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The Clash of Missions: Juxtaposing Competing Pressures in South Africa's Social Enterprises

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ABSTRACT

Social enterprises seek critical resources to fulfill their mission in a defined domain of action. However, this quest also constitutes a distraction that complicates the operations of any social enterprise. By analyzing the logic of control versus the logic of empowerment for operating scenarios in South Africa, we examine the process trade-offs that enhance or limit social impact. Our findings prioritize efficiency in resolving process trade-offs, since the focus on value creation diminishes the replenishment cycle for value capture. We propose that value chain processes be controlled to the extent that the enterprise acts as a custodian of community empowerment for its target beneficiaries.

KEY WORDS: Social enterprise, Africa, impact, trade-offs, empowerment

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 (DiMaggio and Powell 1991, Aldrich 2008, 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 are themed around education, health, enterprise development, children and youth, rural development and environment among others (Zikou, Gatzioufa and Sarri 2011). These activities are usually carried out in areas with unequal opportunities for access. They have become important mostly because of the declining provision of essential services arising from the failure of states, institutions and markets; and the challenge for communities to be more self-reliant (Kuratko 2005, Mulgan 2006, Zahra *et. al*, 2008). Social enterprises (SEs) 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, SEs 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

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management systems, quality standards and marketing in order to win such contracts (Smallbone *et al* 2001, Pearce 2003, Emerson 2006, Nicholls 2006). Jiao (2011) notes that traditional non-profits are adopting business principles to improve efficiency under resource constraints, while the increasing awareness about social responsibility is also driving partnerships between corporations and organizations with social missions. This new blend of values, methods and partnerships 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 SEs 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).

Gaps currently exist in our understanding of how interaction between the primary social purpose and commercial activity affects process decisions in the enterprise (Hines 2005). These knowledge gaps have made it rather complicated to define the boundaries of a social enterprise for the purpose of establishing the appropriate process configurations. Broad definitions framed around "entrepreneurial activities with social goals" are probably more helpful at this stage of concept development (Certo and Miller 2008). For example, Mair and Marti (2006) focus on the aspect of introducing new ways to combine resources for creating value. They then clarify that the resource combinations are primarily intended to create social value by stimulating social change or by meeting social needs. Martin and Osberg (2007) as well as Tan, Williams and Tan (2005) take a similar approach – beginning with "entrepreneurship" and qualifying it with "social". Consistent with Abu-Saifan (2012), SEs focus on an explicit social goal in their entrepreneurial activities, whatever those might be, while creating a robust financial model.

To examine what processes are critical for success in this dual context, it must be recognized that the domain of action for social enterprises is distinct from commercial enterprises in that the former seek opportunities to *create* value without regard for the potential to *capture* value (Santos 2012). The processes that create value in the commercial enterprise have a built in loop to capture value, whereas the enterprise model of a social enterprise is basically geared toward creating value. This implies that while the financial model is generally strengthened over time in a commercial enterprise, the financial model is rather burdened in a social enterprise. This juxtaposition reflects the competing pressures that influence how a SE configures its resources and processes to sustainably fulfill its primary social mission. Our aim in this study is to clarify how SEs manage this implicit duality as they seek to create social value. Santos (2012) presents 4 propositions – two of which are of interest in this study: (i) the distinctive domain of social entrepreneurship is addressing neglected problems in society involving positive externalities, and (ii) social entrepreneurs are more likely to develop a solution built on the logic of empowerment than on the logic of control. Thus, we examine how SEs define their domain of action as part of their stated mission; and investigate how the control-empowerment trade-offs

embedded in the process design are managed for social impact in a defined domain. Short, Moss and Lumpkin (2009) observe that researchers have mainly approached social entrepreneurship with a focus on outcomes like social impact (Harding 2004, McDonald 2007), or with a focus on the process and resources used by the social enterprise to achieve those outcomes (Ma and Parish 2006, van der Scheer, 2007). In this study we considered both dimensions. We sought answers to our questions using the context of social enterprises in South Africa. South Africa is arguably the most developed country in sub-Saharan Africa, but has grappled with several societal problems (Nel and McQuaid 2002). We argue that though every country context is unique, there are some key motivations and expressions of SEs that occur almost universally. For example, the antecedents of social action discussed above (Kuratko 2005, Mulgan 2006, Zikou, Gatzioufa and Sarri 2012) are abundantly clear in South Africa: these include social burdens induced by unequal access opportunities and declining sufficiency of public services in areas like education, health, youth mobilization, and rural development. There are sufficient similarities between the work of SEs in Asia (Tan, Williams, and Tan, 2005), the Americas (Robles, 2013) and elsewhere to allow us to focus on the essential trade-offs associated with the new blend of values, methods and partnerships in social entrepreneurship even though these may emerge from a unique context. Our contribution is in identifying the nature of the trade-offs involved in pursuing a dual mission, as a basis for appropriating process designs that will deliver social impact consistently. We also illustrate how the logic of control and the logic of empowerment can intersect in the value-creating enterprise.

