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**Factors that influence the sustainability of social  
enterprises as hybrid organisations**

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University of Pretoria, in partial fulfilment of the requirement for the degree of  
Master of Business Administration.

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## **Abstract**

The phenomenon of social enterprises is growing in South Africa; as a result there is a need to study management of these organisations in an effort to enhance their sustainability. The concept of social enterprise is still undefined in South Africa, and this lack of clarity is resulting in the inappropriate use and classification of non-profit organisations as social enterprises amid the growing trend of converting traditional non-government organisations into self-sustainable entities. The purpose of this study is to identify and explore factors which may improve the management and the sustainability of social enterprises as hybrid organisations.

A quantitative research study was conducted to assess the relationship between these factors. Founders and managers of social enterprises participated in the study by completing an online survey. This study indentified that the following factors have an influence on the sustainability of social enterprises: (i) access to funding; (ii) pursuit of dual missions; and (iii) competitiveness. The results of this study showed that the factors are correlated and thus have an impact on the sustainability of social enterprises as hybrid organisations. To this effect a model was developed to guide managers of hybrid social enterprises on sustainable management of their organisations.

## **Keywords**

Sustainability, hybrid organisation, social enterprise

## **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.

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**Melusi M Sigasa**

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**Date**

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## **1 Introduction to the Research Problem**

### **1.1 Research Title**

Factors that influence the sustainability of social enterprises as hybrid organisations.

### **1.2 Background of Study**

The growing phenomenon of Social Enterprises (SE) has attracted attention from academics over the years (Doherty, Haugh, & Lyon, 2014), however the research focus in this area has moved from the definition and contextual level of social enterprises (Di Domenico, Haugh, & Tracey, 2010) to understanding the management of these enterprises (Wilson & Post, 2013). This research project seeks to respond to a collective call for further research in this relatively new area of study (Bridgstock, Lettice, Özbilgin, & Tatli, 2010; Di Domenico et al., 2010; Doherty et al., 2014; Seelos & Mair, 2005) and by so doing, contribute to the literature in this field.

The pursuit of a dual mission, namely (1) social change and (2) profit generation, is the factor that defines a hybrid organisation (Pache & Santos, 2012). A recent review on social enterprises as hybrid organisations by Doherty et al, (2014) suggested that future research in African countries is required to investigate the link between financial performance and social mission (Dacin, Dacin, & Tracey, 2011).

The phenomenon of social enterprises is growing in South Africa and as a result there is a need for clarity on regulations which are applicable to social enterprises operating in the country. Social enterprises in South Africa also face the challenge of raising funds. The concept of social enterprise is still undefined in South Africa, and this lack of clarity is resulting in the inappropriate use and classification of non-profit organisations as social enterprises amid the growing trend of converting traditional non-government organisations into self-sustainable entities.

Multinational corporations are also beginning to offer products and services that address social needs (Porter, 2011), forcing social enterprises to improve their competitiveness (Prahalad & Hamel, 1990). This is one of the issues that have highlighted the need for the development of current theory to explain the effectiveness of hybrid organisations (Doherty et al., 2014).

In addition, little is known about the mixture of funding sources accessible to social enterprises (Doherty *et al.*, 2014), therefore to understand the funding mix appropriately, the theory must be expanded to explain how social enterprises sustain relationships with various stakeholders who may have an influence over the mission driven by the enterprise (Doherty *et al.*, 2014).

In light of the need for further research on social enterprises from an African perspective, this study aims to add to the body of knowledge with respect to the effectiveness; funding mechanisms; stakeholder management and competitiveness of social enterprises.

### **1.3 Problem Statement**

The purpose of this study is to explore the tensions generated by the dualism of purposes – financial sustainability and social change. In a context where financial resources are dwindling, primarily as a result of global economic meltdown, this research seeks to explore how South African Social Enterprises manage themselves. The study focuses mainly on those factors that influence the sustainability of social enterprises.

### **1.4 Research Objectives**

The overall objective of the study is to identify and explore factors which may improve the management and the sustainability of social enterprises as hybrid organisations. In order to address the above problem statement, this study will aim to meet the following objectives:

1. To investigate the funding options available to social enterprises
2. Determine whether Hybrid organisations able to manage conflicting missions
3. Determine whether multinationals companies as competitors pose a threat to the survival of social enterprises

## **1.5 Research Scope**

This study will cover social enterprises operating within the borders of South Africa across all nine provinces in the country. The research will span across multiple industries in order to reach conclusive and representative findings. In particular, the study is targeted at social enterprises founded on the primary goal of addressing a social need.

Validated theories such as institutional theory (Dart, 2004), innovation theory (Yu & Hang, 2010) and legitimacy theory (Dart, 2004) will be incorporated into this study to assist with identifying and exploring the key factors influencing the sustainability of social enterprises. The study will further attempt to form a linkage between theories and identified factors (Short, Moss, & Lumpkin, 2009).

## 1.6 Report Layout

The layout of this report is as follows:

- **Chapter 1:** Introduction (this chapter) – describes the research problem, research objectives and research scope;
- **Chapter 2:** Literature Review: presents the literature relating to the research problem; with the three key pillars of sustainability being i) Funding, ii) dual missions, and iii) competitiveness of social enterprises;
- **Chapter 3:** Research Questions – lists the various research questions to be tested in relation to this research;
- **Chapter 4:** Research Methodology – presents the details of the approach and methodology adopted, sample characteristics, sampling and data analysis procedures followed;
- **Chapter 5:** Results – the findings of the research specifically in relation to the research questions are presented in this chapter;
- **Chapter 6:** Discussion of Results – the data presented in the preceding chapter is discussed and explained in relation to the research problem posed in chapter 1, the literature presented in chapter 2 and the research questions posed in chapter 3;
- **Chapter 7:** Conclusion - this chapter concludes the report by highlighting the main findings. Recommendations for future research are presented;
- **Chapter 8:** References – provides a list of all literature and information sources used in this research;
- **Appendices** – the questionnaire used is contained in the appendix report.

## **2 Literature Review**

### **2.1 Introduction**

This review of literature is broken down into four sections: (a) Key constructs that underpin this study, namely social enterprises, sustainability and hybrid organisations; (b) Funding mechanisms; (c) Balancing dual missions – social and commercial; and (d) Competitiveness of social enterprises. All these sections collectively form the context of sustainability in as far as social enterprises are concerned (Doherty *et al.*, 2014).

### **2.2 Definition of Key Constructs**

#### **2.2.1 Social Enterprises**

Social enterprises are corporations that are established with the primary goal of creating social change (Seelos & Mair, 2010). (Dart, 2004) p 413; referred to social enterprises as “a set of strategic responses to many of the varieties of environmental turbulences and situational challenges that non-profit organisations face today”. There are various forms of social enterprises ranging from proprietary companies, non-government organisations and state owned enterprises (SOEs).

Historically the term ‘entrepreneur’ originated in the 17<sup>th</sup> centuries in France. An entrepreneur is defined as someone who undertakes a project or activity (Dees, 2001). Dees (1990) invented the term ‘social entrepreneur’ building on the work of Say, Schumpeter, Drucker and Stevenson. Social entrepreneurs are defined as entrepreneurs with a social mission (Dees, 2001). This differs from commercial entrepreneurship which is primarily concerned with economic value creation (Austin, Stevenson, & Wei-Skillern, 2006). Social enterprises combine both missions, with social value creation as the primary objective (Bugg-Levine, Kogut, & Kulatilaka, 2012).

The literature review revealed numerous definitions associated with social enterprises. The table below is adapted from Yorke (2011) and highlights a list of themes derived from various definitions associated with social enterprises.

**Table 1: Themes evident from definitions of Social Enterprises**

<b>Themes from definitions</b>	<b>Author</b>	<b>Year</b>
Create social value rather than personal and shareholder wealth	Yunus, Moingeon, Lehmann-Ortega. Zadek and Thake	2010 1997
Corporate Social Responsibility	Austin and Reffico	2009
Non-profit organisations developing innovative ways to earn income	Thompson	2002

Yorke (2011) stated that the following definition by Mair and Marti (2006) finds general consensus: “Social entrepreneurship is a process that involves innovative use of resources to pursue opportunities as a catalyst for social change”.

Seelos and Mair (2010) defined SE as creating “**new models for the provision of products and services that cater directly to basic human needs that remain unsatisfied by current economic and social institutions**”, and then extended this definition to link social needs with sustainable development goals. It is worth noting, however, that in an effort to clarify and narrow down the definition of a social enterprise, (Fury, 2010) stated that a corporate entity or a subsidiary thereof, and a business with the sole objective of maximising profit even if it creates social value, are not social enterprises. This clarification therefore implies that multinational corporations which offer products and services that address a social need cannot be classified as social enterprises. For the purposes of this study the preceding definition (highlighted in bold) of social enterprises was adopted, as it is a comprehensive definition that encompasses important aspects of social enterprises applicable in the South African context.

Social enterprise (SE) is a new legal form that is distinct from the normal legal forms, private corporations and non-profit organisations (Di Domenico *et al.*, 2010). Legal structures for social enterprises differ according to region and country (Yorke, 2011), for example in the United Kingdom social enterprises can be classified as Company Limited by Guarantee, which in effect restricts social enterprises from raising equity through share issue. In the United States social enterprises can be classified under the low profit, limited liability corporations (L3Cs) legal structure. In order to facilitate equity investments into social enterprises in the United Kingdom, Community Interest Companies (CIC) were introduced. The regulation for CICs restricts dividend pay outs to 20% maximum (Yorke, 2011).

The literature reviewed did not reveal the existence of an official legal structure in South Africa which focuses specifically on social enterprises, therefore the absence of such regulatory guidance may result in inappropriate usage of the term 'social enterprise' (Yorke, 2011).

The South African legislation offers flexibility around the registration of social enterprises; they can either be registered as section 21 entities or a combination of close corporations, trusts and private companies (Steinman, 2010). Companies Act no. 71 of 2008 allows for a non-profit company to be incorporated, however the latest amendment to the South African Companies Act came into effect on 1 May 2011. 'Non-profit company' in terms of the Act means a company that is (a) incorporated for a public benefit, and (b) the income and property of which are not distributable to its incorporators, members or directors (Juta Statutes Editors, 2010).

Social enterprises pursue both commercial and social objectives (Seelos & Mair, 2005); it is that characteristic which qualify them as hybrid entities (Mullins, Czischke, & van Bortel, 2012). Social enterprise is a multi-dimensional construct as it is not limited to a certain industry; sector; or product or service. One example of such an operation would be a coffee shop outlet that is established solely to generate income that can be distributed to fund the operations of a non-profit organisation. Another example of a social enterprise would be a low fee private school that aims to improve access to quality education for the majority of citizens. A final example is a non-profit organisation dedicated to helping homeless women find jobs, which provides temporary shelter to homeless women accompanied with opportunities for the ladies to learn certain skills. Training for the homeless women could entail practical skills on manufacturing products like clothing items. These products are then sold to large corporations at a profit and the proceeds are then reinvested into the day-to-day running of the shelter. Social enterprises are therefore obliged to create a surplus from their operations in order to sustain themselves and/or support associated social programmes. In the event that the surplus generated from operations is insufficient, the enterprise will have to pursue alternative forms of funds. In the absence of a clear regulatory definition of a **social enterprise** in South Africa, this term may be loosely applied by unsuitable organisations in an effort to project a trendy name.

## **2.2.2 Sustainability**

Sustainability refers to the ability to continue supporting the operations of the organisation in order to continue having a positive social impact now and in the future (Doherty et al., 2014). (Moore, 2005) stated that the long term existence of an organisation depends on self-generated income as the major contributor to revenue.

Sustainability is described as a function of revenue generation, a recognisable social need and organisational legitimacy (Moizer & Tracey, 2010). Social enterprises are faced with the challenge of balancing the need to create social value whilst creating economic value with scarce resources (Mokhethu, 2013).

According to Hockerts (1999) (as cited in Mokhethu, 2013) a sustainable organisation is defined as an entity that satisfies the needs of stakeholders without compromising its ability to satisfy such needs in the future.

## **2.2.3 Hybrid Organisations**

A hybrid organisation refers to social enterprises that operate as a mixture of public benefit organisations and profit generating entities (Pache & Santos, 2012). The organisation explores a mixture of funding sources such as grants, loans or equity to sustain its operations (Schwab Foundation for Social Entrepreneurship, 01 August, 2014). A social enterprise that follows the model of a hybrid organisation is referred to as having 'double bottom lines' (Dart, 2004).

Traditional non-governmental and non-profit organisations in South Africa are being converted into self-sustainable entities. These organisations are increasingly introducing business models into their operations in an effort to reduce heavy reliance and financial dependence on donor funding. These organisations then take the form of a hybrid entity by virtue of providing services/products at fee, whilst maintaining the purpose of their existence which is to bring about social change.

