

Social Entrepreneurship

SUBJECT: MBAD823



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Declaration of my own work: I declare that this assignment is my own work and that I have cited the sources from which I completed the assignment.

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Summary of Comments on Microsoft Word - 10729968_CE_Lloyd_Entrepreneurship_Individual ass Final

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This is not on the standard. Too much theory. No critical discussion. A few examples.

60% (noem my Vader Krismis)

Chrisna- dit is nie op standaard nie. Dit tel 25% van die finale punt op MBAII vlak.

Jy kan (of moet) baie beter doen.

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1. SOCIAL ENTREPRENEURSHIP



1.1 Introduction

An entrepreneur's mission is to create wealth and business growth. A Social entrepreneur differs from the conventional entrepreneur in their concern to rather solve social needs than commercial needs.

Probably one of the most famous social entrepreneurs in history is Florence Nightingale, who was the founder of modern nursing. Nightingale established the very first school for nursing and also fought vigorously for improvement of conditions in hospitals.  ¹

1.2 What defines a social entrepreneur?

The core of a social entrepreneur's personality is devoted to the good for all, as is their work. Social entrepreneurs apply business practices in their social or environmental mission. This enables innovative solutions to ever-present problems of society, like poverty, hunger and environmental problems (Kickul & Lyons, 2020).

Social entrepreneurs need to understand the social as well as the business sector and need to act as an ambassador between these two sectors. In figure 1.1, the difference in

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Good example. A giver!!!

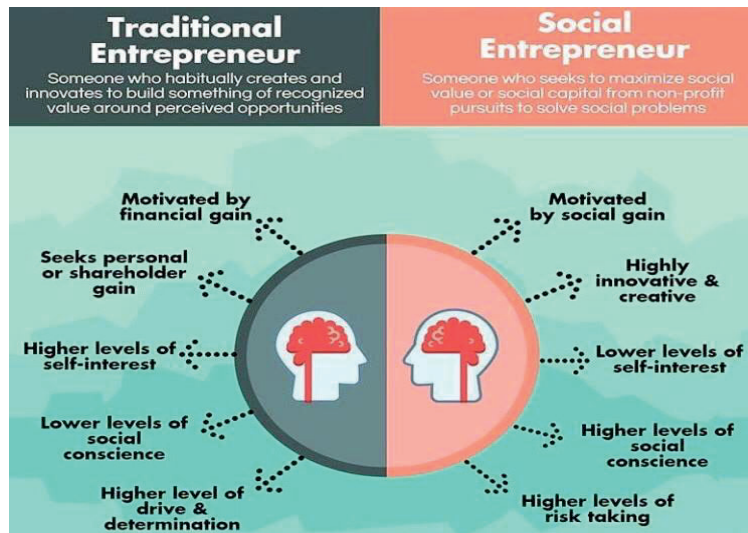


Figure 1-1: Personality traits of Social vs Traditional entrepreneurs

traits between the traditional and social entrepreneur are displayed. The main purpose or mission of a social entrepreneur is to create social value for the greater good of the public (Gandhi & Raina, 2018).

Traditional and social entrepreneurs share the same entrepreneurial skills, but the main difference is their vision and value-creation. The main focus and value-creation of a social entrepreneur is to make a difference in society, to identify a specific social problem and to address this problem with specific solutions.

Figure 1.2 indicates the area of social entrepreneurship in the shaded blocks. Social purpose ventures are economically viable entities that also solve a social problem (Timmons *et al.*, 2004).

Two types of enterprising non-profits exist, one type uses a type of venturing, utilizing earned-income activities, to generate income, while the other type focuses on growth and economic sustainability.

