assets and skills to pursue an opportunity that results in a resource strategy that is expected, in the future, to support the Parent Organisations mission.

The model would have to be altered as follows in order to be more appropriate to organisations such as those who participated in this study.
6.9 Conclusion

The results discussed in this chapter covered the key finding and themes that were prevalent from the interviews held with those within the NPO sector that manage or oversee income generating activities by their organisation. Outcomes of the research, such as:

i. The lag in the number of young adults entering the social entrepreneur space as compared to international norms;
ii. The perceived hesitation of NPOs to operate commercial space when a preference is to focus on social services not learning business skills;

iii. The perception that but for the insistence and expectations of donor, NPOs would not venture so close to the ‘for profit’ paradigm;

iv. The types of tensions that may arise between the missions of the two entities; and

v. An understanding of the types of operational relationships exists between the NPO and its social enterprise.

vi. The Opportunity Creation Process Model is the best model to apply to the finding. While it does require alteration to accommodate the reality of a non-profit organisation, it speaks to the principle elements discussed throughout this study.
Chapter 7: Conclusion

7.1 Conclusion

This paper investigated trends in social entrepreneurship within non-profit organisations (NPOs). It was inspired by a survey conducted by Trialogue, a non-profit research organisation that surveys corporate social investment in South Africa. The survey showed a significant number of Non-profit organisations (69%) are moving toward developing social enterprise due to issues of sustainability. The research sought to ascertain what the causes for this trend amongst NPOs are.

The method of sampling used was non-probability, purposeful sampling to select 12 organisations from the available population. An exploratory qualitative study was conducted via face-to-face interviews with 12 organisations and 14 respondents operating in the Gauteng Province as well as one from the Eastern Cape, done telephonically.

The study was undertaken to better understand what motivated NPOs to social entrepreneurship and how they identified and exploited opportunities; distributed revenues and what form of relationship was created with the parent organization. The study reviewed theoretical models and selected a best-fit model of the Opportunity Creation Process which had to be modified to suit the trends in thought that arose from the study.

The findings showed that funding challenges of the parent NPO and limited access to funds were key features likely to illustrate when an NPO will move into social entrepreneurship. The research concludes with evidence demonstrating that NPOs are not always willing participants in the social enterprise game, but are forced to discover opportunities to prove to funders that they are seeking means to be sustainable, with varying degrees of success. The form of social enterprise they select is often determined by the centrality of the NPOs mission to that of the social enterprise.

The mission of the parent organisation has significant influence over many aspects of the business for example:
Respondents uniformly understand whether they are a social enterprise or engaged in activities to generate income and the definition appears to be dependent upon whether the activity is related or unrelated to the parent’s mission.

The centrality or distance of the parent organisation’s mission to that of the enterprise impacts the operational model created by the organisation, how income gets distributed and the level of tension that exists between the organisations.

NPOs identify enterprise opportunities based upon existing or hired-in expertise or assets it has at its disposal to leverage for income generation. This results in the income activity being opportunity driven rather than demand driven. The results demonstrate NPOs that are opportunity driven do not generate as much income as those that are demand driven.

One common characteristic emerged to illustrate when an NPO is likely to move into social entrepreneurship. The characteristic shows that when the parent NPO is having funding challenges and access to funding is deemed a barrier to growth, it is likely to move into income generating activities. This theme was common amongst all respondents.

Data such as staff size, annual turnover, sector, targeted beneficiaries and geographical spread (Table 5.2) were also deemed inconclusive as an illustration of when an NPO is likely to move into social entrepreneurship and therefore was not discussed in the finding.

7.2 Recommendations

These results may assist NPOs, especially those that are donor dependent, to begin harnessing the skills and expertise of women within their organisations, especially those between the ages of 35-44 since it appears this is a time when they should be more ready to take risks. It also seems recommendable to target women for social entrepreneurial training since they represent those most likely to explore social opportunities.

The findings demonstrate the importance of having managers with knowledge and previous managerial experience when initiating a social enterprise and the importance of income generating activities being run by a person who understands the NPO very well and has the skill
or expertise in the activity used to earn income. Results demonstrate that the level of skills and time with an organisation does not suffice; it is also important that the entrepreneur works on developing the entity on a full time basis and shows passion or dedication to achieve the social mission.

The research pointed to the fact that in South Africa women and people between the ages 45-54 are most likely to be social entrepreneurs and that NPOs should focus on this group when seeking to develop entrepreneurial skills. Reasons may be attributed to the time needed to develop confidence in the skills level needed to pursue a social enterprise, the level of male dominance or motherhood pressures that limit the number of women entrepreneurs before the age of 45-54. Questionably there may be more risk aversion locally which takes longer to overcome. Alternatively the impact of education or training required to develop the requisite skills needs to be addressed. To understand what causes social entrepreneurs to enter the market later than other countries is a topic for further study and investigation as well as whether there is some relationship with this finding to the level of youth employment in the sector. There appears to be an untapped opportunity with personnel between the ages of 35-44 to develop social entrepreneurs at an earlier stage that coincides with international norms to provide a social contribution for a longer period of working years.

While data supports that NPOs with fixed assets are more likely to develop enterprises or income activities that leverage the asset, the mere ownership of fixed assets is not an indicative characteristic of whether an NPO will begin an enterprise or income activity as per the research question. In fact, nine out of twelve respondents have done so without a fixed asset to leverage. The data is interesting because it demonstrates that NPOs with fixed assets are likely to develop an income opportunity specifically related to that asset. Those initiating social enterprises should audit their assets, both moveable and fixed, to identify what can be leveraged to generate social value and income.

The data collectively demonstrates that South African NPOs were equally part of an international trend toward social enterprise development and the legitimisation of the practice for social organisations to generate income during the late 1990’s and early 2000’s. While the trend internationally may have been a response to an emerging practice of income generation, in South Africa evidence points to the entry of democracy with the 1994 elections or a combination of both as the key drivers of the transition.
The results are relevant to the emergence of understanding the dynamics within South Africa that led to the increase of social enterprises. The number of years in operation also relates to the enterprise gaining legitimacy, not only in the dual logic of creating social and economic value, but also in its ability to meet a social need satisfactorily for the community to continue to need their services and donors continuing to fund.