Study Design

This study took a three-stage approach to examining the processes and priorities of social enterprises in South Africa. Based on the lack of consensus on the definition of social enterprises, and the absence of a workable legal status, there was no credible database of social entrepreneurs in South Africa as at 2013. The African Social Entrepreneurs Network (ASEN) and other recognizable bodies are currently working to create such a database. This situation limits application of inferential methods in our study design until we can develop a dependable sampling frame. The alternative was to be very intentional about achieving representation for the various expressions of organizations with a social mission in selecting participants for this study. The purposively-selected enterprises ranged from urban start-ups to well-established rural-based organizations; enterprises funded by donations and grants to enterprises providing contract social services for large corporates. Their areas of operation included youth development, tourism development, educational initiatives, workspace creation, orphan care, job creation, and personal safety. Stage one of the study brought diverse perspectives together in a focus group discussion involving 11 leaders of these selected enterprises in Johannesburg. This focus group discussion was aimed at determining if existing SEs had clarity on their domain of action (Santos, 2012). We sought to arrive at some consensus on: defining a social enterprise,

creating a credible identity in the South African context, conceptualizing social impact, and identifying the challenges, opportunities, and key operating characteristics of social entrepreneurs in South Africa. This focus group gave sufficient voice to a range of perspectives as a way of managing potential researcher bias (Delbridge and Kirkpatrick, 1994). Through appropriate introductions and an acknowledgement of the value to society of each represented SE, we also expected to create sufficient openness to reduce the potential for participant bias in terms of misrepresenting their perspectives on the essential facts. Furthermore, we were deliberate about achieving a high level of engagement and helping them drop their defenses by having them respond to other prompts before tackling issues pertaining to their organizations. Notes were taken, and the proceedings were digitally audio-recorded and subsequently transcribed for analysis. Initial insights informed an adjustment of the interview guide that had been designed for the second stage in the study.

The second stage involved in-depth semi-structured interviews with leaders of five other social enterprises providing services for orphaned children, school sanitation, financial literacy education, and job creation. We sought to examine their enterprise models to understand the inherent process dependencies; their funding flows and the potential dissonance between priorities of funders and their social mission; their cost structure; their policy framework for program design and delivery; and opportunities for scaling their impact. For example, the questions under policies and performance included: *"What written policies do you have regarding the extent to which your beneficiaries are involved in the design and delivery of your programs?" "How do you know you are making an impact?" "How do you measure social impact?" "What other performance measures do you track (and why)?"* The interviews were similarly audio-recorded and transcribed for the purposes of data checking, coding and analysis as prescribed by Wæhrens, Cheng and Madsen (2012). We also sought to obtain performance and financial data from these organizations. Consistent with our investigation of how performance and social impact were measured, we asked them to provide us with values of those measures over the last 5 years. It must be noted here that these SEs had consented *before* their interviews to providing financial and performance data, but after several follow up enquiries we obtained very sketchy data or none at all. The SEs may have been reluctant to share more sensitive data after disclosing so much in the deeply probing interviews.

The third stage comprised accessing survey and interview data on 32 similarly selected SEs in Cape Town. The purpose of this step was to validate emerging themes related to the process trade-offs arising from implicitly pursuing disparate missions, and how managing these trade-offs affected social impact. Data analysis across the three study stages followed Yin's (2009) pattern-matching method of comparing emerging patterns with theoretical frameworks. In keeping with our research questions, the interview and discussion guides were used to establish initial codes like *"mission", "beneficiaries", "process", "policies", "costs", "funding", "performance", and "scale"*. Others like *"partnerships"* and

"sustainability" became relevant as we proceeded with the analysis. Sub-codes such as "*source:corporate*", "*source:donor*" and "*source:commerce*" were created to clarify the source of "*funding*" and help tie those with other outcomes such as "*scaling*". In this iterative process, some codes were modified. For example, a phrase was coded as "*confusion*" when during one intense debate a focus group participant asked, "so are we truly a social enterprise?" This code was changed to "*dilemmas*" later to include the frequent philosophical and implementation tensions they grappled with in pursuing their passion. Noted similarities in responses across the 3 study design stages were further analyzed to establish and check patterns. The broad areas of *"mission", "funding", "complexity",* and *"scaling*" emerged as themes for summarizing our insights. For example, the complexity theme comprised the interface between SEs and beneficiaries on the one hand, and SEs and funders on the other; the team dynamics that impact sustainable performance in the social space, and the process configuration trade-offs associated with mission and funding.

