Social Enterprise in South Africa

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As intermediary products, ICSEM Working Papers provide a vehicle for a first dissemination of the Project’s results to stimulate scholarly discussion and inform policy debates. A list of these papers is provided at the end of this document.

First and foremost, the production of these Working Papers relies on the efforts and commitment of Local ICSEM Research Partners. They are also enriched through discussion in the framework of Local ICSEM Talks in various countries, Regional ICSEM Symposiums and Global Meetings held alongside EMES International Conferences on Social Enterprise. We are grateful to all those who contribute in a way or another to these various events and achievements of the Project.

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Table of contents

Introduction ...................................................................................................................................... 4

Part (A) - Social Enterprise in South Africa: History, Context and Concepts .................................. 5
  Defining Social Enterprise in South Africa .................................................................................. 5
  The Emergence of Social Enterprise in South Africa ................................................................. 8
  Research on Social enterprise in South Africa .......................................................................... 9

Part (B) – Identification of Social Enterprise Models .................................................................... 10
  Classifying social enterprise models – A stakeholder approach .............................................. 10
  Simple Social Enterprise Models ......................................................................................... 12
  Advanced Social Enterprise Models .................................................................................... 17
  Complex Social Enterprise Models ..................................................................................... 17
  Partnership Social Enterprise Models .................................................................................. 19

Part (C) - Institutional and contextual trajectories of the main SE models .................................... 21

Conclusions ................................................................................................................................. 24

References ................................................................................................................................. 25

ICSEM Working Papers Series .................................................................................................. 28

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INTRODUCTION

Social enterprise has quite a long history in South Africa. As early as 1991 the US Ashoka Foundation established offices in the country, while even before that, many NGOs, non-profits and co-operatives were engaging in social enterprise activity, albeit perhaps not explicitly identifying it in such terms. However, it is over the last 10-15 years in particular that social enterprise as a phenomenon and the social economy in South Africa have proliferated. For example, PhytoTrade Africa, the trade association of the natural products industry in Southern Africa, was established in 2001 with the aim of alleviating poverty and protecting biodiversity. Cooperation for Fair Trade in Africa (COFTA) was formed three years later, in 2004, including South African members (COFTA became the World Fair Trade Organisation Africa in 2013). The African Social Entrepreneurs Network (ASEN) and the Social Enterprise Academy Africa, both of which are based in South Africa, were created respectively in 2009 and 2012. This growth in practitioner activity has also been accompanied by increasing academic interest; for example, the Centre for Social Entrepreneurship and the Social Economy was founded in 2010 at the University of Johannesburg, while the Bertha Centre for Social Innovation and Entrepreneurship was launched in 2011 at the University of Cape Town. A growing number of academic studies have also examined social enterprise, social entrepreneurs, and their ventures in South Africa (see Urban 2008; Karanda & Toledano 2012; Littlewood & Holt, forthcoming).

At a country level, South Africa faces numerous, “wicked” sustainable development challenges (after Rittel & Weber 1973). These include: the implications of an estimated 6.3 million people nationally living with HIV/AIDS (UNAIDS 2014); entrenched inequality, with South Africa’s Gini index score of 63.1 making it one of the most unequal societies in the world (World Bank 2009); chronic unemployment, estimated at 25% (Trading Economics 2014), with particularly high levels amongst young people; and limitations in skills and education linked to failings in pre and post-apartheid education. Social enterprises and social innovation are viewed as key mechanisms for addressing such challenges, with organisations like the African Leadership Institute, established by Archbishop Desmond Tutu and underpinned by the philosophy ofUbuntu (Mangaliso 2001; West 2013), advocating social enterprise and wider ethical business as forces for positive societal change.

Drawing upon qualitative primary data collected during in-country case study research, quantitative survey data, and analysis of secondary documents and wider literatures, this paper explores social enterprise business models, and the wider landscape of social enterprise and innovation in South Africa. Discussions are divided into three main parts: Part A explores historical, contextual and conceptual issues surrounding the emergence of social enterprise in South Africa; Part B focusses on the identification and characterisation of social enterprise business models in South Africa informed by stakeholder theory; Part C reflects on the institutional trajectories and processes shaping social enterprise business models and activity in South Africa.

This paper contributes to both research and practice. In the case of the former, whilst research on social enterprise in South Africa is increasing, with South Africa perhaps the best explored of any sub-Saharan African country, in totality studies remain quite limited, with many

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1 The African Social Entrepreneurs Network closed down in late 2014 in part due to lack of ongoing funding.
questions remaining. This reflects the trend in wider management scholarship, where sub-Saharan Africa as a whole is still quite underrepresented (Zoogah 2008; Kolk & Rivera-Santos 2012). As will be discussed, South Africa as a case furthermore provides policy and practitioner insights for social entrepreneurs and government decision-makers in other countries regionally, wider developing nations and emerging economies, and even developed countries. Within social enterprise scholarship, the influence of environment, including institutional and contextual dimensions on social enterprise operating models, practices and stakeholder relationships, has also been raised as a significant area for further research (see Mair & Marti 2006; Baq & Jansen 2011; Di Domenico et al. 2010; Littlewood & Holt, forthcoming). This study responds to such calls, within the framework of the International Comparative Social Enterprise Models—ICSEM—Project, which aims to compare global social enterprise models and their respective institutionalisation processes. International comparative studies of social enterprises remain limited (see Kerlin 2009; Borzaga et al. 2008; Defourny & Nyssens 2010; Rivera-Santos et al. 2014), particularly of the scale of ICSEM. Through its link to ICSEM, this paper will contribute to global knowledge about social enterprise business models, and social enterprise and innovation more broadly.

