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Influence of external funders on social enterprise business models: A causation-effectuation exploratory study

Thesis by

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Abstract

Social entrepreneurship research is a growing research field, growth that can also be seen in the practice of social entrepreneurship. Dominant literature in the field focuses on the definition of social entrepreneurship and the traits of the social entrepreneur and does not look deeply at social entrepreneurship practices and interactions with other institutions. To address these shortcomings in research, this study systematically analyses the dominant definitions of social entrepreneurship and proposes an all-encompassing definition. The study also focuses on the interaction between social enterprises and external funders, exploring how social enterprises implement business models and the influence that external funders have on the business model implementation.

A qualitative study was used to answer the research questions by exploring the business model implementation in ten case studies. A total of 26 respondents were interviewed as founding social entrepreneurs, internal staff members or external funders.

The study relied on theoretical propositions from the literature review to analyse the data inductively and this process resulted in within-case themes. Further analysis of the within-case themes resulted in five cross-case themes. What was of interest was how operating in a resource-constrained environment impacts business model implementation. The ten case studies interviewed displayed structured or causal mechanisms in implementing their business models, which differs from the view that social entrepreneurs are effectual in behaviour.

A theoretical framework with five propositions is put forward by this study. The theoretical framework propositions are:

> Social enterprises operate in resource-constrained environments and rely on external funding from inception.

Social enterprises in resource-constrained environments approach external funders that do not expect a financial return.

Social enterprises in resource-constrained environments implement business model dimensions that will lead to the achievement of the social mission.

Externally funded social enterprises implement their business models in a causal manner.

External funders not expecting financial returns apply limited influence on the business models of the social enterprises they fund.

In accordance with the findings of this study, some suggestions for future research are put forward.

Keywords: social enterprise, social entrepreneur, social entrepreneurship, business model, resource constrained environment, external funding, causation, effectuation.

Dedication

To my late parents, Mbulelo and Yoliswa: thank you for planting the seed.

To my children, Litha and Lethu: dream infinitely.

Declaration

I, the undersigned, hereby declare that the work contained in this thesis “Influence of external funders on social enterprise business models: A causation-effectuation exploratory study” is my original work, that it has not been submitted before for any degree or assessment in any other University, and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references.

Yandisa Lusapho Njenge

Signature: _____ Date: _____

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A word of gratitude is owed to the Light for making me realise that I have it in me to achieve the loftiest goals if I put my mind and heart into it.

To my paternal family, ooSiwela, ooVitsheka, ooMatankosi, and my maternal family, ooGoqolo, ooFuneka, ooMjoli; a special word of gratitude is owed. Your support and understanding throughout this journey have seen me through a lot of times when I thought things were impossible.

To Dr Kerrin Myres and Professor Terri Carmichael, my co-supervisors: thank you for guiding me through this challenging yet rewarding journey. May your wisdom continue to guide others along this path of discovery.

To the staff at Wits Business School: thank you for making this journey a pleasant one.

To the tireless social entrepreneurs who opened their world for me to explore: may your wildest ambitions be realised. Your work will be recognised and appreciated someday.

To my colleagues at Exxaro and Seda: thank you for the constant words of motivation and for making it possible for me to strike a balance between work and studies.

Glossary

*A **business model*** is a system of activities that determines the interconnected and interdependent activities that a company uses to do business with its customers, partners and suppliers (Zott, Amit, & Massa, 2011)

Causation processes take a particular effect as given and focus on means to create the effect (Sarasvathy, 2001).

Effectuation processes assume a particular means as given and focus on selecting possible effects that can be created with the basket of means (Sarasvathy, 2001).

External funder is an organisation outside an enterprise's operations that is a source of funding when an enterprise does not have sufficient internal funds (Ghosh & Van Tassel, 2011).

Resource-constrained environments are environments that are generally characterised by significant resource scarcity that involves shortages of skills, finance , infrastructure, technology and institutions (De Silva, 2016).

A ***social enterprise*** is a for-profit or non-profit organisation that utilises business practices to achieve a social goal or set of social objectives. The business practices include, but are not limited to, product and service provision, increasing efficiency and pursuing innovation (author's own definition from an analysis of 42 definitions, see Section 2.2).

*A **social entrepreneur*** utilises a set of appropriate entrepreneurial skills to deliver sustainable solutions that seek to achieve a particular social goal or social objectives (author's own definition from an analysis of 42 definitions, see Section 2.2).

Social entrepreneurship is a process of complementary activities in new or existing businesses that seek to achieve a particular social goal or social objectives (author's own definition from an analysis of 42 definitions, see Section 2.2).

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CHAPTER 1. PROBLEM DEFINITION AND CONTEXT

1.1 Introduction

Social entrepreneurship is a growing area of research interest (Choi & Majumdar, 2014; Cukier, Trenholm, Carl, & Gekas, 2011; Dacin, Dacin, & Tracey, 2011; Rawhouser, Cummings, & Newbert, 2019; Steyaert & Dey, 2010), an interest that is growing in tandem with social entrepreneurship practice. Interest in the field has grown as social entrepreneurship has increasingly offered value to society, provided solutions to societal problems and increased people's personal wealth (Rey-Martí, Ribeiro-Soriano, & Palacios-Marqués, 2016).

The growth in social entrepreneurship research over the past decade has, according to Saebi, Foss, and Linder (2019), produced important insights into the role of social entrepreneurship in creating inclusive growth and institutional change. Banks (1972) introduced the term "social entrepreneur" when he posited that management practices could be shaped by utopian values and could solve social problems. Despite the growing academic and research interest, there are several practice and research challenges, however.

At a practice level, the ability of social entrepreneurs to solve societal problems is sometimes viewed with scepticism (Santos, 2012). Despite the advances made in social entrepreneurship research, this scepticism continues to be evident in recent research such as that of Hauge and Wasvik (2016) and Sahni, Sharma, and Aggarwal (2018). This scepticism is also evident in South Africa, where social entrepreneurship is a viewed as a relatively new concept (Pillay & Kaye, 2017).The social enterprises also battle with attracting and retaining the right talent. The challenge they are trying to solve is mostly too large for one organisation to address, resulting in the problem remaining largely unmet.

Researchers hold varied opinions on the legitimacy and future of social entrepreneurship as a research domain as seen in papers such as Bandyopadhyay and Ray (2019), Dacin et al. (2011) and Wry and York (2017).

The research on social entrepreneurship is dominated by definitional debates, with a bias towards conceptual rather than empirical research and a lack of formal hypotheses and research methodologies (Dacin et al., 2011; Short, Moss, & Lumpkin, 2009). The definitional debates go beyond social entrepreneurship to include associated terms such as “social impact” (Rawhouser et al., 2019). The above state of social entrepreneurship research is evident in papers published between 2010 and 2020, which formed the basis of the literature review for this study.

Social entrepreneurship research is immature and lacks the deep, rich, exploratory or prescriptive theories expected in a mature research area (Cukier et al., 2011; Loosemore, 2016; Sheikheldin & Devlin, 2019). The research does not seem to engage with and challenge the prevailing concepts of the economy, organisation and the entrepreneur, which results in limited theoretical understanding (Zeyen et al., 2013). This state of social entrepreneurship presents researchers with a formidable task as they have to make decisions about which constructs and theories to use (D'Intino & Kury, 2018). The papers analysed for this thesis confirm a research field that is fragmented and battling to emerge from an exploratory stage. From a theory development and utilisation point of view, the field borrows theories from other fields instead of developing its own theories.

Social entrepreneurship is important in the South African context, as government initiatives are unable to address the social challenges (Urban, 2013). These social challenges are aggravated by an unequal education system, housing challenges, the scourge of the Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS), and high levels of unemployment and poverty (Venter, Urban, & Rwigema, 2008; Viviers, Venter, & Solomon, 2012). Despite the South African government’s efforts to address

these challenges, South Africa remains one of the most unequal societies, with 31% of the population living below the poverty line (Littlewood & Holt, 2018).

In South Africa, a national conference in 2009 defined a social enterprise as an organisation established for the purpose of addressing social problems through a financially sustainable model that reinvests surpluses in the organisation (Tshikululu Social Investments, 2010). Over time, other definitions have been introduced, which largely focus on earned income and social innovation rather than on governance (Claeyé, 2017). A detailed analysis of the definitions of social entrepreneurship is in Section 2.2 if this thesis. Despite these advances, the definitional challenge still exists in South Africa as organisations continue to formulate definitions that suit their contexts.

The discourse on social entrepreneurship in South Africa is dominated by the role of the social entrepreneur, the social enterprise and resources, and social benefits (Karanda & Toledano, 2012). Two social entrepreneurship roles were delineated by Karanda and Toledano (2012) and Houtbeckers (2017) the first being “mundane social entrepreneurship”(Karanda & Toledano, 2012, p. 206), where the social entrepreneur is motivated to respond to a challenge in a small and disadvantaged area and uses their own expertise and resources. The second is “idealistic social entrepreneurship” (Karanda & Toledano, 2012, p. 207), where the focus is on social opportunities and the entrepreneur can convince others to support the social enterprise. Despite the focus on the social entrepreneur, research and literature on South African social entrepreneurs remains fragmented (Pillay & Kaye, 2017) and limited (Littlewood & Holt, 2018). This is because social entrepreneurship is still in its infancy in South Africa with limited research. The slow development of social entrepreneurship research can be attributed to the poor understanding of the concept (Pillay & Kaye, 2017).

Social entrepreneurs in South Africa mostly focus on security, basic health or education, in contrast to their counterparts in developed economies, who focus on environmental, cultural and ethical areas and on disadvantaged people from developing countries (Karanda & Toledano, 2012). Social entrepreneurship

intentions in South Africa are affected by feasibility and desirability, which in turn are positively impacted on by the regulatory environment (Urban & Kujinga, 2017).

Social entrepreneurs in South Africa face numerous challenges. They usually lack the skills and expertise required to run the social enterprise, and have limited access to infrastructure such as roads, communication facilities, financial support and a market for their services (Greater Capital, 2011). The most recent study on the size of the South African social enterprise sector, according to Teles and Schachtebeck (2019), was conducted by Patel (2012) and estimated the social enterprise sector's employment at 645,000 full-time employees and 1,5 million volunteers. There is no body or report in South Africa that tracks and reports on social enterprise sector statistics and growth. Global Entrepreneurship Monitor and Statistics South Africa provide statistics on the broader small enterprise sector. The absence of data on the size of the social economy is confirmed by the *National social economy draft green paper* 2019)

1.2 Theoretical context

The challenges faced by social enterprises inhibit their ability to grow from an idea, to a small and scalable model, and ultimately to an enterprise with social impact (Dahles, Verver, Khieng, Manders, & Schellens, 2019). Social entrepreneurs also operate under resource-poor conditions, have to leverage from the uncertainty in the operating environment and rely on instinct and intuition (Dacin et al., 2011; Tasavori, Kwong, & Pruthi, 2018). The process of social entrepreneurship, when implemented by a social entrepreneur, often does not fit the business-like, causal approach with its marketing strategies and structured planning processes (Cleary, 2017; Malsch & Guieu, 2019; Yusuf & Sloan, 2015a) and instead prefers the effectual approach. One of the reasons for this choice is that the social mission is not always clear from the outset and the social entrepreneur must therefore allow for a variety of scenarios (Yusuf & Sloan, 2015a).

Effectual logic uses strategic partnerships and leverages resources in an uncertain or effectual environment, which results in a virtuous cycle, an expanded ecosystem and an increase in resources, with ultimately increased impact (VanSandt, Sud, & Marmé, 2009). Successful social enterprises recognise and accept uncertainty as part of their evolution (Thompson & MacMillan, 2010). Effectuation has been identified as having the ability to improve a social enterprise's success as it mirrors real-world applications (Yusuf & Sloan, 2015a). Effectuation and causation have been used to explain mainstream entrepreneurial action, while social entrepreneurship research has added and focused on the third perspective of bricolage which means applying combination of resources at hand to new problems and opportunities (Weerakoon, Gales, & McMurray, 2019)

Theoretical research, as seen in the reviewed papers in this thesis, has tended to focus on identifying the characteristics of the social entrepreneur and social entrepreneurship process and the challenges they face. The trend identified by Haugh (2012) where researchers have not been able to consider alternative models from the traditional entrepreneurship theories has persisted, and effectuation in social entrepreneurship has remained under-researched (Cleary, 2017). An example where a model is borrowed from a theory outside traditional entrepreneurship is the study by Malsch and Guieu (2019), which uses knowledge management theory to explain the existence of effectual behaviour. The study legitimises effectuation as a knowledge gathering process in social enterprises, which is led by the social entrepreneur and his/her networks.

It is argued that almost every social enterprise requires funding to sustain its operation (Diochon & Anderson, 2009; Hines, 2005; Mendell & Nogales, 2009). A relationship with an external funder has strategic implications for the social entrepreneur, as identified needs and opportunities will be subjected to and constrained by the external funder (Diochon & Anderson, 2009). External funding to social entrepreneurs has become more important to social enterprises as they do not have the balance sheets of for-profit organisations (Bugg-Levine, Kogut, & Kulatilaka, 2012). Despite the growth in financing

options for social enterprises, funding remains a challenge (Davies, Haugh, & Chambers, 2019).

External funders have been known to be structured and self-serving and to impose stipulations on expenditure and influence strategic choices regarding plans and opportunities (Austin, Stevenson, & Wei-Skillern, 2006; Diochon & Anderson, 2009; Gamble & Beer, 2017; Ketprapakorn & Kantabutra, 2019). The external funders and other organisations that become part of the social enterprise governance process have certain motivations, which affect governance and organisational impact (Renz & Andersson, 2013). External funders, for example, use funding terms and contracts to introduce causal logics into the social enterprises they fund (Fitzgerald & Shepherd, 2018).

The need to advance social entrepreneurship research, both in South Africa and globally, is well documented. This study examined the social entrepreneurship business model by including the view of external funders, with the aim of contributing to theory, practice and research methodologies on social entrepreneurship. Causation and effectuation theories were utilised to explore the influence of the external funder on the social enterprise business model.

1.3 Statement of research problem

Research suggests that social entrepreneurs globally face numerous challenges in implementing social entrepreneurship strategies, with one of the key challenges being inadequate financial resources (Bugg-Levine et al., 2012; Davies et al., 2019; Fitzgerald & Shepherd, 2018; Kickul & Lyons, 2015; Renko, 2013).

Finance is a barrier to growth for social enterprises along with laws, taxes, lack of purchasing power, corruption and unfair competition, and inadequate human resources (Davies et al., 2019).

It is suggested by Defourny, Nyssens, Thys, and Xhauflair (2013) and Pacut (2020) that the relationship between the external funder and the social entrepreneur can influence or change the social entrepreneurship business model in funded social enterprises. Funding, although complex and multi-faceted, is important to the success of the social enterprise. External funders bring with them different approaches on how the social enterprise should be run as they tend to favour a rational, causal approach, while social entrepreneurs are effectual in approach.

1.4 Purpose statement

The purpose of this study was to explore how the business models of social enterprises are implemented as a result of the social enterprises' relationships with external funders.

1.5 Research questions

The study set out to answer the research question: "How do external funders influence the implementation of business models in the social enterprises they fund?

To answer this question, the following sub-questions were also addressed:

1. What business model dimensions exist in social enterprises?
2. How do causation and effectuation theories explain social enterprise business model implementation?
3. How do external funders introduce causation to the social enterprises they fund?

1.6 Significance of study

The study sought to contribute to the research field at the levels of theory, methodology and practice. From a theoretical perspective, the study responded

to the call by Read, Sarasvathy, Dew, and Wiltbank (2016) to explore contexts where there is transition from causation to effectuation and vice versa and York, O'Neil, and Sarasvathy (2016) to utilise well-thought-out approaches and effectuation theory as a considerable platform for building a stronger theoretical base for social entrepreneurship. The study identified the external funder as an institutional influence. This identification, together with validated items, can be used to expand on and operationalise institutional theory. There are other institutional influences on social enterprise business model implementation, such as the operating environment, political and socio-cultural factors, beneficiaries, staff and regulatory environment. The study also responded to a call by Read et al. (2016) to understand how organisations transition from effectual to causal approaches, and vice versa.

At a methodological level, the study sought to make several contributions. It advanced the exploratory research component of qualitative research using a developing economy as context. Research perspectives on context are polarised and broken down into the Northern (Europe and North America) modernity and the Southern (Africa, Asia and Latin America) periphery (Westwood, Jack, Khan, & Frenkel, 2014). The Northern and Southern schools of thought have created a stalemate where the Northern journals invite Southern scholars to publish, and the Southern scholars prefer to establish their own journals (Hamann et al., 2020). To address this stalemate, (Hamann et al., 2020) scholarly dialogues that question the assumption embedded in Northern and Southern contexts in a way that advances scholarship.

The literature review identified that almost 80% of the papers published in this field in the between 2010 and 2020 are of an exploratory nature. At a unit of analysis level, the study looked at the social entrepreneurship business model at different stages of implementation, which is different from the dominant focus on the start-up phase. Social entrepreneurship research has come under criticism for focusing too much attention on the social entrepreneur (Cukier et al., 2011; Drayton, 2002; Thompson, Alvy, & Lees, 2000; Tiba, van Rijnsoever, & Hekkert, 2019). By using a multi-case study approach, the study was able to obtain a more holistic view. It also looked at the social entrepreneurship

phenomenon from the views of at least two respondents per case unit. Among the respondents, the study introduced account managers from funding organisations and implementation/projects officers within the social enterprises as key role players in understanding the social entrepreneurship business model implementation.

At a practical contribution level, the study documented lived experiences of people involved in the social entrepreneurship business model implementation and gave a sense of the extent of influence that external funders have on the business model. This is useful for social entrepreneurs that seek external funding in that it gives them a sense of how the relationship with the external funder could unfold. The external funders can also learn from the impact their requirements and practices have on social entrepreneurs and adjust where necessary.

Although the study was not intended to compare whether causation or effectuation is more effective, it provided insight for both external funders and social entrepreneurs into choices made and their consequences in an environment where causation and effectuation take place simultaneously.

1.7 Assumptions

Qualitative research has several inherent philosophical assumptions. These concern the researcher's view towards the concept of reality (ontology), how the researcher knows what they know (epistemology), the role of values in the research (axiology), the language used in the research (rhetoric) and the research methodology (Creswell, 2012; Kivunja & Kuyini, 2017). The theoretical assumption for this study regarding ontology is that individual reality is constructed from the perspectives of those individuals (Denzin & Lincoln, 2018). The focus of the study was on the meanings of the respondents in relation to the phenomenon being studied and this makes qualitative research a useful approach.

Regarding the epistemological supposition, the research took place where the respondents are based, as this allows the researcher to know what he knows from the first-hand experience of the respondents. The role of values (axiology) and the biases the respondents present are also acknowledged. The language of research used is of a personal nature. There was flexibility in changing the register of the language, and the researcher did not define the style of language. The methodological assumption is that the research is context bound, and the research process is inductive and is shaped by the data-collection and -analysis experience of the researcher.

1.8 Delimitations of the study

The delimitations of a study are brought about by the limitations in the scope of the study, which in this study's case are detailed in Section 7.5 and decisions to exclude or include that a researcher consciously makes during the design of the study (Simon & Goes, 2013). Delimitations are in the researcher's control and are concerned with the study's research objectives, research questions, theoretical background, variables under study and the sample used for the study (Theofanidis & Fountouki, 2018). The delimitations of this study are on the unit of analysis, types of funders and theoretical framework.

This study focused on the social enterprise business model as the unit of analysis and did not consider other aspects of the social enterprise such as governance and strategic planning. External funders also influence the governance in the social enterprises they fund (Agrawal & Hockerts, 2019). Governance was not considered as the funding options, except equity funding, do not require the funder to be part of the social enterprise's governance structures. Reducing the population to social enterprises where the funder is part of the governance structure would make sampling a challenge as this population is limited.

Family, friends and crow funding, which are other options that social enterprises have at their disposal (Liu, 2019; Mason, 2017), were not included in this study. The relationship between these funders and social enterprises are informal,

with no documentation of the funder's expectations and the social enterprise's obligations.

The relationship between external funders and social enterprises can also be explored through institutional theory and economic theory. These theories and how they have been used to explore social entrepreneurship is detailed in Section 2.4. Institutional theory was not utilised as a theoretical lens for exploring social enterprise business model in this study, because external funding as an institutional influence would not have the numerous variables that causation and effectuation theories have. Economic theory was not used for this study as it focuses on the rational choices the social entrepreneur makes to arrive at the desired outcomes, and excludes the role of the external funder in this decision-making process. Economic theory is also concerned with the social entrepreneur as the unit of analysis, and not the social enterprise business model or social entrepreneurship processes.

1.9 Structure of the thesis

This thesis is structured as follows. Chapter 2 is made up of systematic literature reviews. The first review looks at the state of social entrepreneurship definitions and analyses dominant definitions to come up with all-encompassing definitions. The chapter further reviews the dominant literature on social entrepreneurship, looking at the overall state of social entrepreneurship research, the theories employed, research methods and research outcomes, as well as proposed future research areas. It concludes by outlining the conceptual research model for the study, which is derived from the Hamel business model (Hamel, 2000) and causation and effectuation theories.

Chapter 3 locates the study in the interpretivist paradigm and details the research design that is used for understanding the research phenomenon. Chapter 4 introduces the ten case studies and the within-case analysis of each case study along with the case-study themes. The ten case studies, which are South African social enterprises are We Are It Technologies, Get the Moola,

Makufundwe, We Got Talent, Humanity, EducationExcel, Grow Trees, Protect, Organised Collection and Completeness. Chapter 5 builds on from the within-case analysis through an across-case analysis and comes up with five cross-case analysis themes. Five propositions, which formed the theoretical framework put forward by the study, emerge from the cross-case analysis themes and are put forward in Chapter 6.

Chapter 7 outlines the theoretical, methodological and practice contributions of the study. It also discusses the limitations, both conceptual and methodological, and suggests areas for future research. The study ends with Chapter 8, which reflects on the researcher's experience in carrying out the study.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

This literature review looked at social entrepreneurship research in South Africa before critically at social entrepreneurship research, particularly at the definition of social entrepreneurship, the overall state of social entrepreneurship research literature, theories employed, research methods and proposed future research on social entrepreneurship. Research outcomes were also considered, but there was little focus on them in the selected papers. Literature on external funding for social enterprises, social entrepreneurship business models, and causation and effectuation theories was also reviewed and used to come up with hypotheses and a conceptual model for the study.

A systematic approach was utilised to select the papers considered for two parts of the literature review. The first part was on the definition of social entrepreneurship and the second part was on the state of social entrepreneurship research. First, a search query was made for each of the five top-rated social entrepreneurship journals, according to a composite ranking of entrepreneurship journals by Stewart and Cotton (2013) on 26 August 2018, using the search phrase ((“social enterprise” OR “social entrepreneurship” OR “social entrepreneur”) AND (define OR definition)) with Harzing’s Publish or Perish (PoP) ("Publish or perish," 2020). PoP is a programme that retrieves publications and analyses the publications based on citations. These top-five ranked journals are the *Journal of Business Venturing*, *Entrepreneurship Theory and Practice*, *Family Business Review*, *Journal of Small Business Management* and *Small Business Economics*. Only journal papers with 50 or more citations were considered for the analysis.

Second, a search query was carried out with the phrase ((“social entrepreneurship”) AND (“research focus” OR research methodolog* OR theor* OR application OR outcomes)) on Harzing’s PoP on 12 April 2016 and again on 22 February 2019, and was limited to results published between 2010 and

2018. Only papers that had been published between 2010 and 2014 with at least ten citations and papers published between 2015 and 2018 with at least two citations were considered. To ensure that the state of social entrepreneurship research that is discussed in this thesis is as recent as possible, papers that cited papers from the search queries mentioned above were also considered for the literature review. This was important in that it allowed the research to assess to what extent findings from previous papers had been remained the same or changed as a result of subsequent research.

2.2 Social entrepreneurship in South Africa

Social entrepreneurship research in South Africa has been described as an under researched and fragmented area by Urban (2008), Urban and Teise (2015) and Littlewood and Holt (2018). The field of social entrepreneurship research remains poorly defined with unclear boundaries (Urban, 2013) Despite this, social entrepreneurship is important as social entrepreneurs contribute to the economy by providing business models that trade commercially in a manner that is environmentally and socially sustainable. They also serve as an alternate delivery mechanism for public services such as education, health, housing and community services (Urban, 2008). They are also seen as change agents in the social sector and have played a key role in professionalisation of public services (Viviers et al., 2012; Zahra, Gedajlovic, Neubaum, & Shulman, 2009).

Scholarly interest in social entrepreneurship is increasing as researchers realise that entrepreneurship does not only have an economic component, but also has a social component (Urban & Teise, 2015). Social entrepreneurship has gained popularity and is being seen as a catalyst for social change (Mair & Marti, 2009; Urban & Teise, 2015). Social entrepreneurship in South Africa operates in an environment where government initiatives are unable to satisfy the country's social needs (Venter et al., 2008). The inability of government and conventional entrepreneurs to adequately address challenges creates a gap for social enterprises (Lekhanya, 2015). The triple challenges of poverty, unemployment and inequality continue to persist in the country. Youth

unemployment, for example, has researched crisis proportions in the country (Viviers et al., 2012) and this contributes to other social ills such as substance abuse and crime. Social enterprises are viewed as solution providers to these post-apartheid challenges (Barnard, 2019). Some papers such as Barnard (2019) and Cook, Dodds, and Mitchell (2003) view the delivery of services by social enterprises on behalf of government as a manifestation of government failure.

Three key themes have emerged from social entrepreneurship research (Weerawardena & Mort, 2012). These are: social entrepreneurship may be reflected in a wide range of economic, welfare, educational and social activities; social entrepreneurship may be conceptualised in a range of contexts such as public sector, community and social action organisations; and social entrepreneurship innovation, risk taking and proactiveness is emphasised to differentiate it from other forms of community work (Urban, 2013). Social entrepreneurship can bridge the gap between the formal world of governments and the formal sector and the informal world of the community (Lekhanya, 2015).

A baseline qualitative study of social enterprises in South Africa was published by the Gordon Institute of Business Science (GIBS) of the University of Pretoria in 2018. The study identified two types of social enterprises in South Africa, namely multi-national social enterprises and micro social enterprises. Social enterprises in South Africa either prioritise their social and environmental mission, or strive to strike a balance between purpose and profits. From a location perspective, most social enterprises in South Africa are based in the provinces of Gauteng and the Western Cape. South African social enterprises are local, community-based entities that focus on meeting the basic needs in sectors such as education, health and the housing sector. The majority focus on developing skills or promoting education and literacy, working with particular disadvantaged groups such as children, youth and women.

Ten percent of the social enterprises operated across borders, with half of them globally and the other half in broader Africa. From a legal form perspective, South African social enterprises rely on multiple legal forms such as for profit, franchises and trusts. This is consistent with evidence from Hoogendoorn, Pennings, and Thurik (2010) that social enterprises globally use multiple legal forms . Social entrepreneurship in South Africa does not manifest itself in one industry or form of business . It is argued instead by Visser (2011) that social entrepreneurship unites activities by various organisations across a broad spectrum, ranging from the private sector to the public sector, including the informal sector.