Taking particular interest in the social enterprises that are separate from their NPOs, there appears a pattern of sharing human resources. Most frequently, the NPO shares its financial officer, bookkeeper and various types of administrators. This creates a need for the two entities to partition the time of their skills base across the two organisations. Most noted however that the Parent’s needs take priority hence if there was any conflicts in the need for that personnel, the subsidiary entity’s needs would be sacrificed.

7.3 Limitation

The limitation of this study was the vast net that was cast. While there was ample information, the number of question prohibited going deeper into the analysis of one or two topics however; the richness of the areas of potential research was an advantage.

7.4 Future Research

Future research should unpack the reasons why young people are not entering the market to become social entrepreneurs and to understand the impact on youth skills development, work readiness and employment.

More information should be gathered to understand whether or not NPOs truly seek to enter business and if they are unwilling participant then to identify other mechanism for funding that allow them to focus on their core mandate. Alternatively, as recommended by Respondent 12, there should be a position of a chief operations officer held by someone with experience in the organisation who is trained to deal with the business aspects of the NPO and who serves the purpose of ensuring that there is someone who can speak to both sides of the business to reduce the tensions that exists between them.
More research should be done on the tensions in the organisation. Despite most respondents being able to work well with their parent organisation, there will always be the potential for conflict when objectives begin to compete. It would be relevant to managers and academics to understand the challenges and how to manage through them for future when the organisations begin to scale up.

The lack of national data on the size and scale of the social enterprise sector is a major research opportunity for researchers and would provide valuable information for academics, practitioners and policy makers.

Research that explores the financial structure of social enterprises, the impact of different sources of finance on the strategy and management of the social enterprise, and the relationship between the funding mix and success or failure of the social enterprise would provide valuable information for the sector, funding organisations and policy makers.

Research that investigates the motivations and investment choice process of social investors, either institutionally or as social business angels should be conducted. This would offer a solution to take pressure off social entrepreneurs, especially those who are unwilling ventures.

Research that explores the managerial structure, skills and competencies of managers of social enterprises in relation to organisational performance to provide evidence of skills and competencies needed by the sector is also recommended.

The role of networks in identifying opportunities, providing resources and business advice to social entrepreneurs would also aid the progress of this evolving area of study.
REFERENCE LIST


APPENDIX 1: INFORMED CONSENT LETTER

INTERVIEW INFORMED CONSENT LETTER

I, Monique D. Griffith, am conducting research on NPOs that develop Social Enterprises alongside or from within their organisations. I am trying to find out more about the drivers of this trend and to ascertain if there are common characteristics or circumstances that can be attributed to the evolution of NPO organisations toward social entrepreneurship.

The interview is expected to last about an hour, depending on your responses. Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential.

If you have any concerns, please contact me or my supervisor. Our details are provided below.

Researcher Details:
Monique D. Griffith
moniquedgr@gmail.com
Cell: +2783 689 5144

Research Supervisor Details:
Leona Craffert
Lcraffert@gmail.com
Cell: +2783 324 4486

By signing below, I hereby acknowledge that my participation in this interview/survey was by voluntary consent.

Signature: ________________________________

Interviewee Name: ________________________________

Company: ________________________________ Position: ____________________

Date: ___/ _________/ 2012
## APPENDIX 2: GIBS ETHICAL CLEARANCE REQUIREMENTS

### UNIVERSITY OF PRETORIA

Gordon Institute of Business Science (GIBS)

### APPLICATION FOR ETHICAL CLEARANCE

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GIBS distinguishes between FOUR types of data. Please complete the table for ALL the data types that you plan to use.

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<tr>
<td>B. New data solicited, e.g. interviews or</td>
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Complete all sections relevant to your research.
ALL researchers must complete Sections E and F.

A. PRE-EXISTING RECORDS OF HUMAN SUBJECTS

1. Specify the nature of records and how they will be used.

2. Confirm that permission has been obtained to study and report on these records.
   - I confirm.
   - Remember to attach permission letter(s).

3. Provide the name and job title of the person in the organisation who has authorised the use of the records.

4. How will confidentiality and/or anonymity be assured? (Mark all that apply).
   - No names will be recorded
   - No names will be requested
   - Data will be stored without identifiers
B. NEW DATA OBTAINED FROM HUMAN SUBJECTS

5. Please confirm that no inducement is to be offered.
   ☒ I confirm

6. Mark the applicable box(es) to identify the proposed procedure(s) to be carried out to obtain data.
   ☐ Interview schedule (Attach if applicable)
   ☒ Questionnaire (Attach if applicable)
   ☐ Pre-existing proprietary test instrument, e.g. MBTI (Attach)
     IF a pre-existing proprietary test instrument is used, confirm that permission has been obtained to use it.
     ☐ I confirm
     Remember to attach permission letter(s).
   ☐ Intervention, e.g. training (Describe)

7. Confirm that the data gathering is accompanied by a consent statement.
   ☒ I confirm

8. Where is the consent statement found?
   ☒ As part of the data gathering document, e.g. in the introduction of the questionnaire.
   ☐ As a separate document. Remember to attach.

9. Is there risk that the researcher is not competent in (one of) the language(s) subjects use to communicate?
   ☐ Yes, there is a risk
   ☒ No, there is not a risk
   IF yes, how will the subjects’ full comprehension of the content of the research, including giving consent, be ensured? Please specify.

10. Do subjects risk possible harm or disadvantage (e.g. financial, legal, social) by participating in the research?
    ☒ No
    ☐ Yes.
    IF yes, explain what types of risk and what is done to minimise and mitigate those risks.

11. Are there any aspects of the research about which subjects are not to be informed?
    ☒ No
    ☐ Yes.
    IF yes, explain why and how subjects will be debriefed.

12. How will confidentiality and/or anonymity be assured?
    ☒ No names will be recorded
    ☐ No names will be requested
    ☒ Data will be stored without identifiers
    ☐ Only aggregated information will be provided
    ☐ Other. Please specify
C. PUBLIC NON-HUMAN DATA

13. Specify the nature of records to be used: How they will be selected, sourced and used.

Types of Records:

D. PUBLIC DOMAIN / COMPANY-SPECIFIC NON-HUMAN DATA

14. Specify the nature of records (e.g. marketing reports or safety records) and how they will be used.

15. Confirm that permission has been obtained to study and report on these records.

☒ I confirm.
Remember to attach permission letter(s).

16. Provide the name and job title of the person in the organisation who has authorised the use of the records.

Name & Title:

17. Do companies risk possible harm or disadvantage (e.g. financial, legal, social) by participating in the research?

☒ No
☐ Yes. Explain what types of risk and what is done to minimise and mitigate those risks.

