

The Clash of Missions: Juxtaposing competing pressures in South Africa's Social Enterprises

Emmanuel Kodzi

Abstract: This study examines the question of how defining the domain of action affects the configuration of processes that allow social enterprises to scale their impact. Financial and other resources are needed to ensure that a social enterprise can fulfill its mission. However, the resource-seeking mandate is also a distraction that adds a layer of complexity to the operations of any social enterprise. By analyzing operating scenarios based on the logic of control versus the logic of empowerment; and the logic of power versus the logic of social embeddedness we examine the process trade-offs that enhance or limit social impact. This study used selected cases in South Africa. Our findings place a premium on efficiency in resolving process trade-offs, because for a given domain of action the focus on value creation diminishes the feedback loop for value capture. We also propose that value chain processes must be controlled to the extent that the enterprise acts as a custodian of community empowerment for its target beneficiaries.

Keywords: social enterprise, social impact, enterprise sustainability, Africa

JEL Classification Codes: M14, L26, O17

Introduction

The activities of social enterprises need to be conducted efficiently to achieve the intended impact and to provide some assurance of sustainability. Demonstrating evidence of impact is critical to gaining buy-in from stakeholders. However, hard evidence on specific projects may not always be available at the time the participation of stakeholders is being sought. Under these conditions, positive signaling effects may be achieved through formalized structures and routines, and conforming to traditionally recognized benchmarks such as transparency and accountability (Aldrich 2008, DiMaggio and Powell 1991, Fury 2010). On the other hand, creating such formalized structures in an institutional environment may be counter-productive for a social enterprise in a task environment that directly responds to the needs of its beneficiaries. Less formalized structures could help an enterprise to engage in reliable exchanges in the task environment (Patel 2011) under the expected conditions of uncertainty in the social space. A task approach may also reduce the administrative burden on the enterprise. Consequently, a tension exists between increasing the level of formalization in an enterprise and increasing the flexibility of its processes. The tension creates a need to balance “firmness” and “flexibility” (Vega 2006), and may be manifest in process issues: trade-offs between differentiating the enterprise to compete for funding, and creating sufficient common ground for collaboration; trade-offs between organizing the value-delivery system around the primary social mission, and allocating resources to ensure that the supporting commercial mission is sustained. Short, Moss and Lumpkin (2009) call for Operations Management contributions in the social entrepreneurship literature to help resolve such trade-offs and clarify process design issues for social enterprises. This study is a response to that call.

Process trade-offs in Social Enterprises

The main activities engaged in by social enterprises globally include education, health, enterprise development, children and youth, rural development and environment among others (Zikou, Gatzoufa and Sarri 2012). These activities usually occur in areas with unequal opportunities for access; they have become important mostly because of the declining provision of essential services by states and the challenge for communities to be more self-reliant (Kuratko 2005, Mulgan 2006). Social enterprises have a primary objective to alleviate social burdens using financially sustainable business models in which surpluses are reinvested to support the primary mission (Steinman 2010). For the most part, they need partners to help them introduce change that is commensurate with the size of the social problem. However, the pool of partners providing grants has dwindled in favor of partners that award competitive contracts (Brinckerhoff 2000). The funding shift has forced organizations with social missions to blend social values with business principles including management systems, quality standards and marketing in order to win such contracts (Emerson 2006, Nicholls 2006, Pearce 2003; Smallbone et al. 2001). This blend may actually be useful for building the intervention capabilities of social enterprises. The skillful integration of service performance frameworks, for example, could improve internal process efficiency of social enterprises by aligning their activities with their mission. On the other hand, questions have been raised about whether such a business-like transition is sensible for a sector built on community, trust and togetherness Bull (2008).

This work is currently under review. To continue reading please contact the author...

Acknowledgements

I gratefully acknowledge the generosity and the excellent work of Laura Bergh with the Cape Town interviews.

I sincerely appreciate Abdul Elgoni, Anthony Rosmarin, Brett Caminsky, Carol Dyantyi, Hanli Buber, Itumeleng Dhlamini, Josephine Pswarayi, Jules Newton, Kerry Krige, Lesley Donna Williams, Lorraine Keenan, Pippa Shaper, Pippa Wheaton, and Thokoza Mjo for your time and openness. You are the heroes who made this happen. Thank you!

References

Aldrich, Howard E. *Organizations and Environments*. Redwood City: Stanford University Press, 2008.

Bergh, Laura. "Sustainability-driven Entrepreneurship: Perceptions of Obstacles and Challenges in a South African context." MSSL diss., University of Cambridge, 2013.

Bloom, Paul N., and Aaron K. Chatterji. "Scaling Social Entrepreneurial Impact." *California Management Review* 51, 3 (2009): 114-133.

Brinckerhoff, Peter C. *Social Entrepreneurship: the Art of Mission-based Venture Development*. New York: John Wiley & Sons, 2000.

Bull, Michael. "Challenging tensions: critical, theoretical and empirical perspectives on social enterprise." *International Journal of Entrepreneurial Behaviour and Research* 14, 5 (2008): 268-275.

Certo, Trevis S. and Toyah Miller. "Social entrepreneurship: Key issues and concepts". *Business Horizons* 51, 4 (2008): 267-271

Dees, Gregory J. "A tale of two cultures: charity, problem solving, and the future of social entrepreneurship." *Journal of Business Ethics* 111, 3 (2012): 321-334.