The majority of social enterprises in South Africa are micro social enterprises, operating in a single area. They have a median of 53 beneficiaries and 8 employees. 70% of the social enterprises polled in the GIBS 2018 survey have an annual income of less than R300,000. Although the majority of social enterprises sell goods and services to increase the sustainability of their social missions, their largest and most important source of funding is corporate social responsibility (CSR) programmes. Corporate social responsibility entails delivering societal (not limited to financial) value to stakeholders (Bansal & Song, 2017). This reliance on corporate social responsibility funding, according to the GIBS survey, indicates that corporates use social enterprises for the delivery of their CSR programmes. It was also discovered that the multi-national social enterprises in South Africa utilise the CSR funding to promote their internationalisation efforts.

South African social enterprises are most likely to have applied for funding from government entities, charitable foundations, corporate social investment funds as well as the public. They are less likely to apply for funding from commercial banks and equity partners. The funds the social enterprises acquire are used to cover operational costs and increase support for existing beneficiaries. Most of the social enterprises polled in the GIBS 2018 study expected their organisations to grow rapidly within the next year, resulting in increased services to existing beneficiaries, the launch of new products and services and attracting new beneficiaries. It is worth noting that the survey was done before

the new reality of the Covid-19 pandemic, something that has had an impact on businesses of all sizes and orientations globally. Access to financial and physical resources, and management of financial resources are some of the challenges that impede social enterprise growth.

2.3 Literature review on the definition of social entrepreneurship

2.3.1 *Background*

Social entrepreneurship research has been described as lacking a coherent conceptual approach, with no clear definition of what the term “social entrepreneurship” means (Certo & Miller, 2008; Conway Dato-on & Kalakay, 2016; Light, 2009; Nicholls, 2010; Short et al., 2009). While considered simple, the term has varied and complex meanings (Lepoutre, Justo, Terjesen, & Bosma, 2013; Trexler, 2008) and the absence of a unified definition has impeded the advancement of social entrepreneurship research (Zahra et al., 2009).

Social entrepreneurship, as a research area is contested, with numerous competing definitions and no framework that seeks to unify these differences (Choi & Majumdar, 2014). The challenges around the definition and conceptual approaches are not unique to social entrepreneurship and can also be found in the related field of entrepreneurship research (Pantea, 2015). While the complexity and ambiguity surrounding the term “social entrepreneurship” seem to be acknowledged, there is limited evidence to suggest an effort to produce an all-inclusive definition that can be accepted by the social entrepreneurship research and practice communities.

Instead of seeking to clarify the meaning of social entrepreneurship, researchers seem to be interested in the characteristics of social entrepreneurship or the personality of the social entrepreneur. Bacq and Janssen (2011), for example, while attempting to define social

entrepreneurship, end up discussing visionary or innovative approaches, the importance of ethics, the ability to identify opportunities and the drive to make a difference.

Despite the growth in the number of journals and books on social entrepreneurship over the past decade, the definitional challenge has persisted. Sassmannshausen and Volkmann (2018), in their scientometric analysis of the state of social entrepreneurship research and its establishment as a research field, identify defining the phenomenon as one of the challenges that continue to exist. The definition challenge is also identified by Saebi et al. (2019), who acknowledge the growth of social entrepreneurship as a research field.

2.3.2 *Purpose*

This review adopts a systematic approach to reviewing the literature on the definition of social entrepreneurship. The objectives of the review are to discover the scale of the differences in defining social entrepreneurship, to identify common themes from literature using a framework for descriptive definitions and to propose an all-encompassing definition.

2.3.3 *Methodology*

The review was conducted in a systematic manner by utilising explicit steps to arrive at clearly defined goals. Systematic literature reviews improve the quality of the review process as they are organised, reproducible and transparent (Conway Dato-on & Kalakay, 2016) while incorporating a synthesised approach to organising literature.

The review was limited to the top-five ranked, peer-reviewed journals, according to the composite ranking of entrepreneurship journals by Stewart and Cotton (2013). Journal rankings can be a subjective matter, especially for researchers. The research field uses a number of criteria to measure research output (Nathan & Shawkataly, 2019). “Productivity” refers to the number of

journals published over a specified period of time, while journal rankings are used to measure the quality of the research output. Journal rankings are a combination of numerous factors such as the journals being considered, age of citations, permissible articles and the question of self-citation (Nathan & Shawkataly, 2019).

Although unavoidable, the rankings can result in rigid research standards and a focus on number of articles as opposed to contribution to the research field. As such, ranking can be to the detriment of specialised research that can be accommodated in newer journals (Van Fleet, McWilliams, & Siegel, 2000).

Two ways of ranking journals are through surveying academics about how they perceive the quality of journals in their field and through citation analysis. Most journal rankings utilise the citation approach (Stewart & Cotton, 2013) because of the sampling and perceptual biases inherent in surveys. The citation approach, however, also has its limitations. Journal paper citations can be influenced by snowballing, which occurs when a citation by a prominent scholar results in other scholars citing the same paper (Aldrich, Fowler, Liou, & Marsh, 1994). A paper may also be cited purely because it is easily available or because it draws a lot of criticism (Gorman, 2008).

Despite the shortcomings of the citation approach, numerous indices have been developed and used to rank journals. These include the Social Sciences Citation Index (SSCI), the Journal Impact Factor (JIF) and Scopus. Scopus has two evaluation measures: the Scimango Journal Rank (SJR), which assigns a higher weighting to citations from prestigious sources, and the Source Normalised Impact per Paper (SNIP), which weighs citations according to the total number of citations per subject field (Stewart & Cotton, 2013).

Google Scholar can also be used to search for academic publications and has a functionality that allows for searching by journal, author and date range and for ranking by prominence of the author(s), citation count and previous papers by the author(s). Harzing's PoP can utilise the journals from Google Scholar to come up with statistics on journal impact.

The myriad of citation indices invariably leads to a debate about which one is best and questions the usefulness of ranking journals in some research fields. One way of dealing with this uncertainty and overcoming the criticism is to utilise as many indices as possible. The approach of using many indices was adopted by Stewart and Cotton (2013) to rank 59 entrepreneurship journals, using the following citation measures: two- and five-year measures for JIF and two- and five-year measures of average citations for PoP, SNIP and SJR.

The top-five ranked papers in descending order, ascertained from this approach, were the *Journal of Business Venturing*, *Entrepreneurship Theory and Practice*, *Family Business Review*, *Journal of Small Business Management* and *Small Business Economics*. These journals formed the basis for this systematic literature review on the definition of social entrepreneurship.

A separate query was made for each of the five journals on 26 August 2018, using the search phrase ((“social enterprise” OR “social entrepreneurship” OR “social entrepreneur”) AND (define OR definition)) on Harzing’s PoP. Only papers with 50 or more citations were considered for the analysis. The reason for introducing the exclusion criteria was to limit the number of papers to be analysed and focus on papers that could be considered seminal. Although there is no minimum number of citations for a paper to be considered seminal, a paper that has been cited at least 50 times can be seen as having contributed to the research field it belongs to. A total of 57 papers met the criteria of at least 50 citations and were considered for analysis. Table 2.1 below details the search results per journal.

Table 2-1: Search results per journal on Harzing’s Publish or Perish

Name of Journal	Total Number of Papers	Total Number of Citations	Average Number of	Number of Papers with

			Citations per Paper	50 Citations or more
Journal of Business Venturing	30	3,096	103,2	13
Entrepreneurship Theory and Practice	69	8,014	116,1	33
Family Business Review	3	170	56,7	1
Journal of Small Business Management	23	939	40,8	7
Small Business Economics	23	453	19,7	3
Total	**148**	**12,673**	**85,6**	**57**

The results from the search do not completely correlate with the overall journal rankings by Stewart and Cotton (2013). While the third, fourth and fifth journals from a citation-per-paper analysis agree with the rankings, *Entrepreneurship Theory and Practice* ranks first on number of citations per paper, and also on the overall number of papers published, but ranks lower than the *Journal of Business Venturing* on the Stewart and Cotton (2013) ranking. This can be caused by several factors, such as the research interests of the journal and ease of access to papers published in the journal.

The analysis of the 57 papers for full, descriptive definitions revealed that only 22 papers actually contained definitions of social entrepreneurship, a social entrepreneur or social enterprise. The 35 papers that did not contain definitions were rescanned to confirm this and to understand why they had shown up in the PoP query results. It was found that the papers contained definitions of other constructs such as entrepreneurship, sustainable entrepreneurship and environmental entrepreneurship and mentioned social entrepreneurship. The 35 papers not containing definitions were not considered for the coding stage of the literature review, limiting the number of papers for further analysis to 22.

The 22 papers were analysed for full, descriptive definitions using Atlas.ti software. Definitions can either be full (explicit) or partial (implicit) (Hansson, 2010; Marciszewski, 1994). Explicit or full definitions have three components: the definiendum (word being defined), the definiens (that which does the defining) and a copula, which is the verb or phrase connecting the definiendum and the definiens (Boholm & Arvidsson, 2016; Burek, 2004; Kublikowski, 2009; Sager & L'Homme, 1994; Taç, 2019). The definiens is further broken down into a differentia and genus (Smith, 1995). The genus talks to the general group or class that the definiendum belongs to and differentia are the differences that distinguish the definiendum from the genus it belongs to.

A total of 52 definitions were found in the 22 papers. Most papers cited a few definitions. Some went on to analyse these definitions within the context of social entrepreneurship as a contested concept and attempted to come up with their own definition. One notable paper was by Zahra et al. (2009). This paper cited 20 definitions from various sources, such as academic journals, books, business schools and organisations involved in social entrepreneurship, before coming up with its own definition. The Zahra et al. (2009) paper is cited 1,173 times.

It is worth noting that approximately one-third of the definitions were from the 2005 to 2007 period. It appears that there was a concerted effort during this period to come up with a common definition. The period after 2008 is dominated by the view, and to an extent consensus, that social entrepreneurship is a contested research area. Three definitions were cited more than once, a total of 13 times. The ten duplicate definitions were eliminated, which resulted in 42 unique definitions. The papers whose definitions were cited in more than one paper were those by Austin et al. (2006), with three citations; Mair and Marti (2006), with seven citations; and Reis and Clohesy (1999), with three citations.

Most of the definitions, in particular those cited in more than one paper and the definitions used to come up with new definitions, originated in journals from the broader field of management, such as the *Journal of World Business*, *Harvard Business Review* and *Business Strategy and Review*. This was even though

the five entrepreneurship journals used for the review had been in existence for a long period. The *Journal of Business Venturing*, for example, published its first volume in 1985 and the *Family Business Review* in 1988. While this could be an indication of the broad interest in social entrepreneurship research, it may also be a barometer of how researchers in the broader field of entrepreneurship have fared in coming up with commonly used definitions of social entrepreneurship.

2.3.4 *Analysis, findings and recommendations*

The 42 unique definitions were categorised as social enterprises/ventures, social entrepreneurship or social entrepreneur, as the definiendum, and each category was coded separately for copula and definiendum. The definiendum was broken down into genus and differentia. The codes per definition, findings and recommendations are shown in Tables 2.2 to 2.4 below.

The key to the reading the table is as follows:

Definiendum is bolded.

Copula is shaded.

Genus is underlined.

Differentia are italicised.

Table 2-2: Definitions of social entrepreneurship

Definition	Author
Under the narrow definition, **social entrepreneurship** typically refers to the phenomenon of applying business expertise and market-based skills *in the non-profit sector such as when non-profit organisations develop innovative approaches to earn income.*	(Reis & Clohesy, 1999)
Social entrepreneurship refers to innovative activity *with a social objective in either the for-profit sector, such as in social-purpose commercial ventures or in corporate social entrepreneurship; or in the non-profit sector, or across sectors, such as hybrid structural forms which mix for-profit and non-profit approaches.*	(Austin et al., 2006; Dees, 2001; Dees & Anderson, 2006; Emerson & Twersky, 1996)

Definition	Author
Social entrepreneurship in Germany, France, Belgium and Ireland refers to third sector (économie solidaire) non-profit ventures *in the field of social services,* financed and regulated by public bodies.	(Salomon, Sokolowski, & List, 2003)
Nordic countries use the concept of **social entrepreneurship** with reference to worker co-operatives in the childcare and healthcare sectors.	(Pestoff, 2004)
In Spain, Italy and Portugal **social entrepreneurship** refers to multi-stakeholder work integration programmes *for groups typically excluded from the labour market.*	(Borzaga & Spear, 2004)
Social entrepreneurship is proposed to be the creation of an organisation *that results in a sustained social equilibrium.*	(McMullen, 2011)
Social entrepreneurship focuses on addressing *unmet societal needs and seeks to primarily generate social value.*	(Brooks, 2008; Mair & Marti, 2006; Nicholls, 2006)
Social entrepreneurship focuses on the identification, evaluation, and exploitation of opportunities *that yield a social return.*	(Alvord, Brown, & Letts, 2004; Austin et al., 2006; Dees, 2001)
Social entrepreneurship is a process equally possible in the non-profit, public and private sectors.	(Bornstein, 2007)
Social entrepreneurship is defined as entrepreneurial activity with the explicit objective of addressing societal *pains*.	(Brooks, 2009; Seelos & Mair, 2005)
Social entrepreneurship is often defined as innovation *that leads to positive social change regardless of the mechanisms through which it is achieved* (i.e. through earned income and/or contributed income).	(Tracey & Jarvis, 2007)
Social entrepreneurship encompasses the activities and processes undertaken to discover, define and exploit opportunities *in order to enhance social wealth* by creating new ventures or managing existing organisations in an innovative manner.	(Zahra et al., 2009)

Definition	Author
Social entrepreneurship is the use of entrepreneurial behaviour *for social ends rather than for profit objectives* or, alternatively, that the profits generated from market activities *are used for the benefit of a specific disadvantaged group*.	(Leadbeater, 1997)
Social entrepreneurship is the creation of viable socio-economic structures, relations, institutions, organisations and practices *that yield and sustain social benefits*.	(Fowler, 2000)
Social entrepreneurship is exercised where some person or group...*aims at creating social value*...shows a capacity to recognise and take advantage of opportunities...employs innovation...accepts an above-average degree of risk...and is unusually resourceful...*in pursuing their social venture.*	(Peredo & McLean, 2006)
Social entrepreneurship is the: 1) identification of a stable yet unjust equilibrium which excludes, marginalises or causes suffering to a group which lacks the means to transform the equilibrium; 2) identification of an opportunity and developing a new social value proposition to challenge the equilibrium; and 3) forging a new, stable equilibrium to alleviate the suffering of the targeted group through imitation *and creation of a stable ecosystem around the new equilibrium to ensure a better future for the group and society*.	(Martin & Osberg, 2007)
Social entrepreneurship is "a set of institutional practices combining the pursuit of financial objectives *with the pursuit and promotion of substantive and terminal values."*	(Cho, 2006)
Social entrepreneurship is a multi-dimensional construct involving the expression of entrepreneurially virtuous behaviour *to achieve the social mission…the ability to recognise social value* creating opportunities and key decision-making characteristics of innovation, proactiveness and risk-taking.	(Mort, Weerawardena, & Carnegie, 2003)
Social entrepreneurship is the work of community, voluntary and public organisations as well as private firms *working for social rather than only for-profit objectives.*	(Shaw, 2004)

Definition	Author
Social entrepreneurship is a professional, innovative and sustainable approach to systematic change *that resolves social market failures and grasps opportunities.*	(Said Business School, 2015)
Social entrepreneurship is the art of simultaneously pursuing both a financial *and a social return on investment* (the double bottom line).	(The Fuqua School of Business, 2015)
Social entrepreneurship is applying practical, innovative and sustainable approaches to benefit society in general, with an emphasis on those who are marginalised and poor.	(Schwab Foundation for Social Entrepreneurship, 2015)
Social entrepreneurship is the process of using entrepreneurial and business skills to create innovative approaches to *social problems*. These non-profit and for-profit ventures pursue the double bottom line of social impact and self-sustainability or profitability.	(New York University, 2016)
Social entrepreneurship is the process whereby the creation of a new business enterprise *leads to social wealth enhancement so that both society and the entrepreneur benefit.*	(Wharton School, 2016)

Although there are varied definitions of social entrepreneurship, with some country- and region-specific definitions, an analysis of the genus from the codes presented in Table 2.2 suggests that it is a multi-dimensional process in newly established and existing businesses. The dimensions or activities within the process would differ according to the environment in which the process unfolds.

The following definition is proposed:

> Social entrepreneurship is a process of complementary activities in new or existing businesses that seek to achieve a particular social goal or social objectives.

Table 2-3: Definitions of social enterprise

Definition	Author
The United Kingdom defines **social enterprises** as independent sector for-profit or non-profit ventures that use quasi-market mechanisms to increase efficiency in service provision.	(Salamon, Sokolowski, & List, 2003)
United States **social ventures** occur in a diverse array of organisational forms, from non-profit organisations that involve some kind of earned-income activity to for-profit companies *that have a social purpose.*	(Short et al., 2009)
In Latin America, Asia and Africa, **social enterprises** encompass non-governmental organisations with few earned-income options to for-profit start-up ventures *with a social mission.*	(Austin et al., 2006; Bornstein, 2007; Seelos & Mair, 2005)
Social enterprises seek to *attain a particular social objective or set of objectives* through the sale of products and/or services, and in doing so aim to achieve financial sustainability independent of government and other donors. **Social enterprises** thus share the pursuit of revenue generation with organisations in the private sector *as well as the achievement of social (and environmental) goals of non-profit organisations.*	(Di Domenico, Haugh, & Tracey, 2010)
"The main purpose of a **social venture** is not the maximization of profit but the pursuit of economic, social, or environmental goals, or a combination of these*, to alleviate social exclusion and unemployment.*"	(Organisation for Economic Co-operation and Development, 1999)
Non-profit organisations surface as a separate organisational form *to serve the needs of society that are unmet by government and private companies*. Organisations classified as non-profits share two commonalities: *they are formed with the intent of fulfilling a social purpose, and they do not distribute revenues as profits.*	(Boris & Steuerle, 2006)

Definition	Author
The **social enterprise** spectrum consists of different kinds of organisation on a continuum from "purely philanthropic" to "purely commercial".	(Dees, 2001)
Social enterprises *deliver targeted social or community benefits* using traditional business principles.	(Australia Capital Territory Government, 2016)
Social enterprises make profits in the face of risk with the involvement of a segment of society and where all or part of the benefits accrue to that same segment of society.	(Tan, Williams, & Tan, 2005)

Regarding the social enterprise definitions, the genus focuses on the organisational form and the business practices used in social enterprises, and the differentia talk to the mission or goal of social enterprises. The goal and mission are what distinguish social enterprises from other business forms. The business practices as well as the mission and goal differ from one social enterprise to the next. These aspects of the definition (i.e. the business practices and mission), it is proposed, should be left open and added to as more research is conducted. The following definition is therefore proposed:

> A social enterprise is a for-profit or non-profit organisation that utilises business practices to achieve a social goal or set of social objectives. The business practices include, but are not limited to, product and service provision, increasing efficiency and pursuing innovation.

Table 2-4: Definitions of social entrepreneur

Definition	Author
The social entrepreneur is *someone who is able to actively contribute to social change* with the creativeness and innovative-orientation typical of the classical entrepreneurial process.	(Perrini & Vurro, 2006)
Similarly, **social entrepreneurs** identify *opportunities to address an underserved social market* or to provide services in a different and/or more efficient manner to affect a community in a positive way.	(Miller, Wesley, & Curtis, 2010)
Social entrepreneurs develop products and services that ‘‘cater directly to basic human needs that remain unsatisfied by current economic or social institutions”.	(Seelos & Mair, 2005)
Social entrepreneurs are driven by a desire for social justice. They seek a direct link between their actions and an improvement in the quality of life for the people with whom they work and those that they seek to serve. They aim to produce solutions which are sustainable financially, organisationally, socially and environmentally.	(Thake & Zadek, 1997)
Social entrepreneurs play a role as *change agents in the social sector by: 1) adopting a mission to create and sustain social value* (not just private value); 2) recognising and relentlessly pursuing new opportunities to serve that mission; 3) engaging in a process of continuous innovation, adaptation and learning; 4) acting boldly without being limited to the resources in hand; and 5) exhibiting heightened accountability to the constituencies served and for the outcomes created.	(Dees, 2001)
Social entrepreneurs are individuals constantly looking for new ways to serve their constituencies and add value to existing services.	(Brinckerhoff, 2000)
Social entrepreneur is a major change agent, one whose core values centre on identifying, addressing *and solving societal problems.*	(Drayton, 2002)

Definition	Author
Social entrepreneur creates innovative solutions to immediate social problems and mobilises the ideas, capacities, resources and social arrangements *required for social transformation.*	(Alvord et al., 2004)
Social entrepreneurs are motivated by *social objectives to instigate some form of new activity or venture.*	(Harding, 2004)

The social entrepreneur genus looks at the characteristics of a social entrepreneur as well as the delivery of sustainable products and services. The differentia, like those of the social enterprise, look at the social goal or objectives that the social entrepreneur seeks to achieve. The characteristics of a social entrepreneur, like those of an entrepreneur, are forever changing, with new ones added as the operating environment of the social entrepreneur changes. The following definition is therefore proposed:

> A social entrepreneur utilises a set of appropriate entrepreneurial skills to deliver sustainable solutions that seek to achieve a particular social goal or social objectives.

2.3.5 ***Conclusion***

Using the definiendum, copula and definiens (genus and differentia) approach to analyse social entrepreneur, social enterprise and social entrepreneurship definitions, general agreement was found in some areas of the definition, particularly the definiens, copula and differentia. The area that reveals varying views is the genus. Rather than seeing this as a contested terrain, it should be left open to continuous improvement as new characteristics of a social entrepreneur, entrepreneurial processes in social entrepreneurship and business practices in social enterprises emerge.

The analysis of definitions was utilised to come up with a definition for an externally funded social enterprise and this definition was used to select and confirm case units for this study. The definition that was used is as follows:

An externally funded social enterprise is a for-profit or non-profit organisation that utilises business practices to achieve a social goal or set of social objectives, and that has or has had a funding agreement with someone or an organisation external to the social enterprise. The business practices include, but are not limited to, product and service provision, increasing efficiency and pursuing innovation.

2.4 Overall state of social entrepreneurship research

Literature on social entrepreneurship research acknowledges social entrepreneurship as a growing area of research interest (Choi & Majumdar, 2014; Cukier et al., 2011; Dacin et al., 2011; Perrini, Vurro, & Costanzo, 2010; Phillips, Lee, Ghobadian, O'Regan, & James, 2015; Steyaert & Dey, 2010) from the time it was first mentioned by Joseph Banks in 1972 (El Ebrashi, 2013). The research interest continues to persist (Saebi et al., 2019; Thomas & Van Slyke, 2019) and has extended from scholars to include the media, public sector and broader population. This is as the, use of innovation in solving social problems is recognised as a way of reducing dependence on donor organisations and government.

2.4.1 ***Evolution of social entrepreneurship research***

Social entrepreneurship academic research, according to Madill, Brouard, and Hebb (2010), was only undertaken shortly before 2010, with research prior to that mostly anecdotal and focused on definitional issues. The limited progress in developing a shared understanding of social entrepreneurship hindered the formal treatment of social entrepreneurship business models (Seelos, Mair, Battilana, & Dacin, 2011). The view of Madill et al. (2010) at this time was affirmed by Chalmers and Balan-Vnuk (2012), who pointed to the scarcity of high-level data and lack of definitional clarity as hindering comparative analysis. The lack of definitional clarity continues to exist, but it does not seem be halting the growing research interest on the social entrepreneurship.

An attempt was made by the *Journal of Business Ethics* in 2012 to advance the discourse on how theory is built in social entrepreneurship. This was in response to the suggestions by Dacin et al. (2011) that the social entrepreneurship research agenda could be advanced greatly by focusing on outcomes (both positive and negative) and the social entrepreneurship context. The papers published by the *Journal of Business Ethics* in 2012 advanced the research agenda through investigating how entrepreneurial culture and charity influence the social entrepreneurship process (Miller, Grimes, McMullen, & Vogus, 2012); how the value creation or value capture approaches lead to the achievement of positive outcomes (Santos, 2012); and how the different social entrepreneurship models lead to different social outcomes (Defourny et al., 2013). The papers also proposed that researchers need to broaden their focus from individual to collective forms of social entrepreneurship. Battilana and Lee (2014) introduced the concept of hybrid organisations as a structure that organisations can utilise to achieve and manage desired outcomes. The for-profit part of the hybrid organisation focuses on revenue maximisation, while the non-profit arm maximises social impact.

It was also argued that the obsession with finding a common definition for social entrepreneurship retarded social entrepreneurship researchers from collectively developing the research field (Choi & Majumdar, 2014). One could also argue that the difficulty in finding a common definition for social entrepreneurship at the time reflected the richness and diversity of the phenomenon.

Since social entrepreneurship research in its formative years focused on definition and domain issues (Díaz-Foncea & Marcuello, 2012; Kury, 2012; Zahra, Newey, & Li, 2014), this led to conceptual rather than empirical papers being published. Over time, the heterogeneity of areas of social entrepreneurship research interest grew large, which made it impossible to get a sense of the areas of focus (Kraus, Filser, O'Dwyer, & Shaw, 2014). To guide future research, Kraus et al. (2014) proposed the five research focus areas of definitions and conceptual approaches; momentum; personalities involved in social entrepreneurship; social impact; and future research agenda. Despite

this delineation, the state of social entrepreneurship research has remained unsatisfactory and focused on case studies and self-description (Howaldt, Domanski, & Schwarz, 2015)

Today there still seems to be confusion about the progress made by the social entrepreneurship research field. Some papers such as those by Lubberink, Blok, van Ophem, van der Velde, and Omta (2018) and Sassmannshausen and Volkmann (2018) position social entrepreneurship research as a field that has moved from its infancy to a mature stage. A bibliometric analysis in Dionisio (2019), however, categorises social entrepreneurship research as being an emerging field of research.

Research interest is growing in tandem with the increasing momentum in the practice of social entrepreneurship. A network of support institutions such as the Schwab Foundation, Ashoka, Skoll Foundation, Omidyar Network and Echoing Green drives the practice of social entrepreneurship. The prominence enjoyed by these organisations, coupled with the fact that some of the institutions undertake applied research, could influence the research agenda around social entrepreneurship. Despite the growing interest in social entrepreneurship, however, there is some scepticism about the ability of social entrepreneurs to solve large-scale societal problems (Hauge & Wasvik, 2016; Sahni et al., 2018; Santos, 2012).

Although most of the papers analysed for this thesis contain a literature review on social entrepreneurship, they do not explain the approach used in selecting the papers reviewed. The unstructured approach to reviewing literature, although it gives the reader a sense of the focus of social entrepreneurship research, has limitations such as the cherry picking of papers and therefore does not give a comprehensive view of the state of social entrepreneurship research. Only two papers, Dacin et al. (2011) and Shepherd and Patzelt (2011) have a structured literature review.