The careful selection of diverse participants, along with the collection of data from the two largest cities by population in South Africa presented valid opportunities for triangulation. As indicated earlier, we acknowledge the limitations of the study design for making generalizations, as well as the inherent biases of the methods. However, we were careful to adopt several best practices such as sharing the objectives and areas of enquiry with focus group participants as part of the invitation, and sharing the interview guide with Stage 2 participants to help then give some prior thought to their responses. Furthermore, we shared the initial write up with interview and focus group participants as prescribed by Saunders, Lewis and Thornhill (2009), and followed up by phone and email as a means to verify our representation of the facts. At each stage we implemented whatever measures were necessary to enhance the reliability of our findings.

Main Findings

This section presents findings of the study under four main emerging themes: mission, funding, complexity, and scaling. Each theme is discussed with reference to extant literature. Representative quotes from the transcripts are included where appropriate for illustrative purposes.

1. Preserving the Mission

Without exception, the participating social entrepreneurs were very passionate about their mission, and sought to see change in society beyond the scope of their own activities. There was strong consensus on defining social entrepreneurship in terms of executing the desire to create social change by employing a sustainable resource base to relentlessly address and advocate for a neglected social need.

Participant S1A: "*Social enterprise has, at its root, the desire to make sustainable change in society.*"

Participant S1R: "*… an enterprise means it has to work, but the social side of it means that there are direct benefits to the community at large.*"

Participant S2E: "*… social entrepreneurship is where the haves get down and dirty with the have-nots and they share and exchange and learn with one another. What happens in this space is extraordinary*".

Since the mission implies direct involvement by program beneficiaries in the change process, SEs must have the necessary competencies to function across social barriers in a sustainable, efficiency-enhancing manner. The general agreement among participants was that social enterprises are meant to provide a meaningful solution rather than apply temporary fixes with the view to building organizations that thrive on the recurrence of a problem (Dees 2012). For example, one enterprise considers sanitation problems as extending beyond infrastructure to education and behavior change. Thus the enterprise focuses on these aspects for sustainable change rather than just "*building the hardware*", as is the case with many sanitation providers. The SEs are mindful of the big picture. In this specific case, achieving sustainable improvements in school sanitation helps address the larger problem of adolescent girls missing several classes each month. For these social entrepreneurs, their conceptualization of social impact transcends assessing enterprise activities *per se* to mobilizing community interest and support for the change process.

Participant S2H: "*If you want to make a real impact one must look at sustainability, and often it's not just doing a one-day training intervention. It's doing ongoing and long term coaching and development of communities, and capabilities within communities.*"

Participant S1L: "*… copycats are actually good because it means you are creating a new mainstream.*"

This issue about taking a long-term view on social entrepreneurship to create a "new mainstream" raised a spirited discussion about the collaboration-competition trade off. How might SEs collaborate for efficiency while upholding the value of enterprise differentiation in a competitive space. Over 86% of Cape Town participants (CTp) agreed or strongly agreed with the statement "*our products and services are recognizably different to other offerings in the marketplace*", buttressing the perceived value of enterprise differentiation. However, differentiation also introduced problems.

Participant S1B: "*[Differentiation] leads to the silo effect. I need to differentiate myself from the next guy and in order to raise that funding, I need to be standing alone.*"

Participant S1A: "*If you came to me and said 'let's collaborate to increase impact', it wouldn't be an easy thing to do. But I think that's the challenge - to get people to let go and understand that we are doing it for the greater*

[society]." If we worked together, we could expand our impact
exponentially and use less resource doing so. Collaboration is the key."
Participant S1R: *"[At one meeting] there were 5 or 6 people working on*
HIV programs and they all worked in their little silos, and that's the trick.
But I think the way to go perhaps is to make it attractive to collaborate,
and meet in places like the HUB where people can get together and share
ideas and not feel like they are threatened by one another."

Working alone will render community-based goals elusive (Dees 2012). So if the goal is to achieve some positive externality in the community (Zikou, Gatzioufa and Sarri 2012) then the processes that enhance collaboration within the social enterprise community must be designed as such. It is interesting that the main stated processes for reaching their goals comprised some variant of pre- and post measurements, clear communication, and relationship management. These elements can be leveraged for inter-enterprise benefits. Results from the CTp buttressed the importance of relationship management and communication in that over 62% said it was either "very difficult" or "somewhat difficult" to maintain the "quality of service/product, particularly when working with third parties". Relationship management can limit or enhance impact.