PART A - SOCIAL ENTERPRISE IN SOUTH AFRICA: HISTORY, CONTEXT AND CONCEPTS

Defining Social Enterprise in South Africa

The practitioner organisation the African Social Entrepreneurs Network (ASEN) defines social enterprises as:

“The organisations social entrepreneurs have established to put their innovations into practice. In its broadest sense social enterprise can refer to small community enterprises, co-operatives, NGOs using income generating strategies to become more sustainable, social businesses or companies that are driven by their desire to bring social or environmental change.” (ASEN 2014)

This definition is purposefully wide, and reflects the diverse landscape of social enterprise and innovation in South Africa. Other local definitions offered include that by the Social Enterprise Academy Africa (SEAA), which is both similarly broad and also recognises the environmental or wider sustainability orientation of many social enterprises:

“This is a way of doing business that makes positive social and/or environmental changes. Social enterprises believe there are other things as important as making profit. These may include working with homeless people, or young people who have problems, or helping the world’s poorest people get out of poverty. There may also be an environmental element to it, such as encouraging people to recycle. Social enterprise is a general term which covers lots of types of business, or ways of working.” (SEAA 2014)

Significantly, in this definition social enterprise is discussed both as an organisational form and as an activity, practice or “way of working” aimed at catalysing positive social and environmental change, and with particular emphasis on the needs of the most disadvantaged. Definitions of social enterprise have also been offered by donors and international supporters of social enterprise development in South Africa, e.g. the International Labour Organisation (ILO). In these cases the term social enterprise is often deployed to describe organisations...
characterised by the centrality of a social and/or environmental mission but which have a market orientation, and generate at least some of their income through trading, for instance:

“An organization that has a market orientation but exists to address a social or environmental issue.” (ILO 2011)

“Business models that provide affordable services to the world’s poorest communities, or who illustrate an environmental impact at the core of their business.” (The Bertha Foundation 2014)

As will be discussed, engagement with the social enterprise agenda by South Africa’s government remains at a relatively early stage. Yet in the Government’s 2010 Decent Work Country Programme for South Africa, developed in collaboration with the ILO, the significance of the “social economy”, including cooperative enterprises and social businesses, in national sustainable job creation is recognised. More recently, the New Growth Path Framework 2011 identifies growth in the social economy—comprising a myriad of organisation types including co-operatives, NGOs, social businesses and stokvels (informal savings schemes)—as a significant source of new jobs. The New Growth Path also highlights the need to support and foster linkages between the social economy and other sectors, e.g. the green economy; the imperative for such connections is explicitly identified in the Green Economy Accord, an outcome component of the New Growth Path framework.

Academic studies of social enterprise in South Africa have also offered definitions. For example Steinman and van Rooij (2012) distinguish between broad and narrow definitions. In the former, social enterprise is “a market-related response to a social problem”, while the latter focusses on what distinguishes social enterprise from other business forms, for example:

“A social enterprise’s primary objective is to ameliorate social problems through a financially sustainable business model, where surpluses (if any) are principally reinvested for that purpose.” (Steinman and van Rooij 2012, p. 7)

Interestingly, in their work, Steinman and van Rooij (2012) introduce the notion of a social and solidarity economy, drawing upon the work of Fonteneau et al. (2010), and which is also a terminology promoted by the ILO. In another study, Urban (2008) examines the intentions of South African students to engage in social enterprise and the skills and competencies needed for success. Urban (2008) delineates: social entrepreneurship as the process or behaviour; social entrepreneurs as the founders of the venture; and social enterprise as the outcome of social entrepreneurship. This understanding recognises social enterprise as an organisation type, but also as an activity. This delineation is similarly adopted in a recent paper by Littlewood & Holt (forthcoming) exploring the influence of environmental characteristics on the process of social entrepreneurship, social enterprises as organisations and social entrepreneurs as individuals in South Africa.

In South Africa the term social enterprise is widely deployed by practitioners, by international donors and supporters, in academic spheres, and to a limited but growing extent in policy circles. At its narrowest it is used (albeit somewhat interchangeably with social business) to describe a type of organisation that exists in the social (and solidarity) economy, but which is distinct from other types of social economy actor. Steinman and van Rooij (2012) introduce the descriptor “Social and Solidarity Economy Organisations” (SSEOS), comprising, inter alia, social enterprises, non-profit organisations in various guises (e.g. NGOs2, CBOs3, “Section 2 Non-Governmental Organisations.”
21” Companies\(^4\) etc.), and cooperatives amongst others, as an umbrella term to describe these various entities. In South Africa as elsewhere, there remains ambiguity in usage of the term social enterprise and around exactly which organisations qualify. The ASEN definition, for instance, seems to also encompass environmental enterprises, while SEAA use the term to describe “lots of types of business, or ways of working”. The important 2011 ILO study of Social Enterprises in South Africa also included co-operative case examples. The positioning and inclusion of fair trade ventures, and inclusive and wider hybrid ventures (Haigh and Hoffman 2014; Doherty et al. 2014), which balance social and economic imperatives, is also an area of debate. The use of social enterprise in its broader sense of an activity or practice is also encountered e.g. by Steinman and van Rooij (2012). However, in other instances, social entrepreneurship is preferred, e.g. by the Bertha Centre for Social Entrepreneurship and Innovation at the Graduate School of Business the University of Cape Town. In this instance, social entrepreneurship and innovation might also encompass broader phenomena like corporate “social intrapreneurship” (Hemmingway 2005), hybrid partnerships, and “shared value” or “base-of-the-pyramid” (BoP) initiatives (Porter and Kramer 2011; London and Hart 2008).

Different preferences in terminology in South Africa can perhaps be linked to varied international influences. As discussed by Kerlin (2006) and latterly Defourny and Nyssens (2010), historically, conceptions of, and research on, social enterprise/entrepreneurship in Europe (particularly continental Europe) and the US have taken place in “parallel trajectories”, with relatively few connections between them. Whilst in recent years there has been a degree of convergence, there remain significant differences, for instance around the position of cooperatives; the importance of stakeholder participation in governance; strategies and channels for social innovation diffusion (e.g. interaction with public policy in Europe vs emphasis on up-scaling through growth of the enterprise in the US); and the types of organisation considered as social enterprises (in Europe, this has been quite limited, whilst in the US, some commentators argue that a social enterprise is “any kind of organization or undertaking engaged in activities of significant social value, or in the production of goods and services with an embedded social purpose, regardless of legal form” [Austin et al. 2004, p. 25]).