18. How will confidentiality and/or anonymity be assured?

☒ All company-specific details will be removed
☐ Data will be stored without identifiers
☒ Only aggregated information will be provided
☐ Other. Please specify

E. CONFIDENTIALITY

Please select the relevant option

☒ No access for a period of two years
    Specify reasons for consideration – The research may act as a foundation for future research

☐ No access under any circumstance for an undetermined period.
    A letter of permission from the Vice- principal: Research and Postgraduate Studies is attached.
F. TO BE COMPLETED BY ALL RESEARCHERS

19. In what format will the data be stored? Mark all that apply.
   □ Physically
   □ Electronically
   □ Other. Please explain.

20. Confirm that the data will be stored for a minimum period of 10 years.
   □ I confirm.

21. It is a goal of GIBS to make research available as broadly as possible. Mark the boxes below for the medium/media in which you do NOT wish results to be made available.

   **Academic dissemination**
   □ Research report
   □ Scientific article
   □ Conference paper
   □ Book

   **Popular dissemination**
   □ TV
   □ Radio
   □ Lay article
   □ Podcast
   □ Book

22. Confirm that the consent obtained is aligned with the extent of dissemination. E.g. consent if you are planning to use the research to launch a consulting career will be more comprehensive than in the case of research that is intended only for a scientific audience.
   □ I confirm

23. IF you wish to describe any other information which may be of value to the committee in reviewing your application, please attach a separate sheet.

G. APPROVALS

The applicant must please ensure that the supervisor has signed the form before submission.

**RESEARCHER/APPLICANT:**

24. I affirm that all relevant information has been provided and that all statements made are correct.

   Name in capital letters: MONIQUE D. GRIFFITH
   Signature: ____________________________
   Date: __1 JULY 2012__________________

**STUDY SUPERVISOR:**

25. I am of the opinion that the proposed research project is ethically acceptable.

   Name in capital letters: LEONA CRAFFERT
   Signature: ____________________________
   Date: __30 JUNE 2012__________________
GIBS RESEARCH ETHICS COMMITTEE:

26. I am of the opinion that the proposed research project is ethically acceptable.

Name in capital letters: ______________________________________
Signature: ______________________________________
Date: ______________________________________
APPENDIX 3: INTERVIEW SCHEDULE

Name of Organisation: ___________________________ Date: _______________ 2012

Name of interviewee: ___________________________

Title: ____________________________

Years with organisation: _______________________

<table>
<thead>
<tr>
<th>How does your organization generate income for itself? (QUALIFIER QUESTION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Would you define it as a social enterprise or income generating activity? Why?</td>
</tr>
<tr>
<td>What motivated the organization to pursue income generating activities?</td>
</tr>
<tr>
<td>a. Was there market demand or an opportunity to fill?</td>
</tr>
<tr>
<td>b. Was there a market failure you wanted to resolve? What was it</td>
</tr>
<tr>
<td>c. Is the business an extension of your normal activities?</td>
</tr>
<tr>
<td>What social value does the income-generating activity have?</td>
</tr>
<tr>
<td>Who runs the activities of the income operations? Are the a specialist or a member of staff (eg. Programme manager?)</td>
</tr>
<tr>
<td>Is the activity part of a long term vision?</td>
</tr>
</tbody>
</table>
What type of legal structure is used to conduct the income earning activities

Are there revenue and growth projections and targets established for the business?

Do you employ technology or some other form or innovation/creativity in your product or service?

| d. Is there something you do very differently from the For-profit sector? |

What are the challenges to operating the business?

Do find the income generating activities interfering with the primary objective of your NPO?

Has the NPO ever attempted other income activities? Have any of them not worked? Why?

Does the organisation have a business plan for its income generating activities? Yes _____ No ____ Pending __________

**ORGANISATION CHARACTERISTICS:**
What year was the organisation first established in? _____________________

What type of organisation are you? (Please tick all that apply)

<table>
<thead>
<tr>
<th>Association /Society</th>
<th>Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity</td>
<td>Social /Community Enterprise</td>
</tr>
<tr>
<td>Community Group</td>
<td>Social Firm</td>
</tr>
<tr>
<td>Co-operative</td>
<td>Society</td>
</tr>
<tr>
<td>Credit Union</td>
<td>Trust</td>
</tr>
<tr>
<td>CIC</td>
<td>Voluntary Organisation</td>
</tr>
<tr>
<td>Development Trust</td>
<td>Other (specify)</td>
</tr>
<tr>
<td>Industrial Provident</td>
<td></td>
</tr>
<tr>
<td>Company Ltd by Guarantee</td>
<td></td>
</tr>
</tbody>
</table>

Which one of these categories best describes your main core activity?
<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Care</td>
<td>Mediation</td>
</tr>
<tr>
<td>Credit Union</td>
<td>Religion</td>
</tr>
<tr>
<td>Culture</td>
<td>Retail</td>
</tr>
<tr>
<td>Education and Training</td>
<td>Small Business Support</td>
</tr>
<tr>
<td>Energy and waste</td>
<td>Social Landlord</td>
</tr>
<tr>
<td>Environmental</td>
<td>Sport</td>
</tr>
<tr>
<td>Financial</td>
<td>Tourism</td>
</tr>
<tr>
<td>Food and Drink</td>
<td>Transport</td>
</tr>
<tr>
<td>Health</td>
<td>Other ________________</td>
</tr>
</tbody>
</table>

Where does the organisation operate?

<table>
<thead>
<tr>
<th>Local level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Level</td>
</tr>
<tr>
<td>Province</td>
</tr>
<tr>
<td>SADC</td>
</tr>
<tr>
<td>International</td>
</tr>
</tbody>
</table>

What are your main beneficiary groups (please tick all that apply).