Dees, Gregory J. "Taking Social Entrepreneurship Seriously." *Society* 44, 3 (2007): 24-31

DiMaggio, Paul J., and Walter W. Powell, eds. *The New Institutionalism in Organizational Analysis*. Vol. 17. Chicago: University of Chicago Press, 1991.

Emerson, Jed. "Money meets Mission." *Stanford Social Innovation Review* 1, 2 (2003): 38-47.

Forbes, Daniel P., Patricia S. Borchert, Mary E. Zellmer-Bruhn, and Harry J. Sapienza. "Entrepreneurial team formation: an exploration of new member addition." *Entrepreneurship Theory and Practice* 30, 2 (2006): 225-248.

Fury, Bridget. "Social Enterprise Development in South Africa-creating a virtuous circle." Tshikululu Social Investments, 2010.

Harding, Rebecca. "Social enterprise: the new economic engine?" *Business Strategy Review* 15, 4 (2004): 39-43.

Hillman, Amy J., Michael C. Withers, and Brian J. Collins. "Resource dependence theory: A review." *Journal of Management* 35 6 (2009): 1404-1427.

Hines, Frances. "Viable social enterprise: an evaluation of business support to social enterprises." *Social Enterprise Journal* 1, 1 (2005): 13-28.

Katila, Riitta, Jeff D. Rosenberger, and Kathleen M. Eisenhardt. "Swimming with sharks: Technology ventures, defense mechanisms and corporate relationships." *Administrative Science Quarterly* 53, 2 (2008): 295-332.

Kuratko, Donald F. "The emergence of entrepreneurship education: development, trends, and challenges." *Entrepreneurship Theory and Practice* 29, 5 (2005): 577-598.

Ma, Dali, and William L. Parish. "Tocquevillian moments: Charitable contributions by Chinese private entrepreneurs." *Social Forces* 85, 2 (2006): 943-964.

Mair, Johanna and Ignasi Marti. "Social entrepreneurship research: A source of explanation, prediction, and delight". *Journal of World Business*. 41(2006):36-44

Martin, Roger L., and Sally Osberg. "Social entrepreneurship: the case for definition." *Stanford Social Innovation Review* 5, 2 (2007): 27-39.

McDonald, Robert E. "An investigation of innovation in nonprofit organizations: The role of organizational mission." *Nonprofit and Voluntary Sector Quarterly* 36, 2 (2007): 256-281.

- Mulgan, Geoff. "The process of social innovation." *Innovations* 1, 2 (2006): 145-162.
- Nel Etienne L. and Ronald W. McQuaid. "The evolution of local economic development in South Africa: the case of Stutterheim and social capital." *Economic Development Quarterly*, 16, 1 (2002): 60-74.
- Nicholls, Alex, ed. *Social Entrepreneurship: New Models of Sustainable Social Change: New Models of Sustainable Social Change*. Oxford University Press, 2006.
- Patel, Pankaj C. "Role of manufacturing flexibility in managing duality of formalization and environmental uncertainty in emerging firms." *Journal of Operations Management* 29, 1-2 (2011): 143-162.
- Pearce, John. *Social Enterprise in Anytown*. London: Calouste Gulbenkian Foundation, 2003.
- Santos, Filipe M. "A positive theory of social entrepreneurship." *Journal of Business Ethics* 111, 3 (2012): 335-351.
- Seelos, Christian, and Johanna Mair. "Profitable business models and market creation in the context of deep poverty: a strategic view." *The Academy of Management Perspectives* 21, 4 (2007): 49-63.
- Short, Jeremy C., Todd W. Moss, and G. Tom Lumpkin. "Research in social entrepreneurship: Past contributions and future opportunities." *Strategic Entrepreneurship Journal* 3, 2 (2009): 161-194.
- Smallbone, David, Mel Evans, Ignatius Ekanem, and Steven Butters. "Researching social enterprise." Final Report to the Small Business Service. Centre for Enterprise and Economic Development Research, Middlesex University, 2001.
- Steinman, Susan. *An Exploratory Study into Factors Influencing an Enabling Environment for Social Enterprises in South Africa*. ILO, 2010.
- van der Scheer, Wilma. "Is the new health-care executive an entrepreneur?" *Public Management Review* 9, 1 (2007): 49-65.
- Vega, Gina. "Giving something in return: a conversation with Karen Pass, social entrepreneur." *Journal of Applied Management and Entrepreneurship* 11, 2 (2006): 103-110.
- Villanueva, Jaume, Andrew H. Van de Ven, and Harry J. Sapienza. "Resource mobilization in entrepreneurial firms." *Journal of Business Venturing* 27, 1 (2012): 19-30.

Wæhrens, Brian Vejrum, Yang Cheng, and Erik Skov Madsen. "The replication of expansive production knowledge: the role of templates and principles." *Baltic Journal of Management* 7, 3 (2012): 268-286.

Yin, Robert K. *Case Study Research: Design and Methods*. 4ed. Thousand Oaks, CA: Sage, 2009.

Yunus, Muhammad, Bertrand Moingeon, and Laurence Lehmann-Ortega. "Building social business models: lessons from the Grameen experience." *Long Range Planning* 43, 2 (2010): 308-325.

Zikou, Evangelia, Paraskevi Gatzoufa, and Aikaterini Sarri. "Social Entrepreneurship In Times Of Economic Austerity: A Sparkle Of Light For The Economies In Crisis?" *Scientific Bulletin - Economic Series* 11, 1 (2011): 53-65.