Essentially, this set of findings demonstrates that the SEs in this study understood that the domain of their enterprise activities encompasses long-term social change in under-served communities; and that in seeking to fulfill their missions it was important to recognize that collaboration might be a critical tool for achieving the desired change. This view of achievement is very different from that of a purely commercial enterprise. It requires SEs to design processes with a "winning together" mentality even though they might want to compete for scarce resources. The trade-off here may be between showing quick individual outcomes to look good, and tackling the arduous task of engaging communities and other stakeholders in the envisioned change. Thus, the way a social enterprise configures its core processes is influenced by an understanding of its own domain of action, and of that of other invested actors. A communal mindset is required to preserve the social mission. Gordon (2002) indicates that managing relationships between different organizational units involves the added responsibility of pooling data, aligning processes, and integrating activities. Parvatiyar and Sheth (2001) also present a detailed process framework for managing relationships including relationship formation, governance, performance and enhancement. Using Parvatiyar and Sheth's (2000) relationship model O'Brien and Gardiner (2006) further demonstrate how stakeholders could lose significant development opportunities by not taking a relationship-based approach to event hosting. Social enterprises may want to consider such aspects in configuring processes for collaboration. A team of specialized but collaborating SEs that share elements of their social mission may potentially achieve more together in a community than if they carried out stand-alone projects.

2. Funding Enterprise Activities

Questions on funding brought several salient issues to the fore. Many participating organizations that depended on external funding did not have adequate financial resources. Seventy-two percent of CTp agreed that is was "*very hard to reinvest into the enterprise when the money is needed for survival*". This was especially the case for newer enterprises. However, 52% also disagreed that when social enterprises "*achieve financial sustainability in their organizations, it is difficult to resist the temptation of making profit the main objective*". They appeared largely committed to pursuing their original mission in spite of the challenges. They recognize the inability of many beneficiaries to pay for services even though there may be a willingness to pay if funds were available, as reported by Seelos and Mair (2005). Some that offered fee-paying services either raised funds to subsidize their fees or developed cross-subsidization models to provide services to a wider range of beneficiaries. To emphasize accountability, some had policies of not crossing over budgets – money received for a specific project was used for that project only. Others provided customized reports for each of their funders on the specific projects that were being supported. On the whole, it was deemed important to institute processes that would heighten trust with funders, even if that meant more effort.

> Participant S2A: "*Most of the time we refrain from collecting cash and we ask for donations in kind. It is easier that way because people look suspiciously at small organizations especially in relation to cash. If someone says we will give you R2,000 for tools, we thank you for that, then we bring you an invoice for the tools we need so that you can pay the supplier directly. This creates some trust between us and the donors".*
> Participant S2P: *"When we approach a donor we might say 'Patricia's the mother here with six foster children and this is how much the house is going to cost to run', and people like that. One of the reasons we've been so successful in funding is because we can give donors a specific project to fund – they feel an involvement, rather than just sort of chucking a bit of money into a whole pool of funding".*

All these speak to the creative but policy-embedded ways in which these social enterprises sought to engage stakeholders and stretch limited resources to fulfill their mission. The funding-related challenges appeared to be significantly reduced, though, for SEs that had ongoing links with large corporates.

> Participant S1B: *"The benefit I get is that by meeting the needs of my clients I also get to change the world."*
> Participant S1A: *"We service our clients with a very clear distinction between our beneficiaries and our clients. So we must be clear whether the companies are paying from a marketing budget so that the work we are doing will lift their brand even though the core of what we are doing is to make a difference."*

Participant S2J: "*Corporate training has really been the engine that's been driving the start-up capital for the community training. We have various stakeholders that are part of the value chain and want two levels of engagement. One, they need to meet their consumer education targets on an annual basis and we have to do that. But then they also want to develop their customer to a level of education, because a more financially literate customer is a better performing customer.*"

This corporate-social engagement needs to be managed carefully to ensure that the social priorities of the enterprise are met while a new normal (for example, financially literate communities) is created, from which the sponsoring institutions may benefit. Such a symbiotic relationship may be the means to give social entrepreneurship the propulsion it deserves. Again, the issue of relationship management is important here.

Conflicts were reported between the priorities of funders and the primary mission of the enterprise. Such conflicts are not unprecedented. The documented partnership between Telenor and Grameen Telecom illustrates the conflict between creating social benefits and maximizing returns (Yunus *et al* 2010). The conflict is exacerbated when the social enterprise is small relative to the partner; or when the funder is a majority financier of the social enterprise.

Participant S1L: "*If your funder becomes your main customer, you need to bend over backwards to serve the funder the entire time. You become admin focused. You often shift away from the initial intention, the DNA of what your organization is about, and you become frustrated*".

Participant S2H: "*Our corporate clients have that same vision. Their vision is often 'we need to spend to get our BEE points'. For them it's numbers and for us it's heart.*"

Participant S3A: "*Investors in South Africa haven't [understood that] it's about creating a partnership that benefits society as a whole. But investors want quick, big returns, and we don't work like that. We look for impact*" (Bergh 2013).

To provide a sense of sustainability of services, there were clear attempts to diversify the funding sources such that the largest donor might account for only about 15% of the enterprise's annual budget, for example. Under such conditions, if one funding source is lost the consequences are less likely to be devastating, and services will still continue to be offered. Similarly, to resist the pressure of shifting priorities, one enterprise gradually built an endowment fund covering 10 months of operations, and took charge of their growth options. This enabled them to reject a significant funding offer that did not align with their priorities.