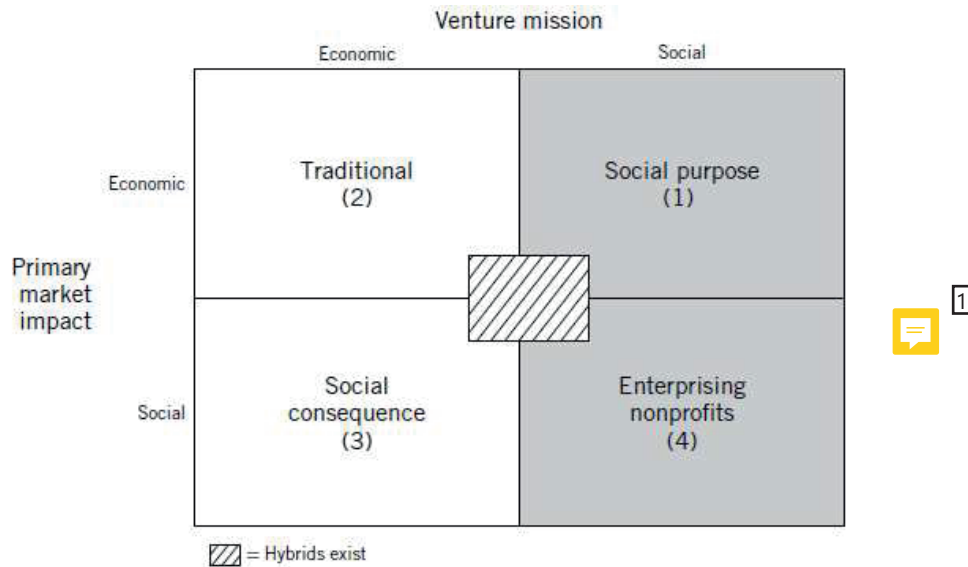


Figure 1-2: Typology of Ventures (Timmons *et al.*, 2004)

Hybrid models are indicated in Figure 1.2 in the middle. These models are seen as dual-purpose organisations, where the emphasis are equally on economic as well as social goals.

1.3 Difference between social entrepreneurship and business entrepreneurship

According to Gandhi and Raina (Gandhi & Raina, 2018) there are several parameters that differentiate these two ventures:

1. Social entrepreneurship follows a cooperative strategy, rather than a competitive strategy.
2. The difference in funding for these two ventures lies between investing and donating.
3. The marketing environment for social entrepreneurs is not directly influenced by supply and demand, as it is implied that for social entrepreneurship, the revenue will not always fully cover the cost.
4. Unlike business entrepreneurship who are administered by a board of directors, non-profit social entrepreneurship can have a different governance structure.
5. Social-market failure, a problem for the business entrepreneur, is an opportunity for the social entrepreneur.



6. The main purpose for social entrepreneurship is to create social value for the greater good of the public. Business entrepreneurs focus more on private gain, although they can have transformative social impacts.
7. The social purpose and non-distributive restrictions on surpluses that are generated prevent social entrepreneurs to enter into the capital market like business entrepreneurs.
8. Measuring performance is more difficult for social entrepreneurs than for business entrepreneurs who can rely on measures like market share and financial indicators.



When comparing the business models of social and traditional entrepreneurship, once again, the mission of social value for the social entrepreneur plays a major role. Ghandi and Raina suggest the Journey-Model-Innovation for social entrepreneurship, where companies move to a new operating model never to return. Social entrepreneurs can not only concentrate on social value but need to think through the economic capability of the organisation. Only when finding the right balance, can success be reached.

1.4 The process of social entrepreneurship

Social entrepreneurs must find a balance between achieving the desired social outcomes and revenue-generating. It is a challenge to start and run a social enterprise successfully. The development strategy already focuses more on social benefits than financial rewards and the objective is to identify the exact problem, the customers are the people that is affected by the problem identified.

Financing is usually done by either bootstrapping or venture capitalists. The overall characteristic of the team is their desire for change. Social entrepreneurship starts with an attractive opportunity that has the potential for positive social impact (Guclu *et al.*, 2002). The opportunity creation process is described in figure 1.3 where it all starts with a promising idea. This idea can manifest from personal experience, the recognition of social needs and change, or to focus on social assets.