<table>
<thead>
<tr>
<th>Asylum Seekers</th>
<th>Low Income Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperatives</td>
<td>Learning Disabilities</td>
</tr>
<tr>
<td>Disabled (Physical)</td>
<td>Men</td>
</tr>
<tr>
<td>Disadvantaged Communities</td>
<td>Mental Health</td>
</tr>
<tr>
<td>Elderly</td>
<td>Small, Micro &amp; Medium Businesses</td>
</tr>
<tr>
<td>Ethnic Minorities</td>
<td>People at Risk of Crime</td>
</tr>
<tr>
<td>Gay &amp; Lesbian</td>
<td>Women</td>
</tr>
<tr>
<td>Health (HIV/AIDS, TB, nutrition, etc)</td>
<td>Youth: Children and Young Adults</td>
</tr>
<tr>
<td>Homeless</td>
<td>All of the above</td>
</tr>
<tr>
<td>Informal traders</td>
<td>Other (please give details )</td>
</tr>
</tbody>
</table>
OWNERSHIP

Who owns the organisation?

<table>
<thead>
<tr>
<th>Community</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>Shareholders</td>
</tr>
<tr>
<td>Local Authority</td>
<td>Trustees</td>
</tr>
<tr>
<td>Members</td>
<td>Other ________</td>
</tr>
</tbody>
</table>

How many people are there on the Management Board? ______________

STAFF AND VOLUNTEERS

How many staff work for the organisation?
How many volunteers work for the organisation?

Of these, how many are full and part time? Staff ___________ Volunteers ________

Are staff numbers expected to change over the next year?

FINANCIAL

What was the organisation’s annual turnover for 10/11?

| 0 - R10,000       |
| R10,000 - R20,000 |
| R20,000 - R50,000 |
| R50,000 - R100,000|
| R100,000 - R500,000|
| R500,000 - R1,000,000|
| RMillion +        |
| Was not in existence at time |

Did the social enterprise make a profit or loss in 10/11?
Please give a figure for this amount. __________________________

How is the profit / surplus distributed?

<table>
<thead>
<tr>
<th>Within organisation</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within local community</td>
<td>N/A (no profit/surplus made)</td>
</tr>
</tbody>
</table>

What were the main sources of income in the financial year? (percentages - not numbers)

<table>
<thead>
<tr>
<th>Social Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Donations</td>
</tr>
</tbody>
</table>
Central Government Funding
Charitable Trusts
Contracts / Service Level Agreements (Local Authority / Private Sector)
European Funding
Grants
In Kind
Individual Donations
Loans
Membership Fees / Charges
Other Statutory Funding e.g. Arts Council
Property Income
Sale of Goods / Services (direct trading)
Other (please specify)

Does the organisation own any fixed assets (vehicles, buildings, land):

Do you foresee the organisation’s income increasing, decreasing or remaining the same at the end of this financial year? Why?

Will the income activities make the organisation self-sustainable? If so, by when; If not, why?

SUPPORT

What barriers to growth does the organisation face?

<table>
<thead>
<tr>
<th>Access to funding</th>
<th>Range of activities offered by the organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of and/or retention of volunteers</td>
<td>Lack of specialist advice/support</td>
</tr>
<tr>
<td>Lack of suitable premises</td>
<td>Access to training</td>
</tr>
<tr>
<td>Available time resources of staff / volunteers</td>
<td>Lack of management skills</td>
</tr>
<tr>
<td>Level of income</td>
<td>Lack of legal knowledge</td>
</tr>
<tr>
<td>Lack of staff</td>
<td>Lack of need for products/services</td>
</tr>
<tr>
<td>High expenditure costs</td>
<td>Lack of involvement in partnerships</td>
</tr>
<tr>
<td>Other (please state)</td>
<td></td>
</tr>
</tbody>
</table>
Monique

When did you start with the organization?

Respondent 3

I started with Topsy 10 years ago when they didn’t have any skills development program and the where looking of starting one and everybody being quite a green hole in that department, I was asked to teach a group on women to do aids ribbons coming from…. I am a beading expect I know techniques and design as well. I use to work as an occupational therapist and my last couple of years I have spent at Hope School where I thought Pre-adolescents entrepreneur skills, and really giving them the language on how to build up a business and how to break it down taking it from Absa that time, they use to take two children from each school 9 and 10, standard 9 and 10 or matriculates, the 11 and 12th class it would be… where they would get them together to build up a business and break it down so those concepts I took and interpreted it to a very basic level so that pre adolescents could understand it, and why I targeted that group was because when a child …doesn’t matter what problem or what disinformation or deformity he has or whatever, you know the sky is the limit, and only when adolescents come do they become self-conscience of what she looks like… why I am telling you this is because those same principles are used with the rural women at Topsy. Initially when we put out the word to say that there is going to be a beading group starting 44 people came for interviews and they brought something that they could do because I needed to see how their eye-hand coordination is and do they have an aptitude for hand and craft and then when I said that for a month there would be training but with no pay but that they would get a meal a day, people …they dispersed and I started with a group of 9 women, and it was very good to actually crystalize it like that, to have a pilot with people that could recognize that they are not losing anything by learning something, and that it is not a handout where you work wages for a week and then get paid. And so, what we did is…..I made them aware of exactly how I was teaching and so it became like a train-the-trainer so after a while each of them could find another person, one other person and teach however to make this little badge, and to teach bead work from scratch to that person…so I thought them exactly how many of beads was I using, how much it cost, the material involved, and how long it took to make, the labour costs, and all of that worked and each person had a little book where they would write on the one side the material they took, so the material all were there I bought them at cost, we still
now have a little shop in Mpumalanga, where they can buy their material at the best
cost that I can get them here. So, if they decide they want to do whatever that they
want to make, they free to do it. So each person is in a way their own little business
and we are just working together in a group …for …well… in a bigger business
situation... But independently basically as contractors all of us, we are contractors.
Also I am a contractor to Topsy even if I’ve been there the longer, but I keep my
independence as well, like that, and I’m actually quite glad that we did that because
initially it was suggested by the directors then that we have a weekly wages and I
explained my concept to them and it was accepted and I do think that one of the
reasons why we are still going is that each person takes responsibility for their own
work and has an understanding of this whole costing issue that the initial costs is
really about and material costs and then the second one Topsy as a wholesaler buys
it from them and we work out a wholesale price and then we have a suggested retail
price. and so that if they make a certain little piece they work on the retail price, they
sell it at the retail price and not like you sometimes get next to the road that... the
biggest problem I feel with the people, the beaders or the crafters next to the road is
that they do not know how to cost their work...you know...and that by under-cutting
they’re actually breaking the market and not only their own line but of also whoever’s
working with bead work. I have just realized after 6 months of doing the aids ribbons
that we can’t just make aids ribbons so I developed the Topsy tops and they are tiny
little beaded children... you know, initially I envisioned it as the aids orphan and at
that time Topsy had a lot of in-house orphans that were cared for and now the
orphans now get dispersed in the community and each family is getting supported, so
it’s not like that anymore but, you know....and at the time also the whole campaign
of Love Life was everywhere and I just thought that it is just such a nice positive way
of showing a problem, so ...that is how I thought the kids are as well it doesn’t matter
what fate beholds them how bad it is for them they still have that joyousness about
them and that is what we wanted to depict and also to depict contemporary South
Africa where boys girls doesn’t matter what colour you are what gender, race or ...
that they are together and that they can play in optimum optimal positive way. I
thought at that time that this idea will maybe last for a year and then I would have to
develop something else but they are still going after 10 years; however now people
really know them they have become the face of Topsy and also in between I
developed a Topsy angel which we sold as broaches , key rings , necklaces, or
whatever way or form that you could have them and what is nice about them is that
it’s a low cost so somebody can easily buy it and give it on to a friend and buy a next
one etc. and somehow send a message on like that