Participant S2P: "*The best interests of the children come first. If you are desperate for money you will end up compromising your values or your*

sort of 5-year plan of where you're going because of the lure of the money that's out there. The children are our responsibility. Don't be so desperate for money that you give up your values".

Partnering choices will establish a trajectory for the social enterprise that may (not) allow it to fulfill its defined objectives. Table 1 suggests that the selected SEs see the need to transition to more sustainable and less dictatorial funding streams. Sustainable principles have been shown to enhance organizational performance and resilience (Avery and Bergsteiner 2011). Resilience connotes thriving under uncertain or adverse situations (Lengnick-Hall, Beck, and Lengnick-Hall 2011), or reorganizing across periods of rapid change when old practices are no longer possible (Chewning, Lai, and Doerfel 2013). Developing this capability is especially important for SEs seeking to preserve their mission in a dynamic environment, and transitioning to sustainable funding models is one step in that direction.

Table 1: Current and future funding sources of participating enterprises

Which of the following statements best describes how your organisation funds itself?	Currently	Expected in 5 years
Completely rely on grants, donations or other sponsorship	3%	0%
Primarily rely on donor funding, but have other sources of income	9%	0%
Have sources of earned-income fees, but also rely on grants and other funding	25%	41%
Customer revenue and mainstream capital markets; NOT rely on grants or donations	50%	59%
Something else (please specify)	13%	0%

(N=32)

The response "something else" is basically personal savings, and suggests the participation of advantaged individuals who have satisfied their basic needs and can channel significant personal resources into addressing social needs (Bergh 2013). It also illustrates the tension between approaches to charity and problem solving in a social enterprise context (Dees 2012).

3. Managing Complexity

Participants saw fundraising through commercial activities in order to support social missions, as tantamount to operating two distinct businesses. This practice may be needed to keep the enterprise functioning when external funding is limited, but it adds considerable complexity to the operations of SEs, not to mention internal conflicts for the social entrepreneurs.

> Participant S1C: *"[We can] work on the farm and make money, and establish that as a business so that the profits thereof can help us in making sure that the kids are properly fed."*

> Participant S2A: *"We train students, parents, and teachers to sustain a sanitary environment in the schools. At the same time we create other items like clothes to sell to support our work in the schools. So in a way we are mixing two models, a commercial model and a social model."*
> Participant S1L: "*When social enterprises are focusing so much on income generating activity it takes away the time from their core work."*

Bergh (2013) perceives this added complexity as a disadvantage relative to commercial enterprises. Eighty-three percent of CTp agreed or strongly agreed that their core work is "*sometimes diminished by other businesses that have a pure profit motive*". Some of this complexity may be reduced if social enterprises were more selective in defining the scope of their mission. This is because when there is perceived potential for value capture, commercial entrepreneurship will be more effective as a mechanism for action due to the strength of market-based incentives (Santos 2012). Thus, social entrepreneurs could at least eliminate one aspect of competition if they carefully identify needs with localized positive externalities that benefit a powerless segment of the population. The opportunity for value capture is reduced under such conditions, and commercial entrepreneurs may be less attracted to compete in that space (Santos 2012).

Complexity may also arise from the need to straddle very different contexts between corporate funders and program beneficiaries.

> Participant S2H: *"It is challenging to explain a concept or agree to a project in the boardroom with very sophisticated clients and then execute it at grassroots - the most unsophisticated level that you can possibly get - and to be able to rally those two worlds in every single thing you do."*
> Participant S2E: "*I think one of my gifts is the fact that I operate in two realities that are worlds apart. A lot of our product comes from rural communities to support the skills of these women, so combining that with our design expertise and business training enables us to service a very high-end market".*

The noted complexities are exacerbated by the difficulty in finding the right kind of talent (83% of CTp agree or strongly agree), and the difficulty in offering competitive and market-related packages to employees (76% agree or strongly agree).

> Participant S2J: *"One challenge is having the talent in the organization to be able to manage those kinds of complexity independently. Each of these big projects needs project heads that are very versatile in being able to read a situation, work at the bottom of the pyramid with very low income and unsophisticated kind of people, and also manage any boardroom situation. The conflicts and pressure that comes with that requires quite rare individuals and I've got to fight quite hard to make sure that I keep*

*them in the organization for a sustainable period of time. I think that's a big
one."*

Both mental aptitude and conscientiousness are desirable characteristics for
service employees, and the intangible nature of service delivery puts a premium
on employee attitudes and skills (Chang, Gong, and Shum 2011). Even without
being able to attract the best possible desired talent, the option to hire for attitude
and train for skill (Bobinski 2005) is still very valid. Allen and Shanock (2013)
recognize the malleability of newcomer attitudes and point to the role of early
workplace socialization in improving organizational performance. This
socialization is critical for a social enterprise because incoming partners of the
primary social entrepreneur also need to be at similar levels of motivation to
create value for others while resisting the urge to capture significant amounts of
that value themselves. In this case, the *new normal* needs to be created through
a negotiated consensus (Barker, 1993) within the SE and supported by
appropriate systems to be effective in the target community. According to Ro and
Cheng (2011) employee empowerment at the service interface can be enhanced
through designing a system that recruits customer-oriented people, and that
provides clear training, communication, and rewards for new hires. Systems do
influence behavior (Mossholder, Richardson, and Settoon 2011).