2.4.2 *Social entrepreneurship schools of thought*

In 2010, Hoogendoorn et al. (2010) suggested that social entrepreneurship research could be classified into four schools of thought. These are the Social Innovation School (focusing on social entrepreneurs as individuals able to tackle social problems and meet social needs in an innovative manner); the Social Enterprise School (focusing on social enterprises and how they generated revenue while serving a social mission); the Emergence of Social Enterprises in Europe School (focusing on the social enterprise with the goal of finding a broad definition to be used across the European Union); and the United Kingdom School (which sought to allow for a different approach for the United Kingdom).

The first two schools, which are American, appear to have moved from focusing on the definition of the social enterprise to looking at the practice of social entrepreneurship and characteristics of the social entrepreneur. Seven distinctions can be seen in the different schools of thought, as shown in Table 2.5.

Table 2-5: Social entrepreneurship research schools of thought

	American		**European**	
Distinctions	**Social Innovation School**	**Social Enterprise School**	**Emergence of Social Enterprises in Europe School**	**United Kingdom School**
Unit of observation	Individual	Enterprise	Enterprise	Enterprise
Link mission-services	Direct	Direct/Indirect	Direct	Direct/Indirect
Legal structure	No constraints	Non-profit	Some constraints	No constraints
Innovation	Prerequisite	Not emphasised	Not emphasised	Not emphasised

Profit distribution	No constraint	Constraint	Limited constraint	Limited constraint
Earned income	Not emphasised	Prerequisite	Not emphasised	Important
Governance	Not emphasised	Not emphasised	Multiple stakeholder involvement emphasised	Multiple stakeholder involvement emphasised

Source: (Hoogendoorn et al., 2010)

The American schools of thought are interested in the broader field of social enterprise and social entrepreneurship research, while the European and United Kingdom schools are more focused on the definition of the social enterprise. These schools of thought and focus areas were not evident in the descriptive papers analysed for this study. The authors of the analysed papers were from Europe, the United Kingdom and New Zealand. Although the three regions do not represent a significant section of social entrepreneurship research, the 231 papers that were used for this literature review indicate that the research focus areas may no longer be region specific.

These schools of thought have been used to categorise and better understand the social entrepreneurship phenomenon and the motivations behind social entrepreneurship intentions. The schools of thought were used by Lehner and Kansikas (2012) to understand opportunity recognition in social entrepreneurship and the possible correlations between the schools. Opportunity recognition was evident in both schools of thought with differences between social and commercial enterprises.

Höchstädter and Scheck (2015) used the schools to understand impact-investing understanding among academics and practitioners and discovered that there are differences on what characteristic impact investees need to have.

Popov, Veretennikova, Naumov, and Kozinskaya (2018) used the schools of thought framework to study the impact of informal institutional environments on social enterprises and found autonomy of members of society and gender equality as the most important factors.

Another view on the field of social entrepreneurship research, put forward by Dees (2012), identifies two cultures of social entrepreneurship, one being a culture of charity and the other focusing on problem solving through entrepreneurial means. Charity is a virtuous, selfless act, while problem solving is a skill. Social entrepreneurship practice could benefit from an approach that integrates values from both cultures and proposes ways in which they can complement each other (Dees, 2012). This approach has been used to explore social return on investment (Maier, Schober, Simsa, & Millner, 2015). The approach legitimised social enterprises and their funders and assisted in resource allocation. Social return on investment was questioned from a utilitarianism point of view and also difficult to measure.

It was also used to understand the challenges and actions of social enterprises at the base of the pyramid (Sergi, 2016) and how social enterprises address mission drift (Ramus & Vaccaro, 2017).

Despite the extensive literature on the current state of social entrepreneurship research, the research community seems reluctant to move from the definitional and largely exploratory state to one with clearly outlined research patterns that constantly develops and tests theories. Out of the 231 papers analysed for this literature review, 80% were of an exploratory nature. These took the form of extensive literature reviews on the state of social entrepreneurship research (Dacin et al., 2011; Haugh, 2012; Hoogendoorn et al., 2010) or the definitional debate (Choi & Majumdar, 2014; Henry, Treanor, Griffiths, Gundry, & Kickul, 2013). Some borrowed a framework or theory from management or organisational research and explored how this could be applied in the field of social entrepreneurship (Grassl, 2012; Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010; Nga & Shamuganathan, 2010; Perrini & Vurro, 2006).

The papers that formed part of this literature review tend to mirror the prevailing state in that they are largely exploratory, with limited empirical research. Most of the papers seek to understand a particular idea in more detail and to lay the foundation for future research. What seems to be missing is an acknowledgement that there is adequate exploratory research and that it is time for the field to begin to focus on explanatory and descriptive research.

Despite the lack of clarity, especially around the definition of social entrepreneurship and the direction of the research, there is growing interest in this field of research. Evidence of this can be found in a bibliometric analysis of social entrepreneurship research documents in the Web of Science database by Rey-Martí et al. (2016). The analysis of 2,292 documents published indicates an increase from 54 documents published in 2003 to 381 documents published in 2014. The papers are written in 14 languages, with English being the dominant language. A search for peer reviewed journals (in English) yielded 2,507 hits in Scopus and 1,126 hits in the Web of Science (Saebi et al., 2019).

2.5 Theories employed in social entrepreneurship research

The high quality of theories used to predict and explain the phenomena in a research field goes a long way towards legitimising the field. Social entrepreneurship, as a research field, is different from other organisation and management domains in that it is driven by more than economic self-interest. It was therefore important that the field balanced between theory testing, theory extension and coming up with new theories as it sought to establish itself. Focusing on the last mentioned would distinguish the field from the broader area of entrepreneurship research and the organisation and management research field (Lortie & Cox, 2018; Prince, 2020; Thompson & Kiefer, 2011; Zebrowski, 2009). The limited number of empirical and theoretical contributions in the social entrepreneurship process resulted in scholars turning to the broader entrepreneurship field for theoretical resources.

Theory utilisation in social entrepreneurship research could take the form of theory testing, theory extending or theory building (Haugh, 2012). Researchers in the field were challenged by Haugh (2012) to focus more on theory extension and theory building as these held the greatest potential for legitimising social entrepreneurship as a research field. According to Haugh (2012), clarifying the definition of social entrepreneurship, the actor-centred focus on the characteristics of the social entrepreneur, historical accounts of how social enterprises have been established, and analysis of policy and institutional support for social entrepreneurship impeded the development of theories in social entrepreneurship research.

Douglas and Grant (2014), while acknowledging the call by Haugh (2012), argued that the diverse ranges of fields and vantage points should be allowed to set the stage for advancing theory.

Key theories employed in the papers analysed for this study were institutional theory, network theory, effectuation theory and economic theory. The prevalence of these theories is not dissimilar to theory evolution in organisational studies, where the initial theories, such as institutional theory, economic theory and population ecology, shaped the research field's development (Santos, 2012). A few other theories were also used but to a lesser extent. These included resource dependency theory (Teasdale, 2011), entrepreneurship theory (Kraus et al., 2014) and social origins theory (Kerlin, 2010).

The theories which were most used in the papers analysed for this study, which are institutional theory, economic theory and causation and effectuation theory are elaborated upon next.

2.5.1 *Institutional theory*

Institutional theory, according to Di Maggio and Powell (1983) explains how organisations adapt and create structures to deal with institutional pressures which are coercive, mimetic and normative. Mair and Marti (2009) utilised

institutional theory to understand institutional gaps in resource-lean areas. Institutional theory was used in the study by Tolbert, David, and Sine (2011) to understand why entrepreneurs choose social entrepreneurship as an organisation form over other forms and was also used in studies by Kury (2012) and Nicholls (2010) to explain how social enterprises are organised and managed.

Schaltegger and Wagner (2011) used institutional theory to come up with the concept of institutional entrepreneurship. This concept refers to organisations that contribute towards changing the regulatory, societal and market institutions around them. Institutional entrepreneurship differs from the traditional institutional theory put forward by Di Maggio and Powell (1983), which posits that regulatory, societal and market institutions change or influence an organisation both positively and negatively.

Institutional and cultural contexts shape social enterprises in a number of ways (Puumalainen, Sjögrén, Syrjä, & Barraket, 2015). While the level of development might impede entrepreneurship, it does not affect social entrepreneurship. Developed formal institutions were identified as important for improving and creating higher levels of social entrepreneurship. The existence of social problems alone does not automatically result in higher levels of soil entrepreneurship, there also has to be sufficiently developed formal institutions.

Pathak and Muralidharan (2016) employed institutional theory to assess how social collectivism and social trust influence the emergence of social enterprises, and discovered that societal collectivism reduces the emergence of commercial entrepreneurship, but increases the emergence of social entrepreneurship. Social trust, on the other hand, increases the emergence of both commercial and social entrepreneurship.

Although institutional theory is not used to explore the research phenomenon in this thesis, it can also be used to understand the relationship between funding institutions and social enterprises.

2.5.2 *Economic theory*

An economic theory consists of a set assumptions and conditions, and an analytical framework that give rise to explanations and predications on how human beings make choices (Becker, 2017). The assumptions and conditions are that human beings have rational preferences among outcomes that they perceive to be of value, human beings maximise utility and companies maximise value, and that people act independently based on full and relevant information at their disposal.

Nga and Shamuganathan (2010) utilised economic theory to understand social entrepreneur motivations and posit that assuming man as rational ignores key characteristics of an entrepreneur such as values, capabilities and will. They proposed an approach that blends economic, social and environmental values in understanding the key aims of social entrepreneurship by nurturing sustainable business values.

Economic theory was used in McMullen (2011) to propose a theory of economic development that integrated business entrepreneurship, institutional entrepreneurship and social entrepreneurship. In addition, Zahra et al. (2014) used economic theory to recognise the achievement of social outcomes as the key aim of social entrepreneurship.

2.5.3 *Causation and effectuation theories*

Effectuation was proposed as an approach employed by social entrepreneurs in a situation where resources are scarce (Di Domenico et al., 2010). While this approach is considered risky, effectuation enables the social entrepreneur to adapt to changing circumstances quickly. Causation (or rational) and effectuation processes were also explored as components of how opportunities develop in social entrepreneurship processes (Corner & Ho, 2010). Causation processes take a particular effect as given and focus on means to create the effect and effectuation processes assume a particular means as given and

focus on selecting possible effects that can be created with the basket of means (Sarasvathy, 2001).

Four ways of developing opportunities were uncovered: structured opportunity development, the collective action of multiple actors, past experiences of the social entrepreneur and a moment of spark or insight. In one of the four cases in the Corner and Ho (2010) study, causation and effectuation were both found to be involved in the opportunity-identification process.

Subsequent papers such as those by Lehner and Kansikas (2012), Parris and McInnis-Bowers (2014) and Yusuf and Sloan (2015a), however, have differed from the Corner and Ho (2010) case findings. These papers posited instead that effectuation is the mechanism that is involved in early-stage social enterprise establishment and causation becomes evident as the social enterprise matures.

Causation and effectuation continue to be put forward as two alternative approaches to implementing social entrepreneurship, with effectuation being ideal for the early stages where the environment is uncertain (Sarasvathy, Ali, Block, & Lutz, 2015) and the process adopting causal mechanisms as the business becomes more established.

Causation and effectuation theories are discussed in greater detail as part of the conceptual research framework for this study in Section 2.8.4.

2.5.4 *Other theories in social entrepreneurship research*

Other theories identified in the papers were behavioural theories on social entrepreneurship. Network theory was utilised to examine what role networks play in the establishment and running of social enterprises (Dacin et al., 2011). Using network theory as a lens, Shaw and Carter (2007) identified five key themes as important to the practice of social entrepreneurship. These five themes are: the entrepreneurial process, network embeddedness, the nature of financial risk and profit, the role of the individual versus collective efforts in managing and structuring enterprises, and creativity and innovation.

Embeddedness in a particular social network was seen to influence a social entrepreneur's expectations, motives and decision-making processes (Smith & Stevens, 2010; Uzzi & Gillespie, 1999).

A theory of the process of emergence, made up of opportunity identification and exploitation, was proposed by Perrini et al. (2010). A new theory of social entrepreneurship, where social entrepreneurs focus on the creation of social impact, social change and social transformation, was put forward by El Ebrashi (2013). This new behavioural theory of social entrepreneurship was developed from Schumpeter's entrepreneurship theory.

A paper by Santos (2012) came up with a new theory, called the positive theory of social entrepreneurship. This theory posits that negative externalities such as regulation, taxation and market creation co-exist with positive externalities, which are likely to be neglected by governments owing to their multiplicity of roles and the resource constraints that they face. The theory identifies the actors who try to address negative externalities as social activists and not as social entrepreneurs. Social entrepreneurs, it argues, address problems involving neglected positive externalities, are more likely to operate in areas of localised positive externalities that benefit a disempowered group and are more interested in sustainable solutions than sustainable advantages. This paper was different from the others reviewed in that it developed a new theory from within the social entrepreneurship research field instead of borrowing theories from other research fields.

A study by Chou (2018), uses design thinking to explore and affirm social entrepreneurship research as a new research area. This approach attempts to move away from focusing on the personalities, qualities, values and visions of social entrepreneurs and introduces comprehensive, human-centered, and innovative products or projects. A resource-based view of the firm is used by Bacq and Eddleston (2018) to argue that the scalability of social enterprises depends on the capabilities of the social entrepreneur to engage stakeholders, attract public sector support and earn an income. Entrepreneurial ecosystems can influence social enterprises through ecosystem diversity of resources,

support infrastructure, entrepreneurial culture and learning (Roundy, 2017). Social enterprises can in return shape the entrepreneurial ecosystem's participant heterogeneity and increase its appeal to stakeholders.

Effectuation theory (see also Sections 2.4.3 and 2.8.4) is put forward as a cognitive perspective from which to study social entrepreneurship (Lehner & Kansikas, 2012). It is also put forward as a lens that can be used for exploring the social entrepreneurship process environment (Kraaijenbrink, Ratinho, & Groen, 2011) and as a logic of entrepreneurial decision making when implementing social entrepreneurship processes (Dew, Read, Sarasvathy, & Wiltbank, 2009). This is because of the high level of uncertainty and resource constraints a social enterprise operates under, which requires entrepreneurial thinking for survival and success.

Five areas that hold promise for theory building are institutions and social movements, networks, culture, identity and image, and cognition (Agostini, Vieira, Tondolo, & Tondolo, 2017; Chou, 2018; Dacin et al., 2011).

Young and Kim (2015) utilise resiliency theory to understand how social enterprises can remain sustainable and focused on their social mission. Social enterprise governance, economic incentives and the financial environment play a role as social enterprises reconcile social purpose and market dynamics. Roy and Karna (2015) develop a theory about what capabilities are required to enable social enterprises to achieve a competitive advantage. Resources such as reputation, networks of the founder, managerial experience and use of innovation are identified as key in this regard. Jenner (2016) adds resourcing, organisational capabilities, collaborative networks and legitimacy as key capabilities. Traditional societal values negatively affect social entrepreneurship rates, while self-expression societal values positively influence social entrepreneurship prevalence (Hechavarría, 2016). Yitshaki and Kropp (2016) use grounded theory to build a theoretical model that links motivations, opportunity recognition and prosocial activities of social entrepreneurs.

Most of the analysed papers that employed a theory looked at how the theory had been used to understand a particular phenomenon, such as organisation and management or entrepreneurship, and then suggested that the similarities between the particular phenomenon and social entrepreneurship made the theory ideal for understanding the social entrepreneurship phenomenon.

What is missing from the analysed papers are papers that advance social entrepreneurship research using the suggested theories. Overall, social entrepreneurship research still has some way to go before it reaches a position where it can develop its own theories. One way of advancing towards this position is to use multiple theories and frameworks when researching the social entrepreneurship phenomenon.

This study uses causation and effectuation theories to understand the influence of external funders on social entrepreneurship business models. Effectuation theory is appropriate for exploring the inevitable uncertainty of the social entrepreneurship business model, and causation presents an appropriate logic for exploring the rational approach of external funders.

2.6 Research methods in social entrepreneurship research

A total of 286 papers on social entrepreneurship that were published between 1991 and 2010 were analysed by Granados, Hlupic, Coakes, and Mohamed (2011) to get a sense of the structure and maturity of social entrepreneurship and social enterprise research and theory. The analysis pointed to a growth in social enterprise and social entrepreneurship research. The papers were categorised as theoretical (conceptual, exploratory or descriptive), prescriptive (instrumental or normative) or descriptive. More than 70% of the papers were theoretical, with most of them being of an exploratory nature.

From a research methods point of view, 117 out of the 286 papers in the Granados et al. (2011) analysis were classified as qualitative, quantitative or mixed methods in terms of research strategy. Ten papers were quantitative in nature, 11 used the mixed methods approach and the rest were qualitative.

This is similar to the 231 papers analysed for this study, where 78% of the papers were found to be qualitative and 11% each used mixed methods and quantitative research strategies.

Table 2-6: Research methods used in social entrepreneurship research

Research Method	Prevalence
Qualitative method	78%
Quantitative method	11%
Mixed method	11%

The case study methodology was the most common and was utilised in 78 of the 117 papers. This supports an analysis by Hoogendoorn et al. (2010) on the state of social entrepreneurship research, which revealed that the case study methodology was utilised in more than 70% of the papers they analysed.

The papers analysed for this study corroborate the findings of the analysis by Granados et al. (2011) and Hoogendoorn et al. (2010) in that they were mostly exploratory in nature. Social bricolage was used to propose a theoretical framework that seeks to explain how social enterprises acquire resources in resource-scarce environments (Di Domenico et al., 2010). The theoretical antecedents of compassion and prosocial motivation were utilised as a lens in Miller et al. (2012) to understand the increasing legitimacy of social entrepreneurship. The concept of blended value was used in Zahra et al. (2014) to explore how social entrepreneurship research extends the field of international entrepreneurship. These authors proposed a broader definition of international entrepreneurship that blends economic, social and environmental values. Hockerts (2017) validated four precursors of social enterprise research, which are empathy with marginalised communities, societal moral obligations,

high levels of self-efficacy concerning ability to effect social change and the perceived availability of social support.

As stated above, the case study methodology was the most commonly used in the papers analysed for this study. Corner and Ho (2010) employed the multiple case methodology to build theory inductively on how opportunities develop in social entrepreneurship, and three case units were used in Yunus, Moingeon, and Lehmann-Ortega (2010). A single case was used by Datta and Gailey (2012) to assess the elements of empowerment embedded in a social enterprise's business model and how the members of the social enterprise perceive the empowerment. One case study was also used to understand how the social entrepreneurial scaled up (Perrini et al., 2010). Multiple cases were used in Arvidson and Lyon (2014) study to examine the experience and behaviour of social enterprises in the United Kingdom and how they measure and evaluate performance.

No consistent sampling strategy was found to be employed in the qualitative studies, and in some studies the sampling strategy utilised was not justified. Purposive sampling was used in Di Domenico et al. (2010) to allow for theoretical diversity and saturation between and across cases. Purposive sampling was used by Moss, Short, Payne, and Lumpkin (2011), where a sample of 18 social enterprises was selected from a number of social enterprise awards. This was undertaken to ensure that the cases used were indeed social enterprises. Purposive sampling was used by Weerawardena and Mort (2012) to identify and learn from successful social enterprises.

Chalmers and Balan-Vnuk (2012) selected case units for their study from Australia and the United Kingdom as these countries were seen to have a rich culture of non-profit enterprises and social innovation. Purposive sampling was utilised by Schmitz and Scheuerle (2012) as this sampling strategy is commonly used in exploratory research. Rigorous and theoretical purposive sampling was used in El Ebrashi (2013) to increase the possibility of obtaining data and informing future research. Experts were used by Achleitner, Lutz, Mayer, and Spiess-Knafl (2013) to select case units.

Theoretical sampling was used to ensure sufficient similarity and variation between the different relationships. In terms of size, the samples tended to be very small, with a number of single case units. Some of the reasons advanced for choosing this sampling strategy included allowing for data on the mechanisms to emerge (Arnold & Hockerts, 2011) and making the sampling strategy consistent with studies that seek to develop theory (Weerawardena & Mort, 2012).

Meta-analysis of previous research (Hoogendoorn et al., 2010; Kraus et al., 2014; Lehner & Kansikas, 2012; Mair & Marti, 2006) in the field of social entrepreneurship or related fields predominated and this analysis was used to give a sense of the current state of social entrepreneurship research and then propose areas for future research. There was therefore a good understanding of the current state and current challenges facing the field and of what needs to be undertaken to advance the social entrepreneurship research field.

An analysis by Cukier et al. (2011) identified the micro-level (i.e. the social entrepreneur) as the dominant level of analysis in social entrepreneurship research. Studies focused on the characteristics and the demographic and psychographic factors of the social entrepreneur (Dacin et al., 2011). At a meso-level, the focus was on the social entrepreneurial organisational processes. Studies at the meso-level were more interested in the processes followed to achieve the intended social goals, organisational forms, structures, governance and management, and the different stages of the social entrepreneurship process. At the macro-level (social entrepreneurship research) the attention was on how broader cultural, structural and economic factors influenced social entrepreneurship. The factors included education, government legislation and taxation. The organisation (i.e. the social enterprise) was used a unit of analysis in the Perrini et al. (2010), Weerawardena and Mort (2012) and Yunus et al. (2010) studies.

Macro-level social entrepreneurship research was driven by global crises, increased citizen awareness of social and environmental needs, creation of

quasi markets for public goods and reduced public funding (Huybrechts & Nicholls, 2012). Meso-level social entrepreneurship research looked at the social entrepreneurship process from the allocative, discovery and creation views (Lehner & Kansikas, 2012). Micro-level social entrepreneurship research sought to understand the relationship between intentions and motivations, such as self-actualisation, desire to achieve, desire to help others and affinity to a particular social cause, and the secondary focus on financial returns (Germak & Robinson, 2014).

The papers analysed for this study were balanced in level of analysis between the social entrepreneur and the social entrepreneurship process. Most of the deductive papers looked at the social entrepreneur, while the inductive papers focused on social entrepreneurship. Regarding the social entrepreneurship process, the research was biased towards the early stages of social entrepreneurship establishment.

2.7 Research outcomes in social entrepreneurship research

Research outcomes are typically presented in a way that includes, among other factors, statistical validity and significance, details of response rates and impact of sample sizes. No evidence of these considerations was found in the papers analysed for study, apart from in the Desa (2012) paper. In this paper, the results are detailed per hypothesis, with an insignificant relationship reported between political stability and the venture's operating location; a negative and significant relationship between the level of technology regulation and the social enterprise's use of bricolage; and a negative but marginal relationship between the factors that increased the ease of doing business and the social venture's use of bricolage.

Although most of the analysed papers were qualitative and of an exploratory nature, a number of key findings were put forward in some of the papers. Madill et al. (2010) concluded from their analysis of results from 60 social enterprises that 56% of the social enterprises were low on social innovation, 50% had income-generating activities, 52% were highly self-sufficient and 31%

prioritised social transformation. Social enterprises, according to Weerawardena and Mort (2012), pursued innovation from both internal and external sources in both incremental and radical approaches. Social enterprises were characterised by social orientation, operating in a business manner to earn income, exhibiting innovation and risk taking (Schmitz & Scheuerle, 2012). El Ebrashi (2013), for example, cited the creation of sustainable change at a community rather than individual level as the ultimate result of social enterprises.

The research outcomes in the analysed papers, which were mostly of an exploratory nature, therefore did not take factors such as validity, generalisability and reliability into account. Instead, the papers sought to build a platform for qualitative research that can take the above-mentioned factors into consideration.

The qualitative approach is used to accomplish the overall purpose of the current study. It is considered appropriate for the study as it allows for a deeper understanding of an under-researched phenomenon and provides a rich picture of the actual social entrepreneurship business models in externally funded social enterprises. The study focuses on discovering how the social meaning of the phenomenon is constructed, which can be accomplished through qualitative approach.

2.8 Proposed future research on social entrepreneurship

A common theme in the papers analysed for the study is that there is a need to advance social entrepreneurship research. Empirical research needs to be conducted, as the findings from current research cannot be generalised to theory (Yunus et al., 2010). This proposal is different from that of Kury (2012), which puts forward social entrepreneurship as a context and not a discipline.

Five areas with potential for advancing social entrepreneurship research were put forward by Dacin et al. (2011), centred on shifting the focus away from individual-level analysis towards mission-oriented social entrepreneurship. The

five areas are the institutional dimensions related to social entrepreneurship; the use of network theories, especially for understanding power and dominance; integration of cultural issues such as narrative and rituals in supporting the proliferation of social entrepreneurship; greater focus on the issues of identity and image; and, lastly, for cognitive approaches and effectuation theory to build a coherent theoretical base for social entrepreneurship research. Further refinement of the charity versus problem-solving capabilities of social entrepreneurship was also proposed (Dees, 2012). Possibilities of refining the charity versus problem-solving issue lie in increasing focus on problem solving and making performance information more available.

Sengupta and Sahay (2017) identified three future areas of social entrepreneurship research. These are contextual, institutional and personal factors around social entrepreneurship; how social enterprises use market orientation to generate economic and social value; and how social entrepreneurship education impacts on the generation of a talent pool for social enterprises. Douglas (2015) proposed that the blended concepts of social entrepreneurship and social enterprises should be applied in disparate situations to strengthen research capacity.

A research agenda for investigating the linkages between the sustainability of social enterprises and organisational effectiveness was outlined by Pfeffer (2010). Empirical research is needed to develop and test constructs put forward by existing qualitative research (Weerawardena & Mort, 2012). An opportunity also exists to develop multiplicative measures of entrepreneurial opportunity, and these should include social entrepreneurship (Slevin & Terjesen, 2011). A number of topics were suggested by Zahra et al. (2014) for future research. These are opportunity formulation and exploitation by social enterprises; studying social enterprises in the context of developing economies; the role of national culture and institutions; social capital and community development; how social benefits are distributed; and the governance of social enterprises.

For social enterprises operating at the bottom of the pyramid, access to markets, support organisations and social enterprise ecosystems are some of

the proposed areas for future research (Ramachandran, Pant, & Pani, 2012). The characteristics of social enterprises, such as innovative, flexible behaviour, need to be brought to the fore, and a qualitative value for social innovation needs to be developed (Schmitz & Scheuerle, 2012). A need to explore the unique strategies employed by social enterprises as they strive for social goal achievement and financial sustainability was also identified (El Ebrashi, 2013).

Studies suggested that rather than focus on building grand theories on social entrepreneurship, social entrepreneurship research should aim at building mid-range theories and at unpacking the mechanisms of economic and social development through social entrepreneurship (Davis & Marquis, 2005; Hedström & Swedberg, 1998; Mair, 2010). Although the social entrepreneurship process is different from other business processes, a need exists to use broader management theories. Social entrepreneurship is an integral part of a social system, and research efforts should resist the temptation to research it independently of the institutional, social, political and economic dynamics of the social system (Mair, 2010).

An alternative approach to advancing social entrepreneurship research is by rendering it dangerous, as proposed by Steyaert and Dey (2010). This, it was argued, would make the field a source of innovation and societal change. Three verbs were proposed as metaphors for research focus areas: critiquing to understand how scientific research informs the dominant thinking; inheriting through contextualisation, historicising and connecting with other practices; and intervening to influence social change processes through research.