Monique

So how do you guy...Are you using this in order to generate income or is it just
getting people to get trained up so that they can generate their own income?
Respondent 3

No, it is becoming really that this way that the women…hang on…, initially I use to organize transport for the women to come and sell their work at school fairs etc., but it was really [cumbersome] and to keep control over stock and this and that and it just became impractical so we just decided that we would buy the stock directly, and Topsy buys it and Topsy has a marketing and retail actually a more wholesale outlet. So, at the moment the women are more the production. I do the design and liaise with the coordinate and manage the production side and we have a marketing section that distributes it, it does customer care and that type of thing. So, we really works as a company as such. Initially we were supported by Clarets, they gave us R25000 to kick off the project now we a have a turnover of more or less half a million a year and if you think of the icons that we have it is actually remarkable …at any time there are about 15-16 people working. They are split into two groups simply because of the geography, um… one group is in Grootsvlei and another group is in Balfour so there are list two splinter groups but we work together but separately and all in all we have had about 125 people trained. I know that when companies want to give money they really like to see as many as possible people going through this training or this development. However I feel then that it spreads thin and that the less you do, basically the pie is cut into many pieces and the less you do the less responsibility you take. So I really have found over the years that it is better to rather work with a small nucleus and really get people time wise really involved

Monique

Have them to learn how to do business, how to get skills and how to get quality?

Respondent 3

At every beginning of the year, we have an anonymous voting system where managers basically the leaders choose their own managers with who I then liaise and then there is also a shop assistance, and they vote and they know very much who they would like to head their group. I stay in contact mainly with sms, phoning. If there is a new design or a new logo for companies or companies specific work then, either I go across there and teach the new method or I draw it up and fax it through, or scan it through and at Topsy at Grootsvlei they then get the printed image and then we just liaise by telephone. I have just developed now 4 Decorex which starts today; I have developed a daisy and a sun flower. I can show you I don’t know how that is going to be Decorex is going to be our market research for that and these are just ideas I took from, you know, to see what is on um,… (I had the picture before I came….here we go….).… we can do it as necklaces, earrings and broach pins etc. and so we will see as how that goes.

Monique

So someone can just send you something; and you guys can make a sample?
| Respondent 3 | Yes, that we do, somebody might want a logo and we will work it out. This one is quiet big so [ ] I worked out the production outlay…this was something that we did for Busby... I don’t have all the picture because they are on the computer, but this is to just give you an idea of what we do... [ ], KLM, |
| Monique | Let me run thru some of the question that is some of the information that already have probably spoke to, get it into the format, so with all of the stuff that you noted would you define it as a social enterprise or is it the income generating activity? So is it something that you think you are generating income to help the organization thrive or is it something completely separate? |
| Respondent 3 | No, all the money that comes in, goes back into the beading group. All of it is basically…., I think what has happened more for Topsy in terms of how Topsy benefits is that Topsy's name is raised. It's a marketing thing for Topsy and how the business really has benefited is because it is also linked to Topsy and it goes both ways, people are more prepared…people contact Topsy directly and then the work gets outsourced to us basically. |
| Monique | What motivated Topsy to move into something like beading, they are health care and clinics and providing that kind of health services, what made them go into that? |
| Respondent 3 | I think they look at the community and realized that the where so many unemployed people in that area and they wanted to do...somehow help in a certain way and do skills development, initially they also had the ceramics output, but that didn’t continue. It’s quite difficult because it’s out in the sticks and you have to have to really be there a lot, to drive up all the time and to get the thing going and to develop something takes time. And then, to sustain it, bead work is easy, because it is small in its form and you don’t really need much equipment for example like the sewers need machine etc. but they work it in such a way that they can have machines and small items so that you can do it at home, in your shack, many people have just really shacks where they live… but I can also say I’ve had two people in the beading group and because they were working flexi time they had time to learn a building course and there was one women who unfortunately now has passed away. But she built her own house for her family from learning how to do it during the time…and using the money from the beading and she was always very proud of that. If you ask people they usually say they use the money to feed their extended family and educate the children. |
| Monique | So this was not something where there was a market demand for beading, it was something more opportunistic where people needed something what can we |
help them with and you created…you found the thing that will match with the
gap?

| Respondent 3 | And that is always the challenge for example now the Topsy tots are well known in South Africa so we need to get international outlets to get international to sustain…to get the product out internationally is not easy. We’ve had a little bit here and there but not really extensively and I think the way to go is probably to join trade fairs which we haven’t done internationally yet. |
| Monique | So if you do join the trade face you might want to check tourism trade, you might want to look at it as a tourism face of South Africa and then usually coupled with DTI. DTI will cover people who are travelling and how to get external market and then South African tourism, Gauteng tourism and Joburg tourism. they look at how to ...they just find space and find small companies to be part of their exebition, so you might want look at that how do you do the cost and start creating a market for you, so that might be a nice way just to check |

| Respondent 3 | Yes , I am going to write that down, that is the very nice idea |

| Monique | So you run the income operation, the beading? |

| Respondent 3 | yes |

| Monique | How long have you run the beading income operation? |

| Respondent 3 | 10 years |

| Monique | And what’s your title, are you a consultant, you said? |

| Respondent 3 | Yes I am a consultant and maybe bead work manager liaison officer whatever you call and also designer is important |

| Monique | And I presume that there is a social value that this is bringing to the community, like you were saying about the women who was making the income and was able to get skills and build her house so it is actually empowering? |

| Respondent 3 | Very much and you know... It is not only the monetary thing it is also the fact that the can get together and that they realize... I don’t know...but the self confident has just increased a lot and they can share their problems, because the lot of them have really big family problems and you must remember they are from an area of AIDS where the AIDS epidemic is really, really hitting hard and I have lost quite a few very good beaders to that illness and it still has a stigma attached and no matter whether they... |
are part of an AIDS foundation or not, I do work with a social worker who comes once a month and she has a support group that she runs with the beadercrafters. And I just think…being part of a group that is actually doing something beautiful and not only that it is beautiful but they can make money from has a very positive effect on the well-being, the feeling of well-being in the women.