## **2.3 Factors Identified**

The following factors have been identified for the purpose of this study: 1) funding mechanisms available to social enterprises; 2) the pursuit of dual missions in the form of a hybrid organisation; and 3) competitiveness of social enterprises in light of scarce resources available in a competitive environment. These factors may be representative of core pillars in the organisation of social enterprises.

### **2.3.1 Funding Mechanisms**

Social enterprises have been historically dependant on government grants and donor funding (Czischke, Gruis, & Mullins, 2012), however this heavy reliance on philanthropic sources for funding exposes SEs to the risk of negative cash flow in times of economic downturn (Bugg-Levine et al., 2012). Due to the risk of unreliable funds, social enterprises are forced to explore other sources of funding (Di Domenico et al., 2010). The hybrid nature of social enterprise entities gives them the advantage of being able to tap into various avenues for raising funding (Sunley & Pinch, 2012). Sunley and Pinch found that the majority of social enterprises struggle to embrace commercial forms of funding due to their modest strategy and growth ambitions; this is in spite of a change in approach from unrestricted grants to offering business contracts to social enterprises (Bull & Crompton, 2006).

In spite of slow global economic recovery, funding allocated to social initiatives is showing signs of improvement. In South Africa more than 55% of companies increased their Corporate Social Responsibility (CSI) budgets in 2013 (Trialogue, 2013). South African social enterprises are affected by the global change in nature of giving. Two key entrepreneurial trends (Trialogue, 2013) worth noting are:

- (a) Venture philanthropy, which focuses on social impact first and then looks at financial return,
- (b) Impact investing, which places equal focus on profit generation as well as measurable social impact.

A substantial amount of literature is based on research conducted in advanced markets such as the US and EU. The question remains as to whether these research conclusions do also apply in developing markets. Further to that research explored during literature review seems to lack scope by focusing solely on social enterprises; intermediaries in the form of financers and regulators have a critical role to play in the improvement of funding mechanisms for social enterprises (Sunley & Pinch, 2012). An example of the impact of stakeholders on social enterprise is the role of regulation, which can restrict the funding options available to social enterprises (Nganwa, Lyne, & Ferrer, 2010). The view and perception of other stakeholders such as donors, funders and financial institutions towards SEs is seemingly neglected. There is no evidence of literature which documents perceptions of these stakeholders with respect to social enterprises as hybrid organisations. The objective of this study is thus formulated based on this identified gap.

Literature review relating to social enterprises operating in developing countries reveals notable insights. Innovative funding mechanisms have been adopted and applied by countries in emerging markets, for example a patient at an Indian hospital is allowed to pay the minimum fee they can afford for the services received. The balance of the cost is subsidised by rich people in society who voluntarily make periodic contributions towards the sustainability of the hospital (Kerry Chipp, 2014).

### **2.3.2 Dual Focus and the Resultant Challenges**

Social enterprises, through their hybrid form, seek to achieve a combination of social and commercial objectives (Doherty *et al.*, 2014), however the two missions are at risk of competing against each other as the values of volunteerism and altruism conflict with the norms of the competitive business environment. This may result in one mission being sacrificed for the other (Doherty *et al.*, 2014; Perrini, Vurro, & Costanzo, 2010). Limited access to resources such as capital and labour at times compels social enterprises to choose between pursuing economic benefits or social objectives (Di Domenico *et al.*, 2010), yet the social impact mission rates higher as a priority in comparison to generating income (Yorke, 2011). This is a critical finding in an effort to dispel the scepticism of social enterprises that emanates from the double objective mission (Dees, 2003). The majority of social enterprise founders are calling for more regulation to constrain the drift from a social mission (Trialogue, 2013).

In an effort to enrich the literature on social enterprises, an analytical measurement of the impact that the drift in mission has on the organisation should be performed (Doherty *et al.*, 2014). Social enterprises' management's freedom of action has been noted as vital in order to drive social change (Perrini *et al.*, 2010). Under the sphere of management a study should be undertaken to establish which stakeholders have influence over which mission (social or commercial) is strategically prioritised (Bridgstock *et al.*, 2010). The need for such a study informs the objective of this research. There is a case of a South African non-profit organisation called Oasis Association that was formed in 1952 and later evolved into a social enterprise in the 1990s. Oasis, initially created as a school for mentally disabled children, has managed to grow over the years following the introduction of revenue generating projects like bakery and catering business (Trialogue, 2013).

### **2.3.3 Competitiveness**

Social enterprises offer different products and services (Fury, 2010) which exposes them to competition in the mainstream economy. In order to compete in the market social enterprises have to engage in marketing activities (Shaw, 2004). In the field of strategy a competitive advantage is said to be key to the survival of any corporation (Prahalad and Hamel, 1990), and multi-billion dollar companies with arguably high competitive advantages are moving to centre their corporations to offer products and services that create social value as a means to maximise profits (Porter & Kramer, 2011). Social value creation refers to the impact a market offering has on the standards of living of an individual or community (Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010).

An example of social value service in South Africa is the establishment of low fee private schools in light of the poor quality of education at government schools. Such establishments which operate under a social enterprise formation compete with Johannesburg Stock Exchange listed companies. The move by big corporates to participate in social value offerings is in-line with a relatively new phenomenon referred to as 'shared value' creation (Porter & Kramer, 2011). This strategic approach becomes more prevalent as big corporates endeavour to enter developing and emerging markets (Porter & Kramer, 2011) like South Africa (Arnold & Quelch, 2012).

One may argue that the adoption of the concept of shared value by corporates threatens the existence of social enterprises, but on the other hand it may provide an opportunity for the consolidation and growth of the social enterprise sector. In terms of South Africa's Broad Based Black Economic Empowerment Act 53 of 2003, multinationals generating income from social value may have to inject that revenue back into Corporate Social Investment projects. The Act as indicated in the government gazette stipulates that companies must donate at least 1% of net profit after tax to socio-economic development (Republic of South Africa, 2013). In the researcher's view this translates into double 'taxation' and/or investment for MMEs, which generate income from social value offerings as the very same profit generated is expected by law to be expended back into CSI projects (Trialogue, 2013).

The literature reveals little evidence of what impact the adoption of the shared value strategy by multinational entities has on the sustainability of social enterprises. One example is the introduction of the 'good for you' product range by PepsiCo (Aspen Institute, 2014). This is a range of healthier products produced and sold by PepsiCo in an effort to achieve the company's corporate social responsibility goals. Social enterprises are paired unfairly against MMEs in the competitive world as these commercial enterprises leverage of retained earnings. In reference to innovation theory (Yu & Hang, 2010), social enterprises do not possess adequate assets to invest in resources such research and development and high talent employees that can drive innovation within the organisation. Multinational entities, on the other hand, may be well placed to introduce and drive disruptive innovation (Yu & Hang, 2010) in the market and thereby threaten the sustainability of social enterprises. This study aims to further determine whether the sustainability of social enterprises will be influenced by the entry of multinational entities in the social value market.

## **2.4 General Practices by Social Enterprises**

### **2.4.1 Partnership Model**

Non-profit organisations and social enterprises which find themselves in desperate financial situations are at times forced to enter into detrimental contractual arrangements in order to remain in existence. One such arrangement is called the partnership model, wherein a corporate partners with an NPO for the sole objective of reporting the NPOs work under the CSI section in the company's annual report. Whilst this may appear to be a win-win arrangement, social enterprises are advised to be strategic about such commitments. "You need to stick with your core mission and assets, and look for partnerships where both parties benefit" (Trialogue, 2013, p. 101). Social Enterprises should enter into partnership agreements which are premised on an alignment of mission, values and objectives with corporate partner.

The adoption of the partnership model has pros and cons. The advantage of embracing this model is that it provides financial support to social enterprises and as such sustains the existence of these organisations for a longer period. However this model is susceptible to abuse whereby corporates take advantage by reporting on the work done by the partnering social enterprise as their own. This therefore results in the negation of regulatory requirements such as the BBBEE social development stipulations (Confino, 2013). The partnership model can result in the drift of the mission of the partnering social enterprise due to pressure associated with the provision of funds.

## **2.5 Theories of Social Enterprises**

The below validated theories such as institutional theory (Dart, 2004), innovation theory (Yu & Hang, 2010) and legitimacy theory (Dart, 2004) will be incorporated into this study to assist with identifying and exploring the key factors influencing the sustainability of social enterprises. The study will further attempt to form a linkage between theories and identified factors (Short et al., 2009).

### **2.5.1 Legitimacy Theory**

Legitimacy theory broadly explains how organisational structures gain acceptance from society as defined by Mark Suchman (Suchman, 1995). Social enterprises differ from traditional non-profit organisations in terms of structure, strategy and norms (Dart, 2004). South African social enterprises evolved from non-profit organisations in the 1990s (Trialogue, 2013). This evolution may have brought about suspicion from society regarding the moral legitimacy of such social enterprises. The depth of suspicion over social enterprises pursuing profit generating missions is likely to be stronger in the African context in light of the historic dependence on aid. The growing prevalence of social enterprises as well the changing economic environments in emerging markets should in time further legitimise the existence of social enterprises. Furthermore, the general society's extended understanding and acceptance of social enterprises as hybrid organisations will eliminate situations where social enterprise founders have to choose between social and profit missions.

## **2.5.2 Institutional Structure Theory**

Institutional structure theory deals with the institutionalisation of organisations and has been associated with the work of Phillip Selznick (1957) who defined institutionalisation as a process of infusing value beyond technical requirements of the task at hand (Scott, 1987).

Studies on entrepreneurship can be broken down into two segments, the supply-side view and the demand-side view (Griffith, 2012). The supply-side view is focused on the entrepreneur at an individual level and analyses the personality, traits and ambitions of the entrepreneur. In reference to institutional structure theory (Dart, 2004), the traits of the entrepreneur inform the structure of the organisation. One example is Apple Inc, the American multinational corporation. The organisation's structure is mainly based on Mr Steve Jobs' character, personality and ambition (Qumer, 2012).

On the other hand, the demand-side theory states that the contextual environment dictates the nature of entrepreneurs who emerge (Dart, 2004). Under the demand-side view entrepreneurs identify a need and thereafter endeavour to fulfil the demand created by that particular need. This researcher would argue that the most pertinent segment for social enterprises in the emerging market context is the demand-side view, which implies that the context and surrounding environment inform the emergence of social entrepreneurial activity (Griffith, 2012). This implication can therefore infer that South Africa as a developing market presents social need opportunities for entrepreneurs operating under social enterprises. Therefore social enterprises in South Africa are formed out of the basis of entrepreneurship as such the founders and managers of social enterprises should acknowledge the entrepreneurial foundation in the management of their respective organisations.

## **2.6 Quasi-Public Corporations as Social Enterprises**

The primary purpose of social enterprises is to serve society whilst generating revenue from business operations such as selling products and/or offering certain services. State Owned Enterprises (SOEs) are established to address a specific societal need on behalf of the state (Zhang & Rasiah, 2014). These SOEs generate income from their respective operations. In reference to the definition of a social enterprise, state owned enterprises can arguably be classified as social enterprises by virtue of their primary mission combined with profit making operations.

The Chinese government introduced market reforms in an effort to improve the management of state owned enterprises (SOEs) in the housing sector. The primary mandate of these SOEs was the provision of housing and shelter, which is a basic human need (Zhang & Rasiah, 2014). These reforms were implemented in three phases from 1978, with the third phase initiated in 1998, and subsequently these organisations were turned into profit making enterprises (Zhang & Rasiah, 2014).

The below Table 2 is a summary of the mandates for selected state owned enterprises in South Africa:

**Table 2: Mandates of SOEs in South Africa**

<u>Enterprise Name</u>	<u>Organisational Mandate</u>
<b>Eskom</b>	Eskom's purpose is to provide sustainable electricity solutions to grow the economy and improve the quality of life of the people in South Africa and the region.  ( <a href="http://www.eskom.co.za/OurCompany/CompanyInformation/Pages/Business_Vision.aspx">http://www.eskom.co.za/OurCompany/CompanyInformation/Pages/Business_Vision.aspx</a> )
<b>South African Airways</b>	The history of South African Airways dates back to 1 February 1934, when the South African government took over the assets and liabilities of Union Airways.  SAA Mission: To deliver sustainable profits and grow our market share through world-class service to our customers internally and externally.  ( <a href="http://www.flysaa.com/za/en/flyingSAA/aboutUs/missionVisionValue.html">http://www.flysaa.com/za/en/flyingSAA/aboutUs/missionVisionValue.html</a> )
<b>Transnet</b>	Transnet is fully owned by the South African government but operates as a corporate entity aimed at both supporting and contributing to the country's freight logistics network. It aims at developing South African industry, reducing the cost of doing business, while at the same time operating efficiently and profitably.  ( <a href="http://www.transnet.net/AboutUs/Overview.aspx">http://www.transnet.net/AboutUs/Overview.aspx</a> )

All three above mentioned South African SOEs have gone through a difficult period, resulting in a threat to the sustainability of their operations. Following a lengthy period of leadership struggles, Transnet has however turned the corner, reporting a 24% increase in profit for 2014 (Transnet, 2014). Eskom, meanwhile, has had to embark on high capital intensive projects in an effort to address the excess demand for power in South Africa. In his mini budget speech presented on 23 October 2014, the Minister of Finance announced that the government will have to provide further financial support to sustain the organisation. South African Airways, on the other hand has failed to report profits for a number of years, resorting and depending on government bailouts to sustain its operations (Ensor, 2014).