Acceptance of social entrepreneurship research as a contested area should be encouraged and used to come up with a more intellectually and morally advanced understanding of the phenomenon (Choi & Majumdar, 2014). This understanding should be achieved within clusters or research themes. Clustering research would make it easier to identify the interests and area that a research study seeks to advance and allow researchers to build on each other's research.

Regardless of the approach one uses to advance social entrepreneurship research, there is consensus that much needs to be undertaken at the policy, theoretical, methodological and practice levels. Clustering seems the appropriate way to achieve this, with macro-, meso- and micro-level sub-clusters in each cluster.

The proposed future research from the analysed papers has influenced the research topic design for this study in several ways. Firstly, the research design answers the call by Dacin et al. (2011) to move from research that focuses on the social entrepreneur by making the social entrepreneurship business model the level of analysis. It also considers the views of another player involved in the social entrepreneurship process (i.e. the external funder) instead of being inward looking. Lastly, rather than using contemporary management theories to explore the phenomenon, the study uses theories whose foundations are in the entrepreneurship research field.

2.9 Conceptual research model development

Two gaps identified in the literature review informed the conceptual research model for the study. First, from a research point of view, social entrepreneurship research is insular and looks at the social entrepreneurship phenomenon from the perspective of the social entrepreneur. While other participants in the social enterprise business model are acknowledged, particularly by research through the lens of institutional theory, little is known about the influence of other participants on the social enterprise business model. Most social enterprises rely on external funding for growth and achievement of the planned social mission, which makes external funders important to the implementation of their business models. Despite this importance, little is known about how the external funders interact with the social enterprise business model.

Second, from a theoretical point of view, causation and effectuation are put forward as two distinct mechanisms that are used to implement the social enterprise business model, with effectuation seen as ideal for the start-up phase and the social enterprise becoming more causal as it develops. This

study identified and sought to fill a research gap where causation and effectuation occur simultaneously because of an external influence. An alternative view posited by some papers is that operating in uncertain conditions compels social enterprises to maintain an effectual approach to opportunity recognition and business model implementation. The role of external funders, effectual mechanisms and causal mechanisms, which are the pillars of the conceptual research model of this study, are discussed in the sections that follow.

2.9.1 *Social entrepreneurship business models*

The term “business model” has many meanings and in some instances is understood to be a simplified way of describing how an existing business operates (Mair & Schoen, 2005). In the papers analysed it served to describe how an organisation creates and captures value (Teece, 2009) or generates revenue and sustains its profitability over time. Business models were found to be informed by the organisation’s purpose or strategy (Casadesus-Masanell & Ricart, 2010). A business model was also defined as a system of activities that determines the interconnected and interdependent activities a company uses for doing business with its customers, partners and suppliers (Zott et al., 2011).

The area of social enterprise business model research is as nascent and as contested as the broader field of social entrepreneurship research (Boons & Lüdeke-Freund, 2013; Grassl, 2012; Mair & Schoen, 2007; Olofsson, Hoveskog, & Halila, 2018). Research in general has focused on the components and processes and the general building blocks of these business models, which are resources, inclusion, distribution and pricing (Spiess-Knafl, Mast, & Jansen, 2015).

Dentchev et al. (2016) posited that there is a need to explore the missing centrality of profit generation in social or sustainable business models. The exploration of sustainable business models should look at how they function and how they evolve and create value without predominantly focusing on profit generation.

Morris, Schindehutte, and Allen (2005) categorised a business model at three levels: economic, operational and strategic, with the economic level concerned with profit generation, the operational level with how internal processes and infrastructure are designed to create value, and the strategic level with competitive advantage and sustainability.
Social enterprises were found to adopt and implement business models to ensure that the enterprise becomes sustainable (Zahra et al., 2009). Business models were also identified as contributing positively to monetisation and financial performance of social entrepreneurs (Dohrmann, Raith, & Siebold, 2015). Social enterprises were also found to use business models to resolve social and environmental issues (Dentchev et al., 2016). Business model innovation enables social enterprises to create, deliver and capture value for their stakeholders while ensuring positive environmental and social change (Olofsson et al., 2018).

Dart (2004) argued that adopting a business model creates legitimacy for a social enterprise. Seelos and Mair (2005) defined the business model as the capabilities that enable value creation, which could be of an economic or social nature, or both. Social entrepreneurship research aligns business models with the social enterprise's ability to be financially sustainable (Darby & Jenkins, 2006; Zahra et al., 2009). Yunus et al. (2010) analysed business model components in social entrepreneurship research and came up with three common elements: the product or services it offers to the customers, how the enterprise is structured to deliver these products or services, and the revenue model.

Yunus et al. (2010) further argued that social enterprise business models are distinct from for-profit company business models, as they are conceptualised differently and serve a different purpose. There are, however, many similarities between a generic social enterprise business model and for-profit business models. They both have value propositions, a value constellation that outlines the value chain and customer interface, and a profit equation (social for social enterprises and economic for for-profit enterprises). Research on social

entrepreneurship business models has used the concept of value creation at enterprise and societal levels to develop social enterprise business models (Seelos et al., 2011). Social enterprises have diverse stakeholder expectations to consider. Beneficiaries may have different expectations than the providers of funding. Social enterprises also have the added governance complexity of combining charity and business logics (Ebrahim, Battilana, & Mair, 2014).

The ability of social enterprises to integrate a business model into the provision of a social need make social enterprises a vital economic and social resource (Hynes, 2009). Two distinct approaches to business modelling for social enterprises have been put forward (Nicholls, 2010). One approach puts business and commercial models as central to a social enterprise while the other approach prioritises advocacy and social change. The first approach suggests that social enterprises should work towards being sustainable, being professional and scaling up their services. The second approach uses terms such as “social value” and “social justice” and ensures that the beneficiaries of the programme have a voice.

A typology of social enterprise business models put forward by Zahra et al. (2009) is based on the type of social entrepreneur, who can be the social bricoleur, the social constructionist or the social engineer. The social bricoleur uses existing resources to address a problem through methods that are different from the conventionally used ones. Social constructionists, on the other hand, create scalable solutions that could address a particular problem in different contexts. Social engineers address existing, large-scale social issues from the outside in by creating systemic change that alters the current system (Volkmann, Tokarski, & Ernst, 2012). Spiess-Knafl et al. (2015) identified six business models for social enterprises. These are opportunity creation, smart distribution, ecosystem engineering, cheap sourcing, smart pricing and inclusive production.

Hamel (2000) defined a business model as being made up of four dimensions, which are the core strategy, customer interface, value networks and strategic

resources. The four dimensions are interlinked, and each dimension has various elements. These elements are tabulated in Table 2.6 below.

Table 2-6: Business model dimensions and elements

Dimension	Elements	Core Questions
Core Strategy	Business Missions Product/Service Scope Basis for Differentiation	What are your value propositions?
Customer Interface	Fulfilment and Support Information and Insight Relationship Dynamics Pricing Structure	Who do you serve? What value chain functions do you provide? What are your relations?
Value Networks	Suppliers Partners Coalitions	What are your networks?
Strategic Resources	Core Competencies Strategic Assets Core Processes	What are your internal strength and competencies?

Sources: Haaker, Bouwman, Janssen, and de Reuver (2017), Hamel (2000, Lindgren and Rasmussen (2013))

The core strategy details how an enterprise chooses to compete. An organisation needs specific resources that are unique to it for it to have a competitive advantage. Changing the resources that give an organisation its competitive advantage results in an innovative business model. Customer interface includes how an organisation interacts with or reaches its customers, as well as the knowledge collected and utilised on behalf of the customers. The value networks surround an organisation and enhance the organisation's own resources. In today's world it is quite common for most of the resources that are essential to an organisation to lie outside its direct control.

Mair and Schoen (2005) utilised the Hamel (2000) business model to analyse three social enterprises: Grameen Bank from Bangladesh, Sekem from Egypt and Mondragon Corporacion Cooperative from Spain. Common patterns were

identified in the value networks, strategic resources and customer interface. This led Mair and Schoen (2005) to propose that successful social enterprises proactively create social value networks at an early stage, carefully assess their resource needs and design a resource strategy that is integrated into the business model at an early stage. They also integrate their target group into their social value network at an early stage. A social enterprise's business model needs to ensure that both social and economic value is created. Social enterprise business models need to innovate constantly for them to adapt to forever-changing technologies, economic developments and societal challenges (Demil & Lecocq, 2010).

The business model put forward by Hamel (2000) has been used in both for-profit and non-profit contexts and is considered ideal for exploring a relationship where one partner may have a non-profit motive and the other partner a profit motive. It has also been used several times in the social entrepreneurship context and as such has validated scale items. The Hamel business model was also found to align with the causation and effectuation validation items from Chandler, DeTienne, McKelvie, and Mumford (2011). For these reasons this model is used in the current study.

2.9.2 *Social enterprise funding*

Social enterprise funding could be generated internally or externally. Internal funding is utilised during the early stages of the social enterprise's business lifecycle, and external funding is utilised when the social enterprise needs to scale up its activities (Bugg-Levine et al., 2012). The absence of cashflows restricts the social enterprise's ability to attract traditional sources of funding (Lumpkin, Moss, Gras, Kato, & Amezcua, 2013). Social enterprise financing has been seen as the area where money and meaning meet and is expected to be worth $6 trillion by 2052 (Lyons & Kickul, 2013). Access to funding is important to social enterprises and also determines their ability to scale up and create greater social impact (Sunley & Pinch, 2014).

Reliance on external funding has its pros and cons. While external funding has been found to be essential in keeping the social enterprise operational, overreliance on it could threaten the sustainability of the social enterprise (Karanda & Toledano, 2012). Mission drift is one of the risks associated with external funding. Moving from reliance on grant funding to other sources of funding could lead to mission drift (Battilana, Lee, Walker, & Dorsey, 2012) as could overreliance on external funding (Lyons & Kickul, 2013). Koch, Galaskiewicz, and Pierson (2015), however, argued that external funding does not influence the social mission and type of beneficiaries the social enterprise supports. External funding was found to be normally tied to specific projects within the social enterprise and to a particular time frame, and this sometimes excluded investing in product development or social enterprise overheads (Glänzel & Scheuerle, 2016).

Social enterprises have traditionally been financed through foundations or grant funding, and programme-related investments (Kelly, Duncan, & Dubb, 2016). Over time, funding strategies have become innovative and differentiated for non-profit and for-profit social enterprises. Non-profit social enterprises have relied on mission-related investments, a combination of grants and investments and social impact bonds. For-profit social enterprises have also accessed funding from impact investors and through blended finance (Kelly et al., 2016). While social enterprises could achieve initial success from early stage grant funding, grants are usually insufficient for enabling the social enterprise to scale up the social enterprise activities (Martin & Osberg, 2015).

Swanson and Di Zhang (2010) came up with three funding options for social enterprises. These are non-profit and grant funded, non-profit and partially self-funded, and social enterprise and fully self-funded. Martin and Osberg (2007), on the other hand, saw social enterprise funding as evolving from grant funding to equity and debt funding as the social enterprises achieves scale and critical mass. For Schoonmaker and Rau (2014), the period between reliance on grant funding and investment capital presents a valley of death, which could be bridged by creating hybrid structures that utilise grant funding while transitioning towards debt and equity funding. During the early phases of a

social enterprise, self-financing from the entrepreneur's own resources or investment from people closely related to the entrepreneur was found to be common, which is quite a limiting approach from a growth perspective (Bergamini, Navarro, & Hilliard, 2017).

Peattie and Morley (2008) identified a form of financing that they termed "patient capital". For these authors, patient capital is usually required at the growth and expansion stages of social enterprise establishment, where funders are willing to take lower financial returns in exchange for social benefits. New funding options have been introduced into the social enterprise funding sphere, and these can be categorised as commercial investments and funding that does not require financial returns (Hazam, Karimova, & Olsson, 2017). Funding that does not require financial returns includes grants and donations. Commercial investments take the form of loans and equity, as well as crowd funding.

In 2006, Austin et al. put forward the view that social enterprises differ from other social ventures in that they use the funds to fulfil both social and financial objectives (Austin et al., 2006). This view by Austin et al. (2006) was later disputed by Meyskens et al. (2010), who concluded that social enterprises use resources in the same way as other enterprises. Social enterprises rely on resources such as paid employees and volunteers, and a combination of revenue or funding streams (Barraket, Collyer, O'Connor, & Anderson, 2010). A 2014 review concluded that social enterprises are less likely to have the collateral of for-profit entrepreneurs and therefore appear less attractive to financiers (Doherty, Haugh, & Lyon, 2014). Social enterprises are increasingly distancing themselves from competing for philanthropic funding and, instead, are looking for earned income (Rizzi, Pellegrini, & Battaglia, 2018).

The inability of social entrepreneurs to raise funds was found to be due to the inability to agree on performance metrics as well as inadequate information flow between the funder and the social enterprise (Emerson, 2000). Hynes (2009) identified the key challenges that social enterprises face as access to finance, together with a lack of understanding of social entrepreneurship by stakeholders; pricing of services and managing cashflow; recruiting and

retaining the right staff; and the personal issues associated with the changes a social enterprise goes through. This information asymmetry points to the absence of an intermediary function that brings these two worlds together. Performance metrics go beyond addressing the credibility gap that social enterprises encounter, to serve as a tool for self-validation by the social enterprise. Establishing and funding social enterprises are challenging for both the social entrepreneur and the funder (Lyons & Kickul, 2013). Despite these challenges, the number of investment programmes that focus on social enterprises has increased (Rizzi et al., 2018).

For-profit social enterprises offer financial returns that are lower than other for-profit companies, which makes it difficult for them to compete with other for-profit companies for the same funding options (Bugg-Levine et al., 2012). Despite this, a study found a growing social capital market where for-profit and non-profit enterprises pursue financial and social objectives and use funding from philanthropists and financial investors (Lyons & Kickul, 2013).

The extent to which a social enterprise is able to raise funding successfully is linked to the social enterprise's legal structure (Kickul & Lyons, 2015). Non-profit social enterprises are more restricted to philanthropists than for-profit social enterprises, which fund their activities through earned income. There is a growing trend towards creating hybrid organisations as they can gain philanthropic funding and earn an income at the same time.

2.9.3 *Role of external funders in the social entrepreneurship business model implementation*

External funders have been found to exercise oversight over the social enterprises that they fund, based on information and control rights that are part of the funding agreement (Lerner, 1995). Information rights require comprehensive reporting on financial and operational performance to the external funder on an agreed-upon frequency (Kaplan & Strömberg, 2004), a practice that requires significant time from the social entrepreneur. Control

rights can extend to areas such as strategic decision making, partnerships, recruitment and procurement.

External funding has continued to evolve from pure, hands-off philanthropy towards funding that is based on a relationship between the external funder and the social enterprise (Defourny et al., 2013; Pepin, 2005). External funders do not invest money only, but also invest time, skills and expertise, strategic thinking and management experience (Defourny et al., 2013; Knott & McCarthy, 2007) in the social enterprises they fund. While the external funder and social enterprise may have similarities in terms of backgrounds, rationale and goals (Defourny et al., 2013), there may be divergences and convergences in the relationship.

The double bottom line approach (social return and financial return) presents two different approaches to implementing social entrepreneurship business models. This approach could be used in instances where the external funder and the social entrepreneur do not assign equal weighting to the social and financial returns (Mayer & Ganahl, 2014).

External funders have been revealed as tending to exercise control rights by adjusting the governance structures of the social enterprises they invest in, through imposing conditions such as requiring a seat on the governance structure (Lerner, 1995). Social entrepreneurs have also sometimes perceived the board membership by external funders as there to serve their exit-oriented interests, adding little to the strategies that benefit the funded social entrepreneur (Achleitner et al., 2013).

The relationships between external funders and social enterprises have been found to differ depending on the extent to which the external funders emphasise standardised accounting across all the social enterprises they fund (Anhcicr, 1990). Bendell and Unies (2006) argued that the imposition of standardised rules and objectives by external funders could stifle the ability of social enterprises to help the external funder understand the social enterprise they fund. Funding organisations may have a different understanding of the social

enterprise they fund from how the social enterprise perceives itself (Grimes, 2010). In some cases performance measurement has been used to make sense of these different identities and come to an agreement about the mission and strategies of the funded social enterprise (Grimes, 2010; Plantz, Greenway, & Hendricks, 1997).

External funding demands, particularly from the public sector, could have an adverse effect on social enterprises (Choudhury & Ahmed, 2002; Edwards & Hulme, 1996). The demand for social enterprises to report to their funders and the performance measures imposed on these social enterprises have the effect of weakening the social enterprises' accountability to and connection with their beneficiaries (Nevile, 2010).

Although debt funding has a negative influence on the return on capital employed by social enterprises, social entrepreneurs prefer this form of funding, as it means they remain independent of their funders (Tirumalsety & Gurtoo, 2019).

2.9.4 *Causation and effectuation theories*

The concepts of causation and effectuation were introduced by Sarasvathy (2001) to explain how organisations or enterprises and markets are established. Causation is based on prediction, while effectuation is based on control. "Causation", when it comes to enterprise formation, refers to instances where all the building blocks are in place, and the entrepreneur selects the most effective way to achieve their goal. Effectuation assumes that there are multiple options with the resources at hand, and these are navigated through uncertainty to arrive at a desired goal.

The research consulted predominantly positioned causation and effectuation as two logics that enterprises, including social enterprises, utilise to implement business processes and models (Chandler et al., 2011; Sarasvathy, 2001). Causation and effectuation were used in the studies by Sarasvathy, Dew, Velamuri, and Venkataraman (2003) and Alvarez and Barney (2007) to explore

entrepreneurial opportunity and actions. Haugh (2007) described the practice where the social entrepreneur decides which resources to acquire and which outcomes to work towards during the early stages of the business venture as effectuation.

As the context, particularly the levels and type of uncertainty, change over time, social entrepreneurs are likely to shift from an effectual to a causal approach (Read & Sarasvathy, 2005). Social entrepreneurs use the effectual approach to challenge conventional approaches to existing social problems and to come up with innovative solutions that reform the system in which the problems exist (VanSandt et al., 2009). The effectual approach begins with the following means: the traits and abilities of the social entrepreneur; the education, training and expertise of the social entrepreneur; and the social, family and professional networks of the social entrepreneur.

VanSandt et al. (2009) argued that effectuation in social enterprises leads to an expanded network, an increase in resources and ultimately a greater impact. Effectuation also drives the social entrepreneur to challenge the conventional ways of doing business and to develop creative solutions in the process. This virtuous effectual cycle proposed by VanSandt et al. (2009) begins by applying effectual logics, followed by opportunity identification, crowding in of strategic partners, expanding the stakeholder base and maximising impact. As the impact increases, the social enterprise gains recognition and acceptance, as well as respect from the broader society (VanSandt et al., 2009).

There have been instances where causation and effectuation occur at the same time within the entrepreneurship business model (Corner & Ho, 2010; Yusuf & Sloan, 2015b), such as when a social enterprise has been established by a group of social entrepreneurs with different approaches to decision making, and where a social entrepreneur with a causal orientation has opted to implement effectual mechanisms.

The information and control rights imposed by external funders on the social enterprises they fund have also presented an opportunity for causation

(imposed by the external funder) and effectuation (implemented by the social entrepreneur) to exist simultaneously in the social entrepreneurship process. The effectuation model that was initially configured by Sarasvathy (2001) sought to address a logic of control, endogenous goal creation and a constructed environment (Kraaijenbrink et al., 2011). Numerous studies have contributed to the development of the effectuation model, such as those by Sarasvathy and Dew (2008) and Wiltbank, Dew, Read, and Sarasvathy (2006), resulting in an effectuation model with the following dimensions:

- Non-predictive control instead of predictive control
- Means-driven instead of goal-driven action
- Affordable loss instead of expected return
- Partnerships instead of competitive analysis
- Leveraging instead of avoiding contingencies

Non-predictive control is the over-arching principle of effectuation and talks to limited use of predictive strategies to control uncertain situations. Rather than focusing on the predictable aspects of an uncertain situation, effectual entrepreneurs focus on the controllable aspects (Sarasvathy, 2001). The means-driven principle talks to creating something new with what is available as opposed to discovering new ways to achieve the given goals (Sarasvathy et al., 2003).

“Affordable loss” refers to the commitment made in advance that one is willing to make some losses rather than always investing where there are expected returns (Sarasvathy et al., 2003). Partnerships are negotiated with stakeholders who are prepared to commit to the project without assessing the opportunity costs associated with the partnership. Effectual entrepreneurs use strategic alliances and partnerships to reduce uncertainty, rather than analyse competitors in detail (Sarasvathy, 2001). Effectuation leverages surprises and uncertainties instead of trying to avoid them (Dew et al., 2009). The dimensions mentioned above inform the conceptual model used in the current study. Effectuation results in opportunity development, which leads to social value

creation (Corner & Ho, 2010). These opportunities focus on achievement of a social goal in a resource-constrained environment (Newbert, 2012).

Verreynne, Miles, and Harris (2013) proposed that social entrepreneurs need to utilise the entrepreneurial method as a tool for understanding complicated social phenomena. The entrepreneurial method posits that entrepreneurship can be taught and that focusing on innovation releases human capital to achieve social good. It also states that entrepreneurship creates a cycle of continuous improvement and has effectuation as its logic (Sarasvathy, 2001). Causation is considered more valuable to existing and less innovative enterprises while effectuation is used to start new innovative enterprises (Sarasvathy, 2001). Effectual entrepreneurs start off by focusing on the means that they control, which include who they are, who they know and what they know.

Social enterprises are established under conditions of uncertainty, where it is not possible to predict how the operating environment will respond to the social enterprise's actions (Reymen et al., 2013). In new enterprises, the entrepreneur instinctively introduces a business model without being able to explain it fully (Sitoh, Pan, & Yu, 2014).

Successful entrepreneurs, according to Read et al. (2016), do not just contend, but actually capitalise on the opportunities presented by uncertain environments by utilising effectuation practices.

Well-thought-out approaches and effectuation theory provide a considerable base for building a stronger theoretical base for social entrepreneurship (Dacin et al., 2011; York et al., 2016). Servantie and Rispal (2018) also identified effectuation as the preferred way of leveraging available means from stakeholders. Starts ups are established under resource constraints and this makes effectuation the ideal entrepreneurial decision-making approach (Dwivedi & Weerawardena, 2018).

One of the basic assumptions of business venturing, according to Townsend, Hunt, McMullen, and Sarasvathy (2018), is that entrepreneurial action happens in uncertain environments. This is regardless of the size or social or profit motive of the enterprise. Entrepreneurs utilise effectuation strategies when faced with uncertainty and avoid using predictive strategies as the future remains unknown (Townsend et al., 2018).

2.9.5 ***Conceptual research model and propositions***

Social enterprises utilise effectual logics characterised by means-driven action, non-predictive control, affordable loss, partnerships and leveraging contingencies. This is largely due to the uncertain and complex environment in which they operate.

External funders, during their relationship with the social enterprise, exercise certain information and control rights. These rights are predictive and goal driven, focus on expected returns, make use of competitive analysis and avoid contingencies.

As such, it is argued that external funders employ causal logics in this relationship. The following conceptual research model was, therefore, developed from the literature review and used for the study. This study proposed that:

- *Proposition 1: Social enterprises require external funding to implement their business models.*

- *Proposition 2: Social enterprises implement their business models through effectuation.*

- *Proposition 3: External funders introduce causation in the social enterprises they fund.*

- *Proposition 4: Social enterprises adopt the causation introduced by the external funders.*

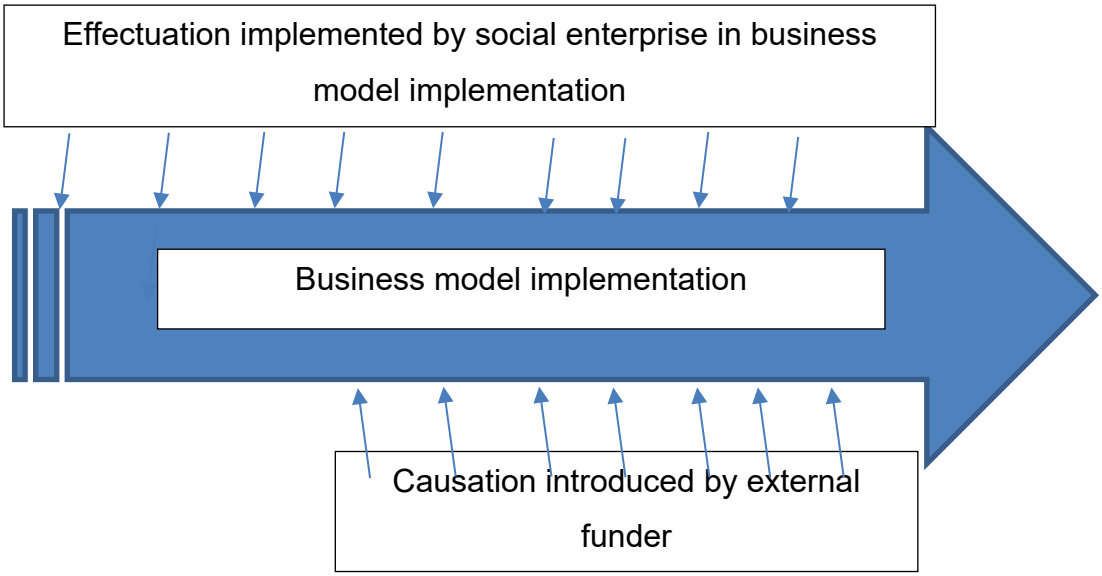


Figure 2-1: Conceptual research model

The conceptual research model looks at the social entrepreneurship business model as it evolves from the start-up phase up to the realisation of social goals or the maturity stage. The process is assumed to utilise effectual logics, but this is tested during the research. The causal logics by the external funder are then brought into the social entrepreneurship business model once the external funder has approved and dispensed funding to the social enterprise. The consequence of this interaction is explored in this study.

2.10 Conclusion

The literature review for the study confirmed the dominant view that social entrepreneurship research is at an early stage. Most of the studies in the social entrepreneurship field were of an exploratory nature. The research also seemed to be interested in understanding only the social enterprise, social entrepreneur and the social entrepreneurship process and not in the other organisations or structures that interact with the social entrepreneurship process. While there is a need to advance social entrepreneurship research and balance between exploratory, explanatory and descriptive research, there are opportunities to explore the social entrepreneurship phenomenon from the perspective of external parties involved in the social entrepreneurship process.

The systematic review of definitions contained in papers published over the last five years showed that the impasse regarding a common definition for social entrepreneurship, the social enterprise and the social entrepreneur is not as contested as concluded by most papers. In fact, the differences are to be expected, as social entrepreneurship, the social enterprise and the social entrepreneur operate in different contexts. Despite the contestation around the definition of social entrepreneurship, there is growing interest in social entrepreneurship research.

Social entrepreneurship research tends to borrow theories from the broader fields of management and organisation. They then suggest that the similarities between the phenomenon studied using a particular theory and social entrepreneurship make the theory an ideal lens for understanding the social entrepreneurship process. There was limited evidence of papers where the theories are used to explore the social entrepreneurship business model.