<table>
<thead>
<tr>
<th>Monique</th>
<th>And you said that you are running the activity and not the employee of Topsy? You are outsourced?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 3</td>
<td>yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monique</th>
<th>Are you a specialist or a bead specialist?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 3</td>
<td>Yes I have learned all the traditional beading techniques and so I just convert it into whatever is needed really</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monique</th>
<th>And you said that when it was created it was created with the expectation of being short term but now it’s a long term, is that correct?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 3</td>
<td>Yes, not the project itself but the Topsy Tots The project was created being long term but the actual item that I developed there I didn’t think it would be so long and I didn’t think it would last so long. It is often the product that you have to change, it reaches a certain point it goes up up and then you have to think of something new and that time period I thought would be much shorter but it is still ongoing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monique</th>
<th>Who are the consumers of the product?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 3</td>
<td>The consumers are all the shops, the craft shops that buys our stock, and then we work a lot for companies when they have a get together meeting or whatever they have conferences and they take Topsy stuff as part of their gift so it’s corporate gifts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monique</th>
<th>So mainly craft shops and the company?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 3</td>
<td>To a lesser degree, school. Yes but that is really the aim and the outlet craft and then we thought we do the AIDS ribbon, so that is awareness making for World AIDS Day because that is the yearly thing that comes up</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monique</th>
<th>And the craft shop is it formal craft shop or sewing for people who are informal?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 3</td>
<td>formal</td>
</tr>
<tr>
<td>Monique</td>
<td>And the aids ribbon I presume it is more attached to the company than what you are doing?</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>yes</td>
</tr>
<tr>
<td>Monique</td>
<td>And what legal structure do you have for beading company form is it the section 21?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Topsy is the section 21 and since the beading falls under Topsy it is probably forms a part of it but since the beading falls under topys we don’t get money from donors we generate it independently from what we are doing.</td>
</tr>
<tr>
<td>Monique</td>
<td>In terms of revenue, do you guys do revenue and growth projections and target?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>yes</td>
</tr>
<tr>
<td>Monique</td>
<td>How often?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>It certainly a yearly basis but we have a monthly e get together where we do short term planning and seeing whether we fulfilled our goals etc. a monthly to 6 weekly get together…</td>
</tr>
<tr>
<td>Monique</td>
<td>Do you use technology or other forms of innovation in your bead work?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>On the making of the bead work?</td>
</tr>
<tr>
<td>Monique</td>
<td>And what you need as part of the processes?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Computer just to liaise with customers etc otherwise is very much just the hand craft work.</td>
</tr>
<tr>
<td>Monique</td>
<td>What are some of the core challenges that you guys have operating the business and keeping it sustainable?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Marketing, marketing is really the biggest challenge and it goes seasonal for example now in winter time it’s the low season and then it pick up towards Christmas again, getting new customers especially now with the economy going down generally. It was really tough for us and we also definitely took a dip but we have also done very well but compared to 2010, I mean 2010 we did take a dip in 2011. We hope to build it up now in 2012 its looks good although July was a bad month for the bead work. We will see now with Decorex whether it will pick up again.</td>
</tr>
<tr>
<td>Monique</td>
<td>And do you think 2010 had anything to do with the 2011 figures being so low?</td>
</tr>
<tr>
<td>---------</td>
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</tr>
<tr>
<td>Respondent 3</td>
<td>Yes the world cup, we made flags I developed all the different flags and we wrote to all the embassies etc. and showed them the flags and we did generate a bit of income from that</td>
</tr>
<tr>
<td>Monique</td>
<td>That’s interesting and did you share that? I am injecting myself into the research and I am supposed to stay away from the research.</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>(laughs)</td>
</tr>
<tr>
<td>Monique</td>
<td>Do you ever find that there is interference with your primary objective of Topsy and the bead work? is there any things that end up butting heads or do you guys might use the resources and you find that they want to use the resources or are you pretty much very independent?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>No, we are independent and it is been formed like that from the beginning so that is quiet okay. We benefit from Topsy bringing in work for us, basically, you know</td>
</tr>
<tr>
<td>Monique</td>
<td>In what way?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>In the sense that people contact Topsy and then I get contacted to liaise with them again and the beaders directly.</td>
</tr>
<tr>
<td>Monique</td>
<td>Has the NPO ever attempted other income generating activity? Other than the bead work or have you guys tried anything else on behalf of Topsy but didn’t work out?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>At the moment I have 2 new ideas that I haven’t developed at the moment, what I want to do is the fringes on scarves will work with other beaders and what I have done for African Queen I don’t know whether you know them we did beader friendly and it is the very expensive item and I thought it would be actually nice to do something like that but on a lower cost level so I have bought about 50 shoal scarves which we are going to try out so that is a difference from the beading project and we have done on the small scale but we really don’t benefit financially. For Tina for the sewing project we makes the tops etc and when she sells it she gets the benefit etc, but when she sells it she get the benefit financial so it hasn’t really benefited bead work as such anyway we still have to work a way, that it doesn’t just benefit one group.</td>
</tr>
</tbody>
</table>
I feel with the sewing it could do more where both groups benefit and then I’ve got that range but that is beading again the mini Tots and also I want to do the Topsy Tots even in a smaller version, so they become like charms on the bracelet and going on that whole thought. I think I have made a mistake, really, I brought rubber necklaces the black ones are really nice and ordered it for Decorex but when they came through the clasps were too tight too strong for the rubber neck so it is like the technical problem we keep on getting these little technical problems and it keeps on, that is why I stuck with the daises and the sun flowers because I don’t have other elements coming in and bringing unforeseen little hitches, they are like teething problems, you know…