The researcher is of the view that there are lessons to be learnt from SOEs which can be applied to general social enterprises. Furthermore, there are potential inferences that can be made to social enterprises in general based on the analysis of SOEs.

## **2.7 Conclusion**

The literature review indicates that the three factors discussed above, namely: *funding options; pursuit of dual missions and competitiveness*, may have an influence on the sustainability of social enterprises. There is little empirical evidence that looks at these factors in the context of social enterprise management. In addition, the literature provided theories that can be applied to social enterprises operating in the South African context. This study aims to explore these factors and theories in an effort to provide insight and modern perspectives on the management of social enterprises in South Africa.

The following chapter outlines the research questions that emanated from the literature review.

### **3 Research Questions**

#### **3.1 Introduction**

In the previous chapter of this report, the three factors which are key pillars for sustainability were introduced and explored through literature review. In line with the research objectives this study endeavours to explore three key themes: 1) the initial and ongoing financing of social enterprises, 2) the management of potential conflict of interest between various stakeholders in a social enterprise organisation, and 3) the perspective of social enterprises with regards to their competitiveness.

This section outlines the three research questions that were tested in the research.

#### **3.2 Research Question 1**

What are the funding options available to social enterprises in South Africa to maintain operational sustainability?

This research question seeks to explore perspectives from founders and managers of social enterprises on viable funding options available to social enterprises.

#### **3.3 Research Question 2**

Are hybrid social enterprises able to manage conflicting missions?

This research question seeks to assess whether the pursuit of dual missions has an impact on the sustainability of social enterprises. The below hypothesis was tested in an effort to answer this research question:

$H(1)_0$ : Hybrid social enterprises are able to manage conflicting dual mission

$H(1)_1$ : hybrid social enterprises are not able to manage conflicting dual mission

#### **3.4 Research Question 3**

Do multinationals as competitors pose a threat to the survival of social enterprises?

This research question seeks to explore perspectives on competitiveness of social enterprises. In addition, this question attempted to assess the impact of competing against multinational companies on the sustainability of social enterprises. The below hypothesis was tested in an effort to answer this research question:

$H(2)_0$ : Competition does not pose a threat to survival of social enterprises

$H(2)_1$ : Competition does pose a threat to survival of social enterprises

## **4 Research Methodology**

### **4.1 Introduction**

The previous chapter indicated the broad objective of this research through the research questions outlined in chapter three. This chapter elaborates on the methodology that was employed to test the questions as well as the limitations of the methodology.

All three research questions were answered through responses from founders and managers of social enterprises operating across the country in South Africa. This study covered all social enterprises with no focus on a specific industry and/or sector.

### **4.2 Research Design**

The purpose of this study is descriptive and inferentially oriented as informed by the research questions in the previous chapter. The three research questions aimed to explore the separate aspects of social enterprise organisations in accordance and as guided by descriptive research methodology.

A quantitative method of study was used, in particular the survey technique, to gather measurable data (Bulmberg, Cooper, & Schindler, 2011; Cooper & Schindler, 2014), and research questions were tailored to suit an online survey format.

## **4.3 Population and Sampling**

The literature review revealed the recommendation that surveys for social enterprises must be clear about the sampling method and reach clarity in definitions and questions (Elson & Hall, 2012).

### **4.3.1 Population**

The population for this study is defined as all social enterprises that reflect the characteristics of a hybrid organisation, i.e. social enterprises that are pursuing dual missions, social change and economic benefits. The population was limited to social enterprises operating within the borders of South Africa in an effort to remain within the emerging markets scale.

### **4.3.2 Sample size**

Random sample units were selected from the list of 160 social enterprises that recently participated in Trialogue's primary research. The names of these organisations are listed in The CSI Handbook (16<sup>th</sup> edition) published by Trialogue. A total number of 30 respondents completed the online survey.

### **4.3.3 Sampling method/technique**

Non-probability sampling was used in this study, and the sampling technique had unintended elements of judgement sampling as well as a snowball effect. The researcher applied personal judgement in identifying and selecting suitable organisations from the list of 160 social enterprises. The snowball effect came about as some identified organisations from the initial list voluntarily forwarded the link to the survey to other social enterprises that were not included in the list. This had a positive effect on the study as it broadened and diversified the scope of potential respondents. A total number of 110 direct and forwarded links to the survey were e-mailed out. The questionnaire was completed by 30 respondents.

### **4.3.4 Unit of analysis**

Founders and managers of social enterprises were the units of analysis for this study. Sampling units were selected from the unofficial database of social enterprises provided in The CSI Handbook 16<sup>th</sup> edition, with the objective of achieving validity in terms of accuracy and precision (Bulmberg et al., 2011).

#### **4.4 Data gathering**

This study followed the e-survey method of gathering data (Wegner, 2012). The first step was to randomly identify and research various organisations on the list in an effort to separate out enterprises that met the definition of a social enterprise for the purpose of this study. The next step was an electronic mail which was sent with an introductory text requesting potential respondents to participate in the online survey. The link to the online survey was part of the electronic mail.

As there is no official definition for social enterprise in South Africa, this presented a challenge in the identification of qualifying social enterprises for this research. This predicament was resolved by incorporating a salient qualifying question in the survey design. This is question number nine in the questionnaire which asked whether or not the organisation generates income from providing a service or from selling a product.

Intensive efforts in the manner of cold calling had to be employed following the poor response rate to the first batch of e-mail requests sent out. A conversation over the phone with most of the potential respondents making reference to the initial e-mail requests was used as follow up. In most cases the initial e-mail request had to be resent, resulting in a much improved response rate.

The data collection tool used is SurveyMonkey which provided with the following functionality:

- Easy access to questionnaires through a website link included in the e-mail request.
- Multiple respondents could complete the questionnaire simultaneously.
- Real time updates on the number of surveys completed was provided to the researcher which helped in tracking progress.
- The tool provides detailed information on exact time survey was completed and period taken to complete survey which helps in the data analysis stage of the research.

#### **4.4.1 Measurement Scales**

The online questionnaire consisted of a combination of measurement scales ranging from single response, multiple-choice questions and Likert scales (see Appendix 1) (Bryman & Bell, 2011). Section A of the questionnaire contained several questions intended to provide profiles of individual respondents and profiles of the organisations represented. Section B of the questionnaire sought to gain perspectives on the funding of social enterprises through a combination of open-ended and close-ended questions.

Section C of the questionnaire sought to gain management perspectives on the dualism of missions. Respondents were provided with options of answers through the Likert scale combined with the open-ended single response questions. The questions in the last section of the questionnaire focused mainly on management perspectives on the competitiveness of their respective social enterprises.

### **4.5 Data Analysis**

The questionnaire comprised of open and closed questions, which in turn had to be coded prior to the analysis. Data reflected in completed questionnaires was taken through statistical analysis using Microsoft Excel 2010 and IBM SPSS Statistics 22. Descriptive and Inferential statistical analysis were performed on the data. ANOVA and Chi-Squared statistics were applied to test the hypotheses.

A reliability test (Bryman & Bell, 2011) was conducted for all statistical tests performed based on the responses from the Likert scale. A Cronbach's Alpha test was used in this research to test for reliability. The Cronbach's Alpha coefficient is a measure of internal consistency between items. According to (Bryman & Bell, 2011) a Cronbach's alpha of 0.7 indicates an acceptable level of internal consistency.

The data cleaning process entailed screening all responses to check the answer to the hybrid social enterprise qualifying question, which asked whether the organisation provides service or sells products in order to generate income. Further data cleaning entailed taking note of questions skipped by respondents and the resultant missing data on the final findings report from SurveyMonkey. The data gathered was of high quality as the respondents to the survey were founders and managers of these social enterprises, who were the ideal individuals to answer the questionnaire.

## **4.6 Research Limitations**

### **4.6.1 Researcher Biases**

There are limitations in the research due to the subjectivity of the researcher. In the absence of an official definition of a social enterprise the researcher had to settle for a definition derived from literature review. In addition the list of potential respondents was based on the researcher's discretion informed by the adopted definition of a social enterprise. The assumption that social enterprises would embrace a study such as this particular one may have served as an additional limitation. In hindsight, very few social enterprises were willing to participate in the study in an effort to formalise and reform the social enterprise industry.

### **4.6.2 Reliability and Validity**

In reference to the literature reviewed, the unavailability of an official database of social enterprises presented a limitation. This factor may have compromised the targeted objectivity and representative nature of the research. In addition, given that an online survey was conducted, access to internet may have impeded the broad reach of social enterprises. Furthermore, the absence of the researcher in person waiting for the survey to be completed may have contributed to the low response rate as potential respondents may have forgotten to complete the questionnaire as no one was physically standing next to respondent acting as a reminder.

## **4.7 Observation Research**

This study had an unplanned element of observation research through the two vacation work opportunities granted to the researcher (Kawulich, 2005). The researcher spent a week with each of the social enterprise on a voluntary basis. The time spent at each social enterprise afforded the researcher an opportunity to gain insights into the operations of social enterprises. The researcher notes that observation research falls under qualitative study method (Kawulich, 2005). The main research methodology for this study was quantitative; nevertheless, these insights have been incorporated into this study as they are directly linked to the objectives of this research. These are further elaborated on under chapter six of this study which is dedicated to discussion of research findings.

## **4.8 Conclusion**

This chapter described the research methodology and provided details regarding the population, sampling method, data gathering and unit of analysis. A separate section on the limitations of this research was also covered.

The next chapter delves deep into the findings of the research based on the descriptive and inferential statistical results.

## **5 Results**

### **5.1 Introduction**

The previous chapter explained the methodology used to gather and analyse the data in an effort to answer the research questions highlighted in chapter three.

This chapter will present the findings of the study. As the purpose of this study was to explore factors that impact the sustainability of social enterprises, the researcher sought to get perspectives from founders and managers of social enterprises operating in South Africa. The study focused mainly on three factors, namely funding, dual missions and competitiveness.

### **5.2 Analysis of Survey Respondents**

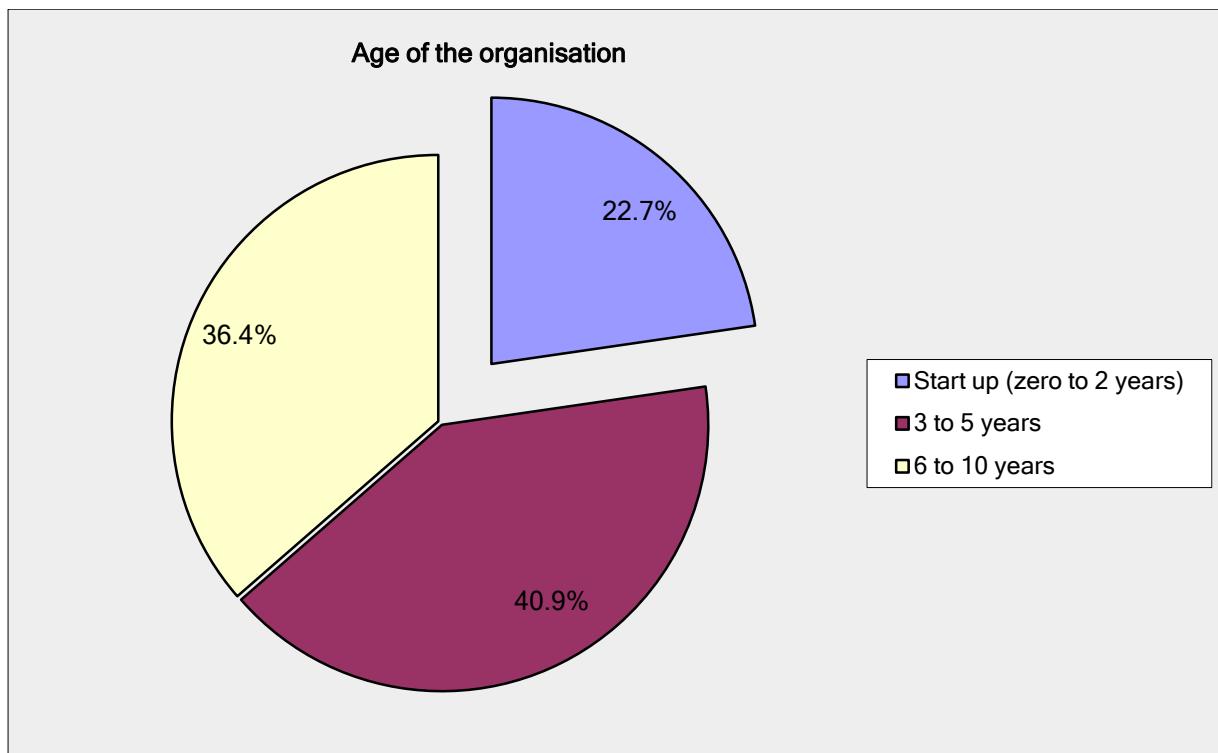
The sample for this study consisted of 110 South African social enterprise organisations which participated in the 2013 CSI Survey. Thirty social enterprises responded to the online survey which was e-mailed to founders and managers of these organisations.