> Participant S2E: "*We want to get right back to basics and put systems into
> place so that we can all understand the dynamic of what we do because at
> the moment, it's kind of a little chaotic*".

This is where written policies can improve process flow. Some but not by all
enterprises had written policies governing level of engagement with beneficiaries
and other important activities. One enterprise providing care for orphaned
children adopted the "Child Care Act" within their own policy framework.
Employees of SEs do need clarity about policies and procedures to be
sufficiently empowered to customize their service to emerging needs in the task
environment. Such clarity reduces situational complexity.

4. Scaling the Impact

Participants were unanimous that better management leads to more
sustainability and stronger impact. However, priorities for deploying surplus
seemed to suggest scaling "deep" rather than "up" (Bloom and Chatterji 2009).
There were concerns expressed about the current enterprise size, financial
stability, and human resource capacity relating to scaling. Majority of CTp said
they were "*stuck in the survival stage*" even though more than half of them had
been in operation for over 6 years (Bergh 2013). According to Dees (2007) social
entrepreneurs often lack the resources and infrastructure needed to succeed at
significant scale; and when they do scale, the process is usually slow compared
with the size and growth of the problems being addressed. Moreover, scaling of

impact is not straightforward without established performance measures. There is no basis for monitoring the effect of an expanded program if it is not currently measured clearly. It is significant that most SEs described impact in qualitative terms related to better conditions for beneficiaries as evidenced by several success stories. However, they were also careful about not attributing any observed success (such as creating 900 jobs in one case) to their intervention alone, citing issues of integrity. For enterprises that had measures, these were tracked through situational reports and independent impact assessments. Process-based measures are needed well before this impact assessment stage.

Scaling may also have unintended consequences on fulfilling the mission, including burnout, loss of focus, and dilution of resources. These consequences may be a function of the lack of systems in the task environment that allow the SE to understand the interdependencies between its processes, and how those might change at a different scale of operations. Essentially, scaling was desirable but perceived to add complexity to enterprise activities so it was generally approached cautiously.

> Participant S2E: *"So that's kind of the next step that we feel is manageable. The big question is do we franchise or do we open branches? You know, I don't know. Will people maintain the ethics and values and take care of the rural women who supply the stores?"*
> Participant S2A: *"Yes, yes, yes, actually that is where we are going but we said to ourselves, first let us focus in Gauteng [Province] and in two areas only – Soweto [near Johannesburg] and Ga-Rankuwa [near Pretoria]. So we have one urban setting and one rural setting. And as we master our job then we can move out of those two. We have only two teams and we don't want to overburden them."*

Similarly, over 86% of the CTp indicated that "deciding how fast to grow and not compromise the mission" was either "very difficult" or "somewhat difficult". Study participants in both cities also cited various constraints (in their words: "*red tape*"; "*the system*") that hindered their expansion. It appears that under institutional and financial constraints, social enterprises are more likely to expand their activities in a guarded way so as not to lose the gains they have made by staying "*small and beautiful*". However, some enterprises had been able to scale successfully, operating at R23m (USD2.1m) turnover and expecting to triple this within three years. These numbers are important because according to Bergh (2013) large external investors are looking to support ventures at the USD1m level but most social enterprises in South Africa cannot access this help because they need between USD 50,000 – USD 500,000 to scale operations. Again, the resource constraints to scaling were significantly reduced for enterprises with operating links to corporates.

> Participant S2J: "*We actually talk to a range of customers about our range of projects and so we have these multiple relationships for each one of our*

big accounts. It actually creates quite a lot of sustainability from an income perspective."

Where operations were scaled, the enterprises reported efficiencies and cost savings that allow them to do even more. Scaling changed the enterprise trajectory.