This study used causation and effectuation theories to understand the influence of external funders on the social enterprise business model. Effectuation theory is appropriate for exploring the inevitable uncertainty of the social entrepreneurship process, and causation presents an appropriate logic for exploring the rational approach of external funders. The findings or outcomes of the analysed papers proposed areas of future research for social entrepreneurship, with a leaning particularly towards exploratory, explanatory and descriptive research.

Although the social enterprise business model was chosen as the level of analysis for this study, the study also considered the views of external funders and moved away from the dominant, insular approach. In addition, rather than borrowing theories from the fields of management and organisation, the study sought to use and build causation and effectuation theories, theories whose foundations lie in entrepreneurship research. The conceptual research framework sought to explore causation and effectuation happening at the same time, which differs from the view that positions them as two distinct mechanisms that a social entrepreneur chooses from.

CHAPTER 3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used in this study to explore how external funders influence the social entrepreneurship business models in the social enterprises they invest in. The chapter begins by contextualising the research paradigm and research design. From this context, the case study design and data-collection and -analysis methods are presented. The chapter ends by detailing the limitations inherent in the approach and how the issues of ethics, reliability and validity were dealt with.

3.2 Research paradigm

A research paradigm is made up of assumptions and beliefs about how the world is viewed and presents a framework that guides the behaviour and choices a researcher makes (Morgan & Smircich, 1980; Teddlie & Tashakkori, 2009). The choice of what research paradigm to adopt is influenced by the rationale of the researcher(s), which in turn is influenced by how the researcher(s) process data and information and how their mind(s) function (Johnston, 2014). Burrell and Morgan (2017) posited that researchers in social sciences approach their research subject by using explicit or implicit assumptions about the nature of the social world and the way in which it could be explored.

The research paradigm for this study assumes that external funding is critical for the development and scaling up of social enterprises to achieve the desired social goal. This is due to the limited resources that social enterprises have, in relation to the size of the social problem they are trying to solve.

These assumptions can be grouped into assumptions about reality (ontology), the grounds of knowledge (epistemology), assumptions about human nature

and, finally, the way in which one attempts to investigate and obtain knowledge about the “real world” (methodology).

Collis and Hussey (2013) identified two main research paradigms, the positivist paradigm and the interpretivist paradigm. The positivist paradigm adopts the philosophical stance of the natural scientist (Saunders, Lewis, & Thornhill, 2007) and prefers to work with observable social phenomena that could result in generalisations. The interpretivist paradigm posits that a social phenomenon is too difficult to generalise and as a result focuses on understanding human behaviour from the applicant’s reference point (Collis & Hussey, 2013).

The interpretivist paradigm differs from the positivist view in that it posits that the researcher uses his or her presumptions to guide the process of enquiry and that interactions with human subjects could change the perceptions of the researcher and the subjects (Kuo, 2012; Walsham, 1995). The interpretivist paradigm states that no objective reality that can be revealed by researchers and replicated by others exists (Lee, 2017; Robson, 2002; Ye, Ollington, & De Salas, 2016). Interpretivist research presupposes that our wisdom of reality, including the area of human action, is made by human actors, who also include researchers (Goldkuhl, 2012; Kupolokun, 2015; Rechberg, 2018).

This study, which sought to explore how causal and effectual mechanisms are utilised in the social entrepreneurship business model implementation and how external funders influence the use of causal and effectual mechanisms, is positioned in the interpretivist paradigm. It is concerned with answering the qualitative what, why and how questions (Bryman, 2006; Micova, 2019; Wilton, Páez, & Scott, 2011) regarding externally funded social enterprises through the lived experiences of the research respondents as they are embedded in the phenomenon being studied. The study adopted the position that the respondents’ knowledge of reality is a social construction by human beings, and not constructed from natural science.

The study allowed for knowledge and understanding to emerge as the research proceeds. There was the possibility that different interpretations could occur, and the interpretive paradigm was ideal in that it makes it possible for these conflicting interpretations to be clarified among the research subjects. Social entrepreneurship is a complex process, one that is best understood through an emic process (Gioia, 2014) as opposed to statistical analysis. This process is more important when one considers the maturity levels of social entrepreneurship research. The study is based on interpretations that represent a particular context, situation or time, and is therefore open to re-interpretation as circumstances change (Yin, 2017). Studies such as those by Singh (2020), Mandyoli, Iwu, and Magoda (2016) and Nchang and Rudnik (2019), which seek to understand how social entrepreneurship interacts with other phenomena, are located in the interpretivist paradigm.

The broader field of management research, which includes entrepreneurship, has traditionally been influenced by the fields of economics, sociology and psychology, and has tended to be more positivist in orientation (Leitch, Hill, & Harrison, 2010). Entrepreneurship research remains to a large extent multi-paradigmatic (Burg, Romme, & Georges, 2014), with conflicting views of what entrepreneurship is, how entrepreneurship opportunities come about and what the determinants of new enterprise performance are (Leitch et al., 2010; Zahra & Wright, 2011).

The field of entrepreneurship research includes the activities carried out by entrepreneurs or organisations that result in new business and the ultimate realisation of social and/or economic goals (Carlsson et al., 2013). The levels of analysis could be individual, team, firm or macroeconomic. The activities at these levels are influenced by a socio-economic environment that includes institutions, norms and culture, availability of funding, how knowledge is created, the presence of industry and geographic boundaries (Carlsson et al., 2013).

Social entrepreneurship research, like the broader social science research field, is concerned with studying people and their individual or collective behaviours or actions. There is little agreement on how to solve social science challenges, owing to the social science characteristics of not always being accurate, deterministic or unambiguous. These characteristics could lead to a high degree of measurement error (Bhattacherjee, 2012). Interpretive research is therefore ideal for the social sciences in that it demonstrates a fair level of comfort with handling the ambiguity, uncertainty and measurement error that comes with social sciences research.

The emergent and ununderstood nature of social entrepreneurship merits a qualitative design, as this allows for an in-depth and holistic understanding of the phenomenon (Alvesson & Sköldberg, 2017; Schwandt, 2014).

3.3 Research design

Although the researcher's bias towards a particular research design and the respondents' preference for a particular design could have an influence on the choice of research design, the research question or purpose should be what informs the research design (Creswell, Hanson, Clark Plano, & Morales, 2007). For this study, the research questions were framed from existing business models, and not the researcher inherent bias on the phenomenon.

Research could be exploratory, descriptive or explanatory (Bhattacherjee, 2012; Cardoni, Kiseleva, & Taticchi, 2020; Johannesson & Perjons, 2014; Sakyi, Musona, & Mweshi, 2020). Exploratory research is usually conducted in new areas of research with the aim of scoping out the extent of a phenomenon, generating some initial ideas about that phenomenon and testing the feasibility of more extensive research about the phenomenon. Descriptive research, on the other hand, makes careful observations and detailed documentation about a particular phenomenon that is replicable and precise. Explanatory research seeks to explain observed phenomena by identifying causal factors and outcomes of a phenomenon.

The purpose of this study, which is exploratory in nature, was best achieved through a case study design. Yin (2017) defined case study research as an investigation of a phenomenon within its real-life context using multiple sources of evidence. The focus of case study research is not on the entire organisation, but rather on a particular issue or unit of analysis (Noor, 2008). Case studies involve in-depth, context-specific research that focuses on a particular unit of analysis (Ford et al., 2010). Case studies allow for a better understanding of multi-dimensional phenomena like social entrepreneurship by keeping the characters as holistic as possible (Fletcher & Streeter, 2016).

Case studies were considered useful for this study in that they allow a researcher to gain a holistic view of a phenomenon and also provide a more rounded view as they utilise multiple sources of information (Cameron & Windsor, 2015; Noor, 2008; Yin, 2017). Case studies are useful in advancing a research field's knowledge base and present a platform for innovation and for challenging dominant theoretical assumptions (Queirós, Faria, & Almeida, 2017).

Case study research has many inherent strengths. Case studies make it possible to capture new realities and use these to build new and testable practical and theoretical insights (Eisenhardt, 1989; Tsoukas, 1989) Data could be collected over a long time, as opposed to providing a snapshot of the phenomenon of interest (Ghauri, 2004; Miles & Huberman, 1994; Prinsloo, 2016; Ruge, 2019). Collecting data over a long time was considered important for this study, as the study looks at the implementation of a business model during the time of the relationship between the social enterprise and external funders. The focus on underlying explanations, which is what underpins case study research, could assist researchers in understanding causal relationships (Hillebrand, Kok, & Biemans, 2001; Ridder, 2017; Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011), how things happened and why they happened in a particular way (Yin, 2017). This focus could also create rich and interesting understanding of phenomena in their natural settings (Benbasat, Goldstein, & Mead, 1987; Ghauri, 2004; Kyle, Graefe, Manning, & Bacon, 2004; Prochazkova et al., 2018). It allows for expansion and

generalisation of theories by adding new empirical insights into existing theoretical knowledge (Yin, 2017).

Despite their usefulness, case studies also have shortcomings. Case studies have been criticised for lacking organisation, structure and rigour and for being poorly defined (Fenton & McFarland, 2018). Case studies can also be time consuming and labour intensive (Corts, Herbert-Hansen, Larsen, & Khalid, 2019). Transcribing of case studies, especially if the recording is of a poor quality, can further lengthen the process. Time and financial constraints can limit the number of case units and force the researcher to select case units that are easily accessible. Multiple case units can also reduce the depth of the study, owing to the constraints that face the researcher.

To address the shortcomings identified by Fenton and McFarland (2018) the researcher completed one case unit before proceeding to the next one. The founder was the first respondent in each case unit, as he/she had been with the organisation the longest. The researcher did not amend the semi structured interviews based on the responses from the founder, but continued with the original semi structured interviews to ensure rigour. In instances where new insights were brought to the fore, these were confirmed with the subsequent respondents within the case unit.

Case study research also assumes that the interviewees understand the question correctly (Vissak, 2010). Different interviewees could describe the same event differently, and the same interviewee might not give the same information when interviewed in different years (Vissak, 2010). Some interviewees, especially managers, tend to prefer to talk about success and readily blame failure on other external factors. Interviewing more than one respondent per case unit is one way of countering this (Palakshappa & Ellen Gordon, 2006; Vissak, 2010).

This study is interested in understanding and explaining the phenomena being studied, which is typical of case study research, and not at formulating normative decision models (Koivisto, 2018; Perry, 1998; Snell & White, 2009).

The case study design made it possible to conduct the deep and detailed investigations needed for answering the how and why questions. The study is interested in the holistic relationship between the components of the social entrepreneurship business model and the causal and effectual logics, rather than a reductionist view of the properties of the social entrepreneurship business model and the causal and effectual logics.

The study also met the case study criteria put forward by Andrade (2009), Bär, Reinhold, and Alt (2019) and Benbasat et al. (1987), which are:

i. The phenomenon was examined in a natural setting which is where the case units are located.
ii. Data was collected by multiple means where possible, namely archival data and semi structured interviews.
iii. At least two respondents were examined per case unit.
iv. The complexity of the case units was studied extensively.
v. No experimental controls of manipulation were involved.
vi. The researcher did not specify the dependent and independent variables in advance.
vii. The results relied heavily on the integrative powers of the researcher.
viii. The study was concerned with a funding relationship that could be traced over time rather than incidence or frequency.
ix. Social entrepreneurship is a contemporary phenomenon.

The case study design was considered ideal for this study as the study was more interested in the variables associated with causation and effectuation than data points and relied on numerous sources of evidence from the social enterprises and the external funders. In summary, case study design is appropriate when how or why questions are being asked about a current set of events that the researcher has little or no control over (Yin, 2017). The case study approach is consistent with the designs employed in the literature analysed for the literature review of this study and can examine a different or unresearched phenomenon at multiple levels of analysis.

The meso-level unit of analysis for the study is the social entrepreneurship business model, which is embedded in externally funded social enterprises. Meso-level analysis is predominantly inductive in social entrepreneurship research and focuses on the earlier stage processes of social entrepreneurship, as can be seen in Huybrechts and Nicholls (2012), Dufays and Huybrechts (2014) and Rawhouser et al. (2019).

This study advanced social entrepreneurship research in two ways: firstly, by using the theoretical lenses of causation and effectuation to explore how the business models of social enterprises were implemented as a result of the social enterprises' relationships with external funders and, secondly, by looking at the social entrepreneurship business model at different stages of the business lifecycle.

The literature review highlighted the lack of justification for the selection of a case study design in papers such as Arvidson and Lyon (2014), Corner and Ho (2010), Datta and Gailey (2012), Perrini and Vurro (2006) and Perrini et al. (2010). There was no bias towards single case or multiple case designs. A single case design is when a phenomenon or phenomena of interest are studied through a single subject, which can have either one unit of analysis or multiple units of analysis. Single case designs are appropriate for studies where the case is a critical case, is extreme or unusual, is a common cause case, or is a revelatory case or a longitudinal case (Yin, 2017).

The multiple case design was used for this study. It was considered appropriate for the study as it allows for an understanding of the similarities and differences between the cases. Selecting multiple cases results in replication logic (Dubois & Gadde, 2014; Modell, 2005; Onwuegbuzie & Leech, 2007; Yin, 2017), which can be used either to predict similar results (literal replication) or to predict contrasting results but with anticipatable reasons (theoretical replication) (Vohra, 2014; Yin, 2017). Multiple case design was also expected to be ideal for the study in that it allows for cross-case analysis and extension of theory (Benbasat et al., 1987; Yin, 2017). Collecting data from multiple data sources was anticipated to enable a thick and rich description of the social enterprise

business model implementation (Creswell, 2012; Yin, 2017). Case study research would also enable the research to focus on process rather than outcomes, on context as opposed to a specific variable and on discovery rather than confirmation (Andersson, 2003; Barone & Barone, 2019; De La Harpe et al., 2009; Merriam, 1988).

3.3.1 ***Population***

Social enterprises funded by organisations with financial support to implement their strategy and realise their envisaged social goals formed the population for the study. This funding is based on an agreement between the social enterprise and the external funder and could be a donation, loan, equity financing or paying for goods or services. For this study, the definition of an externally funded social enterprise that was conceptualised from the literature review on the definition of a social enterprise in Section 2.2.5 was used to select case units. This definition is:

> *An externally funded social enterprise is a for-profit or non-profit organisation that utilises business practices to achieve a social goal or set of social objectives, and that has or has had a funding agreement with someone or an organisation external to the social enterprise. The business practices include, but are not limited to, product and service provision, increasing efficiency and pursuing innovation.*

3.3.2 ***Case selection***

Cases that met the definition in 3.3.1 were considered for the study. The following inclusion/exclusion criteria were used in selecting the case units:

i. Organisation was established primarily to achieve a social mission.
ii. The organisation was implementing a business model or elements of a business model.

iii. The respondents per case unit were available and willing to be interviewed within one session
iv. The case units were prepared to be part of the study without receiving any compensation.
v. The case units and respondents did not require to see the research instrument before the semi structured interviews were conducted.

Selecting cases for the study proved to be a major challenge. The initial sampling strategy chosen was purposive sampling of ten case units. Purposive sampling is used when the researcher seeks to discover, understand or gain insight into a particular phenomenon and thus needs to select a sample that enables him or her to learn the most (Grahn, Stigmar, & Ekdahl, 2001; Grant, 2004; Merriam, 1988). Purposive sampling was considered ideal for the study in that it would ensure that the case units possessed the qualities, in this instance a social enterprise and external funding relationship, required to answer the research questions.

Purposive sampling would have also allowed for maximum variation (Yin, 2017), as factors such as business lifecycle stage, age, race, sector and proportion of external funding could be considered when selecting the case units. Purposive sampling proved to be a challenge, however, in that there was no readily available database of social enterprises in South Africa. Most of the organisations that were initially considered turned out to be non-profit organisations that were considering converting to social enterprises, and some were not sure if they were in fact social enterprises. The conversion from non-profit to social enterprise, it was believed, would enable the organisations to operate more entrepreneurially and to attract additional funders. Attendance lists of social entrepreneurship conferences were also considered, but most attendants again were non-profit organisations or social enterprises that were looking for funding to scale up their activities.

After the initial sampling strategy proved unsuccessful, a two-stage purposive sampling strategy was utilised. First, four externally funded social enterprises were purposively sampled from conferences and workshops that the

researcher had attended in his capacity as an executive manager at an enterprise development agency. Second, snowball sampling was utilised to select the remaining case units. This was achieved by requesting the four social enterprises selected during the first stage of sampling to recommend other social enterprises with similar characteristics. The snowball sampling method was appropriate for the study, as the study was not interested in exploring the characteristics of the general population, but rather those of a group within a rare, difficult-to-identify population (Akemu, Whiteman, & Kennedy, 2016; Davies & Doherty, 2019; Drăgan & Isaic-Maniu, 2012; Patriarcheas, Papaloukas, & Xenos, 2009). The four purposively sampled social enterprises were each requested to recommend four social enterprises to eliminate the bias of a social enterprise with a larger number of social connections providing a higher proportion of possible responders (Johnston & Sabin, 2010). Maximum variation sampling was then utilised, looking for variables such as business lifecycle stage, age, race, sector and proportion of external funding to total budget to identify the remaining social enterprises.

There is no conclusive view on the number of case units that must be selected for a qualitative study (Blaikie, 2018; Guest, Bunce, & Johnson, 2006; Saunders et al., 2018). While most papers and books propose that the size of the sample should be determined inductively and sampling should continue until theoretical saturation occurs, researchers are usually required to state up front the number of respondents that would be involved in their study. Bertaux (1981) posited 15 as the minimum number of interviews for a qualitative study. Kuzel (1992) and Guest et al. (2006) utilised research objectives and sample heterogeneity as factors to consider and recommended six to eight interviews for a homogenous sample and 12 to 20 interviews when trying to achieve maximum variation. Miles and Huberman (1994) and Perry (1998) proposed that the maximum number of case units for a qualitative study should be between 12 and 15, but did not specify the number of respondents per case unit.

A study with four to ten cases is ideal, as it is difficult to generate theory with less than four cases and a study with more than ten cases becomes too voluminous, according to Eisenhardt (1989), Eisenhardt and Graebner (2007)

and Gehman et al. (2018). Miles and Huberman (1994) posited that a study with more than 15 cases is unwieldly, while Rowley (2002) suggested between six and ten case units. A sample size of between 12 and 16 was identified as being adequate for a homogenous population on a particular topic (Herzog, Ferdik, Scott, Denney, & Conklin, 2019). Saunders et al. (2018), on the other hand, concluded that determining sample sizes at the beginning of a research study is problematic, especially when one is conducting interpretive research.

For the study, a combination of social enterprises that were still operating with an external funder and those that had exited from a funding arrangement with an external funder were selected. To better understand the phenomenon, social enterprises from different stages of the business lifecycle were considered. One was at a conceptual or pre-implementation stage; one was a non-profit transitioning to a social enterprise; and the remaining ranged from early to maturity stages. It was anticipated that the factors used to maximise heterogeneity in selecting the cases would allow for theoretical replication.

A minimum of two respondents were interviewed per case unit. These were the head or founder of the social enterprise, and either of an implementation or projects officer within the social enterprise or an account manager from the external funder. The head or founder of the social enterprise was the person who had started the social enterprise. The account manager was the person from the external funding organisation responsible for managing the relationship with the funded social enterprise and for ensuring that the external funder's expectations were met. The implementation or projects officer was part of the social enterprise and interacted with the head or founder of the social enterprise and the account manager of the external funder in implementing processes and programmes of the social enterprise.

Rather than deciding on a set number of case units, the study focused on the total number of interviewees, and 26 interviewees from ten case units took part in the study. Data triangulation was considered as a corroborating strategy and as useful for obtaining a multi-perspective view of the phenomenon. Triangulation was important as it allowed the researcher to address a broader

range of historical and behavioural issues, and also to develop converging lines of inquiry (Yin, 2017).

All the ten case units were requested to provide archival data such as funding applications, funding approval documents, reports submitted by the social enterprise to the funding organisation and minutes of meetings between the social enterprise and the funding organisation. Funding applications were identified as the documents that a social enterprise submits to potential external funders, and funding approval documents those that confirm the funding by the external funder and stipulate the conditions attached to the funding. Reports submitted by the social enterprise to the external funder contain information such as progress against agreed-upon action items and challenges faced, and seek to give the external funder a sense of how their funding is being utilised. Minutes of meetings between the external funder and social enterprise give a sense of the issues being discussed and the relationship between by the two parties.

Eight of the ten case units cited confidentiality and uniqueness of their business model as key to their operations and were not willing to provide additional data. Where possible, publicly accessible documents were used.

Two issues that emerged towards the end of case study research concerned when to stop adding cases to the sample and when to stop iterating between theory and data (Eisenhardt, 1989; Lawrence & Tar, 2013; Locatelli, Invernizzi, & Brookes, 2017; Sato, 2016). A researcher normally stops adding cases once theoretical saturation, which is when the incremental contribution from new cases is minimal, has been achieved. This study adopted a pragmatic approach and planned the number of cases. The iteration between data and theory stopped once the incremental improvement of data to theory was minimal and this was confirmed when no new codes emerged during the data-analysis stage.

3.4 Data-collection instrument

The data-collection instrument was developed from effectuation and causation items that had been identified and validated by Chandler et al. (2011) along with the four dimensions of the Hamel business model. The quantitative study by Chandler et al. (2011), which came up with the dimensions listed in Table 3.2, identified causation as a uni-dimensional construct with ten validation items. Effectuation was put forward as a multi-dimensional construct with three sub-constructs (experimentation, affordable loss and flexibility) with 13 validation items. The Hamel (2000) business model was selected as it contains dimensions one finds in both for-profit and non-profit organisations. Table 3.2 below details the alignment of the Chandler et al. (2011) validation items and the Hamel (2000) business model.

Table 3-1:Causation/Effectuation validation items and business model alignment

Hamel Business Model	**Chandler et al. (2011) Validation Items**	
	Effectuation	**Causation**
CORE STRATEGY • Mission • Product/Scope • Basis for differentiation	• We experimented with different products and business models. • The products/service we now provide is substantially different than we first imagined. • We tried a number of different approaches until we found a business model that works. • We allowed the business to evolve as opportunities emerged.	• We analysed long-run opportunities and selected what would provide the best returns. • We designed and planned business strategies. • We had a clear vision for where we wanted to end up.

Hamel Business	Chandler et al. (2011) Validation Items	
CUSTOMER INTERFACE • Fulfilment and support • Information insight • Relationship dynamics • Pricing	• We were careful not to risk more money than we were prepared to lose with our initial idea. • We allowed the business to evolve as opportunities emerged. • We were flexible and took advantage of opportunities as they rose.	• We analysed long-run opportunities and selected what would provide the best returns. • We researched and selected target markets and did meaningful competitive analysis. • We designed and planned production and marketing efforts.
VALUE NETWORKS • Suppliers • Partners • Coalitions	• We tried a number of different approaches until we found a business model that works. • We allowed the business to evolve as opportunities emerged. • We were flexible and took advantage of opportunities as they rose.	• We analysed long-run opportunities and selected what would provide the best returns. • We developed a strategy to best take advantage of the resources and capabilities.
STRATEGIC RESOURCES • Core competencies • Strategic assets	• We were careful not to commit more resources than we could afford to lose. • We were careful not to risk more money than	• We developed a strategy to best take advantage of the resources and capabilities.

Hamel Business	Chandler et al. (2011) Validation Items	
• Core processes	we were prepared to lose with our initial idea. • We avoided courses of action that restricted our flexibility and adaptability.	• We organised and implemented control processes to make sure that we met objectives.

Source: Hamel (2000) and Chandler et al. (2011)

The causation and effectuation validation items were phrased as questions to understand how causal and effectual mechanisms are utilised in the social enterprise business model implementation. The influence of the external funders was also explored by assessing the role of the external funders in the utilised causal and effectual mechanisms. The research instrument guides are attached as Annexures A and B.

3.5 Data-collection process

Case study data or evidence can come from numerous sources. The six commonly used sources are documentation, archival records, interviews, direct observation, participant observation and physical artefacts (Dai, Free, & Gendron, 2019; Elbardan & Kholeif, 2017; Yin, 2017). Documentary information is likely to be relevant for all case study research designs; includes letters, proposals, progress reports, news clippings and formal studies; and is useful in augmenting and corroborating evidence gathered from other sources. Archival records are historical documents such as public use files, organisational records and survey data about the case unit. Interviews, which are one of the most important sources of case study evidence, are guided conversations between the researcher and identified respondents.

Case studies follow a fluid rather than a rigid approach. Direct observation takes place when the researcher observes the real-world setting of the case unit by

being part of meetings and the daily activities of the case unit. Direct observation can be either formal or casual. Participant observation is different from passive direct observation as the researcher assumes some roles and takes part in actions in the case unit.

Physical artefacts are devices, tools, instruments or some other physical evidence that may be collected or observed from the case unit (Schoonenboom, 2018; Seguela, Littlewood, & Karani, 2017; Yin, 2017).

The data sources considered for this study were archival records and interviews. Direct and participant observation were not possible as the study was exploring a relationship and not an action.

Four principles of good data collection are: using multiple instead of single sources of evidence; creating a case study database; maintaining a chain of evidence; and maintaining care when using data from electronic sources such as social media (Yin, 2017).

Semi-structured interviews and document reviews were identified as useful data-collection methods for this study. The one-on-one interviews were the most important and valuable information source as eight of the ten case units were reluctant to share internal documents. They cited confidentiality and unwillingness to share their model as reasons for this. Publicly available documents such as other research reports, financial reports and newspaper clippings were sourced where possible. The notes captured by the researcher during the data-collection process were also used to enrich the collected data.

Documents are an important source of information about a field of study. They are, however, not always accurate, as some could be edited and their validity could sometimes be questioned (Kaman & Othman, 2016; Yin, 2017). While there was a possibility that some documents might contradict rather than corroborate the data from the semi-structured interviews, the contradictions were considered a valuable source of research data enrichment, as the aim of the study was not to generalise but rather to build theory. For this reason, the

document reviews were used as supporting evidence for the semi-structured interviews in instances where the documents were accessible.

Semi-structured interviews entail gathering the perspectives of the research respondents on a particular phenomenon. Although the researcher had pre-established questions, the researcher could add or remove questions, based on information gathered after each interview and new insights gathered (Yin, 2017). The questions did not have to follow a particular order. The semi-structured interviews allowed for depth as the researcher could probe and expand according to the responses of the respondents. Semi-structured interviews also allowed for negotiation, discussion and expansion on responses (Grammatikopoulos, Hassandra, Koustelios, & Theodorakis, 2005; Hitchcock & Hughes, 1995; Preljević, 2017).

The ability to control the process of gathering information from the interviewee while also allowing the interviewer to follow new insights as they come to the fore made the semi-structured interview an appropriate data-collection instrument for the study. The semi-structured interview guide allowed for reliable and comparable data to be collected from the ten case units.

The data was collected from the perspective of the research participant (emic perspective) and not based on how the interviewer perceived it (etic perspective) (Gioia, 2014). One advantage of one-on-one, semi-structured interviews is their ability to uncover new and valuable insights on what really happens from people who are conversant with the research phenomenon. Respondents are also more comfortable with and more likely to open up during one-on-one interviews than in focus groups. Consent to record the interviews was sought from the respondents prior to each interview. The interviewer also took field notes such as observations and perceptions during the interviews. The recorded interviews were transcribed for data analysis.