#### **5.2.1 Profile of Survey Respondents**

**Table 3: Age of the Organisation**

Maturity level of the enterprise (since incorporation)	Response Percent
Start up (zero to 2 years)	22.7%
3 to 5 years	40.9%
6 to 10 years	36.4%

The above Table 3 provides a breakdown of the age of the organisations represented by the respondents to the survey.



**Figure 1: Age of the Organisation**

The majority (78%) of the social enterprises surveyed were relatively old organisations, ranging between three and ten years in existence since incorporation. The dominance of organisations that have been in existence for more than three years amongst the group of respondents presented an opportunity for credible and valuable research outcomes to emanate from this study.

**Table 4: Profiles of Individual Respondents**

Role of respondent in the organisation	Response Percent
Founder	30.4%
Manager	39.1%
Both	30.4%

The above Table 4 provides a breakdown of the profiles of respondents to the survey in their respective organisations.

## 5.2.2 Legal structure of Survey Respondents

**Table 5: Legal Structures of Surveyed Social Enterprises**

Legal structure of social enterprises	Response Percent
Non-Profit	50.0%
Cooperative	4.2%
Proprietary (Pty)	45.8%

Table 5 above provides a breakdown of the various legal structures adopted by the social enterprises that responded to the survey. A small percentage of respondents (4%) were classified as Close Cooperatives, half of the respondents (50%) were classified as non-profit social enterprises, and in an almost equal split with non-profit organisations, 46% of the respondents were for-profit social enterprises.

## 5.3 Research Question 1: Funding Options for Social Enterprises

### 5.3.1 Start-up funding

Sixty seven percent of enterprises were started with their founders' personal capital; 33% were started with a grant from a donor, and 28% of the enterprises secured and utilised corporate sponsorship to start the organisation.

The remaining organisations were started with loans from friends and family and grants from government.

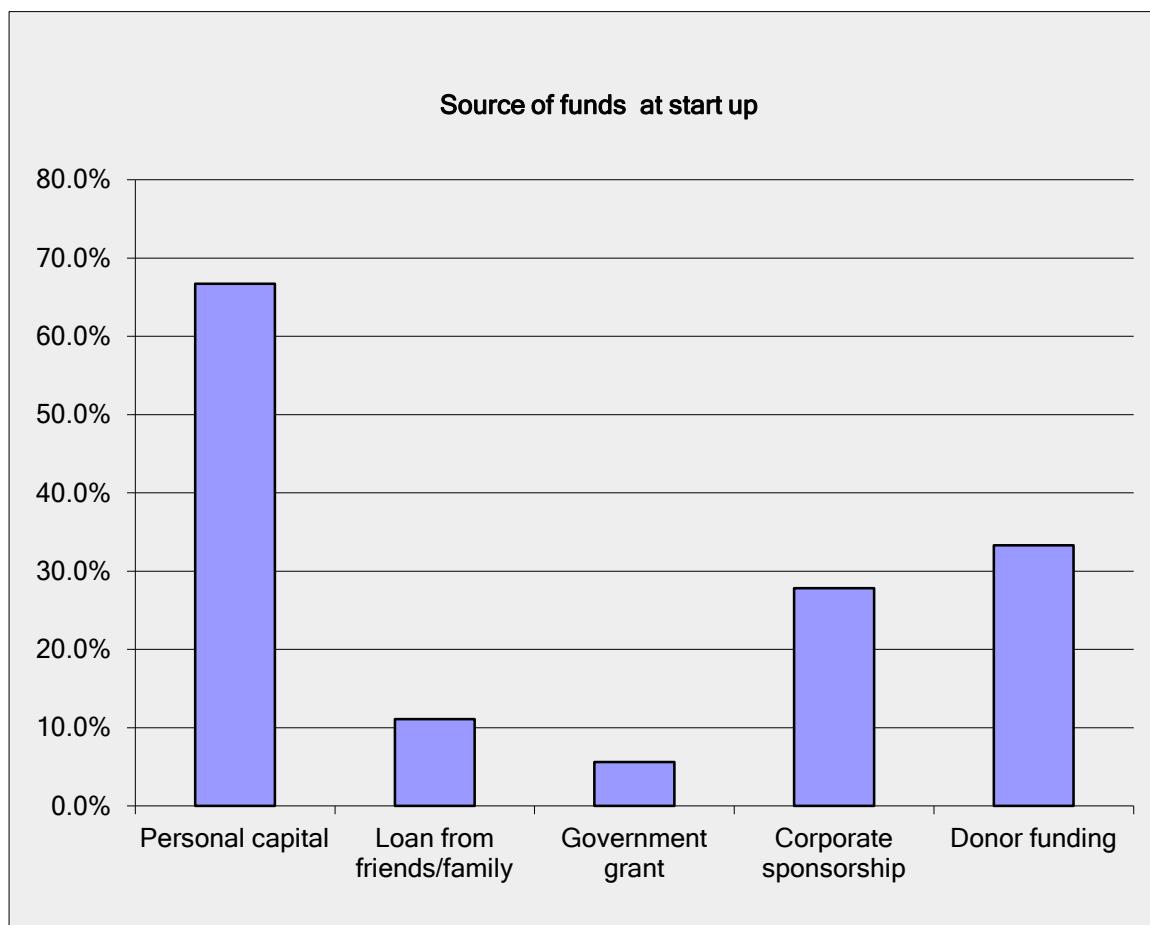


Figure 2: Source of Start-Up Capital

### 5.3.2 Perspectives on raising capital

In an effort to uncover current perceptions on raising funding from financial institutions, respondents were asked about the willingness of these institutions to provide funding, specifically to social enterprises.

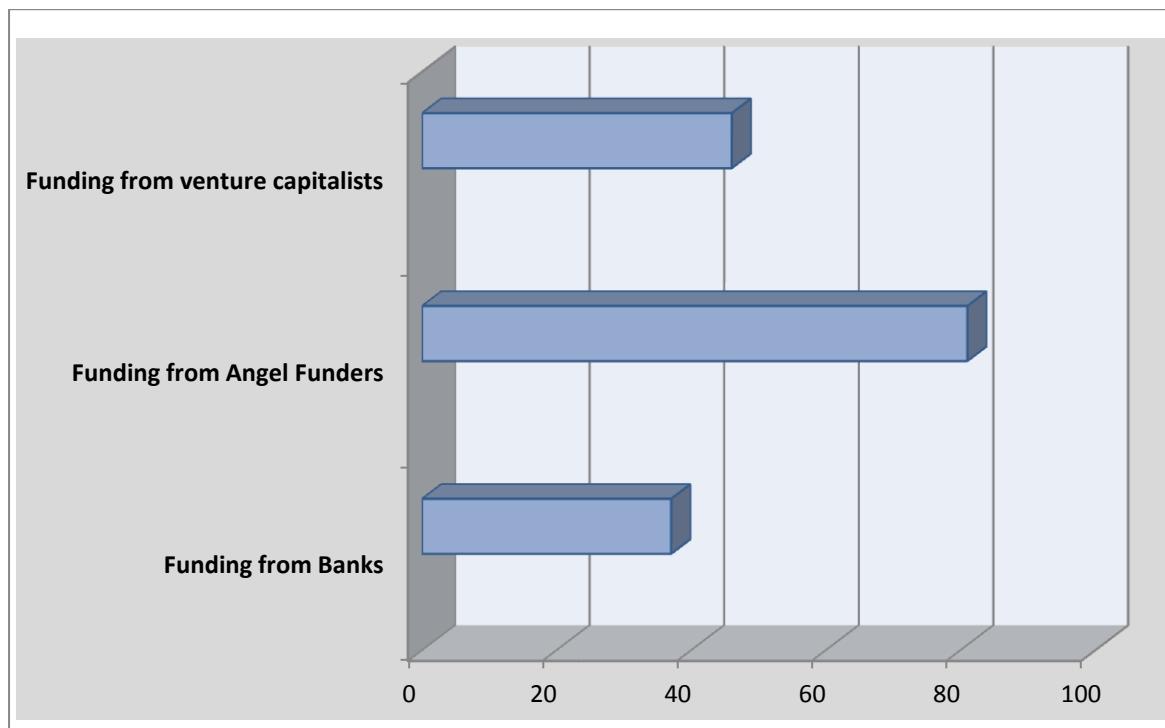
#### ***Descriptive Statistics***

The below Table 6 provides a summary of descriptive statistics for the responses to question number five of the questionnaire regarding funding options available to social enterprises:

**Table 6: Descriptive Statistics – Funding Options**

Funding from Banks		Funding from Angel Funders		Funding from venture capitalists	
Mean	1.37	Mean	3.00	Mean	1.70
Standard Error	0.22	Standard Error	0.38	Standard Error	0.27
Median	1.00	Median	4.00	Median	2.00
Mode	1.00	Mode	5.00	Mode	2.00
Standard Deviation	1.15	Standard Deviation	2.00	Standard Deviation	1.41
Sample Variance	1.32	Sample Variance	4.00	Sample Variance	1.99
Kurtosis	-1.30	Kurtosis	-1.25	Kurtosis	-1.07
Skewness	0.34	Skewness	-0.62	Skewness	0.22
Range	3	Range	5	Range	4
Minimum	0	Minimum	0	Minimum	0
Maximum	3	Maximum	5	Maximum	4
Sum	37	Sum	81	Sum	46
Count	30	Count	30	Count	30

Based on a total tally of scores on the Likert Scale for each potential option for source of funding, the above Table 6 and Figure 3 below reflect the respondents' perceptions. Angel funders were considered to be the most viable option for fund raising based on a comparably higher mean ( $\bar{x}=3.00$ ;  $s=2.00$ ), while the second best option was considered to be venture capitalists ( $\bar{x}=1.70$ ;  $s=1.41$ ), with traditional banking options placed as the last option ( $\bar{x}=1.37$ ;  $s=1.15$ ). The majority of respondents indicated that traditional banks reflect unwillingness to provide funding to social enterprises compared to angel funders and venture capitalists.