Discussion

This study set out to examine how the process design trade-offs associated with pursuing a dual mission can be managed for social impact in a defined domain of action. Our study indicates that consistent with Santos (2012) social enterprises in South Africa, as do other SEs globally, address neglected societal problems involving positive externalities. However the study suggested that social enterprises carefully identify areas of need where they can avoid the challenge of competing with commercial enterprises. The study also noted the complexity of straddling seemingly disparate organizational processes in pursuing a commercial mission to be able to fulfill a social mission. Two important issues arise here: firstly, whether social enterprises are able to attract and retain the needed skill to manage such complexity; and secondly, whether partnering with corporates provides the needed opportunity to focus on the primary mission and to scale impact. Study results suggest that participants were looking for talent in specific areas of expertise in line with the competency-driven search model based on resource dependency theory (Hilman, Withers and Collins 2009). However, the search for talent was accompanied by concerns about whether identified talent would also have the same passion. Forbes *et al* (2006) show that new team members may affect not only the capacity of the team but also how the team does what it does - potentially disrupting existing processes and reducing human capital. Social enterprises need to maintain a good balance of network and rational factors in the quest to improve their human resource base. Furthermore, the frameworks for achieving employee empowerment (e.g. Ro and Cheng 2011) need to be worked into the organizational structure to help leverage the available human capital under complex and sometimes untested scenarios.

Secondly, to the issue of whether partnering with corporates helps resolve the straddling trade-off, the study showed clear benefits of achieving a symbiotic relationship with corporates. The assurance of a consistent source of funding was useful to help SEs focus on their primary mission, even though that situation also came with some difficulties. In the South African context, a SE-corporate partnership takes advantage of the Black Economic Empowerment (BEE) program. This program is aimed at integrating previously disadvantaged communities (people of color, women, and the disabled) into the mainstream economy. Corporates can earn BEE points through interventions that support skills development or that prioritize purchase of goods and services from these disadvantaged groups, among others. These interventions fall in the domain of

action of many SEs, and corporates may be willing to part with money to gain their BEE points if the SEs can demonstrate expertise at creating value for these communities. This relationship may be explored in further research but the need for SEs to signal competency in the institutional environment (DiMaggio and Powell 1991, Patel 2011) is sufficiently clear. The noted difficulties in SE-corporate partnerships stem from power asymmetries, and concur with the views of Katila *et al* (2008) that resource providers may behave opportunistically under such conditions. However, this behavior may be perceived as disingenuous, given that the large corporates will also have to resolve similar straddling complications if they are unable to create specific structures for directly engaging social action. From the perspective of outsourcing to take advantage of specialization gains (Munch and Skaksen 2009), it is in the interest of large corporates to seek viable partnerships with credible SEs, especially in places like South Africa with institutional support for social consciousness. Outsourcing outcomes can be improved through increased interaction between the parties (Gadde and Hulthén 2009), but the referenced power asymmetries may limit this interaction. Villanueva *et al* (2012) recommend the adoption of models of interdependence as a way to effectively mobilize the needed resources under such conditions. In other words, when partnering with corporates, SEs can mitigate the power logic by engaging a "social embeddedness logic" to achieve collective outcomes that neither partner could have achieved efficiently alone. Such an approach can be expected to moderate the power dynamics and provide some stability for the SE to focus on the primary social mission. SEs need to develop sufficient sophistication to engage this rationale.

This study also investigated whether social enterprise activities were organized around the logic of empowerment or the logic of control. Support for a more dominant logic of empowerment was mixed. Since the enterprises seek community-based solutions, and strongly concurred on the need for collaboration, it would seem that they would embrace empowerment over control. However, empowerment was mostly discussed in terms of having beneficiaries take charge of their circumstances, or in terms of increasing employee engagement. Most social entrepreneurs viewed the enterprise as their "baby" and maintained control over processes and policies, even though they also welcomed the involvement of beneficiaries in program design. The extent of their control appeared to reflect the need for accountability in a field where enterprise activities could be easily misconstrued. On the other hand the control also seemed to connote territoriality, and the "domain of action" took on a more restricted meaning. Working together to create a credible national identity as a way to improve the operating environment for SEs did not seem to be high on the agenda. This apparent inconsistency may have just been as a result of several pressing issues that each SE had to attend to. However, there are other elements such as trust and information sharing which if absent may constrain inter-organizational collaboration. Common workspaces such as the HUB described earlier in the findings are mutually empowering. They have the potential to convey the intentions and competencies of participating SEs as a

basis for trust-based co-interventions. In this regard, SEs may want to consider supply chain concepts such as "single stage control of replenishment" (Heizer and Render 2014), which involves one participant using its technological or other competencies to coordinate complementary enterprise activity. We argue that it is important to have a participant of the value chain that will safeguard the opportunity for empowerment and collaboration – a custodian of the value creating process. Santos (2012) refers to the example of the Barefoot College in India as supporting the logic of empowerment. But the fact that greater impact has been achieved by adopting a *template* for that empowerment speaks to some control of the value chain, not to capture value, but to ensure that increasing value is created. Similarly, website ratings by empowered users may be abused without a custodian to ensure a safe environment for continuity. We expect that if identifying such a custodian is done by consensus in a collaborative setting such as the HUB, the potential for another layer of power dynamics would be reduced, making way for significant synergies. In this way, empowerment and control are held in tension rather than one perceived as better than the other.