<table>
<thead>
<tr>
<th>Monique</th>
<th>What do you attribute to? The problems is it supplier problems or the quality of it?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 3</td>
<td>Its technical problems I would say</td>
</tr>
<tr>
<td>Monique</td>
<td>So you think it’s an inhibitor for growth?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Not it is not necessarily, no an inhibitor, it just slows down the processes but I think one should just put it through and in the end it’s the market that tells you and the market research also takes a while to see if whatever you’ve come up with, if your idea that you have come up with is it something that is needed in the market or not, price wise, as well as what it aesthetically offers</td>
</tr>
<tr>
<td>Monique</td>
<td>Do you guys have the business plan for beading?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Yes we do have it is very much a maintaining an extension and it’s based on that.</td>
</tr>
<tr>
<td>Monique</td>
<td>So you have always one?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>It actually developed more over the years, it developed more…. because also I am not really from a business background. I was an occupational therapist and an artist I studied occupational therapist and fine arts and as for the business part I have learnt a lot from Topsy who is running in a way as a business</td>
</tr>
<tr>
<td>Monique</td>
<td>So do you refer to it often or you guys just have a plan?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>We refer to it extensively on a yearly basis, and then on a monthly short</td>
</tr>
<tr>
<td>Monique</td>
<td>When was the organization established?</td>
</tr>
<tr>
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</tr>
<tr>
<td>Monique</td>
<td>Is that Topsy or is it you?</td>
</tr>
<tr>
<td>Monique</td>
<td>What's the name of the foundation I know about Topsy but what is yours?</td>
</tr>
<tr>
<td>Monique</td>
<td>Or it’s Shukuma…</td>
</tr>
<tr>
<td>Monique</td>
<td>So shuka Shukuma has been there since 2002?</td>
</tr>
<tr>
<td>Monique</td>
<td>And you said you just presume that its falls under Topsy and it is he section 21</td>
</tr>
<tr>
<td>Monique</td>
<td>Which one of the categories which best describes your core activity? Art and culture, care, health, credit union, culture, education, energy environmental, financial, food and drink, housing , mediation, retail, small business support, social land lord, sport ,tourism, transport, or other?</td>
</tr>
<tr>
<td>Monique</td>
<td>Does the organization operate on the local level or regional, or Johannesburg or within Gauteng?</td>
</tr>
<tr>
<td>Monique</td>
<td>And where do have operating are you looking to market and sell internationally or are you having beading internationally or national?</td>
</tr>
<tr>
<td>Monique</td>
<td>So that is the regional thing?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Yes for production</td>
</tr>
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</tr>
<tr>
<td>Monique</td>
<td>Who are your primary beneficiaries?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Well that is the craft shop, corporate</td>
</tr>
<tr>
<td>Monique</td>
<td>Like who benefit from the business? And who is getting the income?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>The beaders are the main beneficiaries</td>
</tr>
<tr>
<td>Monique</td>
<td>Would you describe them as the primary women or the HIV positive?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>No the are affected not necessary infected, they are affected by the environment that the are in the rural women and of course every body involved and we have 1 retail outlet market at Rosebank and the is somebody running the store but the main beneficiaries are the beaders</td>
</tr>
<tr>
<td>Monique</td>
<td>Who own the organization? The beaders, community, individual, members or board directors, trustees</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>And that is the good question I think individual members, because it is not on the salary basis.</td>
</tr>
<tr>
<td>Monique</td>
<td>Can you explain a bit more?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>It’s a more like each person get whatever they make on the product or on the output</td>
</tr>
<tr>
<td>Monique</td>
<td>So you have an organization and there are people where everyone has to report too and is that a board of directors or is it a partnership thing? And it involves the bead work?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Yes it is more of a partnership</td>
</tr>
<tr>
<td>Monique</td>
<td>it is not formalized, where by you are the manager for beading and or the financial officer or whatever?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>No, although we do work that way and we have a financial officer which is Topsy financial officer but also cover for the beading group. It’s the little bit different and it is difficult to describe. We fall under Topsy as the shuka Shukuma but on the other hand we are independent</td>
</tr>
<tr>
<td>Monique</td>
<td>So Topsy they have a board right? So their board come and tell you that we no longer want you to look at the craft market focus on the cooperate market, do they have the power to tell you that you need stop wasting time</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td><strong>Yes, it is interesting and it has never come up, but I propose they could because we would sit down and discuss and try we certainly get together with the director of Topsy and we discuss where we can always improve, it is part of our business maintenance so it will be a joint decision in the long run</strong></td>
</tr>
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</tr>
<tr>
<td><strong>Monique</strong></td>
<td><strong>So it not that they have the power to come to you guys to be financial constraint tell you that you have to be more efficient. So I am just trying to find out how you guys are independent and how far within their operation and their aspect to manage over you guys?</strong></td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td><strong>Ah good question…</strong></td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td><strong>Are will leave it as you said that you are independent, but it is not yet clear how is the relationship but it never have come up</strong></td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td><strong>Well we defiantly where the is a specific need for Topsy have and we will do anything to fulfill that</strong></td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td><strong>How many people on the board does Topsy have?</strong></td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td><strong>They have a trustee they have two directors and then they have the board of trustees and I don’t know how many they are. I can come back to you to tell you how many they are, or give me your telephone numbers.</strong></td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td><strong>0836695144</strong></td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td><strong>Monique Griffith</strong></td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td><strong>And how many people that works with you?</strong></td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td><strong>With the beaders the are at the moment 15 and then for craft they are about 5 administrative if I could call that</strong></td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td><strong>Do you have any volunteers?</strong></td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td><strong>Not now, sometimes</strong></td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td><strong>And the beading?</strong></td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td><strong>They some times volunteer</strong></td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td><strong>And when do they usually come in? Or is there a particular reason for them to come?</strong></td>
</tr>
<tr>
<td>Respondent 3</td>
<td>The volunteer?</td>
</tr>
<tr>
<td>--------------</td>
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</tr>
<tr>
<td>Monique</td>
<td>yes</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>When they come in is when we have a very big order and we need to tag, we have a deadline, when we are pressurized in terms of deadlines they come to assist for us to reach the deadline. When we are pressurize in terms of dead line</td>
</tr>
<tr>
<td>Monique</td>
<td>And the 15 beaders are they full time or partime</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>They work on their own time</td>
</tr>
<tr>
<td>Monique</td>
<td>So they are independent contractors?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Yes, they come if they want to, they come to the venue</td>
</tr>
<tr>