**Figure 3: Perspectives on Potential Funders for Social Enterprises**

\*x-axis = total tally of rating scales

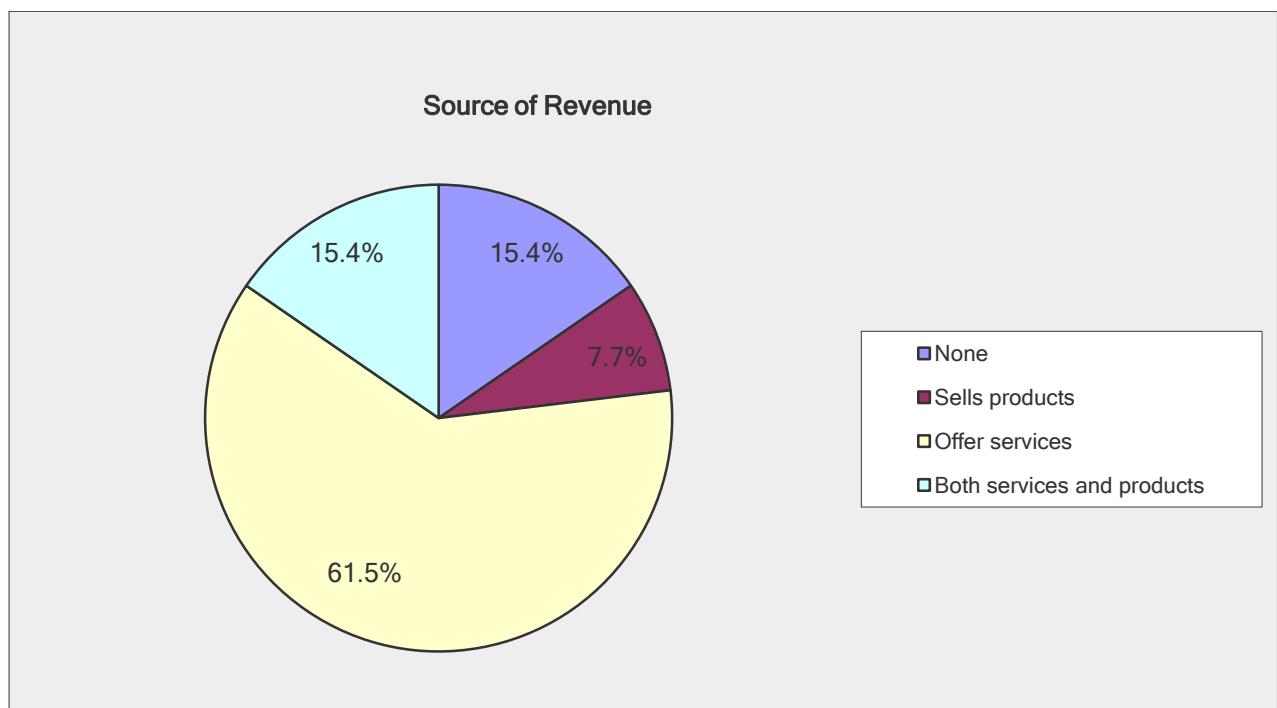
### 5.3.3 Source of Revenue

In line with the objective of this study, which is to research hybrid organisations, a qualification question was part of the survey. Respondents were asked whether their social enterprises generate income from selling products or offering services as question number nine on the questionnaire. A total of 85% of the responses were in the affirmative.

**Table 7: Hybrid Organisation Test**

Source of revenue from operations	Response Percent
None	15.4%
Sells products	7.7%
Offer services	61.5%
Both services and products	15.4%

The below Figure 4 provides a breakdown of various sources of revenue for social enterprises. The majority (61.5%) of social enterprises provide services, 7.7% sell products whilst 15.4% of social enterprises offer both products and services to generate income.



**Figure 4: Sources of Income**

### **5.3.4 Sustaining Daily Operations**

Question number six of the questionnaire enquired about the source of funding to sustain daily operations. The results indicated that social enterprises do not generate sufficient income from operations to cover their daily operational costs; only 45% of social enterprises generate sufficient income from operations while 25% rely on donor funds to sustain their operations. The remaining social enterprises depend on various means of survival such as personal savings and volunteers.

**Table 8: Means of Financial Sustainability**

Source of cash flow for daily operations	Response Percent
Donor funds	25.0%
Government grants	0.0%
Revenue generated	45.0%
Other sources	30.0%

## 5.4 Research Question 2: Balancing Dual Missions

### 5.4.1 Influence, Impact and Prioritisation of the Primary Mission

A reliability test was run to determine if the measuring instrument measured what was intended. Table 9 below shows that the Cronbach's alpha of 0.993 which indicates that the variables tested are of acceptable reliability level.

**Table 9: Reliability Test Outcomes 1**

Reliability Statistics	
Cronbach's Alpha	N of Items
.978	3

Item-Total Statistics				
Variables:	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
1. Mission Prioritisation	5.56	9.085	.953	.967
2. Stakeholder Influence	6.39	9.663	.942	.974
3. Impact of Daily Requirements	6.17	9.559	.962	.960

### ***Descriptive Statistics – Dual Missions***

**Variable 1:** The respondents were asked whether their organisations pursue the two missions (social change and profit making) with equal effort. The emphasis of the question was on the ability to balance the pursuit of the dual missions. The majority (56%), based on a consolidated/cumulative tally, responded in the affirmative but a small percentage of 17% of social enterprises find it hard to pursue dual missions equally. In reference to below Table 10 which reflects a supporting mean rating ( $\bar{x}=3.50$ ) indicating that a high number of respondents were in agreement with the statement under question number eight of the questionnaire.

**Variable 2:** The respondents were further asked whether stakeholders who provide funding to the organisation influence the social enterprise to pursue the profit making mission at the expense of the primary social change mission. While the majority (56%) of social enterprises are not influenced by stakeholders with regards to mission prioritisation, a relatively high percentage (44%) of social enterprises face pressure from stakeholders to prioritise making profit. In reference to Table 10 below which reflects a mean of ( $\bar{x}=2.67$ ) which indicates differing views.

**Variable 3:** The respondents were further asked whether day-to-day operational requirements have an impact on which mission is prioritised. Fifty percent of social enterprises are forced to prioritise profit making over social change in order to cover operational costs, while 39% of social enterprises pursue the social change mission without being impacted by the daily operational costs. However, in reference to Table 10 below which reflects a mean rating ( $\bar{x}=2.89$ ) which may imply that daily operational requirements do not influence the profit mission prioritisation for some organisations among the total group of social enterprises.

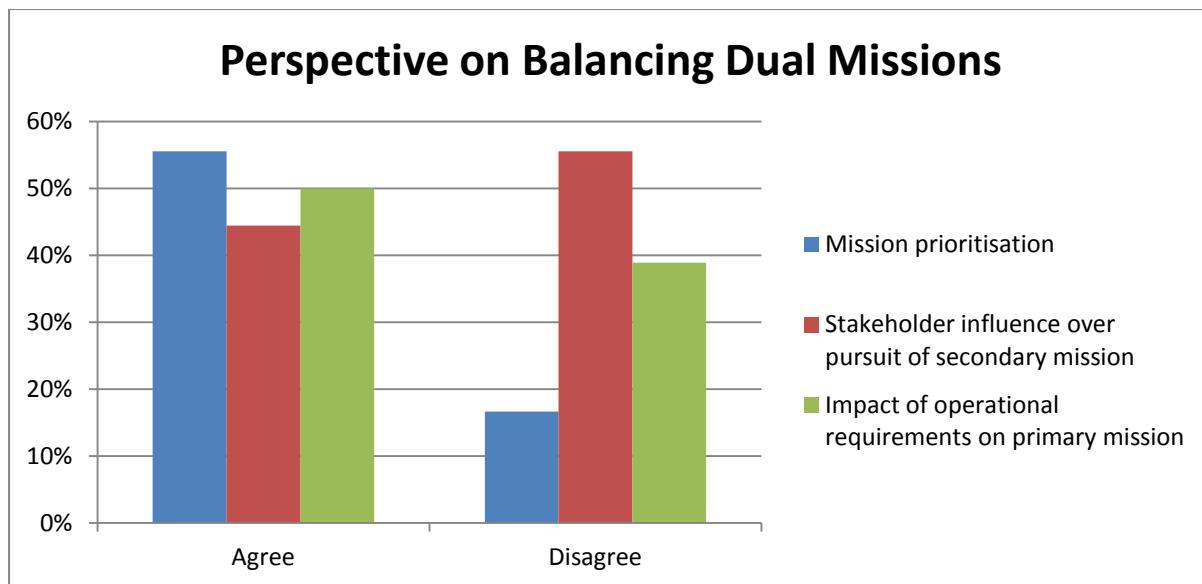
**Table 10: Descriptive Statistics - Dualism of Missions**

Descriptive Statistics					
		V1	V2	V3	
		Mission Prioritisation	Stakeholder Influence	Impact of Daily Requirements	
N	Valid	18	18		18
	Missing	9	9		9
Mean		3.50	2.67		2.89
Median		4.00	2.00		3.50
Mode		5	1 <sup>a</sup>		4
Skewness		-.469	.196		-.235
Std. Error of Skewness		.536	.536		.536
Kurtosis		-1.495	-1.715		-1.662
Std. Error of Kurtosis		1.038	1.038		1.038
Sum		63	48		52

a. Multiple modes exist. The smallest value is shown

**Table 11: Frequencies**

Scale	Mission Prioritisation	Stakeholder Influence	Impact of Daily Requirements
Totally Disagree	16.7	33.3	33.3
Less Extent	16.7	22.2	5.6
Neither Disagree Nor Agree	11.1		11.1
Somewhat agree	11.1	33.3	38.9
Great extent	44.4	11.1	11.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



**Figure 5: Perspectives on Primary Mission Prioritisation**

\*\*\*: % based on a consolidated/cumulative tally

### 5.4.2 Hypothesis Testing

In an effort to answer research question 2, which seeks to determine whether hybrid social enterprises are able to manage conflicting dual mission, the below statistical analysis was performed:

$H(1)_0$ : hybrid social enterprises are able to manage conflicting dual mission

$H(1)_1$ : hybrid social enterprises are not able to manage conflicting dual mission

#### ANOVA

In order to determine the impact of stakeholder and daily operations on the mission prioritisation, One-Way ANOVA test was used. One-Way ANOVA is a statistical test which tests the correlation between variables with two or more independent variables. Mission Prioritisation = dependant variable; Stakeholders = independent variable 1; Operational Requirements = independent variable 2.

**Table 12: Factors that Influence the Mission Prioritisation.**

ANOVA						
Variables:		Sum of Squares	df	Mean Square	F	Sig.
Stakeholder Influence	Between Groups	38.500	4	9.625	83.417	.000
	Within Groups	1.500	13	.115		
	Total	40.000	17			
Impact of Daily Requirements	Between Groups	37.278	4	9.319	48.461	.000
	Within Groups	2.500	13	.192		
	Total	39.778	17			

The results indicated that there is relationship between stakeholder influence and mission prioritization. There results further indicated that there is a relationship between impact of daily requirements and mission prioritisation. The  $p=0.00 < 0.05$  for both variables. There is therefore significant evidence to reject the null {  $H(2)_0$ } in favour of the alternative {  $H(2)_1$ }. This therefore implies that managing dual missions is a challenge for social enterprises.

## 5.5 Research Question 3: Competitiveness of Social Enterprises

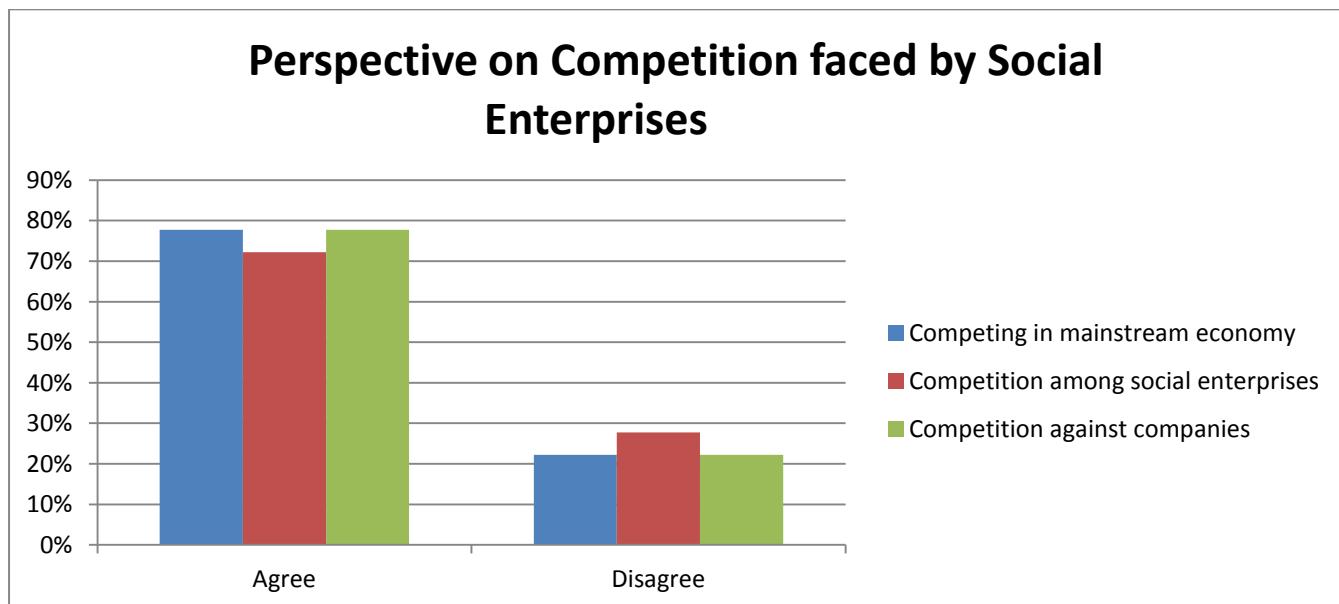
A reliability test was performed to determine if the measuring instrument measured what was intended. Table 13 below shows that the Cronbach's alpha of 0.975 which indicates that the variables tested are of acceptable reliability level.