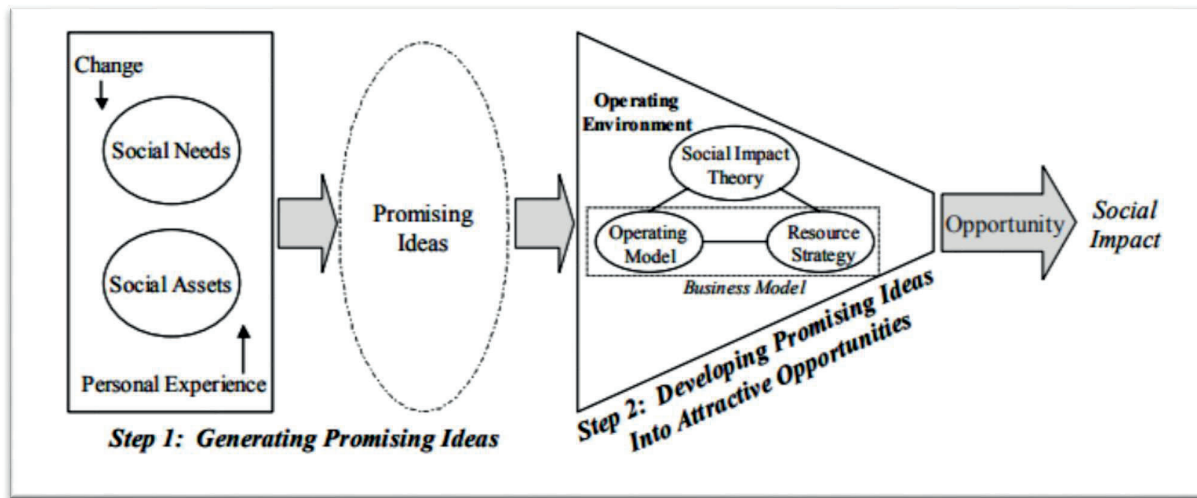


Figure 1-3: The opportunity creation process (Guclu et al., 2002)

This promising idea must be developed into attractive opportunities. To do this, the social entrepreneur must adopt an opportunity-orientated mindset and look for opportunities to make a social impact.

The challenge is to convert this promising idea into a workable successful opportunity. The elements that represent the core of a workable social venture are grounded in a set of plausible hypotheses about the social impact theory as well as the business model. The business model includes a viable resource strategy as well as an effective operating model. The combination of the social impact theory, the operating model and the resource strategy must work together and must be a personal fit for the entrepreneur, as described in figure 1.4.

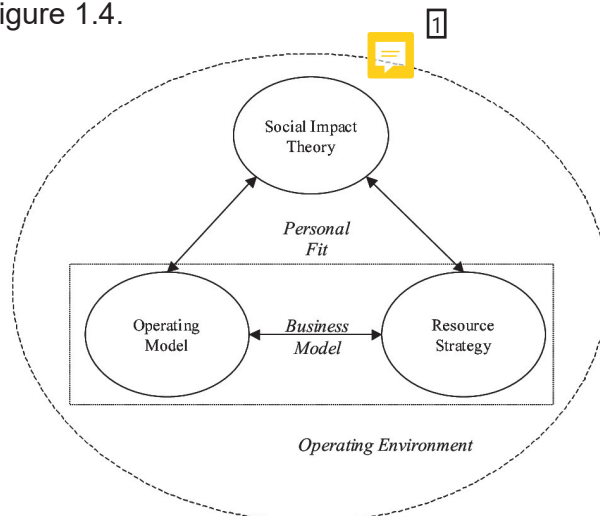


Figure 1-4: Opportunity Development Framework (Guclu et al., 2002)

Too theoretical.

The **social impact theory** refers to the way that the social impact will be achieved. This theory often describes the organisation's mission and vision and the intended outcomes. This creates clarity and purpose and holds the organisation accountable.

The **business model** needs to include an effective operating model as well as a resource strategy that is viable. The need for resources cannot be determined before the operating model has been established. This operating model can be adjusted and refined when the resource mobilization changes.

The **operating model** appears like a typical value chain in business and consists of specific structures, activities and a support system working together to reach the intended impact. This operating model's design depends on analysis as well as creative thinking from the entrepreneur.