3.6 Data-analysis process

The analysis of case study data is one of the most difficult (Basit, 2003; Baskarada, 2014; Kaczynski, 2004) and least developed aspects of case study design (Yin, 2017). In the current study data analysis was undertaken to produce a detailed and systematic documentation of the themes and issues addressed in the semi-structured interviews, and then to combine these themes and interviews under a categorised system (Burnard, 1991; Elo & Kyngäs, 2008; Naidoo & Pearce, 2018). Data analysis involved working with, breaking down and organising data into manageable sizes (Sackey, Tuuli, & Dainty, 2019).

A number of strategies for analysing data were put forward in Yin (2017). These involve relying on theoretical propositions, working the data from the ground up, developing a case description and examining plausible rival expectations.

This study relied on theoretical propositions to analyse the data. The propositions that are put forward from the literature review in Section 2.8.5 formed the foundation of the data analysis process. The propositions are based on the research objectives, which in turn are reflected in the interview guide and literature review (Yin, 2017). Relying on theoretical propositions shaped the data-collection approach and prioritised the relevant analytic strategy, focused the researcher on certain data and minimised time wasting on irrelevant data. It also helped to organise the case study and defined the different explanations that needed to be interrogated further. The following process was used to analyse the data: initial reading of text data; identifying specific text segments related to the research objectives; labelling the segments of text to create categories; reducing overlaps and redundancy among the categories; and creating a model that incorporates the most important categories (Elliott, 2018; Liu, 2016). The data was also analysed within and across cases.

Within-case analysis was conducted as an initial step to allow for patterns for each case to emerge from the respondents within a particular case (Eisenhardt, 1989). Within-case analysis made it easy to perform cross-case analysis, which seeks to look for similarities and differences between cases (Yin, 2017) and not leap to conclusions or be influenced by the vividness and prestige of respondents in some cases (Eisenhardt, 1989). Within-case analysis allowed the researcher to become familiar with each case as a stand-alone entity and let unique patterns emerge before generalising through cross-case analysis.

Within-case analysis offered a comprehensive description of each case unit and cross-case analysis enabled the researcher to scrutinise themes across the cases to extend understanding and explanations (Houghton, Casey, & Smyth, 2017).

3.7 Dissemination of findings

Arising from this study, a paper on the analysis of the definition of social entrepreneurship was presented at the Sixth International Workshop Entrepreneurship, Culture, Finance and Economic Development in Santander, Spain in June 2018, and is being finalised for submission to peer-reviewed journal publications.

The final thesis is available on the university portal for theses, and copies will also be shared with the social enterprises that agreed to be part of the study.

3.8 Validity and reliability

Research validity is assessed by the relevance of the research method and the extent to which the research method adequately represents the real meaning of the phenomenon being examined. Validity can be either construct validity or internal validity (El Baz & Laguir, 2017; Taran, Boer, & Lindgren, 2015; Voss, 2010). “Construct validity” refers to the extent to which the construct being

measured can be differentiated from other constructs. The study focused on the social entrepreneurship business model which is different from other social entrepreneurship research constructs such as the social enterprise, social entrepreneur and social entrepreneurship process. “Internal validity”, on the other hand, refers to the extent to which a causal relationship can be established between two or more units of analysis. Responded feedback was confirmed to ensure that their responses were fairly represented in the data which is an internal validity procedure which is known as member checking (Anderson, 2017).

Gordon and Patterson (2013) proposed a big tent approach to evaluate qualitative research which had eight criteria. The criteria are worthy topic, rich rigour, sincerity, credibility, resonance, significant contribution, ethics and meaningful coherence. This big tent approach had ethics as the overarching framework. The study was carried out after ethical clearance had been obtained from the university and in line with the ethical considerations outlined in Section 3.9.

Validity in qualitative research has more dimensions than validity in quantitative studies (Holzmann, Sailer, Galbraith, & Katzy, 2014; Ottosson & Björk, 2004). The rigour, subjectivity and creativity that are inherent in qualitative research complicate the validity of qualitative research (Whittemore, Chase, & Mandle, 2001). Different criteria for evaluating the credibility of qualitative research were put forward by Guba and Lincoln (1994), Finlay (2006) and Cope (2014). Qualitative research alternatives to reliability or the consistency of the analytical processes that is found in quantitative research are consistence and confirmability. Generalisability in quantitative research is closely linked to applicability in qualitative research in that both talk to the extent of applying the findings to other contexts, settings or groups.

Validity in qualitative research is made up of descriptive, interpretive and theoretical validity and generalisability from the sample to the population (Allwood, 2012; King, Horrocks, & Brooks, 2018). Descriptive validity, which is concerned with how accurately the research presents the phenomenon being

studied, was ensured through the recordings and transcripts from the semi-structured interviews. Acts of omission and commission were addressed by the researcher through constantly visiting the research transcripts during the data-analysis stage. Interpretive validity is the extent to which the research accurately presents the perspective of the respondents and this was ensured by grounding the study in the language of the research respondents. The research questions were logically connected to the theoretical perspectives used to explore the phenomenon under study. The use of multiple case units also augmented the validity of the study and minimised the possibility of observer bias.

Theoretical validity talks to how much the theory fits the collected data, from the perspectives of construct and internal validity. Theoretical validity in this study was assessed according to the level of consistency among the research respondents in how they described the phenomenon. The purpose of the study was not to generalise from data to theory, but rather to generalise from the case units to the sample.

Reliability in qualitative research is about the methods used to conduct the research; it is a methodological issue (Bapir, 2012). Reliability talks to how information is elicited and in qualitative research it is about its quality, or how a particular study helped in understanding a situation that would otherwise have been confusing (Golafshani, 2003). It is the extent to which different researchers would make the same observations about the research phenomenon and was addressed in the study by using a standardised method for writing notes and interview transcripts.

3.9 Ethical considerations

Ethical issues in qualitative research differ from those of quantitative research, as qualitative research is interested in exploring, observing and describing the research respondents and their environment within a context. Qualitative research has to do with the concepts of power and relationship between the researcher and respondents (Adhabi & Anozie, 2017; Moosavi & Hasani,

2017). From a power perspective, the interviews were conducted in settings and at times that the respondents were comfortable with.

Data was collected from the invited respondents with the understanding that respondents are independent people who voluntarily share information and can withdraw from participation at any point. Additional ethical considerations that were taken into account during the study were:

- Protection of the dignity and wellbeing of the respondents by conducting the interviews at sites where the respondents were comfortable and requesting their permission to record the interviews;
- Confidentiality of the research data throughout the study by not providing the data to third parties;
- Informed consent of all respondents by explaining what the study involved and requesting respondents to sign an appropriate form (see Appendix A); and
- Privacy, confidentiality and anonymity of the respondents by not divulging the details of the respondents in the final report.

3.10 Conclusion

The papers analysed for the literature review were biased towards the social entrepreneur and the social entrepreneurship process as the levels of analysis, with less focus on the social entrepreneur and other constructs such as the social enterprise business model. Social entrepreneurship research tends to be inductive in nature.

While the presence of other organisations in the social entrepreneurship business model is acknowledged by research, the phenomenon is seldom examined from this holistic perspective. This study therefore sought to address gap in knowledge through an exploratory study that looked at the social entrepreneurship business model by incorporating the external funder's influence and perspective. Dominant research also focused on early stage

social entrepreneurship as opposed to other parts of the social enterprise's business model implementation.

This study is positioned in the interpretivist paradigm and uses multi case studies to explore how causal and effectual mechanisms are utilised in the social entrepreneurship business model and how external funders influence the use of causal and effectual mechanisms. Data analysis is conducted in an indictive manner as based on theoretical hypotheses developed from the literature review and conceptual research model. The Chapter also addresses issues of ethics, validity and reliability.

CHAPTER 4. WITHIN-CASE ANALYSES AND PRESENTATION OF DATA

4.1 Introduction

This chapter explores how the business models in ten externally funded social enterprises evolved because of influence by the external funders. The case studies were developed from face-to-face interviews with at least two respondents per case study and secondary research data where the case studies were willing to provide the data. The multiple case study methodology was ideal for the study as it allows for greater confidence in and credibility of the research findings (Yin, 2017).

To ensure confidentiality, pseudonyms were used for then case studies. This was requested by some of the case studies and is consistent with studies of this nature in South Africa. Ensuring confidentiality was one of the preconditions when ethical clearance was sought for the study. Background or biographical information that might enable the respondents to be identified was also removed. The data was analysed using Atlas.ti software. In analysing the data, this study relied on theoretical propositions. Theoretical propositions are based on the research objectives, which in turn are reflected in the interview guide (Yin, 2017). The dimensions of the Hamel business model were apparent in varying degrees in the case studies, although none of the case studies had implemented all the dimensions and elements of the business model.

The themes that emerged and framed the case descriptions are background, development of the social enterprise, funding process, core strategy, customer interface, value networks, strategic resources and overall business model implementation.

The relationship between the research questions and the case study themes is shown in Table 4.1 below.

Table 4-1: Relationship between research questions and case study themes

Research Question	Case Study Theme
How does external funding influence social business model implementation?	Funding process
How does external funding influence social business model implementation?	Development of the social enterprise Overall business model implementation
How do causation and effectuation theories explain social enterprise business model implementation?	Core strategy Customer interface Value networks Strategic resources
How do external funders introduce causation to the social enterprises they fund?	Core strategy Customer interface Value networks Strategic resources

Biographical details of the ten case studies, which are all based in South Africa are provided in Table 4.2. The ten cases units agreed on the use generic names in the study.

Table 4-2: Details of the ten case studies

Name	Year Est	Business Lifecycle Stage	Area of Focus	# Resp	Type(s) of Funding
We Are It Technologies	2004	Maturity	Information technology at the bottom of the pyramid	5	Grant funding, loan funding, paid services
Get the Moola	2015	Accelerate	Access to funding by small enterprises	3	Equity funding, grant funding
Makufundwe	2014	Seed and Ideation	Reading and comprehension of	3	Grant funding

Name	Year Est	Business Lifecycle Stage	Area of Focus	# Resp	Type(s) of Funding
			learners in under-resourced schools		
We Got Talent	2014	Early Stage	Empowering and placing unemployed graduates in corporates	3	Paid services
Humanity	1999	Maturity	Multi-dimensional child support	2	Grant funding, fund-raising activities
EducationExcel	2011	Accelerate	Affordable, world-class education	2	Grant funding, paid services
GrowTrees	2010	Accelerate	Greening communities by planting trees	2	Paid services, fund-raising activities
Protect	2017	Seed and Ideation	Prevention of spine injuries in heavy duty work	2	Technical support grant funding
Organised Collection	2016	Start Up	Waste recycling	2	Grant funding, technical support grant funding, paid services
Completeness	2005	Maturity	Community development	2	Grant funding, paid services, dividends from equity holding

The within-case analysis of each of the ten cases is detailed next.

4.2 Case Study One – We Are It Technologies (WAIT)

WAIT is an information and communication technology (ICT) solution provider that operates in underdeveloped areas where the poorest South Africans live. It operates a number of its own outlets as well as franchises.

4.2.1 *Background*

WAIT was established in 2004 with the goal of pioneering access to information communication technology (ICT) in rural areas in South Africa. At the time of this study, the company had operations in three provinces in the country and offered its services through a network of outlets. The outlets were either owned by the company or part owned with franchisees. The services offered were accredited computer courses; a business incubation centre that provided a co-working space for entrepreneurs, office automation and ICT services to small enterprises; and an internet café that was used by the community. The current service offerings had evolved from the initial set of selling desk top computers and offering computer literacy courses.

4.2.2 *Development of the social enterprise*

WAIT was established after one of its founders identified a challenge where South African schools were being equipped with computer laboratories, but none of the teachers were computer literate. As a result, the labs were unutilised. The founders also saw an opportunity to introduce technology to rural areas and townships. This target market did not understand technology and could not afford to buy personal computers. The founders utilised the resources available at the time to establish the enterprise, which meant selling computers from the boot of a car during the formative years – an example of effectual behaviour.

Over its existence, WAIT had adapted its offerings to the changing dynamics of its operating environment and to the resources at hand. Having resources

introduced causal mechanisms as WAIT formalised its operations. WAIT opened its first internet café in a township so that people could access the internet and learn about computers. One of its key strengths was knowledge of the target market and this was evident in the number of corporates that approached WAIT and saw it as a vehicle for accessing what is termed “the underserviced” or bottom of the pyramid market.

4.2.3 *Funding process*

The organisation had relied on multiple and varied sources of funding since inception. These are depicted Figure 4.1, which looks at the types of funding at each stage of the business lifecycle of WAIT.

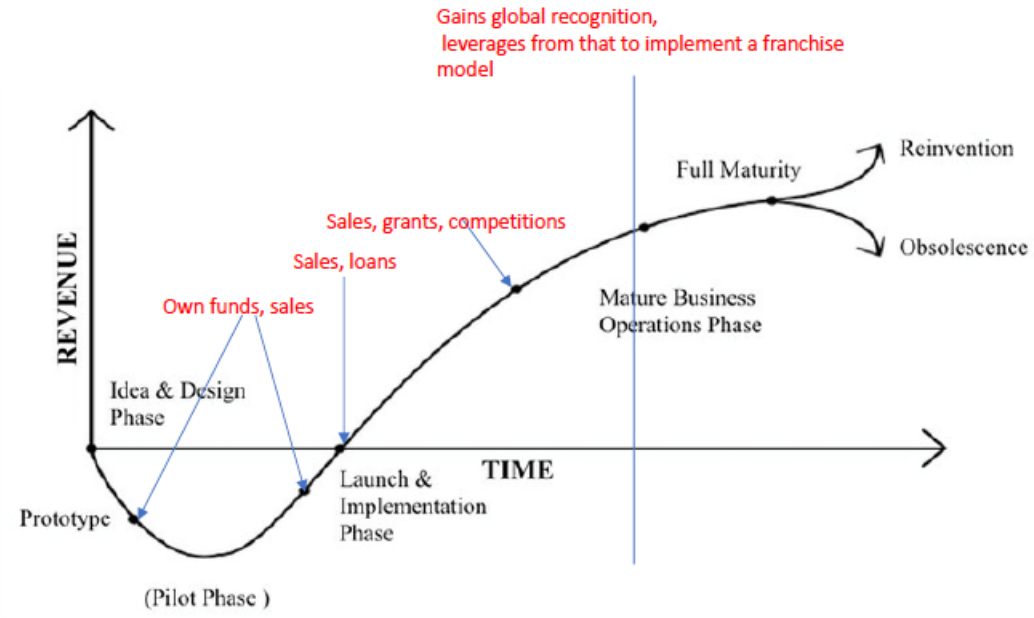


Figure 4-1: WAIT funding evolution

(Own figure)

In the pre-establishment stage, one of the founders resigned from his job as a teacher and used his savings and pension funds to fund the business operations. Sales were always part of the social enterprise’s income generation and were undertaken with a full understanding of the challenges that its target market faced. Prices and payment terms that the target market was comfortable

with were set up. Self-funding made it possible for the WAIT founders to test whether their idea was feasible at a manageable scale and save up enough capital to open the first store.

Once the first store was well established, WAIT successfully applied for a loan from a programme that funded social enterprises. The loan enabled WAIT to open a few more branches and to standardise its operating model. Operating from a store also made it possible to expand the service offerings and introduce computer literacy courses.

The company entered a few competitions and the prize money it won was ploughed back into its operations. It was at this stage that standardisation of operations, or causal mechanisms, were introduced into the social enterprise. A financial management and reporting system was introduced and an operating structure for the head office and the branches was developed. Grant funding was also sourced to fund and scale operations. WAIT was very successful in using the profile of one of its founders to raise its own profile and, as a result, it won numerous local and international awards. Its co-founder had attended and spoken on platforms such as the World Economic Forum.

Five people were interviewed for this case study: the founder, an internal staff member, an internal staff member who had gone on to become a franchise owner and directors at two companies that had provided funding to WAIT. Different interview guides were used for the respondents (See Annexures A and B). The implementation of WAIT's business model is elaborated on next, using the four dimensions of the Hamel business model: core strategy, customer interface, value networks and strategic resources.

4.2.4 *Core strategy*

Social mission

WAIT's founder described the organisation's mission as filling the gap in underserviced areas from an access-to-technology perspective. This is not too far off from the view of one of the internal staff members, who saw the

organisation's mission as pioneering the technology experience in emerging communities. The mission seemed to have remained constant, even though the social enterprise had interacted with several funders, with differing requirements and mandates.

> *I have not seen his vision change and one of the things about the social enterprise founder is that he is very clear about what he wants to achieve. (Account Manager, Funder 1)*

> *…but I do not think that's ever been something that has changed. I think that is who he has always been. (Account Manager, Funder 2)*

The fact that WAIT's business model involved sales from the beginning limited the role external funders could play in influencing any deviation from the set social mission. WAIT did not need funding because it was unable to meet its operating obligations; rather, it needed funding because it intended to provide additional services and to scale up.

Product/service scope

Since its inception WAIT's products had been modelled around providing technology solutions to target beneficiaries. The initial services were centred on an internet café and computer literacy centre. These two remained important to WAIT products and WAIT continuously added services demanded by the community. The feeling from WAIT's staff and external funders was that WAIT's founders were very good at understanding their target market and knowing what services to introduce.

> *…through time they have been able to expand their product offerings a little bit. (Account Manager, Funder 1)*

> *They have evolved. (Account Manager, Funder 1)*

Being involved in the technology space compelled WAIT to constantly question its business model and service offering. The founder explained that he was

always thinking about the fact that internet cafes might become obsolete over time. Internal staff also acknowledged the introduction of new offerings. The computer-related courses, for example, had evolved from end user computing to now include office administration, digital marketing and cashier courses. There was also an in-house graphic designer who helped design funeral programmes, a new offering to the township along with rural-based funeral parlours.

> *We are now creating websites, but in some few internet cafes. (Internal staff member)*

> *We have expanded to large format digital printing like business cards. (Internal staff member)*

> *First the training centre came in, and then the internet café and now we are sort of doing IT support. (Former staff member now franchise owner)*

The product/services evolution was linked to WAIT's business model implementation. WAIT understood that the services it sold to its target market needed to change constantly for survival and growth. Product evolution took place in an effectual manner in that there was no long-term vision of what services would be demanded in the future, say in five years' time. The founder interviewed was, however, aware that computers were becoming less utilised, with everyone was now moving towards mobile phones. Mobile phone repairs were seen as a future service offering.

Differentiation from other social enterprises (Basis for differentiation)

All the interviewees acknowledged that the dual focus on both social and commercial aspects was what set the social enterprise apart from other organisations that offered similar products. The founder identified the innovative and entrepreneurial way the business was run as its basis for differentiation. The knowledge and character of the founder were also cited as a competitive advantage.

He understands those environments better than someone who wants to come in and put things in the business. (Account Manager, Funder 1)

He is a very inspiring person. His personality has something to do with it. (Former staff member now franchise owner)

WAIT opted for a blue ocean strategy (creating new markets and disregarding competition) and was first in a market that not everyone was interested in tapping into. Although this had seemed like a difficult option at inception, it had proven to be the correct choice. As a result, WAIT had strong brand presence in townships and rural areas and was seen internally as a “full force on the market”.

Another competitive advantage was that WAIT was able to scale up within its capacity.

They are able to expand in a reasonably structured way. (Account Manager, Funder 1)

One would ordinarily expect an enterprise, whether for profit or not for profit, to scale up rapidly if the climate was right. When asked why WAIT hadn’t rolled out to all South African provinces, the founder responded that they knew when to branch out into a new area and would do so at the correct time.

4.2.1 ***Social enterprise interaction with customers (Customer interface)***

Fulfilment and support

WAIT positioned itself as an organisation that brought technology to those who ordinarily did not have access to it. As a result, it could create lasting relationships with these clients.

The WAIT network does make a lot of impact. (Internal staff member)

We take people who have never touched a computer, we train them and help them become employable. (Founder)

The organisation also tried to keep its clients informed of its new service offerings and the services it had discontinued. This was achieved through monthly information sessions where feedback was also solicited from clients. These events were positioned as a public relations exercise but created a relationship with the clients. Interestingly, the events had also been used by one of the funders to verify what the funding was used for and get a sense of the impact WAIT was making directly from its clients.

Management of social enterprise beneficiary information (Information insight)

One area of WAIT's business model that had evolved a great deal was how information was managed. Initially, WAIT had basic spreadsheets that kept information on students registered and how the students were performing. However, the enterprise was forced to change its system as it opened new branches. Each store currently ran a standardised information management system and sent information to the head office daily. Head office therefore knew the daily revenue per store.

Information on how funded enterprises are performing is important to their funders. The funder who provided a loan to WAIT was particularly interested in knowing how it was performing. This could be because the funder had a financial interest in the success of the social enterprise.

I make it a personal mission of mine to interact as frequently as possible with all of my borrowers. (Account Manager, Funder 2)

At the time of the study, WAIT was implementing a CRM (customer relationship management) system that would link all its operations and provide real-time information on performance and any other information that funders might

require. The funders had predetermined performance measures that were linked to their funding, and WAIT was expected to provide this information.

> *Funders normally send us a spreadsheet, which we populate and send back. They also send us surveys at some point. (Founder)*

The funders felt that their information requirements were not onerous on WAIT, and the information they requested was what WAIT was already gathering. Despite this, WAIT staff felt that the different reporting requirements were difficult and could have been addressed through one standardised reporting template.

Relationship dynamics between the social enterprise and the external funder (Relationship dynamics)

The relationship between a social enterprise and a funder can be either transactional or developmental. A transactional relationship is based on and limited to the funding provided, while a developmental relationship provides other support to the social enterprise. These two types of relationships were evident in the relationship between WAIT and the two funders interviewed. Funder 1 saw itself as a partner to WAIT, and the relationship of the account manager with WAIT began before the account manager's time at the funding institution.

> *I actually knew the founder before I joined the funding company. In fact, I introduced him to his first funder. (Account Manager, Funder 1)*

Having such a partner is important to a social enterprise, as the funder can open doors that the social enterprise might not ordinarily be able to open. WAIT's founder had been invited to speak on global platforms because of one of these funding relationships. The social enterprise founder affirmed that the first funding relationship, which started in 2010, was important to the success of the social enterprise.

We have a good relationship with the first funder, and have been able to extend our funding with them. (Founder)

Despite this, WAIT's founder was of the view that funders should come and go and that a social enterprise should not be tied down to one specific funder.

Regarding its relationship with its clients, WAIT had been able to create an environment where the customers saw themselves as part of WAIT. One of the current franchise owners had started out as a client and gone on to become an employee before opening his own WAIT franchise. He consequently saw himself as more than a store owner.

I am treated like an asset here, we trust them…they treat people like it's their business. (Former staff member now franchise owner)

WAIT had created a platform where its franchisees could come up with ideas on how to improve the business model and always consulted the franchisees before implementing new ideas as they were considered to have more skin in the game than funders.

Pricing

The WAIT pricing model was largely influenced by its clients, who could not afford to pay the rates and terms a conventional technology user would afford. It was made clear to the funders that the WAIT pricing had been established and could not be changed unilaterally. The fact that WAIT had numerous outlets and that some of them were part-owned franchises, meant that pricing had to be uniform across all stores.

Our view is not to try and involve ourselves or try and believe that we can change the business we are supporting. (Account Manager, Funder 2)

Despite not wanting to change the social enterprises it invested in, Funder 2 did admit to sometimes assisting in or giving insights into areas where it

believed it was in a position to do so. WAIT had always taken its clients' financial situation into account. When the organisation started off by selling computers to teachers, it encouraged them to form savings clubs or stokvels. People that registered for the computer course had the option of paying for their course in monthly instalments. The payment terms or flexibility, and not the price, was what made WAIT affordable.

> *not cheaper per se, affordable, so that we can make sure that we are taking care of the masses, and the model has always been about volumes. (Founder)*

4.2.2 ***Value networks***

Suppliers

WAIT differentiated between partners and suppliers. Suppliers were defined as those organisations that offered a service to WAIT and were paid for it. This differentiation was not clear cut and, over time, some suppliers evolved into partners. One example was a printer company that initially supplied WAIT with printers and over time set up an agreement where it would supply these at a reduced rate if WAIT would act as an agent for the company. The reason for this evolution from supplier to partner was that it made economic sense for WAIT.

> *Printing is the biggest, biggest business. We make money through these machines. (Founder)*

Value alignment was also important; a supplier's values needed to align with those of WAIT. The founder confirmed that there were no instances where funding came with a condition to use a particular supplier.

Partners

Partners, in contrast to suppliers, were organisations with whom the relationship went beyond providing a service. WAIT had a partnership relationship with a telecoms provider, where the telecoms provider utilised the

WAIT outlets as penetration points into the underserviced areas. Partnering with WAIT enabled the telecoms provider to save on the costs associated with opening new stores.

We can provide our partners with last mile access. (Founder)

This partnership enabled WAIT to set up new stores fairly quickly in terms of connectivity, and these costs were financed over a period of time and not as one-off payments. Despite the benefits of partnering, WAIT's founder was aware of the consequences of partnering with the wrong organisation. Again, value alignment was considered important when it came to entering into partnerships.

Funder 2 believed that there was an opportunity for funders to help social enterprises in partner selection and negotiating beneficial partnerships, although they had never explored this option. The second funder provided a business assistance programme to enterprises it funded. The business assistance programme screened service providers such as lawyers and accountants and provided a catalogue of providers for its supported enterprise to choose from. The decision to use this service was entirely up to the social enterprise, however.

4.2.3 ***Strategic resources***

Core competencies

WAIT's founder and internal staff member cited the organisation's ability to innovate its service offerings continuously as one of the organisation's core competencies. One of the funders saw WAIT's knowledge of its target market as what gave it an edge over other organisations that offered similar services.

I think they understand their market very, very well. I think they understand the needs of those they market to. (Account Manager, Funder 1)

The founder and founding partners were able to take a long-term view of where they wanted to take the organisation and then make short-term adjustments according to current realities. This type of planning is effectual in that there is no set strategy or business plan, but just a social goal to achieve and how the social enterprise navigates is determined by what unfolds.

Strategic assets

Staff were a strategic asset to WAIT and the organisation had created several platforms to maximise on this asset. Staff members were encouraged to come up with ideas that would add value to the organisation. Staff within the organisation were multi-skilled, and everybody was encouraged to be a marketer.

A challenge that WAIT faced was retaining their best staff for a reasonable period. The organisation believed that implementing staff-retention initiatives would help retain their best talent. Offering staff members the opportunity to become franchise owners was one of these initiatives.

Interestingly, no one within WAIT saw its network of stores as an asset. Although the stores were all on rented premises, having a network of so many stores in underserviced areas should be of immense value to WAIT. Several companies had approached WAIT for possible partnerships, and this was because of the network and location of outlets.

4.2.4 *Overall business model implementation*

What was evident from the interviews and documents was that WAIT did not have a formally adopted business model. All elements of a business model were, however, evident in the business, and each received a level of attention. WAIT had operated in an effectual manner since inception, and despite its expansion continued to do so.

The founder's view was that WAIT was successful because of its understanding of the target audience and the operating landscape, which was forever

changing. This view had been adopted by the funders and they did not get involved in or influence how the business went about its daily operations.