**Table 13: Reliability Test Outcomes 2**

Reliability Statistics	
Cronbach's Alpha	N of Items
.975	7

### 5.5.1 Descriptive Statistics: Competitors to Social Enterprises

Social enterprises are increasingly facing competition, be it from other social enterprises or private companies. Seventy eight percent of social enterprises participate and face competition in the mainstream economy and 70% of social enterprises compete against each other. In addition, 78% of social enterprises compete directly with private companies.



**Figure 6: Perspectives on Competition faced by Social Enterprises**

\*\*\*: % based on a consolidated/cumulative tally

### 5.5.2 Descriptive Statistics: Adequacy and Sufficiency of Resources

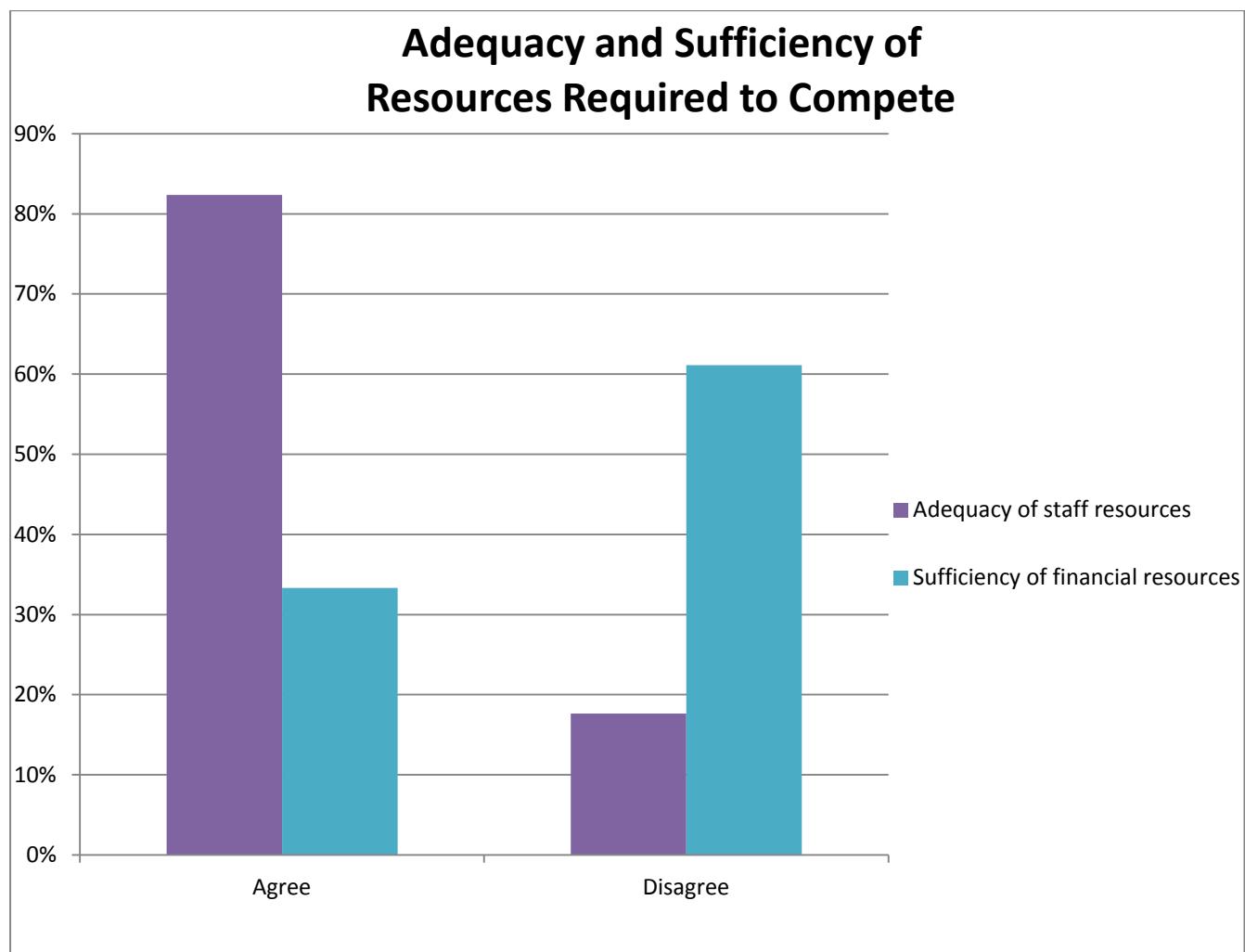
The below Table 14 provides a summary of descriptive statistics for the responses to question number ten of the questionnaire regarding competitiveness of social enterprises:

**Table 14: Descriptive Statistics: Competitiveness of Social Enterprises**

Descriptive Statistics					
Variables	N	Minimum	Maximum	Mean	Std. Deviation
1. Competing in Mainstream	18	2	5	4.17	1.043
2. Competition among SE	18	1	5	3.72	1.487
3. Competition against Pvt. Companies	18	2	5	4.11	.900
4. Adequacy of Human Resources	17	2	5	4.29	.920
5. Sufficiency of Financial Resources	18	1	5	2.67	1.328
6. Market Entry by Pvt. Companies	18	1	5	2.94	1.259
7. Threat of Entry by Pvt. Companies	18	1	4	2.78	1.215

The respective mean ratings ( $\bar{x}$ ) for variables 1 to 3 in Table 14 above confirm that social enterprise operate in a competitive business environment. A comparison of mean ratings for variables 4 and 5 in the above table: Adequacy of Human Resources ( $\bar{x} = 4.29$ ) and Sufficiency of Financial Resources ( $\bar{x} = 2.67$ ) indicates financial resources pose a challenge for social enterprises whereas most social enterprise have adequate human resources required to compete in the mainstream market.

The majority of social enterprises have resources such as skilled talent and financial capital in order to compete in the market. Eighty two percent of social enterprises are well resourced in terms of staff personnel, however the majority (61%) of social enterprises have insufficient financial resources required in order to compete in the market.



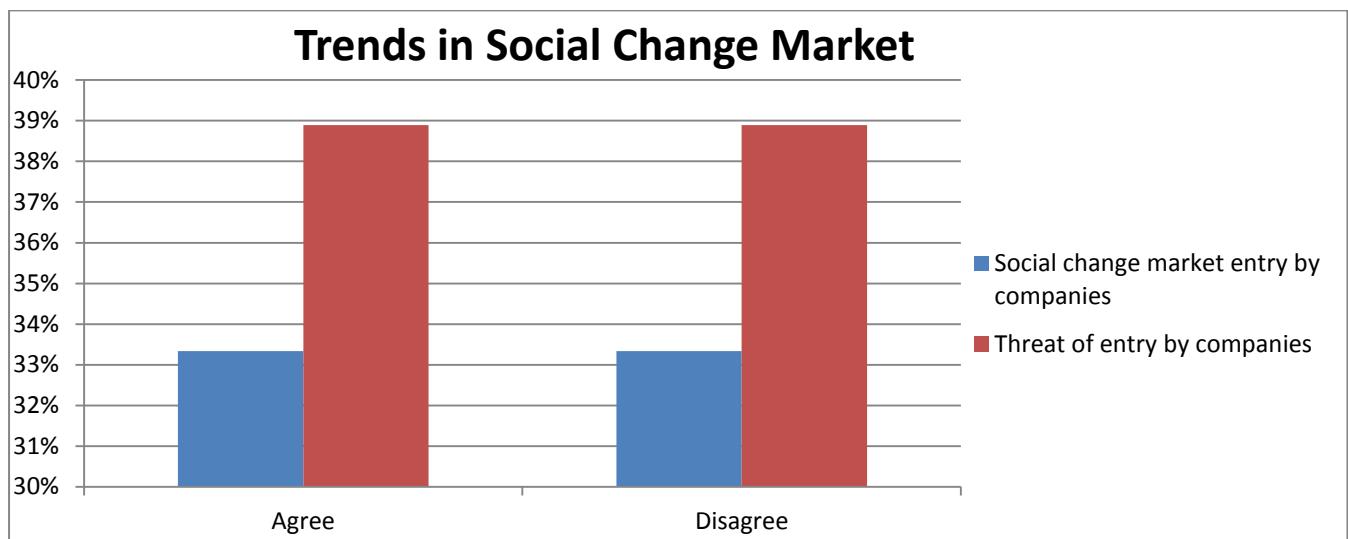
**Figure 7: Perspective on Resources Required to Compete**

\*\*\*: % based on a consolidated/cumulative tally

### 5.5.3 Descriptive Statistics: Developing Trends in the Social Change Market

The respondents were requested to give their perspective on developing trends in the social change market. There was an equally split perception on the two questions asked. The first question asked whether social enterprises are noticing an increasing rate of entrants, particularly from private companies, in the social change market. Thirty three percent of respondents responded in the affirmative with another 33% responding in the negative.

The second question asked whether private companies entering the social change market pose a threat to the existence of social enterprises. Thirty nine percent of social enterprises perceive private companies as a threat to the existence of social enterprises, while another 39% do not regard companies as a threat.



**Figure 8: Trends in Social Change Market**

\*\*\*: % based on a consolidated/cumulative tally

#### 5.5.4 Hypothesis Testing

In an effort to answer research question 3, which seeks to determine whether private companies as competitors pose a threat to the survival of social enterprises, the below statistical analysis was performed:

$H(2)_0$ : Competition does not pose a threat to survival of social enterprises  
 $H(2)_1$ : Competition does pose a threat to survival of social enterprises

##### **Chi-Squared**

The first step was to test if there is a correlation between the selected variables using a Chi-Squared statistics. Chi-Squared is a statistical test which tests if the association as observed in a cross-tabulation reflects a genuine association between variables. There were seven possible variables which emanated from question number ten on the questionnaire. A Chi-Squared test was performed on all seven variables to test if any of the variables are correlated. The below Table 15 provides a summary of statistic results:

**Table 15: Cross Tabulation Results (all variables)**

Variables:	Pearson Chi-Square
	Asymp. Sig. (2-sided)
V1: Social Enterprise *Competing in Mainstream	= 0.114
V2: Social Enterprise *Competition among SE	= 0.175
V3: Social Enterprise *Competition against Pvt. companies	= 0.175
V4: Social Enterprise *Adequacy of Staff Resources	= 0.114
V5: Social Enterprise *Sufficiency of Financial Resources	= 0.046 < 0.05
V6: Social Enterprise *Market Entry by Pvt. Companies	= 0.012 < 0.05
V7: Social Enterprise *Threat of Entry by Pvt. Companies	= 0.264

The two variables selected to perform further tests were: Sufficiency of Financial Resources = V5 and Market Entry by Private Companies = V6, based on their respective *p* values which are below the 5% significance level indicating evidence of correlation between the variables.

**Table 16: Chi Squared Test Result (selected variables)**

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	51.000 <sup>a</sup>	9	.000
Likelihood Ratio	37.912	9	.000
Linear-by-Linear Association	16.000	1	.000
N of Valid Cases	17		

a. 16 cells (100.0%) have expected count less than 5. The minimum expected count is .06.

The results in Table 16 above indicated that there is relationship between Sufficiency of Financial Resources = V5 and Market Entry by Private Companies = V6,  $p=0.00 < 0.05$ . This result therefore implies that these variables can be utilised to test the hypothesis.

### **ANOVA**

In order to determine the impact of stakeholder and daily operations on the mission prioritisation, One-Way ANOVA test was used. The two independent variables selected to perform the test were: Sufficiency of Financial Resources = V5 and Market Entry by Private Companies = V6, with the Social Enterprise as the dependent variable for each independent variable.

**Table 17: ANOVA Test Results**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
1. Adequacy of Staff Resources	Between Groups	1.269	3	.423	2.538	.122
	Within Groups	1.500	9	.167		
	Total	2.769	12			
2. Competing in Mainstream	Between Groups	1.269	3	.423	2.538	.122
	Within Groups	1.500	9	.167		
	Total	2.769	12			
3. Competition among SE	Between Groups	1.231	3	.410	1.846	.209
	Within Groups	2.000	9	.222		
	Total	3.231	12			
4. Competition against Pvt. Companies	Between Groups	1.231	3	.410	1.846	.209
	Within Groups	2.000	9	.222		
	Total	3.231	12			
5. Sufficiency of Financial Resources	Between Groups	10.817	3	3.606	4.720	.030
	Within Groups	6.875	9	.764		
	Total	17.692	12			
6. Market Entry by Pvt. Companies	Between Groups	6.856	3	2.285	8.660	.005
	Within Groups	2.375	9	.264		
	Total	9.231	12			
7. Threat of Entry by Pvt. Companies	Between Groups	2.625	3	.875	2.947	.098
	Within Groups	2.375	8	.297		
	Total	5.000	11			

These test results indicate low significance levels for the two selected variables ( $p=0.03$  &  $p=0.005 < 0.05$ , respectively) as reflected in the above Table 17. Therefore there is strong evidence to reject  $H(3)o$  in favour of  $H(3)1$ . This implies that competition from multinational companies does pose a threat to the survival of social enterprises. In addition, the test results confirm that lack of sufficient resources has a negative effect on the competitiveness of social enterprises.