<td>Monique</td>
<td>And the 5 administrators are you guys full time?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Also I work independently as the consultant, I allocate a certain time usually is far more than that but it is also flexi time</td>
</tr>
<tr>
<td>Monique</td>
<td>And every one works independently, they know what their target is?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>The marketing get the salary from Topsy and so she get a salary from Topsy and so does the accountant</td>
</tr>
<tr>
<td>Monique</td>
<td>You have 2 people who are also staff members and they get a salary form Topsy?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Yes they get it from Topsy</td>
</tr>
<tr>
<td>Monique</td>
<td>And the other 3 are independently, what are those 3? You said that there is marketing?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Yes I included the director, and the is me with the beading then the is marketing person who spend her full time on this sewing and the beading and then the is a leasing officer in [Grootvlei] that help me with the computer and if the is something to draw I take it to her and then she communicate it to the beader.</td>
</tr>
<tr>
<td>Monique</td>
<td>So these are people from Topsy?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Yes, then the other one is myself as the contractor and the 5th one is the person that just come on Sunday, so she get her salary for that day</td>
</tr>
<tr>
<td>Monique</td>
<td>So the is the liaison who deal just for design?</td>
</tr>
<tr>
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</tr>
<tr>
<td>Respondent 3</td>
<td>Yes communication between me and the beaders sometimes or mostly it is direct through me or whenever there is stuff that I need to send through or they have stock they give it to her, she organize the drive to bring it to us or to the head office.</td>
</tr>
<tr>
<td>Monique</td>
<td>So the is the liaison, the marketing finance, and the director and then the seller and your self</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>yes</td>
</tr>
<tr>
<td>Monique</td>
<td>And you do the design and beading and training?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>yes</td>
</tr>
<tr>
<td>Monique</td>
<td>So only 3 get a salary from Topsy correct?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>yes</td>
</tr>
<tr>
<td>Monique</td>
<td>And the other 3 are the independent ones?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Yes</td>
</tr>
<tr>
<td>Monique</td>
<td>Does the beading make a profit?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>profit</td>
</tr>
<tr>
<td>Monique</td>
<td>How does the profit get distributed?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Well depending on the out come we have a percentage, if the certain target is reached by each leader and then the is a 5% of that turn over that goes to the beader and then the second step which is 2 and half percent and the rest get [reinvested] and what we have tried out for example is that through out source in making aids ribbon so we use that money because often we have found before that we couldn’t full fill the demand for the aids ribbon and that is why we use that money to make aids ribbon. We either invest it on the bank or we derive the main stock out of it.</td>
</tr>
<tr>
<td>Monique</td>
<td>What about the 5%, 2.5%...</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>It goes to the beader if they have reached their target</td>
</tr>
<tr>
<td>Monique</td>
<td>And the ratio goes back to the organization, so what does Topsy pay you guys?</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>From whatever income that is made out of we earn, what we have taken in from whatever income that is made out of we earn, what we have taken in...</td>
</tr>
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<td>------------------</td>
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</tr>
<tr>
<td><strong>Monique</strong></td>
<td>So you part of the 5%?</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>No I am not part of the 5%, 5% you thinking of the profit it is not of the profit is 5% what that beader has brought in for themselves and what ever is left over its goes back to the back into the shuka Shukuma bank account. So that is like a [buffer] the money that is extra incase we have leave month because we do take, we do take stock from the beader and every thing that comes in goes to client to cut the...</td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td>So I kinder want to figure out how the profit is distributed by the profit not the 5% for the beader after what they have sold</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>That go invested into the bank. We either buy the stock meaning raw material beads or as I have said we have made extra stock</td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td>So you mean buying extra stock?</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>We asked the separate group to make aids ribbon, and that will seem as the investment for next year rather than keeping the money in the bank and not beader the different group in mpumalanga to make us a certain amount of aids ribbon we thought if we sell it we make more money than having it as an investment</td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td>And you guys are paid out of the....</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>That come from whatever</td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td>Other 3 which are independent</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>And we get paid from the turn over that we make</td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td>And you have the bank, the stock that is purchased, then salary? What are the main sources of income for financial year? Or is it the sale of goods, and you said that you didn’t get any contribution</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>Sale of goods, no we didn’t get any contributions</td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td>So you purely running on sales</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>yes</td>
</tr>
<tr>
<td><strong>Monique</strong></td>
<td>Do you guys own any fixed asset?</td>
</tr>
<tr>
<td><strong>Respondent 3</strong></td>
<td>no</td>
</tr>
<tr>
<td>Monique</td>
<td>You see the organization increasing or decreasing or remaining the same?</td>
</tr>
<tr>
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</tr>
<tr>
<td>Respondent 3</td>
<td>Last year unfortunately decreased and we hope to catch it up, and maintain it the aim is to increase it, but if we have already made payment then we already feel good</td>
</tr>
<tr>
<td>Monique</td>
<td>What track are you guys planning the first half of the year, your performance for last year vs. the performance for this year?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Its better</td>
</tr>
<tr>
<td>Monique</td>
<td>So the activities make the organization sustainable</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>yes</td>
</tr>
<tr>
<td>Monique</td>
<td>What barrier to growth do you see the organization taking?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>I will compete to the competitor because more and more and initially the where not many bead group around and the are more and more of that similar kind is growing more in South Africa, and those are our competitors and really to come up with innovation ideas that is the challenge and then the second one is that I have lost very good beaders to illness that is really a problem because it means we training people again and again and we need to start afresh again and again</td>
</tr>
<tr>
<td>Monique</td>
<td>So you don’t have funding issue and you don’t have problems with volunteers, you have suitable premises and you have suitable level of income, or other things that are holding you back? You need more specialist advice on?</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>I would say marketing, but if we can gets more international marketing support that would be wonderful and that would keep us going for the next couple of years. That is really where we have to focus on. I see that as our next challenge</td>
</tr>
<tr>
<td>Monique</td>
<td>So that is kind of a specialist skill that you need some</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>yes</td>
</tr>
<tr>
<td>Monique</td>
<td>Okay thank you very much</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>pleasure</td>
</tr>
<tr>
<td>Monique</td>
<td>And I have this which is a consent form for you to sign to make sure that you where here and that I interviewed you</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>ok</td>
</tr>
</tbody>
</table>
APPENDIX 5: CATEGORISED INTERVIEW RESPONSES