Additionally, Gosier (2013) discusses the activities of a social enterprise that operates in this kind of coordinating role for technology startups in Africa. The startups are empowered to pursue locally responsive product development, and to initiate relevant transactions; but the "custodian" coordinates their enterprise activities in an opportunity-enhancing way. Examples of successful startups from this model include *iCow*, a subscription-based agricultural information service operating on a mobile phone platform in Kenya, and *HiveColab*, a community-owned, collaborative and co-working space for developers and technology entrepreneurs in Uganda. Within 3 years of the *iCow* project, several dairy farmers increased (sometime doubled) productivity, and the project now has a partnership with *Safaricom* (the largest mobile network in Kenya) to reach 19 million subscribers. The involvement of such large partners over time validates the custodian's role of not only believing in the startup and providing technology business expertise, but also facilitating introductions and connections to other supporting parties that the startups may not have access to. From seed funding of USD10,000 other startups in this group have raised up to USD400,000 in external funding. This outcome is important in view of the earlier finding that several SEs did not have access to funding because of the size of their operations. A collectively approved custodian that exerts some control of the value chain to ensure that SEs are empowered to create value on an ongoing basis appears be a useful proposition to consider. By the same token the SEs in turn might fulfill that custodian role in the communities they serve. We suggest that the logic of control and the logic of empowerment have a unique intersection in the field of social entrepreneurship.

Our main question in this study related to how social enterprises manage the implicit duality of pursuing a commercial and social mission simultaneously; and how clarity on their domain of action might affect the process configurations employed to achieve social impact. We have noted the unique circumstances

under which the primary focus on value creation for communities does not provide a replenishment cycle for value capture. This means that without an external injection of resources from commercial activities or donor funding the sustainability of the social mission will suffer. A critical response for SEs in this situation, regardless of their source of funding, is to resolve process trade-offs in ways that reduce waste. This view on efficiency implies that SEs will develop a sharper focus on activities that matter in their domain of action; and will seek creative partnerships to leverage the interconnectedness of different social interventions. The measures of efficiency must relate directly to the intended impact so that the "heart" of the social mission is not lost. For example, a youth training intervention may be more efficient if it is training more people over a given period of time, but in this situation efficiency might relate not just to numbers but to the effective coordination of processes that transform a young person into a skilled and thoughtful worker. These processes might even include forging positive interactions with parents, without which some interventions have been observed to be subpar. Similarly, while building more housing units per year for orphaned children may seem efficient, coordination is required to support the critical activities of foster parents. The coordination described in both cases will be a drain on resources if the SE does not have the appropriate capabilities. Moreover we have noted the efficiencies that may be achieved in community interventions if mutual dependence is valued in SE-corporate partnerships (Villanueva *et al.* 2012). Distinctive outcomes will generate community support and help create the desired new normal – the envisaged social change. Thus, we expect that if SEs have a deep appreciation of the underlying issues in their defined domain of action, they will seek to resolve the noted process trade-offs in ways that deploy resources efficiently for the greatest social impact.

Conclusion

In spite of the limitations in generalizing our results because of the study design, our response to the call for Operations Management contributions in the social entrepreneurship literature is not trivial. This study has clarified the motivations and domain of action of social enterprises in South Africa. We identified the nature of trade-offs that impact process design for an enterprise pursuing a dual mission. This clarity provides a necessary basis for designing processes and allocating resources in ways that are more likely to achieve results consistently. For example, the execution of relationship management processes will be informed by how organizational partnerships can potentially influence the scale of impact. SEs must invest in processes that support collaboration and coordination; processes that engender trust among stakeholders; processes to engineer the internal organizational culture; processes to shift funding issues from the center stage; and processes that enhance enterprise flexibility under untested scenarios. Developing such capabilities will create the efficiencies that are so critical for an organizational form that lacks a replenishment cycle to capture value. This study also suggests that value chain processes must be

controlled to the extent that the enterprise acts as a custodian of the empowerment that it facilitates for the community and society at large. In this respect, we have illustrated how the logic of control and the logic of empowerment can intersect in a value-creating social enterprise. In subsequent research it will be useful to focus on distinctive measures of impact and test how key process variables affect the desired community-based outcomes.

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Tables

Table 1: Current and future funding sources of participating enterprises

Which of the following statements best describes how your organisation funds itself?	Currently	Expected in 5 years
Completely rely on grants, donations or other sponsorship	3%	0%
Primarily rely on donor funding, but have other sources of income	9%	0%
Have sources of earned-income fees, but also rely on grants and other funding	25%	41%
Customer revenue and mainstream capital markets; NOT rely on grants or donations	50%	59%
Something else (please specify)	13%	0%

(N=32)