## **5.6 Summary of Results**

- There are limited options for raising funding available to social enterprises in South Africa. Efforts to generate income from selling products and offering services do not yield sufficient revenue to sustain all social enterprises.
- The pursuit of dual missions can result in operational and financial sustainability challenges for social enterprises.
- The lack of sufficient funds to allow social enterprises to compete poses a threat to their sustainability. This is a critical weakness for social enterprises, especially in the face off against commercial enterprises in a competitive environment.

This chapter provided details of the findings from the research in accordance with the themes outlined in the literature review. The next chapter will discuss these research outcomes in detail with reference to the research questions.

## **6 Discussion of Results**

### **6.1 Introduction**

The previous chapter outlined the research outcomes from the survey completed by founders and managers of social enterprises in South Africa. The respondents answered various questions relating to the below aspects of managing social enterprises:

- Start-up and operational funding for social enterprises,
- Balancing the pursuit of dual missions, and
- Competitiveness of social enterprises

This chapter will discuss the outcomes from the research survey by addressing each research question. The discussion will be based on previous research and the literature highlighted in chapter two. There were findings from this study that agree with the literature, as well as results that refute it.

To reiterate, the overall objective of the study is to identify and explore factors which may improve the management and the sustainability of social enterprises as hybrid organisations. In that regard the researcher will share observations and insights from one week vacation work with two different social enterprise organisations during the research process.

### **6.2 Research Question 1**

**What are the funding options available to social enterprises in South Africa to maintain operational sustainability?**

The main objective from this research question was to explore the perception of social enterprises when it comes to capital raising options. In addition this question sought to highlight the impediments to access funding for social enterprises as hybrid organisations. Furthermore this research aimed at assessing the impact of access or lack thereof to funding on the sustainability of social enterprises as hybrid organisations.

### **6.2.1 Access to Funding**

The results of the study indicated that access to funding is a challenge for social enterprises as such has an effect on the sustainability of social enterprises. This is supported by the current literature which reveals that social enterprises struggle to gain access to funding; social enterprises have historically been dependent on government grants and donor funding (Czischke et al., 2012). In recent years social enterprises have ceased being solely social change organisations and have adopted the profit making mission in addition to the primary mission of social change. This hybrid nature of social enterprises allows them to explore other sources of funding available to normal business enterprises (Di Domenico et al., 2010).

In South Africa social enterprises have a range of options from which to source funding. The majority of social enterprises perceive angel funders as being the most viable option to raise capital, followed by venture capitalists; with banking institutions as a last option (refer to Figure 3). There are other avenues to raise funding such as crowdfunding, which has been around for many years.

Crowdfunding has been successfully used to raise funds for disaster relief efforts, philanthropic ventures, political campaigns and start-up and creative projects. The main platform used for crowdfunding is an internet website. These platforms have had mixed success over the years, however the notion of supporting start-ups and entrepreneurs has validity. According to an article in Finweek (2013) magazine, this platform is successful in developed countries due to the support and endorsement from government. In the United States a regulatory reform in the form of JOBS Act was introduced in April 2012. This Act is aimed at making it easier for a start-up to approach online investors for capital. In South Africa attempts to explore this option have had minimal success due to limited access to the internet, a low internet-savvy population and lack of credibility.

### **6.2.2 Impediments to Raising Funding**

The literature indicates that social enterprises struggle to embrace commercial forms of funding. One of the reasons that can be attributed to this resistance is the modest strategy and growth ambitions of social enterprises (Sunley & Pinch, 2012). Another factor that could be attributed to the hesitation of social enterprises to resort to financial institutions is the institutional memory effect. The reliance on donor funding may have become so deeply embedded that it outweighs the will to make a concerted effort. Further to that, these efforts may be half-hearted as a result of being aware that there is donor funding or a government grant option. This institutional memory effect is evident in some SOEs in South Africa; analysts have argued that organisations such SAA are 'spoilt' as they know they can approach the government to provide funding. This is notwithstanding the fact that the airline market in general is currently under tough economic times. This institutional memory effect appears to be manifesting itself in small social enterprises, as the following comments from social entrepreneurs in the survey response indicated: "we have never approached banks or ...", and "I have never heard anything from banks about funding social enterprises".

The standard minimum expectations from financing institutions such as acceptable Returns on Investment (ROI) also act as deterrents for social enterprises. Indra Nooyi, CEO of PepsiCo, whilst talking about Pepsi's 'good for you' products, confirmed that returns on social goods take longer to be realised and investors may not have the patience for this (Aspen Institute, 2014).

The current regulation in reference to the South African Companies Act of 2008 is arguably the major impediment to access to funding for social enterprises, as social enterprises registered as non-profit companies (NPC) are prohibited from distributing returns. This restriction in effect constrains the capital raising options available to social enterprises. The absence of clear and specific regulation for social enterprises in South Africa has resulted in the emergence of complex legal structures around social enterprises. Professor Mohammed Yunus, the social entrepreneur who established Grameen Bank, has proposed that social enterprises should endeavour to repay initial investments; thereafter profit should be reinvested in the business to sustain operations (Yunus, Moingeon, & Lehmann-Ortega, 2010).

### **6.2.3 Resultant Impact on the Sustainability of Social Enterprises**

This study found that only 45% of social enterprises generate sufficient income from operations in order to sustain the organisation - the rest depend on donor funding and other means of survival, such as utilising personal income and relying on volunteers (refer to Table 8). According to the literature, the heavy reliance of social enterprises on philanthropic sources for funding results in cash flow challenges.

A lack of financial stability has negative consequences for the organisation; low staff morale is one such effect which results from financially unstable enterprises. Job satisfaction and motivation are the drivers of performance in organisations (Prangley, 2014) and financial reward is directly linked to these drivers. This implies therefore that the operational sustainability of enterprises may be at risk.

### **6.2.4 Observation and Insights from Vacation Work**

The researcher joined the first social enterprise for a week long period in between the research project. The researcher joined this organisation at the time when the social enterprise was restructuring following a near closure experience due to financial challenges. The following insights are worth noting in an effort to draw parallels to the research findings from this study:

- The morale of staff was low following many of months of operational losses.
- The management of this social enterprise were in the process of raising funds to stay afloat.
- This organisation requires a significant cash injection in order to undertake necessary restructuring required to attract clients and thereby generate income.
- The sources of the required funding were limited to minimal grants and friendly loans as traditional financing institutions would not consider funding such a social enterprise.

## **6.3 Research Question 2**

### **Are hybrid social enterprises able to manage conflicting missions?**

This research question sought to determine the impact that stakeholders such as fund providers have on the sustainability of social enterprises. In particular this question was aimed at assessing whether external stakeholders influence the drift from the primary mission of social change. The main objective behind this question was to assess whether social enterprises as hybrid organisations are able to pursue dual missions whilst remaining operationally sustainable. A hypothesis test was performed to answer this research question.

#### **6.3.1 Pursuit of Dual Missions**

This study revealed that the majority (56%) of social enterprises pursue both the social and profit mission with equal effort (refer to Figure 5). This is seldom achieved however, as the pressure from fund providers and operational requirements enforce profit mission prioritisation, yet Yorke (2011) found that the social impact mission rates higher in terms of priority over the profit making mission. This research further revealed that 56% of social enterprises manage to negate the influence from external funders and continue prioritising their primary mission (refer to Figure 5); however the day-to-day operational costs can dictate and drive the enterprise to focus on revenue generating activities. One of the respondents expressed this point in the following words: “I need to pay salaries ...., I tend to give more attention to generating capital”. The results of the study indicated that managing dual missions is a challenge for social enterprises as such has an effect on the sustainability of these organisations.

The finding of this study further revealed that the stakeholders of the organisation and daily operational requirements have an influence on which mission is prioritised. The results as reflected in Table 12 indicated that there is relationship between stakeholder influence and mission prioritization. There results further indicated that there is a relationship between impact of daily requirements and mission prioritisation

### **6.3.2 Primary Mission of Social Enterprises**

The research survey asked the respondents to share the primary mission of their respective social enterprise. The below themes in Table 18 emerged out of the cumulative responses to question number seven of the questionnaire.

**Table 18: Emergent Themes on the Primary Mission**

Primary Mission				
Social Transformation	Enterprise Development	Capacity Building	Youth Empowerment	Graduate Development

### **6.3.3 Link between Performance and Mission Prioritisation**

The research findings indicate that 55% of social enterprises do not generate sufficient revenue to sustain the organisation; this shortfall can be attributed to a lack of strategic focus (refer to Table 8). The pursuit of dual missions creates incongruence between strategy execution, financial performance and primary mission objectives. A clear and focused strategy is vital element that results in maximum possible financial and non-financial performance of an organisation (Raina, 2014).

Commercial enterprises, on the other hand, place performance before purpose. “It all starts with performance”, Indra Nooyi, CEO of PepsiCo, stated when talking about PepsiCo’s new strategy on offering environmentally friendly products (PepsiCo Video, 2011). Multinational companies have adopted the concept of ‘Performance with Purpose’ in comparison to social enterprises’ ‘Purpose before Performance’ strategy.

### **6.3.4 Observation and Insights from Vacation Work**

With reference to conflicting missions, the researcher joined the second social enterprise during the time when management was assessing a relationship with one stakeholder who had provided funding. The conflict emanates from the pressure exerted by the funder on the social enterprise to push numbers regardless of adverse financial implications on the sustainability of the organisations. This stakeholder is more concerned about the potential high number of people assisted which will in turn look good for reporting purposes. Whereas the social enterprise has to consider the quality of disbursements to ensure investment returns. These observations are in line with research findings of this study as reflected in Table 12 above. These conflicting missions create challenges for employees who are seeking guidance from the organisation's strategy. Conflicting missions result in unclear strategy direction and may subsequently negatively affect the performance of staff.

## **6.4 Research Question 3**

### **Do multinationals as competitors pose a threat to the survival of social enterprises?**

This research question sought to determine whether social enterprises as hybrid organisations are well resourced to compete in the mainstream market. In addition, this question sought to evaluate the level of competition that social enterprises face from multinational companies. Furthermore, the objective behind this question was to explore the perception of social enterprises regarding the entry of multinational companies into the social change market. A hypothesis test was performed to answer this research question.

#### **6.4.1 Perspectives on Competition faced by Social Enterprises**

Social enterprises vary in their hybrid nature; some social enterprises offer products and services directly aligned to their primary missions, while others provide goods and/or services merely as a means to generate income. The latter kind of social enterprises would typically be organisations that have transformed from traditional non-governmental organisations in an effort to reduce financial dependence.

By virtue of offering products and services, these social enterprises compete with companies in the mainstream market. The results of the study revealed that seventy eight percent of the surveyed social enterprises participate and compete in the mainstream economy. Over 70% of social enterprises compete against each other in terms of product offering, while 78% of social enterprises face direct competition from commercial enterprises (refer to Figure 6).

The results of this study further indicate that there appears to be a lack of awareness among social enterprises about the increasing number of companies that are entering the social market space as an entry strategy into emerging markets.

#### **6.4.2 Resourcefulness of Social Enterprises**

The results of the study indicated that competition from multinational companies does pose a threat to the survival of social enterprises. Social enterprises also face the challenge of acquiring scarce resources in a competitive environment (Waddock & Graves, 1997). This challenge is further exacerbated by the limited access to funding that social enterprises face.

This study found that 82% of the social enterprises that were surveyed have adequate human capital to compete in the mainstream economy; however the opposite is true in terms of financial resources. This research revealed that 61% of social enterprises have insufficient financial resources to compete in the market (refer to Figure 7). The lack of sufficient financial resources may negatively affect the availability of human resources as talented personnel would typically demand compensation for their skills and services. A social enterprise that is struggling financially is therefore likely to lose this human talent to competitors. Furthermore, the adequate human capital referred to may be in the form of volunteers who apportion only a specific amount of time to the social enterprise. The human capital referred to could be individuals who have gone for a number of months without receiving salaries in anticipation of the social enterprise turning the financial situation around and thereafter reimbursing foregone remuneration. These individuals, however, are not likely to stay with the struggling social enterprise for long due to personal financial pressures.