In South Africa, organisations like ASEN and SEAA have built strong relationships with UK and US-based organisations like Ashoka, the Schwab Foundation for Social Entrepreneurship, and the International Centre for Social Franchising, which generally adopt a broader framing of social entrepreneurship and innovation, and in some instances give greater emphasis to the central role of social entrepreneur as a “change-maker”. Entities like the Centre for Social Entrepreneurship and the Social Economy retain closer links with the ILO and perhaps can be seen to follow the more European research tradition on social enterprise/entrepreneurship, including in terminology. Through reflection on these divergences, it might be questioned how contextually appropriate, comprehensive, or locally embedded, either of these conceptions of social enterprise/entrepreneurship is, and indeed whether philosophies like Ubuntu could be mobilised in developing a more specifically South African, or even pan-African, understanding of social enterprise/entrepreneurship.

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3 Community-Based Organisations.
4 Companies registered as associations not for gain under Section 21 of the Companies Act 1973. In 2011 the new Companies Act (2008) was made law which created a new category of company, the Non Profit Company (NPC), with previously registered Section 21 Companies becoming NPCs.
The Emergence of Social Enterprise in South Africa

As highlighted at the start of this paper, social enterprise has quite a long history in South Africa. The US Ashoka Foundation first established offices in the country in 1991, but long before that, in 1892 already, South Africa’s first cooperative had been formed in Pietermaritzburg. In addition, during the apartheid period South Africa developed a strong civil society and social economy, with varied organisations and actors united in their opposition to apartheid. Table 1 provides an overview of some key events in the emergence of social enterprise and the wider social economy in South Africa.

<table>
<thead>
<tr>
<th>Year</th>
<th>Key events</th>
</tr>
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<tbody>
<tr>
<td>1892</td>
<td>Founding of the Pietermaritzburg Consumers Cooperative.</td>
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<tr>
<td>1900s</td>
<td>National Cooperatives Dairies Limited founded in Natal; promotion and emergence of black cooperatives in South Africa.</td>
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<tr>
<td>1966</td>
<td>Apartheid declared crime against humanity by UN. International donors look for credible local agencies to channel funding and begin to provide support for civil society organisations.</td>
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<tr>
<td>1970s</td>
<td>Growth of civics as local associations campaigning around local material issues (e.g. better service delivery and more affordable rents) and wider political issues (overthrow of municipal and national apartheid).</td>
</tr>
<tr>
<td>1980s</td>
<td>Cooperatives in agricultural sector quite developed; trade union cooperatives emerge in resistance to retrenchments; NGOs and non-profits engaging in social enterprise activity.</td>
</tr>
<tr>
<td>1983</td>
<td>Civic associations aligned with the African National Congress (ANC) form United Democratic Front (UDF); proliferation of civics in following years.</td>
</tr>
<tr>
<td>1991</td>
<td>Ashoka Foundation opens offices in South Africa; UDF disbanded.</td>
</tr>
<tr>
<td>1996/1997</td>
<td>South Africa Constitution drafted and takes effect.</td>
</tr>
<tr>
<td>1997-1999</td>
<td>National Lotteries Act (Act No. 57 of 1997), National Lotteries Board, National Lottery Distribution Trust Fund (NLDTF) distribute proceeds to good causes e.g. civil society actors.</td>
</tr>
<tr>
<td>2001</td>
<td>PhytoTrade Africa formed.</td>
</tr>
<tr>
<td>2009</td>
<td>African Social Entrepreneurs Network (ASEN) created. ILO commences research study on social enterprise in South Africa. UnLtd South Africa created.</td>
</tr>
<tr>
<td>2010</td>
<td>Centre for Social Entrepreneurship and the Social Economy founded at the University of Johannesburg; Gordon Institute of Business Science (GIBS) launches Social Entrepreneurship Certificate Programme (SECP), the first of its kind in Africa; South African government New Growth Path Framework.</td>
</tr>
<tr>
<td>2011</td>
<td>Bertha Centre for Social Innovation and Entrepreneurship launched at the University of Cape Town; Social Enterprise World Forum, Johannesburg.</td>
</tr>
<tr>
<td>2012</td>
<td>Social Enterprise Academy Africa formed.</td>
</tr>
<tr>
<td>2014</td>
<td>ImpactHub Johannesburg launches Social Impact Accelerator</td>
</tr>
</tbody>
</table>
Research on Social enterprise in South Africa

There is a burgeoning body of academic and practitioner work exploring social enterprise in South Africa. There are also increasing instances of practitioner and academic collaboration. For example, the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town is dedicated to research, teaching, dialogue and the support of social innovations, and to achieve this, it has developed strong reciprocal relationships with local social enterprises and entrepreneurs (UCT 2014). Research on non-profits, cooperatives, and the wider social economy in South Africa is not new, though; for example, there is significant historical work on civics and wider civil society in South Africa during and after apartheid (Shubane 1992; Glaser 1997; Heller & Libhongo 2001; Zuern 2001), and studies of cooperatives (Binns & Nel 1999; Philip 2003). However, more explicit engagement with the social enterprise agenda, and the use of terminology like social enterprise and innovation, is a relatively recent phenomenon. Work by Urban (2008), who considered the landscape and context for social entrepreneurship in South Africa, with particular focus on the skills, competencies and characteristics of successful social entrepreneurs, and the intentions of South African students to engage in social entrepreneurship activity, was a forerunner in this space. Prior to this, where South African social enterprises had been discussed in academic literature, it was often as part of a review of international cases; for instance in the work of Thompson & Doherty (2006) where the social enterprise “Play Pumps” is considered.

In 2009 researchers at the University of Johannesburg, with support from the International Labour Organisation (ILO) and Belgian government, began a large-scale study of social enterprise in South Africa. This study involved case study work with 24 South African social enterprises, examining: their business models, including the products or services they offer, their business form, target market, and replicability; their backgrounds and history; and the challenges they had faced in growing, with an emphasis on best practice learning. From this research, various reports were produced, addressing themes like creating an enabling policy environment for social enterprise development (Steinman 2010) and measuring the impacts of social enterprises (Fonteneau 2011); various tools, guides and training materials were also developed for social enterprises in South Africa. Building upon this research programme, the Centre for Social Entrepreneurship and the Social Economy was founded at the University of Johannesburg, which also hosted the Social Enterprise World Forum in 2011.