The progression of social enterprises from an effectual operating manner at the start to becoming formal or causal as they mature did not seem to be evident in WAIT. At the time of the study, WAIT had been in existence for over a decade and had an extensive network, which was quite sizeable for a social enterprise. There was a decision-making structure, which made strategic decisions such as the introduction of new services and expansion of the network. Despite the existence of these structures, WAIT's business model was continuously being refined as market dynamics changed.

4.3 Case Study Two: Get the Moola (GtM)

GtM is an enterprise that provides an online solution that aims to address the access to finance challenges faces by start-ups and small enterprises in South Africa. GtM's solution analyses the profile and funding needs of the start-up or small enterprises and matches the start-up or small enterprises to possible funders.

4.3.1 *Background*

The second case study, GtM, provided an online platform that could match small enterprises with the relevant funders from a comprehensive database of private- and public-sector funders. The database of funders was maintained by a team of researchers on a continuous basis. GtM also provided useful funding education information, addressed common challenges experienced by small enterprises seeking funding and had a funding dictionary that helped entrepreneurs to understand funding terminology.

Small enterprises are seen as the solution to South Africa's socio-economic challenges and are expected to create 90% of all new jobs between now and 2030, despite their higher-than-average mortality rate. It is estimated that five out of seven new small enterprises in South Africa fail within their first year. GtM's offering was geared towards helping small enterprises, which over time could improve the country's economy, reduce unemployment and deal with other socio-economic challenges.

4.3.2 *Development of the social enterprise*

GtM was established in 2015 out of research on the challenges that small enterprises in South Africa encountered when trying to access funding. The research on access-to-funding challenges highlighted the following as the key challenges:

- A lack of financial literacy among small enterprises;

- A lack of knowledge on who the funders are, how to access them and what the funder requirements are;
- A lack of understanding about the different financing products and which one is most appropriate;
- A lack of financial readiness; and
- A lack of understanding of small enterprise dynamics by funders.

4.3.3 ***Funding process***

GtM had initially been funded by venture capitalists and angel investors and this funding had been used to put together a team and continuously refine the online platform.

> *So, over the years, about the last seven or eight years, I have raised about R35 million in early stage funding, from about two angels and seven VCs [venture capitalists]. (GtM founder)*

About R9 million of this funding had come from one Section 12J investment company that continued to have a relationship with GtM and was part of this case study. This investment company was interested not only in GtM but also in the founder and her financial situation. The company's view was that if the entrepreneur it was backing had debt, the debt would impact on the entrepreneur's focus. As a result, it also settled the founder's personal debt so that she could focus on building GtM. GtM had also received grant funding from government agencies involved in small enterprise development and at the time of the study charged funders a fee to gain access to leads from its platform.

GtM's experience with funding institutions had been mixed. Some of the venture capitalists during the early stages were only interested in financial returns and not in growing the business. They wanted to exit as soon as possible and did not provide a platform for growing the business.

Three people were interviewed for this case study: the founder, an internal staff member and a director of the Section 12J equity fund that had invested in GtM.

The implementation of GtM's business model is elaborated on next, using the four elements of the Hamel business model: core strategy, customer interface, value networks and strategic resources.

4.3.4 *Core strategy*

Social mission

GtM's founder described the organisation's mission as helping to reduce the failure rate of small businesses and startups in South Africa. Internally, the interviewed staff member saw the mission as assisting small businesses with understanding how business financing works and matching them with a lender. This social mission had remained the same over the four years of GtM's existence, and the funder had helped by positively refining it and introducing the social enterprise to opportunities.

When asked if the mission of GtM had changed during their investment period, the funder commented that:

> *The mission has not changed. We have not forgotten why we invested in GtM and the core has not changed.*

Product/service scope

GtM's product had gone through several changes since inception and there was acknowledgement from the founder, internal staff member and the funder that the product would constantly evolve. The initial product was an accounting software package that was tailormade for small enterprises.

> *First two years of GtM were basically a fact-finding mission. (Internal staff member)*

At the time of the interview, GtM was making further enhancements to its online portal. GtM was initially a technology-focused company and this explains its approach of continuous improvement. The needs of clients had also influenced

the product implementation. The small enterprises that used GtM required a substantial amount of assistance and resources. Besides being matched with funders, they also needed business templates for aspects such as financial management and business planning.

The funder also understood that continuous product development was a planned and deliberate part of GtM's business model.

Differentiation from other social enterprises

The ability of GtM to aggregate all public- and private-sector funders, with over 450 funding options on one platform, was what set GtM apart from similar organisations. As the founder put it:

> *We are like the Tinder for small enterprises.*

The focus was on leads management and not on loans management, which indicates a causal approach to business differentiation. GtM fully understood the funding challenges that small enterprises faced and as a result did not charge a small enterprise for accessing its services.

There was no evidence to suggest that the funder had influenced the value proposition of GtM, with the funder buying into the philosophy and services being offered by GtM.

4.3.5 *Social enterprise interaction with customers*

Fulfilment and support

GtM's founder saw the company as an entrepreneur that provided a solution to fellow entrepreneurs by solving a common challenge. The founder was very clear about not over promising, stating that GtM did not position itself as a lender, but instead linked small enterprises to lenders. It should not be thought of as a silver bullet. For GtM to be more effective, it needed small enterprises to provide as much data as possible. Using the dating analogy, the founder explained the relationship with clients as follows:

We don't come on the date; we link you up with the possible partner after we have assessed what the possible partner wants. The rest is up to you.

Small enterprises that needed business advisory services could also obtain those from GtM. The fact that someone can refer your business to the relevant funder and equip you with tools to be ready for the funder, at no cost, is a compelling value proposition for small enterprises.

The ability to relate to clients as fellow entrepreneurs had created good relations with clients for GtM. The GtM board understood that the organisation serviced the entire small medium and micro enterprise (SMME) spectrum, and thus had the dual mandates of reducing mortality and ensuring growth.

GtM's approach to interacting with its clients had been planned and thought through.

Information insight

Information provision was central to what GtM did. One challenge the company had faced was aggregating the different types of lending in a way that could be understood by its clients. Lenders had different types of lending criteria, with some being sector specific. The information system was constantly being improved by refining the matching capability even more. Setting up the initial system entailed much research into lenders. The organisation was clear that clients would rely on its services if the lender information was accurate and comprehensive.

The funders did not have direct interaction with the clients but could request information about them and contact them should they so require. For example, during the period when GtM received government support, the organisation had to include race in its demographic information as government was interested in the race specificity of small enterprise challenges.

Although there was a degree of external funder influence on information management at GtM, this was on a system that was already functional.

Relationship dynamics

The GtM founder was specific when deciding on which funders to bring on board. She looked for funders that would provide funding and enable access to networks, and that were interested in the growth of the business and not in exiting as soon as possible.

> *We were not looking for someone who tells you they are in it for five years but really looking for a five-month exit. (Founder)*

This approach was influenced by a negative relationship the founder had experienced. She described some early funders as greedy and short-sighted. These funders were quick to advance the funder money when the business needed funding, with the aim of increasing their share in the business rather than influencing the social enterprise. These early funders were still part of the social enterprise, although on a limited basis. Although this relationship did not seem to have influenced the social enterprise's business model, it had had a negative effect on the founder.

> *I took some big strain as an entrepreneur, I almost had to sell my soul to get to the next round of funding. (Founder)*

This experience and the performance of GtM had made it possible for the founder to be more selective when it came to who should invest in the enterprise.

> *As you get more experienced and credibility, you are able to choose your partner better. (Founder)*

People knew it was not as big a risk and so we chose the people we wanted to invest in us. (Founder)

Overall, the founder's view was that the local venture capital mindset was immature and perceived entrepreneurship totally wrongly.
The relationship with one of the current funders was more positive and was described by the internal staff member as altruistic. This relationship began at inception, and the funder had reinvested in the business a few times. The funder had also invested in other businesses that the founder had established. Being located close to the funder had also been a positive, as the social enterprise and the funder could meet as and when necessary.

We have more kind of corridor conversations and it builds the opportunity better. (Funder)

The funder has made it one of its objectives to play an active part in the operations of the social enterprise, and this had had both positive and negative effects, according the founder.

Pricing

GtM understood the challenges that small enterprises faced in terms of limited funds and, as a result, did not charge small enterprises for using its services. Early stage funding was from a public-sector organisation involved in small enterprise development. At the time of the interview GtM generated its revenue from funding institutions, through a monthly subscription and a 1.5% commission on leads that were successfully converted into a funding agreement.

Investors in GtM had tried to use their seats on the Board to influence the pricing strategy. One option put forward by funders was to get corporates or banks to buy many licences for a package that included financial management, and then work with a team of accountants to provide financial management services to small enterprises. The founder was against this approach and saw it as a venture capitalist who wanted a quick exit. GtM pricing strategy going

forward was to rely on the 1.5% commission for leads converted into loans and less on corporate sponsorship contracts.

GtM's pricing strategy, planned at inception, was to charge corporates to access the small enterprises that utilised the GtM platform. One of the funders had unsuccessfully sought to influence the model, with the goal of increasing revenue.

4.3.6 *Value networks*

Suppliers

GtM developed and maintained its software in-house and as such did not have strategic suppliers and partners. The financing organisation that it partnered with was also its client and GtM altered its information management and reporting in accordance with the requirements of its clients.

4.3.7 *Strategic resources*

Core competencies

Innovation was highlighted by the GtM founder as its core competence.

> *Core competencies are innovative tech development…our ability to develop good tech. (Founder)*

From a skills point of view, GtM had a very good technical team and research capabilities. Market knowledge, which for GtM was an understanding of the small enterprise funding landscape in the country, was also an important core competency.

These competencies had been built from the time GtM was launched and were linked to its basis for differentiation.

Strategic assets

Staff were a strategic asset for GtM. Staff selection and development were linked to the organisation's objectives and it ensured that its staff members had the requisite financial skills.

GtM's biggest asset was its data on the small enterprise funding landscape. The information was important not only for the day-to-day operations but also for research and policy formulation. Access to funding is often cited as one of the biggest challenges facing small enterprises. Data such as that collected by GtM is useful for understanding and countering this challenge.

Although the objective was to use the data gathered to improve on the product offering continuously, this was undertaken in a systematic and planned way, with no influence from funders.

4.3.8 ***Overall business model implementation***

From the interviews, it was evident that GtM had a structured or causal approach to business. The organisation began as a software developer and had always been clear about its social mission, strategic assets, relationships and other elements of its business model.

When an external funder intended to exert influence on the pricing model, GtM's founder worked with other funders to buy out this funder. External funder influence did occur with a government agency's additional information reporting requirements. GtM could provide the required information and kept this information as part of the information management system, although the relationship with the government agency had long ended.

4.4 Case Study Three: Makufundwe

Makufundwe is a not for profit enterprise that offers a multi-dimensional literacy programme across primary schools. The programme complements already existing curriculum and strengthens the learners' abilities to read and understand across various school subjects.

4.4.1 *Background*

Case study three, Makufundwe, was registered as a non-profit organisation to assist learners in under-resourced areas that had difficulties in reading. It operated from four schools in and around the city of Krugersdorp in South Africa. Its methodology assisted learners in Grades 1 to 3 to read with understanding. Reading with understanding, the organisation believed, enables children to be more open to reading beyond the school prescribed material. The learners were empowered to read and think beyond their current limitations and over time would be able to stand on their own and compete with learners from better backgrounds.

4.4.2 *Development of the social enterprise*

When Makufundwe was established in 2014, its service offerings were in the fields of leadership development and literacy. After a year of operations, the organisation decided to narrow its focus to literacy. This was based on advice provided by a strategist. The founder took this advice and was of the belief that: "You can develop leaders, but if you do not develop the people who vote for leaders, you will always end up with the wrong leaders."

This narrowing of focus was being pursued, despite the fact that the leadership aspect of the business had been revenue generating. The pivot to focus on literacy only had brought several changes to Makufundwe. One of these was having to source funding from external funders while implementing a strategy with a narrowed focus.

Makufundwe was an interesting case study in that it was still building the elements of a social enterprise and was thinking about making the transition from a non-profit, donor-dependent organisation to a sustainable social enterprise that could be scaled up.

4.4.3 *Funding process*

At the time of the interview, the organisation was sourcing funding from corporates to implement its programmes in identified areas. To minimise costs, it implemented the programmes at beneficiary sites. The grant funding came either as one-off donations or as sponsorships, where a sponsor covered the costs associated with running the programme at a particular site. In the past, revenue from the leadership part of the business had covered some of the costs of the literacy programmes.

The funding was used to pay programme-related salaries, ensure the availability of material and report on progress to stakeholders. Makufundwe's founder was considering establishing the enterprise as a hybrid organisation (i.e. with both for-profit and non-profit sides of the organisation). The understanding was that the literacy programme would be run under the non-profit side.

Three people were interviewed for this case study: the founder, an internal staff member and a director of a company that had provided donation funding to Makufundwe. The implementation of Makufundwe's business model is elaborated on next, using the four elements of the Hamel business model: core strategy, customer interface, value networks and strategic resources.

4.4.4 *Core strategy*

Social mission

Makufundwe's mission was to enable learners in Grades 1 to 3 to read with understanding. When asked whether the mission had evolved at all, the founder responded:

> *Very little, because I think our mission, and our mission is so strong that people buy into that. (Founder)*

The founder explained that initially developing leaders of the future had been part of the mission, but this had since been dropped. The mission concerning literacy had always been the same.

The internal staff member was not able to articulate the social mission of Makufundwe and mentioned that it was discussed at management level. The external funder was only able to articulate what Makufundwe stood for at a programme level and stated that it was at this level that her organisation was aligned with Makufundwe.

There was little evidence to suggest any mission drift within Makufundwe. What was interesting was that the social mission was understood and articulated by the founder only.

Product/service scope

As mentioned earlier, Makufundwe started off by offering two products: leadership development and literacy. The literacy product was in fact a refinement of a reading programme and brought in the additional elements of understanding and writing. Broadening the focus from reading to literacy was undertaken so that the programme could equip its beneficiaries in a more holistic sense.

> *If the people on the ground can read and understand, then they will vote the right leader into position. (Founder)*

> *We develop their confidence in order to try new things. Some are able to read, but they actually do not comprehend what they are doing. (Internal staff member)*

When asked whether the decision to narrow the organisation's focus had been a wise one, the founder's response was that the narrowed focus enabled her to do what she was "really all about". This realisation was brought to her by a strategist, who remarked that Makufundwe was trying to provide holistic support to the schools it was operating in, such as improving playgrounds and buildings, instead of paying attention to a particular social problem.

> *I was spending time, resources, money and energy on something was not part of who I am. (Founder)*

The product or service evolution had been unplanned and was influenced by external factors and the resources at hand. The material external influence had come from a person who was associated with, but did not provide funding to, the social enterprise, rather than from the external funders. The funders provided donations for specified periods and did not exert any influence on what was to be achieved with the resources.

Differentiation from other social enterprises

When asked what set the enterprise apart from other enterprises in the education or literacy space, the founder responded that Makufundwe's value proposition was a work in progress and thus presented it in a somewhat aspirational manner.

> *We believe we have the golden recipe. (Founder)*

A proposal to a potential funder identified Makufundwe's basis for differentiation as a sustainable language development programme that assisted learners from different contexts and the most disadvantaged communities.

The decision to operate in some of the most impoverished communities was a deliberate decision by the founder. Reading and literacy programmes are pervasive in South Africa and the programme would be well received in more affluent areas as well. While external funders played no role in choosing the

kind of areas in which Makufundwe operated, the organisation believed that operating in the most disadvantaged communities would work in its favour as it sourced external funding.

Makufundwe's corporate social profile identified the ability to incorporate theory and practice regarding the mind, brain and education to provide holistic support to the learners as its value proposition.

Makufundwe had not been able to agree on what really set the social enterprise apart from others. It had several differentiators but settling on one differentiator seemed to be an unplanned process.

4.4.5 *Social enterprise interaction with customers*

Fulfilment and support

The beneficiaries of Makufundwe's services were school-going children from Grades 1 to 3, and the services were delivered during school hours at the school. A prerequisite was that the school needed to have a good governance structure and to commit to integrating the programme into its daily schedule. At a learner level, the organisation worked with teachers to identify learners who had potential but were struggling to read. The identified learners underwent an assessment and a letter was sent to their parents informing them of the child's inclusion in the programme. The learner assessments were developed in partnership with a university. Learners who were unable to read were not considered, as they would need a specialised one-on-one approach.

The programme had a very good relationship with the schools, and the principals were thankful for the programme and the difference it was making in their schools.

> *This is a place where we feel valued. They allow us into their timetable. (Founder)*

The learner selection and onboarding was a causal process, as was the management of relationships with the parents and the school management.

Information insight

Information was kept according to learner profiles, which included initial, mid-year and end-of-year assessment results. The information management system was continuously being improved upon. When questioned about its influence on this system, the funder responded that it had influenced the format of the reporting as it needed to receive the information in a particular format for compliance purposes.

> *We get audited in terms of our corporate social responsibility. We ask them to capture information on a complex spreadsheet and verify that the beneficiary group is 75% African. (Funder)*

While Makufundwe had kept learner records for internal programme management purposes, it was the funding organisation that had introduced reporting. Before that, the information had been used to track learner progress and not to report on how the programme was performing. The introduction of reporting enabled the social enterprise to produce monthly reports and newsletters, which were used to source additional funding and share programme success with other funders.

The organisation was working on automating its information management system and moving towards scholastic reporting, from the current focus on demographic and performance-related information.

Relationship dynamics

Makufundwe had relationships at two levels: the beneficiary level and the funder level. At the beneficiary level, a relationship was kept with the schools, which the funder affirmed was a positive one.

> *I understand their relationship with the headmasters is positive. They are very organised and are even given space in the classes to operate from. (Account Manager, Funder)*

The founder highlighted several factors that had to be present in a school for a positive relationship to unfold. First, the school needed to be well managed and ensure that the programme operated differently from other extra-curricular programmes. This meant that the programme needed to be embedded in the normal curriculum and not compete with other post-classroom activities such as sport.

At the funder level, the founder's view was that funders come and go, but this did not mean that the organisation should work with every funder.

> *It is important to first find out what are the synergies. They are there in the clouds and we are here on the ground. (Founder)*

The organisation's relationship with the funder who was interviewed for this study had existed for over a year. The funder's philosophy was to fund for the long term as this was when they expected that social impact was more likely to be achieved.

> *One cannot save the whole world, and we cannot dabble in this and that. We go the hard way to identify projects for the long term. (Account Manager, Funder)*

The ability to manage stakeholders was a critical part of Makufundwe's business model as its beneficiaries were not able to cover the costs associated

with the programme. On the other hand, the programme needed committed and well-functioning schools to demonstrate programme effectiveness.

Pricing

Working in the most under-resourced areas meant that the beneficiaries, who were the people in most need of the programmes, could not afford to pay for the service. As a result, Makufundwe had to find effective ways of raising funds to implement its programmes. Historically Makufundwe had relied on donor funding. But the organisation had realised that donor funding came with uncertainty (i.e. no guarantee of regular cashflows). As a result, Makufundwe was working on positioning itself as a social enterprise that sold a service for a fee, over an agreed period with clear deliverables. One option the founder was considering was social impact bonds, which would come with guaranteed funding over a longer period.

The founder was positive that a way of funding the programme would be found, without charging the learners a fee.

The learners will never pay to benefit from our programme. (Founder)

This aspect of the business model, which talked to the financial sustainability of Makufundwe, was the aspect that the founder acknowledged she was battling with the most. The decision not to offer a leadership programme had had an adverse impact on the social enterprise's finances, but the founder believed that specialising in one area would pay off in the long term.

4.4.6 *Value networks*

Suppliers

Makufundwe did not have strategic suppliers or partners. Learner material that supported the school prescribed material was sourced from a supplier with whom no strategic relationship existed. The only evidence of a strategic partner was a university that provided a one-off assessment development.

Makufundwe had not followed up and benefitted further from this relationship, owing to the founder's focus on remodelling the social enterprise.

4.4.7 *Strategic resources*

Core competencies

The skills of the staff at Makufundwe were highlighted as the organisation's core competence.

> *We have got an extremely strong group of women that is highly experienced on the academic and on a practical level. (Founder)*

The founder also mentioned the ability to manage stakeholders as a core competence, as the social enterprise found itself straddled between two sets of stakeholders: funders and beneficiaries.

Makufundwe had had these competencies from the time it had been established.

4.4.8 *Overall business model implementation*

At the time of the interview, Makufundwe was going through a major change in terms of legal status and service offerings. The organisation had had two options: offer a wide range of services that would improve its financial sustainability or narrow its focus to a service that was heavily reliant on donor funding. The founder had opted for the latter option and had been able to obtain donor funding to implement the programme at four schools.

Several dimensions were not present in the Makufundwe business model. This could be due to resource constraints, which resulted in the social enterprise implementing only the dimensions most critical for ensuring survival. There was evidence of both causal and effectual mechanisms at play, with external funder influence only evident in the information management.

4.5 Case Study Four: We Got Talent (WGT)

WGT is a graduate development organisation that focuses on developing unemployed graduates from resource poor areas. It provides training on workplace readiness and ongoing mentorship once the graduates have been placed in companies.

4.5.1 *Background*

The fourth case study, WGT, was established with the goal of empowering graduates and positioning them as a talent pool for South African companies. Graduate unemployment is a challenge in that young people are excluded from the labour force and corporates lose out on ideas that young people can bring. Statistically, graduates make up 7% of the total unemployment in South Africa (Maduku & Vezi-Magigaba, 2019). WGT did not agree that there is a talent shortage in South Africa but believed that graduate recruitment and placement programmes do not look at graduates in a holistic manner.

Unemployed graduates battled to enter the workforce, according to WGT, because of limited workplace experience and social capital. Much reliance was placed on the education system to bridge the gap between what graduates learnt towards achieving their qualification and what the corporate world required of them. The challenge was more pronounced for unemployed graduates from disadvantaged backgrounds. WGT placed graduates within corporates and provided them with additional support in the form of applied learning workshops, a platform from which to interact with and learn from other graduates, and one-on-one mentorship.

4.5.2 *Development of the social enterprise*

Founded in 2014, WGT aimed to develop unemployed graduates for the corporate world in a way that was different from conventional graduate recruitment, which normally selected the top-performing graduates to ensure programme success. As these students ordinarily came from the top schools

and financially well-off families, this selection practice resulted in a disproportionately high percentage of unemployed graduates from under-resourced schools and disadvantaged backgrounds.

WGT believed that the ambition, tenacity and grit of these unemployment graduates were assets that corporates should harness. What was needed was for the graduates to have a sense of self-belief, which came with the unemployed graduates being true to themselves, especially regarding where they came from and where they wanted to go. This development needed to take place in an empathetic environment where the graduates could learn about themselves and express their true feelings.

The holistic approach to graduate placement by WGT meant that the costs associated with placing a graduate at WGT were higher than other graduate placement programmes. This counted against WGT when there was an open call for proposals. After more than four years of implementation, WGT had only been able to get two corporates to buy into and implement the programme.

4.5.3 *Funding process*

From the interview, it was clear that WGT's intention had always been to obtain funds by selling its services to corporates. The founder had used his own resources and boot strapped until the first client came on board. As a result, the company had not sourced any funding for establishment purposes except through one of its current clients. This client had initially supported WGT with a grant before going on to contract WGT to implement the programme. The plan was to use the experience from the first clients to market the services and get market traction.

Three people were interviewed for this case study: the founder, an internal staff member and a director of a company that used WGT for graduate placement services. The implementation of the WGT business model is elaborated on next, using the four elements of the Hamel business model: core strategy, customer interface, value networks and strategic resources.

4.5.4 ***Core strategy***

Social mission

The founder described the mission of the social enterprise as assisting unemployed graduates to find employment and in the same process assist corporates to fill in gaps where they needed to bring in new talent. The internal staff member's interpretation was similar to that of the founder, as she described the social mission as developing graduates and placing them where there were opportunities.

The client was aligned to the social mission.

> *The client subscribed to our vision that there is much more talent. What is needed is to provide these platforms for talent to develop. (Founder)*

When probed about mission drift, the founder and internal staff member responded that WGT had always operated in the same space with the same social goal. The founder believed that this was a social goal worth pursuing the WGT way, even though the feedback from potential clients was that this was not the best approach.

> *I feel like I am not stupid, even though the South African business environment does not understand me. (Founder)*

The social mission was intentional from the time WGT was established, and the external funder had embraced it instead of trying to change it.

Product/service scope

Although WGT had not drifted from its initial social mission, the service offerings currently offered were different from what was initially conceptualised.

> *The initial idea was for WGT to do consulting work for corporates and have unemployed graduates work with us on these projects to gain experience. (Internal staff member)*

Initially WGT would put together a group of unemployed graduates and assign them to a professional to mentor them. The group would work on four assignments, each of six months, at different companies. This would give the group two years' experience in different companies, with an internal mentor in each company. This approach would be effective in preparing unemployed graduates for the workplace but did not provide additional support should something unexpected happen.

> *In the first encounter with an angry manager, they are going to fall flat. They do not have support to deal with this. They don't have a mother or father to call. (Founder)*

This identified shortcoming compelled WTG to alter the service offering and bring in psycho-social support and the peer contact platform where the unemployed graduates could share experiences and advice.

The product evolution had been carried out in an effectual manner and was influenced by what the unemployed graduates had experienced or were likely to experience once placed in corporates.

Differentiation from other social enterprises

The graduate placement programme was different from others on offer in South Africa as it went beyond sourcing, screening and placement of unemployed graduates.

> *Our process is very intense. We address a multi-dimensional problem in a personal manner. (Founder)*

The programme provided ongoing support to the graduates through a professional mentor in contrast to other graduate placement programmes, which evaluated their effectiveness by the number of graduates they placed during a specified period. WGT, on the other hand, evaluated itself in terms of how many graduates stayed for the duration of the two-year programme and what percentage of those found permanent employment after the programme

period. The WGT programme was therefore only able to take in a limited number of graduates, based on the number of mentors available.

Although unique in South Africa, similar programmes had been rolled out successfully in Kenya, Spain, India, Mexico and the United States of America. These successes afforded WGT the opportunity to replicate what had worked and share ideas with peer organisations.

WGT's founder established and continued to position the enterprise as different from similar programmes, even if it limited the ability of the organisation to secure placement contracts.

WGT focused on graduates who had been unemployed for at least three months and looked beyond academic qualifications to also include personality traits that matched a client company's values. The graduates identified underwent a three-week, expert-facilitated onboarding programme before being placed at the client company.

4.5.5 *Social enterprise interaction with customers*

Fulfilment and support

WGT distinguished between corporates, as its clients, and the unemployed graduates, as the programme beneficiaries. WGT had tried several approaches to get clients on board. First the company tried cold calling, and then went to business-focused radio platforms. Eventually WGT conducted research on companies that were looking for graduates. It then narrowed these down to medium-sized enterprises as the WGT founder believed medium-sized companies would be more willing to try out new graduate placement programmes. At the time of the study, there were two clients. The client that was interviewed for the study was aligned with the social mission and how WGT was going about trying to achieve this.