The **resource strategy** must be viable and the on-going resource mobilization process must reinforce the effectiveness of the operating model. The most important resource for social entrepreneurs is people. Some of the resources that people supply are skills, contacts, knowledge and reputation. To develop a resource strategy, the fundamental resources required must be identified first and then the entrepreneur must decide how to best mobilize these resources. Mobilisation of resources can be done in three ways:

1. Acquiring donations, like volunteers or in-kind donations. The risk of acquiring donations is the possibility of not acquiring exactly what is needed.
2. Some entrepreneurs believe that paying for resources leads to better social outcomes. They can still negotiate for better prices or discounts.
3. Building partnerships with others that may have under-utilized resources available. The partnership should be ideal for operational requirements

The **operating environment** as displayed in the bigger circle in figure 1.4 consists of the markets, the industry structure, the political environment and the culture. Entrepreneurs need to be sensitive for the window of opportunity in which conditions are favourable to pursue the idea.

Lastly, entrepreneurs should be certain that the idea is a **personal fit** for them. They must conduct a self-assessment to ensure that they have the commitment, the qualifications and are at the right stage in their life to pursue the opportunity.



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Ok, hopefully you will now start with the applied part.

2. SOCIAL ENTREPRENEURSHIP IN SOUTH AFRICA

2.1 Introduction

More than two decades ago, when gaining office in 1994, the African National Congress Government undertook to transform and develop the social, economic and political sectors of South Africa. Despite all the promises, 31% of the South African population lives below the poverty line and South Africa face an estimate of 25% chronic unemployment (Littlewood & Holt, 2018).

Besides that, other challenges for South Africa is low skill and education levels, a high HIV/AIDS rate, around 2.4 million AIDS orphans, limitations in the provision of basic services and a high crime rate. The government does not have the capacity to address all these problems, and it is here where the work of social entrepreneurs can be crucial.

2.2 The environment

The environment refers to the operating environment as previously discussed and displayed in Figure 1.4, markets, the industry structure, the political environment and the culture. Littlewood and Holt refer to Gartner's framework (Gartner, 1985), and specifically three relationships with the environment in his framework. The relationship between the environment and the social process, the social enterprise and the social entrepreneur (see Figure 2.1).

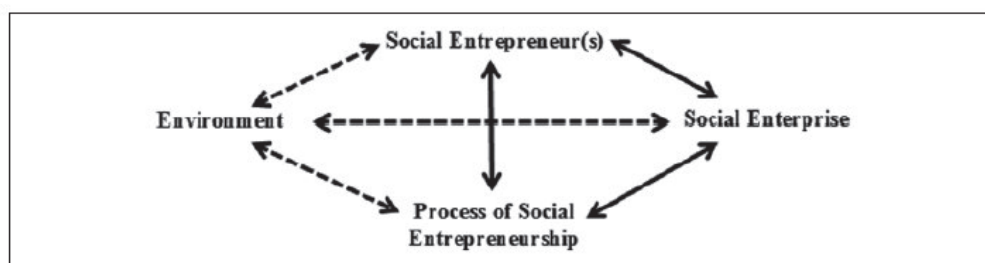


Figure 2-1: Adapted framework from Gartner

The operating environment in South Africa, specifically the political or institutional environment presents a challenge to the social entrepreneurs. There is a definite need for greater consideration of the influence of the environment on social entrepreneurship. One obstacle is that South Africa does not have a specifically designed legal form of

social enterprises (Steinman & van Rooij, 2012), therefore, social enterprises are formed in either 1) non-profit entities, 2) for-profit organisations and 3) hybrid structures.