Research on social enterprise and the wider “social and solidarity economy”, including South Africa’s cooperative sector, has continued to emerge, building upon this early foundation (see Steinman & van Rooij 2012). Other recent academic studies include work by Karanda and Toledano (2012) who deploy a narrative lens to discuss social entrepreneurship in South Africa, reflecting on how the meaning of “social” changes and is re-interpreted in South African and wider developing world environments, as well as the challenges social entrepreneurship faces in Africa. Adopting a broader social innovation lens might also bring in studies like Hamann et al. (2011), who draw upon the case of the Southern African Food Lab and consider innovative multi-stakeholder initiatives for addressing food insecurity. Similarly, a recent collected volume by Hamann et al. (2015) examines social and environmental innovation in South Africa and across the African continent more broadly. Finally, a recent article by Littlewood and Holt (forthcoming) considers, in the South African context, the influence of environmental characteristics on the process of social entrepreneurship, on social enterprise organisations, and on social entrepreneurs, drawing upon new institutional theories and the writing of Gartner (1985) as a framework for discussions and analysis.
Finally academic research on social enterprise in South Africa can also be supplemented by practitioner literature, for example Fury (2010), who discusses social enterprise development in South Africa and potential opportunities to create a virtuous cycle of investment, start-up and social impact. Meldrum (2011) meanwhile considers social impact measurement, and the applicability of European approaches and knowledge to African contexts with reference to social innovation and enterprises in the Western Cape. Practitioner-based organisations like SEAA, ASEN and UnLtd South Africa are also producing a range of training and education materials for social entrepreneurs.

**PART B – IDENTIFICATION OF SOCIAL ENTERPRISE MODELS**

**Classifying social enterprise models – A stakeholder approach**

South Africa boasts a large, vibrant and diverse social economy. According to the 2012 Annual Report of South Africa’s Department for Social Development, there are 90,967 registered Non-Profit Organisations in the country, and a large number of unregistered NPOs in the informal economy; for example, Jankelowitz (2007) estimates this number at around 50,000. Similarly, Steinman and van Rooij (2012), using data from a Department of Trade and Industry 2010 baseline survey, suggested that there were 22,030 registered cooperatives in South Africa, although only 2,644 were recorded as active, illustrating the problem of the high mortality rate for South African cooperatives. Nevertheless, there remains much about South Africa’s social economy that we still do not know, with existing information often considered unreliable (Steinman & van Rooij 2012; COCSRMI 2012).

This size and diversity of the social economy makes the identification and categorising of social enterprise models a difficult task. In their discussion of South Africa’s civil society, Steinman and van Rooij (2012) identify three main groupings of social and solidarity economy organisations (SSEOS): (1) Non-profit organisations (including NGOs, CBOs, associations, Faith-Based Organisations, Section 21 Companies, Trusts and any other not-for-profit voluntary associations), with these non-profits becoming more “enterprising” (after Dees 1998) in order to survive; (2) Co-operatives, as a type of social enterprise (including agricultural co-operatives, insurance co-operatives, savings and credit co-operatives, distribution co-operatives, worker-owned co-operatives, housing co-operatives, etc.), with a suggested separation of worker-owned and user-owned co-operatives (Phillip 2003); (3) Social Enterprises, describing organisations whose primary objective is the amelioration of social problems through a financially sustainable business model, where surpluses (if there are any) are principally reinvested for that purpose; within such organisations, there is the potential for some limited private equity ownership.

While we find considerable merit in Steinman and van Rooij’s (2012) typology, in this paper we adopt a different approach to categorising social enterprise models in South Africa, drawing particularly on stakeholder theory (Freeman 1984). Our approach is informed by a broad understanding of what social enterprise and wider social innovation are. For example, drawing upon the definitions of social enterprise offered by ASEN and SEAA and discussed in Part (A), e.g. social enterprise as “a way of doing business that makes positive social and/or environmental change”, we also incorporate the environment as a stakeholder affected by social enterprise activity. This approach allows us to better include environmental enterprises in our typology. We also acknowledge that social enterprises in South Africa, and globally, often have quite complex operating models with multiple structures, and that they frequently work in strategic partnerships with other actors, including other social enterprises, not-for-profits (NFPs), for-profit enterprises and even the state. Our approach reflects this
heterogeneity and hybridity. Drawing upon extant academic and practitioner literatures, and our fieldwork for this research, we first identify eight principal groupings of potential social enterprise stakeholders:

1. Employees – the employees of the social enterprise;
2. Customers – individuals and households that purchase products or services from social enterprises;
3. Owners – the owners, shareholders or members of hybrid organisations;
4. Communities - wider community members affected by social enterprise activity;
5. Producers - producers of primary commodities or products utilised or sold by social enterprises;
6. Distributors - SME and micro entrepreneurs selling social enterprise products or involved in distribution;
7. Service Users - recipients of services or support provided by social enterprises;
8. Environment – the natural environment, comprising biotic (plants and animals) and abiotic components (land, climate, water).

Figure 1: Stakeholder groups targeted by social enterprises
These eight stakeholder groups (illustrated by Figure 1) are used as a framework for classifying social enterprise models based on the stakeholders they target in their social mission and their social/environmental value-creating activities. This focus on the stakeholder group, or groups, which social enterprises target in their social mission broadly relates to the “social mission” indicator identified by the EMES criteria.

However, whilst our typology engages particularly with the social mission indicator aspect, it also addresses the “economic project” and “participatory governance” dimensions of the EMES approach. In relation to the economic project dimension, the requirement to engage in some form of trading activity is used as a key boundary condition differentiating social enterprises from charities. Social enterprise models are then also further differentiated between those that are more commercial social enterprises (where a majority of income is gained from trading) and those that are less commercial social enterprises (where income generation through trading is in the minority). In relation to the third EMES dimension, namely participation in governance, we again distinguish between those that are more participatory social enterprises (e.g. a co-operative or member association) and those that are less participatory social enterprises (e.g. an owner-run environmental enterprise).