#### **6.4.3 Observation and Insights from Vacation Work**

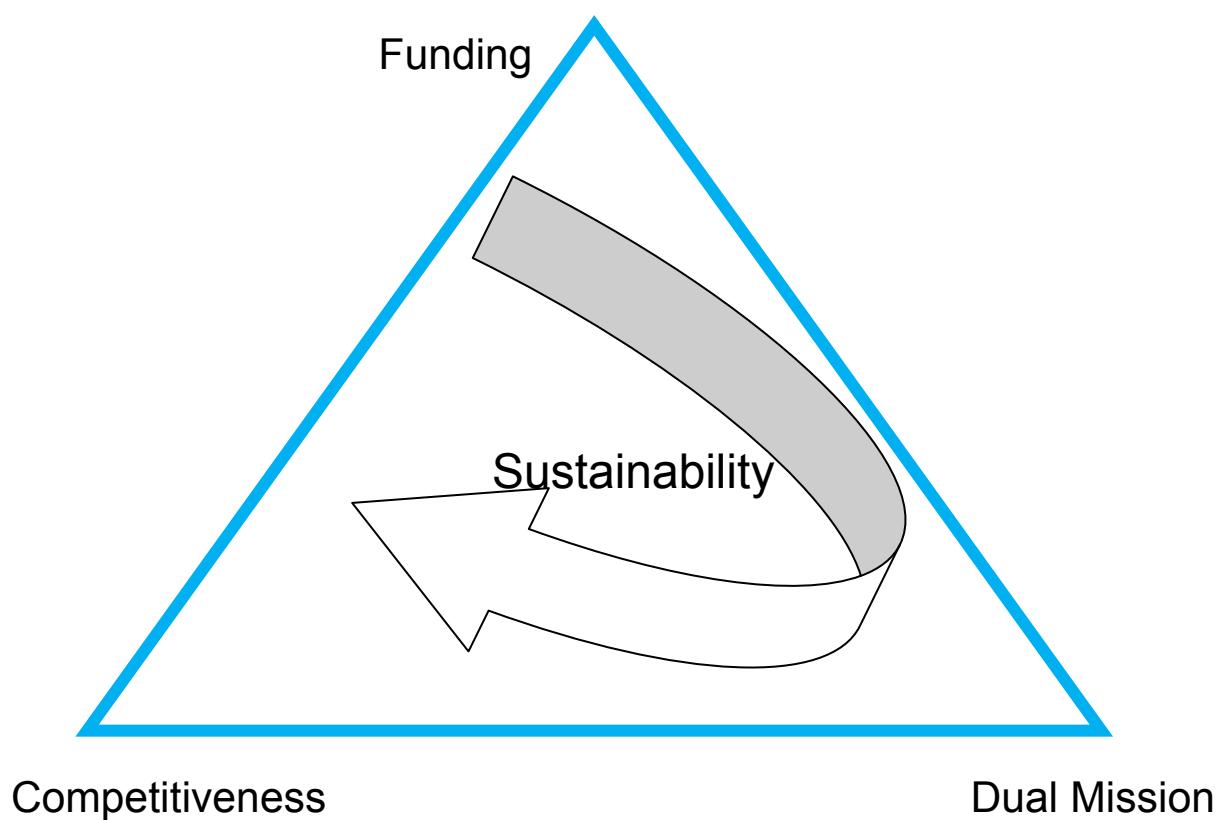
The two social enterprises the researcher joined through vacation work arrangement faced tough competition from private companies. Both social enterprises compete against organisations that are better resourced in terms of access to funding as well as access to and retention of talent. The one social enterprise competes against private equity firms such as Ethos Private Equity, a leading private equity fund in South Africa with 30 years history. The other social enterprise competes against establishments such as Branson Centre for Entrepreneurship (BCE), an initiative linked to Virgin Group. By virtue of being linked to a multinational corporation BCE may have access to the financial resources of the mother company should there be a need for capital injection. In comparison, social enterprises have to explore external avenues for funding which is often insufficient or comes with unfavourable terms and conditions.

The one social enterprise was struggling to generate income as result of loss of customers to competition. These clients were drawn to competitors as they had modern office facilities and better technology. The social enterprise would require significant cash injection in order upgrade their office facilities, introduce better technology and implement a marketing campaign to attract clients back. This challenge has dire consequences for the existence of social enterprises as without clients there is no revenue which in turn implies that the organisation loses its social enterprise classification.

#### **6.4.4 Proposed Sustainability Model for Social Enterprises**

The findings of this study confirm that the three factors: competitiveness, dual mission, funding, have an influence of the sustainability of social enterprises. The research results indicated strong evidence that there is a relationship between these factors. This therefore implies that striking a balance between these factors may enhance the sustainability of social enterprise.

The below model Figure 9 which has been developed by the researcher based on the literature review, research results and the discussion of research findings is therefore proposed. It is a triangular representation of the three factors which are the pillars of sustainability for social enterprises.



**Figure 9: Triad Model of Sustainability for Social Enterprises as hybrid organisations**

## **6.5 Conclusion**

This chapter discussed the findings of the research in detail by going through all the research questions separately.

There are limited options for raising funding available to social enterprises in South Africa. Efforts to generate income from selling products and offering services do not yield sufficient revenue to sustain all social enterprises. This ultimately implies that there are limited funding options available to social enterprises, which in turn impacts negatively on the sustainability of social enterprises.

The research findings of this study indicate that social enterprises manage to pursue dual missions. Forty nine percent of social enterprises that participated in this study have been in operation for over six years. This may provide an indication that hybrid social enterprises can be in operation for a relatively long time. This study also found that the pursuit of dual missions can result in operational and financial sustainability challenges for social enterprises.

In general, the lack of sufficient funds to allow social enterprises to compete poses a threat to their sustainability. This is a critical weakness for social enterprises, especially in the face off against commercial enterprises in a competitive environment.

The next chapter will provide the concluding remarks of this study by highlighting the background of the topic and the aims of this research, as well as a summary of the research findings with related recommendations.

## **7 Conclusion**

### **7.1 Introduction**

The preceding chapter elaborated on the research findings while this concluding chapter summarises the background of the topic, revisits the aims of the research, provides a summary of the findings of the research and related recommendations, discusses the limitations of the research and recommends areas for future research.

### **7.2 Background and Research Aim**

A recent review on social enterprises as hybrid organisations by Doherty, Haugh and Lyon (2014) suggested that future research in African countries is required to investigate the link between financial performance and social mission (Dacin et al., 2011).

Further to that, multinational corporations are beginning to offer products and services that address social needs (Porter, 2011), forcing social enterprises to improve their competitiveness (Prahalad and Hamel, 1990).

The aim of this research was to explore three factors, namely: 1. Access to funding; 2. Balancing dual missions; and 3. Competitiveness of social enterprises, which collectively have an influence on the sustainability of social enterprises.

### **7.3 Summary of Research Findings**

This study confirmed that social enterprises face a challenge regarding raising capital. However, there are various options and avenues available to social enterprises from which to source funding. These avenues range from development finance institutions to angel and venture capitalists. It appears that there is a sense of reluctance from the founders and managers of social enterprises to explore these avenues. Enterprise development organisations are making efforts to support the capital raising process for social enterprises (Ashton & Hubbard, 2012). One example of such initiatives is the introduction of crowdfunding which has worked in developed countries. The success of avenues such as crowdfunding is reliant on the availability of affordable internet infrastructure. Therefore on the back of infrastructure development initiatives spearheaded by governments in respective countries, one may argue that with time avenues such as crowdfunding will be successful in selected emerging markets that are facing infrastructural challenges.

The results indicated that there is a correlation between stakeholder influence and mission prioritization. There results further indicated that there is a correlation between impact of daily requirements and mission prioritisation. This therefore implies that managing dual missions is a challenge for social enterprises.

The passion underpinning the formation of a social enterprise propels the founder and or manager to endeavour pursuing dual mission with equal effort. It appears however that social enterprises struggle to reach balanced outcomes from both missions. This is evidenced by the weak operational financial sustainability that social enterprises operate under. Yorke (2011) found that social enterprises would reach high social impact levels and achieve financial sustainability when the measured social impact increases alongside the increase in revenue and reduced reliance on grants. The researcher supports that notion, however, it should be noted this study revealed that the pursuit of dual missions with equal effort does not result in sustainable operations. Therefore, it may be argued that one mission has to be more prioritized over the other.

The results indicated that competition from multinational companies does pose a threat to the survival of social enterprises. An enterprise's competitiveness depends on its human capital and financial resources (Stalk, Evans, & Shulman, 1992). Whilst the majority of social enterprises indicated that they have sufficient human capital, these social enterprises lack the financial resources. There is an interdependent relationship between these two capabilities. The quality of human capital could improve with the improvement in financial resources. The high quality of human resources may result in increased earnings and subsequent financial resources. Nevertheless, the financial capital may need to precede this virtuous circle.

## **7.4 Recommendations to Social Enterprises**

The pursuit of profit should take priority by virtue of forming a business operation in the form of a social enterprise. "People are in business to make money, profit and create wealth" - Aubrey Mashiqi said at the 2014 Annual Thought Leadership Symposium. There are success stories of social benefit organisation that are highly sustainable as a result of consented efforts to strike a balance between funding, competitiveness and pursuing dual missions. A case in point is a church located in Sandton, Johannesburg. The researcher cannot mention the name as permission was not granted. The church's mission is to make a difference in the lives of people. This organisation has a number of income generating business segments. It therefore qualifies as a hybrid social enterprise. The entrepreneurial spirit which is evidenced by the level of professionalism, growth strategy and mindset, desire to improve, researching and responding to client's need is arguably drivers behind the churches' success. The capital raising methods employed by the church such as requesting members to contribute money directly towards a specific initiative can be classified as a form of crowdfunding.

Another critical element to be considered by social enterprises is the needs of stakeholders. As no organisation exists for itself, it is important for social enterprises to conduct a stakeholder analysis to assess the needs of its stakeholders. Such an exercise may provide directive insights in relation to the relevance and existence of the organisation. This exercise may effectively translate into an organisational review process which could inform the development of a strategy that could enhance the sustainability of the social enterprise. The recommended stakeholder needs analysis may also inform the innovation a social enterprise may need to introduce in the organisation to improve sustainability.

## **7.5 Research Limitations**

The following limitations are noted within this body of research:

- The quantitative method of study employed may have limited the respondents from providing extensive insights into the management on social enterprises.
- The number of respondents is relatively small and therefore may not be appropriate enough to justify inferences.
- This study applied a general approach to social enterprises without separating social enterprises according to industry or sector, this approach implies that the findings may be too broad and therefore may not be easily attached to a typical social enterprise.

## **7.6 Suggestions for Future Research**

The following recommendations are offered to build on research conducted:

- The same study using a qualitative research methodology could be conducted to add value in the body of knowledge
- an analytical measurement of the impact that the drift in mission has on the organisation should be performed
- A measurement of the industry size of social enterprises in South Africa which can in turn guide regulatory framework
- An assessment of the size of social enterprise industry occupied by private companies in the broader economy
- A study could be conducted to assess the traditional financial institutions' willingness to provide funding to social enterprises
- A study to test the proposed sustainability model could be conducted
- A similar study could be conducted in other emerging markets countries which may have different legislative environments

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## **Appendix 1: Online Questionnaire**

<p>1. What is the maturity level of your enterprise (age of the enterprise)?</p> <p>2. What is the legal structure of your social enterprise?</p> <p>3. What is your role in the organisation?</p> <p>4. What was the source of funds for your social enterprise at inception stage?</p> <p>5. To what extent do you agree with the below statement?</p> <ul style="list-style-type: none"><li>• Banks are willing to consider granting loans to social enterprises</li><li>• Angel funders are willing to consider granting funding to social enterprises</li><li>• Venture capitalists are willing to consider granting funding to social enterprises</li></ul> <p>6. How do you sustain day to day operational costs of your social enterprise?</p> <p>7. In your own words, what is the primary mission or purpose of your social enterprise?</p> <p>8. To what extent do you agree with the below statement?</p> <ul style="list-style-type: none"><li>• My social enterprise pursues both social and profit mission with equal effort</li><li>• External funders have influence over which mission my social enterprise prioritizes</li><li>• Day to day operational requirements influence the pursuit of profit mission at the expense of social mission</li></ul> <p>9. Does your social enterprise sell products and/or offer services to generate income?</p>
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10. To what extent do you agree with the below statement?

- My social enterprise has competitors in mainstream market
- My social enterprise competes with other social enterprises
- My social enterprise competes with other private companies
- My social enterprise has talented personnel which enables it to compete
- My social enterprise has sufficient financial resources to compete
- For profit are companies are increasingly providing social change products/services
- For profit companies, as competitors, pose a threat to existence of social enterprises