Some important legislation that regulates the activities of social enterprises in South Africa are:

1. Non-Profit Organisations Act (1997) for non-profit organisations.
2. Co-Operatives Act 2005, for co-operatives or for-profit organisations.
3. Companies Act 2008 for wider business legislation.
4. Broad-Based Black Economic Empowerment Act 2003

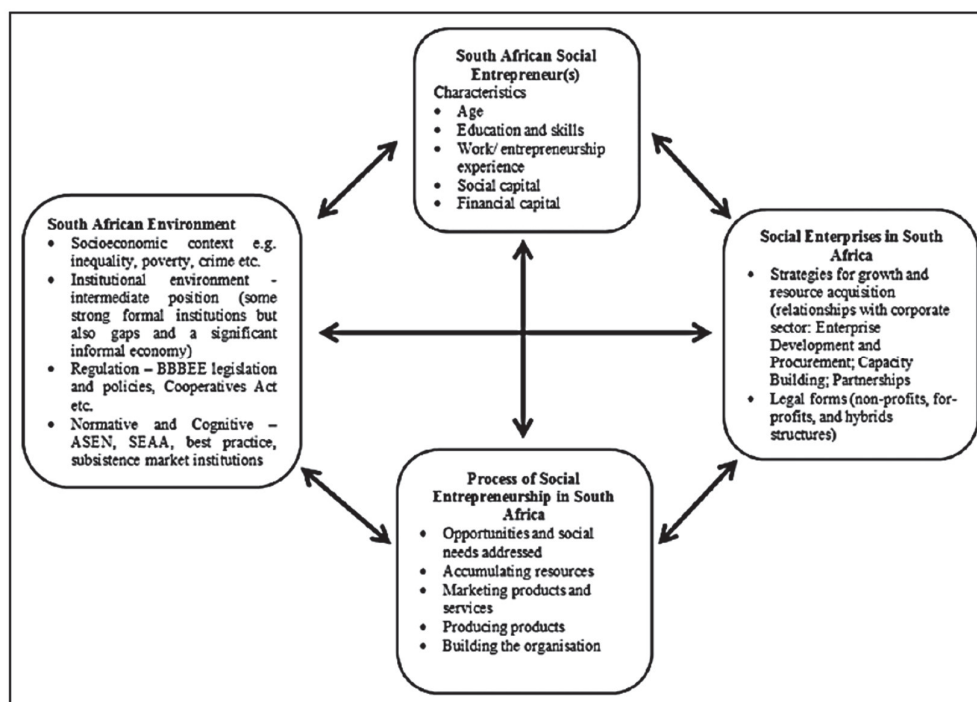


Figure 2-2: A summary of the influence of environment on social entrepreneurship in South Africa (Littlewood & Holt, 2018)



Black Economic Empowerment (B-BBEE) can be a concern for organisations in South Africa. Engagement in B-BBEE is voluntary and there are benefits like priority access to finance and tax incentives, but without it, chances for tender procurement in the public sector drastically decline. Despite this, Steinman and van Rooij still believes that B-BBEE legislation can create a cycle of investment and growth in the financial sustainability of South African social enterprises (Steinman & van Rooij, 2012).



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Too much theory!!!!

Low skills and low levels of education are a big challenge for social entrepreneurs when seeking for resources, but it can also be a gap that social entrepreneurs can fulfil by this need by supplying training.



One social enterprise that saw this gap is **Learn to Earn (LtE)** that provides training in Khayelitsha and Zwelihle townships.  ¹

Limited funding for marketing is a big concern for social enterprises as they have a very limited if at all marketing budget. They usually make use of skilled volunteers to assist them with marketing.

The influence of environmental characteristics on social enterprises is evident in the forming of Shonaquip.



Shonaquip manufactures affordable disability equipment that is designed with the African terrain in mind.  ²

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One example?

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Refer to the assignment. Read it again. I am disappointed.

3. CONCLUSION

Despite numerous challenges, South Africans are a human race not to be found anywhere else. With natural entrepreneurial instincts that might have developed because of the struggles that South Africa went through, many people in low-level income groups show exceptional entrepreneurial skills just to survive. Combine this with the ever-present Ubuntu spirit (I am because we are), and throw in a bit of help from the government or for-profit organisations and this is the ideal platform for social entrepreneurs to thrive.

Like Mikie Monokets who started **Mama's Spices & Herbs** with a mere R 10 000.



The opportunities in South Africa are abundant, and with the limited resources South African Social entrepreneurs are more innovative than social entrepreneurs in other countries. Now we know why they say “a boer maak ‘n plan”.

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