We do not suggest that this framework and approach is without its limitations and ambiguities. First, the indicator of participatory governance and the extent to which a social enterprise demonstrates participatory governance can be difficult to assess and therefore to use to categorise ventures. Also, even where the necessary structures and mechanisms for participation exist, meaningful participation may not be realised in the lived experiences of a social enterprise’s internal and external stakeholders. Secondly, social enterprises are dynamic, evolving organisations, rather than being frozen in time. Social enterprises may, over a given period, develop to become more commercial in their approach to income generation, either by design or as a result of “mission drift”. Similarly, social enterprises may win a large donor grant, which might significantly change the nature of their economic project. In terms of the stakeholders that social enterprises target through their missions and social-value creating activities, this can also change and reconfigure, based on changing funding regimes, leadership priorities, opportunities, local environment conditions, and through entering into partnerships. Finally, and perhaps unavoidably, the framework does potentially identify a large number of social enterprise models. However, this is perhaps no bad thing, given the size and diversity of South Africa’s social economy. In this paper we make a start at mapping social enterprise models in South Africa. However, we do not claim our attempts as definitive, and focus more on providing insights, and a potential framework and tools for undertaking this shared venture.

Simple Social Enterprise Models

We identify simple social enterprise models as those where organisations target in their social missions up to four of the stakeholder groups outlined in Figure 1. These social enterprises are standalone organisations that aim to create social and/or environmental value for a relatively small number of stakeholder groups, have varying governance approaches (e.g. some are more or less participatory), and are to greater and lesser extents commercial. An example of this type of social enterprise in a South African context is Proudly Macassar Pottery (PMP). PMP was founded in 2010 and is based in the Macassar township (a community struggling with significant social issues, e.g. unemployment, criminality, substance abuse etc.) in the Western Cape. This social enterprise uses music and the production of clay drums and flutes as a medium to connect with young people from the community, to whom it provides pottery skills.
training, business opportunities, advice and support, all with the aim of empowering them to develop more positive and sustainable lifestyles. Figure 2 describes the principal stakeholders targeted by PMP. At the time of our research PMP would fall within the more commercial grouping, whilst beneficiary involvement was evolving and would be classified as less participatory.

Parallels might be drawn between the mission of PMP and that of Work Integration Social Enterprise (WISE) models seen in a more European context. Both aim to provide employment opportunities and support for particularly marginalised and disadvantaged groups. Unfortunately in South Africa this need is widespread, with unemployment a chronic problem and with particularly high levels amongst young people (NY Times 2013). The challenge of unemployment and limitations in South Africa’s national skills base have also been acknowledged by South Africa’s government and is a key strand in policy, e.g. in the New Growth Path. Reflecting these environmental factors, sustainable job creation and skills training are significant areas of activity for many South African social enterprises—examples include the social enterprises Umtha Jewellery, Taunina and the Glass Studio Trust.
A further example of a simple social enterprise model whose mission might also be described as work integration is the Khayelitsha Cookie Company (KCC). The KCC is a social enterprise based in Cape Town which produces handmade cookies whilst employing previously unemployed and disadvantaged women from Khayelitsha, a township community with significant social problems. KCC trains them, providing them with a skill and permanent affirming employment, whilst also paying a fair wage and supporting career development and progression internally and externally. Staff have a 30% shareholding with dividends generated given over for disbursement. As illustrated in Figure 3, the stakeholders targeted by KCC are quite similar to those of PMP and the organisation would also be classified as more commercial. Similarly, in the case of the KCC, participation in governance is still developing.

**Figure 3: More Commercial Simple Social Enterprise Model:**

*The Khayelitsha Cookie Company*

An example of a simple social enterprise model which could be considered less commercial and more participatory is the Depororo community garden and agricultural cooperative, based in Soweto, near Johannesburg. Depororo has established community vegetable gardens in local schools which are tended by its members. The vegetables grown in these gardens are then divided between cooperative members and the schools involved. Depororo members also manage their own back garden vegetables patches as a source of extra food and income. The formalisation of the Depororo Cooperative was supported by the Skills Village social enterprise, which is itself also a cooperative. Figure 4 illustrates the stakeholder groups targeted by Depororo. While Depororo is now formalised, its activities are also significantly located in the informal economy, which remains an important facet of social enterprise activity in South Africa and wider developing world contexts.
Simple social enterprises come in various legal forms; for example, Depororo is a cooperative whilst the KCC is registered as a closed corporation. South Africa does not yet have a dedicated legal form for social enterprises, such as the Community Interest Companies (CICs) in the UK, for example. They also target a range of stakeholders in their operating models. The social enterprise Craft South Africa, for example, targets craft producers, providing them with mentoring, business skills and product development training. Some much larger fair trade ventures might also fall within the simple social enterprise model grouping. For example, employees of the Stellar Organic Winery have a 26% shareholding in the business, with dividends donated to local charitable causes; employees are also paid a fair wage and enjoy favourable living and working conditions. The “organic” status of this example also means that its key targeted stakeholders include the environment. Such fair trade ventures tend to be more commercial in their orientation but perhaps with less participatory governance.

As discussed previously, our definition of social enterprise is broad, also encompassing organisations with a more environmental mission. Many “environmental enterprises” are found within the simple social enterprise model grouping. Some of these may combine this environmental mission with a focus on creating social value for other stakeholder groups. However, in other instances, the focus is mostly on the environment. Examples of the former include: Earth Innovations, which provides training in sustainable natural resource use and organic agriculture for small-scale rural farmers; Paper4human kind, which aims to further the handmade paper industry in South Africa and globally whilst also supporting employee skills development and informal economy distributors; and Allwomen Recycling, which aims to
support the environment while empowering women through the production of eco-friendly gift boxes made from recycled materials. Examples of the latter include the company Mother Nature Products, which manufactures and sells green baby products, and Postwink, a supplier of recycle bins and services. However, even in these organisations of the second type, there is often some explicit or implicit recognition of the imperative for social value creation. For instance, Carbon Calculated works with public and private sector organisations to track their carbon and wider greenhouse gas emissions, and donates 10% of its pre-tax profits to charitable causes.

Like other social enterprise models in South Africa, these more environmentally oriented social enterprise models may be more and less commercial and also more and less participatory in their governance. Given the diversity and large number of these organisations in South Africa, further methods of classification might be considered. For instance, they could be further differentiated on the basis of the biotic (plants and animals) and abiotic components (land, climate, water) they target. Littlewood and Holt (2015) also introduce a taxonomy for environmental enterprise classification (see Figure 5) on the basis of trading and non-trading income (e.g. commercial and non-commercial), and the extent to which trading is mission or non-mission related.

**Figure 5: Taxonomy for classifying environmental enterprises (Littlewood and Holt, 2015)**

![Taxonomy for classifying environmental enterprises](image)

The extent to which trading is mission or non-mission related has also been considered in the wider social enterprise literature. For example, enterprising NFP models, which are historically quite prevalent in the USA, where NFPs have diversified their income streams by establishing separate trading arms (Kerlin 2006), are compared to WISE models in Europe, where the social mission of helping particularly vulnerable and disadvantaged people to find and stay in employment is integrated into trading activity.
Advanced Social Enterprise Models

Advanced social enterprise models are those targeting more than four stakeholder groups. As with simple models, they may be more or less participatory and more or less commercial. Often, in order to address the needs of so many different stakeholder groups, these social enterprises must enter into partnerships with other social enterprises, charities, public or private sector actors, and in some instances multiple partnerships. These more Complex Models and arrangements will be discussed in the following section. However, there are still some social enterprises and social enterprise models that remain relatively discrete and yet target a wide variety of stakeholder groups. An example of this might be the African Co-operative Action Trust (ACAT), which undertakes work in a range of areas, including sustainable agriculture, entrepreneurial development and Adult Basic Education and Training (ABET). Although even in this instance, ACAT suggests on its website that it is actively seeking to establish formal and informal partnerships with other organisations to add value and further enhance its impacts.

Complex Social Enterprise Models

Complex Social Enterprise Models are those where social enterprises establish multiple interlinked organisations, sometimes with different legal forms—e.g. a not-for-profit (NFP) organisation establishing a for-profit company to generate additional income, or a for-profit company establishing a NFP organisation to funnel its surpluses into community development or advocacy. Whilst these organisations might be legally separate, in practice they operate collaboratively, sharing resources, and often also knowledge, staff etc. An example of a more commercial social enterprise in South Africa that has established a complementary NFP is Shonaquip.

Shonaquip is a social enterprise dedicated to building innovative and sustainable service delivery systems and mobility devices in order to improve accessibility and quality of life for people living with disabilities in under-resourced and rural regions in Africa. Shonaquip is a community needs-driven company; to achieve its aims, it works alongside Uhambo the Shonaquip Foundation. Shonaquip designs, manufactures and sells body support equipment and other customised devices for wheelchair users. Shonaquip also provides clinical services, as well as professional and clinical training for therapists, rehabilitation workers, wheelchair users and their care providers and families. Since its inception, Shonaquip has helped more than 65,000 people in need of wheelchairs. Uhambo the Shonaquip Foundation meanwhile is a registered Section 21 Company (now known as “Non-Profit Companies” in South Africa). Uhambo was created in 2010, born out of the need for a non-profit organisation to tackle national disability policy issues in South Africa, as well as addressing care-giver education and post-fitment support. Figure 6 illustrates this business model and the stakeholders Shonaquip and Uhambo target.
Another example of a social enterprise that is more commercial and that has established a NFP affiliate is SunFire Solutions. Founded in 2004, SunFire Solutions is a solar cooker company based in Johannesburg that aims to supply high-quality, low-maintenance effective decentralised solar technologies to improve the lives of millions of Africans currently without energy, as well as serving grid-connected households, cutting their energy bills and encouraging green energy use. SunFire Solutions also sells wider solar energy products and more fuel-efficient wood burning stoves. SunFire Solutions has both a strong social and environmental mission; the former is enhanced by the activities of the NFP Solar Cookers for Africa, which is active in South Africa and wider countries across Southern and Eastern Africa. Figure 7 describes SunFire Solutions business model and relationship with Solar Cookers for Africa. Conceived in relation to the typology introduced in Figure 5, SunFire Solutions might be considered as a mission-centric ecopreneurial enterprise. Social enterprise models utilising solar and wider sustainable energy technologies and simultaneously pursuing a social and environmental mission are increasingly prevalent in South Africa and across sub-Saharan Africa; for wider examples, see inter alia Elephant Energy in Namibia and Botswana, Toughstuff Solar in various countries, EcoFinder Kenya in Kenya, and SolarAid in Zambia, Kenya, Malawi and Tanzania. Often these social enterprises train and support local solar entrepreneurs to establish businesses and develop livelihoods trading or renting solar lights.

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**Figure 6: Complex Social Enterprise Model:**
Shonaquip and Uhambo, the Shonaquip Foundation

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**Figure 7:** SunFire Solutions business model and relationship with Solar Cookers for Africa.
An example of a NFP social enterprise that has established a for-profit trading arm to generate income and ensure sustainability is Project Gateway, a church-based organisation working in the fields of empowerment, education and care. Project Gateway was established in 1992; the Gateway Enterprise Trust—of which the sole beneficiary is Project Gateway—was created in the year 2000. Under the umbrella of the Gateway Enterprise Trust are the enterprises Zandla Expressions, the Old Prison Café and the profit-making Issachar Trust. Project Gateway as a whole illustrates just how complex social enterprises in South Africa can become as well as the developed nature of many social enterprises in the country, belying its “emerging economy” status. It should finally be noted that, in complex models, NFP social enterprises may also establish affiliate NFPs for specific project purposes, whilst more commercial social enterprises may also extend their activities through the creation of another similarly commercial entity, as illustrated by the social enterprise Sani Lodge Backpackers and its sister company, Drakensberg Adventures Tours, both of which engage in eco and fair trade tourism.

**Partnership Social Enterprise Models**

Partnership social enterprise models are those where social enterprises engage in long-term partnerships with state, for-profit and other not-for-profit actors to achieve their social missions and create value for stakeholders. Partnership models are about more than donating funds, providing technical support (e.g. staff volunteering) or product purchasing, and often involve strategic collaboration from the start of a venture. They are distinguished from complex social enterprise models on the basis that they involve two or more discrete organisations coming together to create a new joint venture, or collaborating on a long-term initiative or
programme. As with the other social enterprise models, they may be more or less participatory and more or less commercial, although their complex nature may mean that different components of their model have different characteristics.

An example of a partnership social enterprise model in South Africa is The Feel Good Project (TFGP), a corporate social investment joint venture between The Foschini Group and the social enterprise Learn to Earn. TFGP aims to be financially sustainable whilst training and developing as many unemployed people as possible for the retail market. TFGP is a Section 21 Not-for-Profit Company; it opened its first “feel good store” in Claremont Central Business District in May 2009. The store stocks reconditioned customer returns, limited samples, rejects and overruns from various Foschini brands. Through the feel good store, previously unemployed people are given the chance to gain training and experience relevant to the retail supply chain. Some trainees gain experience and skills through working in the store, whilst at a repair centre in Khayelitsha, other trainees have been taught how to repair and mend clothes and have learnt about clothes finishing processes. Figure 8 illustrates this partnership social enterprise model.

**Figure 8: Partnership Social Enterprise Model:**
TFGP, a partnership between Learn to Earn and The Foschini Group

Other examples of partnership social enterprise models include the Skills Village 2030. At one level, the Skills Village is a secondary co-operative established in 2011. However, it is also a series of interconnected physical spaces centred on a section of the Frere Road in Johannesburg where cooperatives, businesses, individuals and communities come together to work, collaborate and showcase what they do. In the Western Cape province, the Oude Molen
Eco Village similarly comprises a range of interconnected businesses and livelihood-generating projects and activities that work together for the collective good of the Village. In Cape Town, Township Patterns is a dynamic social enterprise with for-profit and non-profit components, working with a network of 5 worker-owned sewing co-operatives and supporting around 50 women and their families.

From our research we identify four principal categories of social enterprise model: (1) Simple; (2) Advanced; (3) Complex; (4) Partnership. We recognise the potential for significant variance within these categories in relation to the stakeholders targeted, but also the extent to which social enterprises are more or less commercial, and more or less participatory in their governance. Across these models social enterprises may exist in a variety of legal forms, such as simple cooperatives, for-profit and not-for-profit organisations. However, more broadly, we think that characteristics of the “environment” (Rivera-Santos et al. 2014; Littlewood & Holt, forthcoming) within which social enterprises operate (e.g. South African institutional and contextual dimensions) also influence characteristics like: the social enterprises’ social and/or environmental missions; the nature of the opportunities they pursue; their legal structures; their funding regimes etc. These will be explored in the final section (Part C).

PART C - INSTITUTIONAL AND CONTEXTUAL TRAJECTORIES OF THE MAIN SE MODELS

The influence of environmental characteristics on social enterprises is identified in the literature as an important area for further inquiry (Baq & Janssen 2008; Di Domenicio et al. 2010; Rivera-Santos et al. 2014). The following discussions focus on how dimensions of the South African environment inform the economic projects, social missions, governance and wider business models of social enterprises in the country.

Steinman and van Rooij (2012) describe South Africa’s policy environment for social enterprise as enabling but with numerous problems at the level of implementation and with a need for greater dialogue between key actors. The creation of an enabling legislative environment for social enterprise growth and development in South Africa is also considered by Fury (2010), who focuses particularly on the potential of Broad-Based Black Economic Empowerment (B-BBEE) legislation and policies to create a virtuous cycle of investment, start-up and social impact. Building upon the large-scale ILO study of social enterprise in South Africa, carried out in 2011, a number of tools, guides and training materials have also been developed, addressing themes like measuring social enterprise impact (Fonteneau 2011), legal forms for social enterprises in South Africa (LRC 2011) and creating a policy environment for social enterprise development (Steinman 2010). As discussed in a 2011 report by the Legal Resource Centre, social enterprises in South Africa come in a variety of legal forms, with three principal groupings identified: (1) non-profit entities, like Voluntary Associations, Trusts, Section 21 Companies (Non-Profit Companies); (2) for-profit entities, like Co-operatives, Private Companies, Closed Corporations; and (3) hybrids, where social enterprises divide their aims, objectives and activities between two or more legal entities, e.g. combining a for-profit entity such as a co-operative or a private company with a not-for-profit one such as a voluntary association, trust or non-profit company. In terms of the groups of social enterprise models introduced in Part B, social enterprises belonging to the Simple and Advanced models may adopt both for-profit and non-profit legal forms, whilst Complex social enterprise models are associated with hybrids. In the case of Partnership models, the various actors involved may have for-profit and non-profit legal statuses, as can any joint ventures between them. For example, the Feel Good Project is a standalone Section 21/Non-Profit Company, and overall
again reflects a more hybrid approach. Unlike what is the case in other countries (the UK with its CICs, and the US with its B-Corps, for example), there is no specialised legal form for social enterprises in South Africa; this absence is identified as an obstacle to social enterprise up-scaling and the social enterprise sector’s development (Steinman & van Rooij 2012).

Varied legislation can be identified as important in informing social enterprises, their activities, and the wider social economy in South Africa. This includes: legislation relating to non-profits, like the Non-profit Organisations Act (1997), the Taxation Amendment Act (2000) and the National lotteries Act (1997), which created the National Lottery Distribution Trust Fund (NLDTF) to support national good causes; legislation relating to cooperatives, including the Co-operatives Act (2005) and it subsequent amendments, and the cooperative regulations (2007); wider business legislation, e.g. the Companies Act 2008; and transformation and empowerment legislation, like the Black Economic Empowerment Act (2003) and its recent amendments. A range of policies are also significant in informing social enterprise in South Africa, including the Co-operative Development Policy for South Africa (2004), and the New Growth Path (2011), with it accords on National Skills, Basic Education, Local Procurement and the Green Economy.

As noted by Littlewood and Holt (forthcoming), Steinman and van Rooij (2012) and Fury (2010), South Africa’s B-BBEE legislation creates significant income-generating opportunities for social enterprises. The National Black Economic Empowerment Act (2003) and recent amendments to it provide for South Africa’s government to issue “Codes of Good Practice” in relation to B-BBEE. These codes then form the basis for the creation of a generic scorecard against which B-BBEE performance can be assessed. Originally there were seven elements to the codes, but in recent changes these elements have been consolidated into five; these are: (1) Ownership; (2) Management Control; (3) Skills Development; (4) Enterprise and Supplier Development; (5) Socio-economic Development. A company’s contribution to transformation is measured according to these five variably weighted components, with each company setting its own targets and measuring progress internally and/or through an external independent party. Based upon their overall B-BBEE performance, companies achieve a B-BBEE status from Level One to Level Eight (Level One is the highest B-BBEE contributor level). Whilst participation with B-BBEE is voluntary, engagement with it is a requirement for public sector contracts, and a criterion used in decision making when allocating such contracts. A further business case rationale for companies engaging with B-BEEE exists in relation to business to business transactions, with companies more likely to do business with other companies that have engaged with B-BBEE in order to further enhance their own B-BBEE status. Finally, there are tax incentives for companies that engage in B-BBEE Socio-economic Development activities and procurement.

South Africa’s B-BBEE legislation and scorecard incentivises corporate engagement with local SMEs but particularly with social enterprises. Social enterprises in South Africa are often strong in black management control and ownership, and have a significant focus on skills development and training. Procuring from, investing in, and supporting social enterprises and wider social ventures through philanthropy can also significantly benefit larger businesses in meeting their B-BBEE targets, and thereby retain and secure legitimacy with key stakeholders. Indeed, companies can amass cumulative B-BBEE points by providing enterprise and supplier development support to a social enterprise that has high levels of black ownership, management control, and which invests heavily in training and skills development. These companies can then also procure from that social enterprise. Social enterprises in South Africa are recognising these emerging opportunities for engagement with the corporate sector, not only in the form of funding, but also material assistance (e.g. infrastructure and equipment,
capacity-building training and expert volunteer support, and as suppliers and customers for their products). Some social enterprises are entering into more long-term strategic partnerships with corporations (as illustrated by Learn to Earn and the FGP, mentioned above).

It should be cautioned however that whilst there is significant evidence of positive relationships developing as a result of B-BBEE legislation, there remain issues. For instance the ILO (2011) and Steinman and Van Rooij (2012) report that the interpretation of the B-BBEE codes by accreditation agencies remains a problem, as the interpretation of the codes excludes NPOs (and thus many social enterprises). It could also be argued that there is a danger of “mission drift” if social enterprises become overly fixated on gaining access to B-BBEE-related funding and opportunities, with potential asymmetries of power in relationships with corporate actors. Social enterprises should also be mindful of those social and environmental issues that are not covered as part of the B-BBEE agenda (such as e.g. environmental sustainability or HIV/AIDS), and avoid them being overlooked or neglected.

The 2005 Cooperatives Act spurred on significant growth in South Africa’s cooperative sector. However, whilst cooperative registration in South Africa was high, so was cooperative mortality, with commentators perceiving that the motivation for founding cooperatives in many cases was to access the government incentive scheme, with limited consideration by the founders of long-term sustainability and growth (Steinman & Van Rooij 2012). Other factors identified as contributing to high cooperative mortality include: a gender bias and focus on old women (e.g. Gogo Grannies; see Steinman & Van Rooij 2012); cooperative development activities often targeting the unemployed and particularly marginalised groups, who may lack the necessary skills to make the cooperatives work; inadequate training for members; and conflicts amongst co-operative members. In 2013 amendments were made to the Co-operatives Act (2005) which aimed to provide: greater oversight (the Co-operatives Development Agency); improved structure (the Act provides for the registration of the following forms of co-operative: primary, secondary, tertiary/apex; it also identifies various kinds of co-operative including housing co-operatives, social co-operatives, worker co-operatives, financial services co-operative etc.); and support for co-operatives (e.g. training and education) to the sector. Whilst the original Co-operatives Act (2005) created significant opportunities for co-operative social enterprises to undertake government procurement contracts, there were also problems in its implementation (e.g. cooperatives lacking the capacity to fulfil contracts). Latterly private sector actors are also being encouraged to engage with the co-operative economy in their procurement, although capacity may again prove a stumbling block.

As discussed at the start of this paper South Africa faces significant sustainable development challenges, including: high levels of unemployment, particularly amongst young people; a low national skills base; and a large proportion of its population impacted by HIV/AIDS. These contextual challenges are reflected in national policy priorities, such as the focus of the New Growth Path Framework on tackling joblessness and inequality, with sustainable job creation a national priority. This emphasis, and opportunities related to it—like the South African Government’s Jobs Fund, established in 2011—are also important factors informing the focus and mission of many South African social enterprises, e.g. on employment creation and training and related social issues. It is argued that contextual factors and specific institutional arrangements create a particular environment for social enterprises and their activities in South Africa, with this environment informing the nature of their social missions, their economic projects, and their approaches to governance.
CONCLUSIONS

In this paper we have sought to make a start in mapping and understanding the landscape of social enterprise in South Africa. We have identified key facets of different local social enterprise definitions, outlined the historical development of social enterprise in South Africa, and reviewed existing academic and practitioner literatures. Drawing upon stakeholder theory as a framework and focussing on the stakeholder groups social enterprises target in their social and/or environmental missions, we have explored some social enterprise models, with these grouped into four main model types: (1) Simple; (2) Advanced; (3) Complex; and (4) Partnership. Examples of these model types have been introduced, and we have discussed the potential for them to be more or less commercial in their economic projects and more or less participatory in their governance. This focus on the social mission, economic project and governance of social enterprises is broadly aligned with the approach of the ICSEM Project. Finally, we have discussed the environment informing social enterprise in South Africa, and the institutional and contextually informed trajectories of social enterprise models.

This paper contributes to research and practice. It adds to hitherto limited work on social enterprise in South Africa and wider Sub-Saharan Africa, reviewing extant studies but also introducing new cases and ideas. It proposes a stakeholder-centred approach to classifying social enterprise models, whilst also highlighting the importance of environment characteristics in shaping the nature of local social enterprise activity. This paper also identifies and reflects on strengths and weaknesses in the legislative environment for social enterprise in South Africa, providing insights for domestic and international policy makers in both developed and developing countries. Finally it aims to contribute to the wider ICSEM project and its objective of comparing social enterprise models and their respective institutionalisation processes globally.
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