> *The client subscribed to our vision that there is a lot of talent, and that we need to provide these platforms for talent to development. (Founder)*

The client interacted with the beneficiaries daily as they were placed within the company, and there was a monthly meeting with the WGT mentor to review the performance of the beneficiaries and plan for the next month. In this way, the client was always aware of the performance of the graduates placed in the company and was also made aware of any personal issues a graduate might be going through.

Information insight

Information management was an important part of WGT's business model.

> *We have the experience and insights to make the programme better. (Founder)*

The company used spreadsheets to keep data on each graduate that had been placed. The WhatsApp group where the programme interacted with the beneficiaries on a continuous basis also provided feedback that the programme management team captured and used to provide appropriate support to the beneficiaries.

The mentors had weekly feedback sessions with the mentors where they discussed work and personal matters. These were consolidated and reported to the client every month. The programme utilised the logic model approach and could report on predetermined objectives. The organisation also intended to set up an alumni network to recruit unemployed graduates, help market the programme and provide a pool of mentors for the programme beneficiaries.

Information management had evolved using a causal approach, and the client was satisfied with the level of reporting without having had to influence it.

Relationship dynamics

Mentors were an important component of the WGT programme. The mentors came from diverse backgrounds such as entrepreneurship, accounting and

business coaching. The programme required the mentors to align themselves with the WGT values and commit themselves to supporting the graduates on an ongoing basis. This was different from other mentorship programmes where the schedule was based on the availability of the mentor.

Because of the two-year duration of the placement programme, WGT also had to develop a working relationship with the client company. Overall programme management was carried out through the human resources department and day-to-day operations through the manager(s) where the graduates were placed. The client company could influence the relationship between the beneficiaries and the programme as it also reported back on the performance of the beneficiaries. The feedback sessions were conducted in the spirit of correcting anything that had been picked up, but not in a punitive way.

The routine feedback sessions between the programme, beneficiaries and the client provided evidence of a causal approach to establishing and managing relationships.

Pricing

WGT had a set pricing structure for the programme. Clients paid R4,000.00 per month for each unemployed graduate that they took in. Of the total contract amount (number of students multiplied by number of months multiplied by R4,000.00), 25% was paid to WGT upfront, with the rest in monthly payments. The amount per beneficiary was intended to reduce as more beneficiaries were taken on board. The WGT founder believed that corporates should pay for the services, and that this benefitted everyone in the medium- to long term.

> *We deliver a service and we should be paid for it. (Founder)*
>
> *If corporates start paying for these graduates, then they will start seeing them as talent. (Founder)*

The external funder believed that his company was getting fair value for money and did not negotiate for a lower fee when requesting for additional unemployed graduates to be placed.

> *Although we can get a lower fee as we take in more graduates, I choose to pay the same amount because WGT is still trying to establish. (Account Manager, Funder)*

> *I believe in their programme. Before using them, we offered them grant funding as part of our corporate social investment programme. (Account Manager, Funder)*

The pricing aspect of the WGT business model also demonstrated causal mechanisms.

4.5.6 ***Value networks***

Suppliers

WGT implemented all aspects of the programme internally, from screening to placement and management of the graduates, and for this reason did not have any suppliers. The mentors were considered partners rather than service providers, as they volunteered their services to the programme.

4.5.7 ***Strategic resources***

Core competencies

When asked what strategic resource would set WGT apart from similar programmes, the founder put forward his conceptualisation of the programme, and the experience and insight gained from setting up the programme thus far.

> *I think by that fact my intellectual capital around this model, and the feasibility and the expectation in South African context has significantly gained. (Founder)*

The founder acknowledged that a leading consulting company was developing a similar programme. However, rather than seeing this as a threat, he saw it as validation of the WGT programme.

4.5.8 *Overall business model implementation*

WGT had implemented several dimensions of the business model. The enterprise had been established in a planned and causal manner, with the intention of distinguishing the WGT model from other graduate placement programmes.

To differentiate and sell its product at a fee that was higher than the market rate, WGT had to market a well-structured programme and also implement the programme according to what had been agreed upon. There was no evidence of business model implementation, as everything had been structured at conceptualisation and was implemented as such.

4.6 Case Study Five: Humanity

Humanity is non-profit enterprise that provides integrated, multi-dimensional support to a community in a South African city. The support focuses on HIV/AIDS treatment and support; primary and preventative healthcare; academic and life skills and university support; job skills training; and household stability.

4.6.1 *Background*

Rather than spread its interventions over a wider geographic area, Humanity had decided on depth and tried instead to have an impact on one community. The co-founders believed that the solutions to the community's problems lay with those closest to the problem, and nearly all the staff members came from the community.

Inequality and underdevelopment were pervasive in the community where Humanity operated. This resulted in high levels of poverty and other socio-economic challenges. The area had one of the highest levels of gender-based violence, with 33% of women falling victim to gender-based violence. It also had high HIV/AIDS prevalence rates. Two in five students did not study beyond high school, and 80% of the youth were unemployed. Humanity's goal was to assist children and families from the community to overcome the challenges and to place them on a path to success.

4.6.2 *Development of the social enterprise*

Humanity was founded in 1999 from the proceeds of a raffle. Positioned as a social initiative, Humanity's founders intended to level the playing field for children in a South African city township by providing them with the opportunities available to the most affluent areas in the world. The founders centred the programme on education and started off by providing school supplies and establishing computer centres.

The founders soon realised that the education challenges were not happening in a vacuum; in some instances the children had nothing to eat and would go back to a home with an unemployed parent and no basic amenities such as electricity. The founders also realised that every child's situation was unique. This realisation made them change their approach from focusing on breadth to focusing on depth instead. Rather than try to cover a huge number of beneficiaries, the enterprise focused on changing each beneficiary's life. This was achieved through a tailor-made plan that took each child's unique circumstances into account. In the 20 years of its existence, Humanity had gone from a programme that operated out of a primary school to a state-of-the-art health and education facility that serviced 2,000 children from one of the most disadvantaged communities in the country.

The state-of-the-art facility, which was built within the community that was serviced by Humanity, had classrooms, a paediatric clinic, a rooftop garden, computer labs, a community theatre and a vocational training centre.

4.6.3 ***Funding process***

At the time of the interviews, Humanity was receiving funding from four sources: grant funding, donations by corporates and the public, donated services and fund-raising events. As such, the organisation was able to raise more than R60 million on an annual basis. During the first ten years, the enterprise had successfully highlighted scale in its fund-raising efforts. In 2007, it reported that it touched over 40,000 children and could raise R120 million during the next fund-raising cycle, including R68 million programme-funding over five years.

The organisation realised that scale sometimes comes at the price of impact; they could touch 40,000 children but have minimal impact on their lives. Poverty is complex and multi-faceted and needs a comprehensive programme to ensure impact. In response to this realisation, rather than continue on the scale trajectory, the organisation focused on depth. It worked with one community and continued to do so despite receiving requests to scale up and replicate the model in other areas.

Funders were categorised as either programme-specific or unrestricted funders. Programme-specific funders identified and committed funding to one of Humanity's 18 programmes. Unrestricted funders committed funds to the organisation, with the organisation deciding on the allocation of these funds. The unrestricted funds were normally used to cover the running costs of the operation centre.

Two people were interviewed for this case study: the founder and an internal staff member who had initially been a beneficiary of the organisation's programme. The organisation also shared a funding proposal and its strategic plan with the researcher. The implementation of the Humanity business model is elaborated on next, using the four elements of the Hamel business model: core strategy, customer interface, value networks and strategic resources.

4.6.4 *Core strategy*

Social mission

The founder described the mission of the social enterprise as developing children from a disadvantaged background from before they were born right up to employment. The programme started with HIV-positive, pregnant mothers. The unborn babies were ensured a healthy birth and then supported until they grew up and found employment. This had been the organisation's goal from inception.

> *Well our goal was always the same in how do you help the most vulnerable children, not the best academic children, the most vulnerable children access higher opportunities right. (Founder)*

During the early stages, the enterprise was exposed to the reality of mission drift. This was not a result of pressure from funders; instead, it was the need for financial resources that made mission drift a possibility.

> *You see the problem is with early stage ventures in the beginning you are very susceptible, you are desperate for the funding, right? (Founder)*

The mission remained the same; what changed were the service offerings. During the early stages, the founders took on programmes that were not part of their offerings but were aligned to the social mission. This product deviation is elaborated on in the next section.

The social mission was there from inception and had remained the same over the last 20 years.

Product/service scope

As mentioned in the preceding section, the services Humanity provided to its beneficiaries had changed over time. The changes were brought about by two factors: financial need and the desire to create greater impact. The founder admitted that early stage funding was a challenge for Humanity and that to survive they had had to take on funded projects that were different from what the organisation offered but aligned to the social mission. The restrictions that came with the funding compelled the founders to abandon this approach and refocus on the organisation's initial product scope.

> *We were desperate because the money kept us afloat so on one hand it allowed us to keep operating. (Founder)*

> *The truth is though that it was not part of our core business, so a lot of the external funders really led us astray, to be honest with you, and the more heavily restricted the funding was, the more dangerous it was to Humanity. (Founder)*

The second reason for the product/service evolution was the desire to create greater social impact. The organisation initially focused on education, but soon realised that the children it was trying to help did not have access to resources and lived in conditions that were not ideal.

> *They still had access to schools that had broken windows, lack of resources such as books, pencils whatsoever. (Internal staff member)*

The initial offerings were libraries and computer centres that covered 40 schools. The internal staff member, who was a programme beneficiary then, remembered how the parents from the schools were not entirely happy with the initial service offerings. The parents were not ungrateful, but pointed out the complexity of the conditions the children were living under.

> *You cannot go around and say you are changing the children's lives because they are only spending about two hours in those resources, and then they go back home, they are being abused, sexually, physically, emotionally, their parents are dying of HIV-related diseases, their homes are not stable, they don't even have a space where they can study back home. (Internal staff member)*

The feedback from the parents resulted in the organisation adding health services to the programme.

> *That is when we introduced now the health aspect of it…testing their moms, their dads, how to protect yourself, we did health classes at school. We did ask our social workers to go into the home and understand the dynamics. (Internal staff member)*

Most of the changes in the services that Humanity provided to its beneficiaries took place during the organisation's formative years. The changes were undertaken in an effectual manner, mostly influenced by funders and the parents of programme beneficiaries along with the need of the social enterprise to survive.

Differentiation from other social enterprises

Depth, rather than breadth, was a key differentiator for Humanity. It is not common for a 20-year-old social enterprise tackling a global challenge to continue to operate in one community. However, the co-founders decided from the beginning that their efforts would be centred on one township. This was novel, as most similar programmes focused on numbers and not on impact.

What makes us unique is our geographical focus, is that we're putting R50 million each into one community, one area, we are going deep into one area as opposed to spreading ourselves out. (Founder)

External funders constantly tried to influence the enterprise to cover other geographic areas.

It is a difficult journey and we are constantly having to fight the big foundations and the big corporates for telling us, no, you should spread yourselves out. (Founder)

But the truth is the reason why they are trying to have us spread out is because they are more about how can you market your own company as opposed to how can you actually change a child's life. (Founder)

Even now when we meet a new funder they love our model, they agree with it, they say it's amazing, and then the follow-up question is, why are you only based in this area? (Internal staff member)

The length of support (i.e. from prenatal up until the beneficiary was employed) also set Humanity apart from similar programmes. Some programmes focus on a particular challenge at a particular time in the life of a beneficiary (e.g. prenatal HIV/AIDS testing and counselling) and refer qualifying beneficiaries to another programme or government service.

We tell our funders there is no exit strategy when raising children, you have to be there every day for them. (Founder)

The differentiation strategy had been a deliberate decision from inception and Humanity offered its model to funders and committed itself to supporting any organisation that replicated the model in another area.

4.6.5 *Social enterprise interaction with customers*

Fulfilment and support

Humanity beneficiaries interacted with the organisation on an ongoing basis, with each beneficiary accessing the services that were relevant to their unique situation. The organisation had 18 programmes or services, from HIV transmission prevention at birth all the way through to job placement and training. The frequency of the interactions depended on the programme that was planned around a particular individual.

> *Some children see us every day, some see us once a week. It depends on the issues and what the child is dealing with in life. (Founder)*

The programmes were all run from a centre built in the community. The programmes were augmented by home visits where each beneficiary's environment was assessed to inform programme deliverables.

Beneficiary progress was continuously tracked, and the organisation was able to get a sense of the effect of the interventions. This was different from tracking attendance during programme implementation and only assessing effectiveness at the end.

The beneficiaries were expected to commit to the programme and deliver on their end of the programme.

> *I will not claim that we are perfect, even till this day we do have cases where – we are very strict, that's one thing I can tell you. Like if you mess up you are out. (Internal staff member)*

There was no evidence of external funder influence on the causal approach to interacting with beneficiaries.

Information insight

Humanity relied heavily on beneficiary information to ensure that the appropriate support was provided to beneficiaries. The information captured and managed ranged from demographic information, beneficiary and family health, to the situation at home, basic health test results and school performance.

The information was used to improve the support and to report to current and prospective funders. The funders all had different reporting requirements and the organisation had to alter its reporting to meet each funder's requirements.

> *Every funder wants something different so we have to report differently for everybody, as opposed to like a company that reports its earnings in one format. (Founder)*

Humanity managed information in a structured way. External funders did not influence the kind of information that was managed by the organisation but had their own reporting requirements.

Relationship dynamics

Three relationships were integral to Humanity: the relationships with beneficiaries, the funders and the community that Humanity operated in. With beneficiaries, the organisation created an atmosphere where the beneficiaries did not feel needy, while supporting them as much it could.

> *We do interventions then to make sure that we support this person as much as we can, I think over time it's a mutual respect. (Founder)*

Over its two decades of existence Humanity had also been able to form a relationship with the community in which it operated. One of the co-founders was from the local community and that helped in maintaining the relationship between Humanity and the community. Local businesses and suppliers who shared the same values as Humanity were used to provide services.

We have to take that not just in our core program but in how we operate and how we fit in to the community and everything. (Founder)

When asked if the funders influenced who the organisation should partner with, the founder interviewed responded that funders believed that Humanity had been able to select and work with the best partners over its existence and, as such, did not influence who it should partner with. The funder's only interest was to see Humanity partnering with similar organisations in other areas.

Twenty of the funders in 2018 each provided more than R1 million rand to Humanity. Most of these and other funders made these contributions on a yearly basis. The funders were informed about Humanity's progress and achievements in several ways. The organisation had funding chapters in three countries, which met regularly to get updates. The founder interviewed also had a blog where he shared relevant information on the programme, philanthropy and working with under-resourced communities.

Relationships had been built with a structured, planned approach and all three partners (i.e. beneficiaries, funders and the community) had been part of the Humanity business model from inception.

Pricing

Humanity did not charge its beneficiaries for any of its services. The funds needed to cover these services and run the programme were sourced through grant and donor funding and other fund-raising initiatives. The costs were broken down according to each service, per year and individualised to each beneficiary.

We go to our funders we go to them and we break out the cost for each program, but most of our costs are people costs. (Founder)

We need good people to take care of the children. It's social workers, teachers, doctors – so we are looking for funding to fund the salaries of these people. (Founder)

Once the budget for each programme had been finalised, it was used to source funds from donors and grant providers. Localisation was one of the criteria used to decide where to spend the funds. An example was the programme's bursary fund, which focused on universities in the province it operated in.

The budget per programme was not negotiable. Rather than allow for a reduction in the budget, the programme encouraged the funder to part fund the programme and looked for other funders to augment the committed funds. As a result, Humanity could recruit the best talent and pay market-related salaries.

> *We use market data so we know what it costs to hire somebody and we push back. Just because we are an NGO doesn't mean we are not a business, right? We only survive on good people and we need to push back. (Founder)*

The pricing model was implemented in a causal manner, and external funders did not influence how Humanity priced its services.

4.6.6 ***Value networks***

Suppliers

Humanity implemented most aspects of the programme, from pre-natal screening to job placement, in-house. There were several areas, however, where it worked with partner organisations to provide some of the services.

> *There's so much we can do, like we would love to serve the entire community but we do not have the resources, the capacity, we don't have the staff. (Internal staff member)*

> *We have our after-school program, we focus extramural activities like public speaking, robotics, computer, those sorts of things that are not necessarily available at school. (Internal staff member)*

Humanity did not have secondary and tertiary education programmes; it sent its beneficiaries to other schools and universities and provided them with extra-curricular support. Funders had tried to influence the choice of schools and universities that the beneficiaries were placed at. In most instances, this was because the funder had gone to a particular school or university, or believed that a particular school or university was the best. Humanity's policy was to place its beneficiaries at schools and universities where it believed they would settle in well and would not be overwhelmed by the situation.

> *We have a beneficiary in Grade 8 at a top local school. He was an A student that's why he was picked, and then at the top school he was below average. He still passed but it was still a struggle, and now he's in Grade 9 and he failed first term and second term, and then third term he barely passed. We might even consider looking for another option for him so it's difficult, it is. (Internal staff member)*

The organisation also made use of suppliers for non-core activities such as staff transportation. Value alignment and locality were taken into consideration when selecting suppliers.

> *We look for businesses and suppliers that are run by previously disadvantaged people, we try to associate ourselves with partners and companies that have the same values as us, because we believe in the nature of our business of doing good. (Founder)*

There was evidence of a structured approach to supplier selection at Humanity. Funders had attempted to influence the choice of suppliers, but the organisation always did what it considered to be in the best interests of the beneficiaries.

4.6.7 ***Strategic resources***

Core competencies

When asked what the core competencies of the organisation were, the founder interviewed alluded to the bottom-up, community-based nature of their strategy as what had kept the organisation in existence for two decades.

> *We are community based, we are grass-roots, we are bottom-up development. We know how to interact with the community, and truthfully, we know how to take children out of poverty, we can do it. We are tough and we have been there, we know how to do it. (Founder)*

These competencies had been developed over time, and the founder highlighted that it was equally important to know what the organisation was not good at.

An area the organisation was improving was staff recruitment and retention.

> *Our greatest challenge is recruitment of talent because we are in an area where the best talent seems to go to the big cities. (Founder)*

The organisation allocated R1 million every year to staff development and had also introduced benefits such as medical aid and a pension fund. This was intended to make its pay structure comparable to those of corporates in bigger cities.

There was no evidence of external funder influence in the development of the core competencies, which were improved on in a planned manner.

Strategic assets

Humanity operated from a facility in the township where it was based. The facility had been built over the years and served as a good demonstration of what the organisation had achieved.

> *We are building a state-of-the-art centre in the middle of a township. (Founder)*

Centre makes work a positive work environment. (Founder)

Potential and existing funders were encouraged to visit the centre to understand and see the work that Humanity was doing.

Establishing the centre was the decision of the founders, and this had not been influenced by external funders. External funders funded enhancements to the centre that had been decided upon by the founders and internal governance structures.

4.6.8 ***Overall business model implementation***

Humanity had been in existence for the longest period of all the organisations used for this study. Three stakeholders had remained at the centre of its operations: the beneficiaries, the community and external funders. Humanity had retained its social mission throughout the period. However, the programmes it offered had changed over time. In the early stages the changes had been influenced by what external funders were prepared to pay for. As the organisation developed, the programmes were influenced by beneficiaries and the local community.

Pricing and supplier selection were centred on providing the best solution for beneficiaries and, although funders had tried to influence these two aspects of the business model, the organisation had maintained its approach to these.

Humanity has been able to operate with minimal influences from isomorphic influences such as funders. This is despite the organisation being in operation for twenty years. The organisation has been able to operate independent of the interests of the isomorphic influences that are posited by Di Maggio and Powell (1983) in that it first develops a business plan for the year and funders fund the business plan. This limits the isomorphic influences on Humanity.

4.7 Case Study Six: EducationExcel (EE)

Education Excel operates elite and independent secondary schools in under resourced areas, and develops leaners to compete with the best students globally. It uses an innovative model that leverages technology and peer training to operate with a few skilled teachers.

4.7.1 *Background*

The sixth case study was EE, a non-profit registered organisation operating in the secondary education area in South Africa. The goal of the organisation was to build a network of self-sustainable, independent secondary schools that were affordable to anyone. Their business model was made up of innovative classrooms that used technology and peer training to leverage a few skilled teachers in an environment of high expectations and rapid feedback. The schools were intended to enable South African youth from disadvantaged backgrounds to become world-leading students and leaders who would go on to transform their communities.

At the time of the interview, the organisation operated a school in the eastern parts of Gauteng Province and was in the process of setting up another school in the Eastern Cape. This was in partnership with Humanity, another social enterprise that formed part of this study (see 4.6 above). Humanity would cover the costs associated with running the school in the Eastern Cape.

EE focused on two challenges facing the South African education system: the quality of education provided and the cost of providing high-quality education. The EE model was built on three pillars: a commitment to excellence; an affordable model that cost 60% of the current government education spending per learner; and a scalable solution that aimed to build a network of 200 schools in the country. The South African government spends approximately 6% of its gross domestic product (GDP) to education (Mlachila & Moeletsi, 2019). Despite this, the South African education systems consistently rank among the lowest internationally in terms of quality outcomes. On maths and literacy, for

example, South African learners rank far below the average of other African countries with comparable economic statuses (Mlachila & Moeletsi, 2019).

4.7.2 *Development of the social enterprise*

EE was established in 2011. One of the co-founders (the first co-founder) came from the community where the school was now located. She was one of the few people to graduate with qualifications in the field of pharmaceutical chemistry in that community. Before co-founding EE, she ran supplemental programmes in her community to assist learners with Mathematics, Science and English.

These supplemental programmes ran over the school holidays. She discovered that the children unlearnt what they had learnt during the supplemental programmes when they went back to school, and this discouraged her. In 2013, she met her co-founder (the second co-founder), who was involved in entrepreneurial development in another township, and he encouraged her to move her programme to the township where he was working. He felt the two townships had different attitudes to development and moving to the one he was working in would benefit her programme.

Moving the programme to a different township worked from a partnering point of view. The pilot programme could attract a partner that made available premises from which to operate. This made it possible for the programme to attract its first funder. It was at this stage that the co-founders decided to establish a school and not run supplemental programmes, and they started looking for longer-term funders. A decision was also made a year later to relocate back to the township the first co-founder had come from and where she had initially started the supplemental programmes.

4.7.3 *Funding process*

EE's co-founders were aware at inception that the organisation would rely on funding and charging school fees to implement its programme. The initial aim was to raise funds to build state-of-the-art schools all over the country and set up programmes in every major township. The target was R25 million a year. The focus shifted to an education model after EE had established its first school. Instead of building many schools, the co-founders decided to focus on making a school lower its costs on an annual basis without compromising on the quality of education.

Initial funding came in the form of grants from a couple the second co-founder had met while he was doing post-graduate studies. The couple continued to fund the organisation to the present time. The biggest need for funding during the first years of establishment was to construct the school premises. To ensure that the call for funding was successful, EE targeted organisations that had given funding to education programmes before, particularly education programmes in disadvantaged communities.

Once the school was established, the organisation received funding from donors as well from the parents of the learners in the form of school fees. The plan over time was for the school fees to cover the costs associated with running the school, but still be affordable for parents from disadvantaged communities.

Two people were interviewed for this case study: one of the co-founders and an internal staff member. The implementation of the EE business model is elaborated on next, using the four elements of the Hamel business model: core strategy, customer interface, value networks and strategic resources.

4.7.4 ***Core strategy***

Social mission

At the interview, the founder described the mission of the social enterprise as providing education at an affordable cost. The internal staff member described EE's reason for existence as making a difference by exposing children from disadvantaged communities to high-quality education and enabling them to compete internationally.

> *So, we exist because we believe that potential is within the community, because over many years many kids who are privileged get high-quality education but because of your background you are less fortunate you can't have access to Cambridge curriculum. (Internal staff member)*

EE's mission had remained the same since inception but was now more visible as the organisation implemented its programmes. Funders initially bought into the idea and did not want to alter the enterprise's mission. The founder believed, however, that one of the initial funders had wanted to have a greater influence on the strategy and operations of the enterprise and to relegate the co-founders to employees.

> *So, our funders effectively became our trustees, we had a non-profit trust and an NPC that became our trustees and our directors, and both of us were employees. (Founder)*

The relationship with the funder worked until a need for additional funding arose and the funder insisted on bringing people into the management team as part of the funding conditions. At this point the co-founders decided to terminate the relationship with the funder.

Product/service scope

EE's services were built around the school where the education programme was delivered. The education programme, which was the organisation's only programme, was divided into three sub-programmes.

We do our own teacher training and development, we do our own curricular development design and then the actual teaching itself. And it's been like that. (Founder)

The education programme was developed by the co-founders. They saw it as their intellectual property and were not willing to allow any influence on it. When asked if there had been any influence on their programme, the founder interviewed responded:

No, because that's something that we were not willing to – we were flexible with a lot of stuff, the one thing we were not flexible around was our education model. (Founder)

EE had gone about developing its education model in a structured way without any influence from external funders.

Differentiation from other social enterprises

When asked what set EE apart from similar organisations, the founder compared the EE education model to similar models used for education programmes in disadvantaged communities.

So, it is about the experience that we create, an environment that we create in the classroom, it's about our measures or even our expectation. (Founder)

EE's goal was to go beyond producing learners that passed the top-rated secondary education examination system in South Africa. The goal was to produce learners who were interested in studying overseas and able to excel there.

When I was coming in just now I was being asked about study visas to the USA because 34 of our Grade 11s want to go study in the USA. (Founder)

The internal staff member also made the same comparison when asked about the basis of EE's differentiation, but approached the issue from an access point of view.

> *What is setting us apart because you find all those top schools in high place unlike let us say in townships, it is difficult for someone like me to go and study there. (Internal staff member)*

Establishing schools that provided top-quality education in the most disadvantaged communities had always been EE's value proposition. Funders had bought into this differentiation and had not attempted to alter it.

4.7.5 ***Social enterprise interaction with customers***

Fulfilment and support

The learners attended the EE school on a daily basis, like other schools. Before entering the school programme, potential learners went through a three-week orientation programme the preceding year. The orientation programme was as intense as the actual school programme and was designed to give EE a sense of the commitment and willingness of the potential learners.

> *In the past there was a more rigorous selection system where we had kids coming for a three-week programme. (Founder)*

Those learners who were accepted into the school had a close affinity with the school.

> *I have to chase my kids out. If you could see but now they are getting the hang of it, usually they enjoy being at school more than anything, even when they are sick. (Internal staff member)*

> *The best way to summarise their relationship is come end of day we have to chase them out of the school, and the school finishes at 16h30. (Founder)*

The learners were given the freedom to come up with and manage extra-curricular activities.

> *So, we also make sure that the leadership skills are there so kids like being in control sometimes and we just make sure that we give them enough responsibility and freedom to do what they want. (Internal staff member)*

Although there was no evidence of funder involvement in learner selection, for example in terms of gender demographics, one funder had expressed concerns about the learners' ability to excel and compete globally. This funder was of the view that the learners' background and the distance between the township-based school and other top schools were impediments.

Information insight

Learner information at EE was categorised into and managed from four areas: learner demographics, socio-economic information, academic performance and community development involvement. The learners took several local and global tests for the programme to obtain a sense of where they compared with their peers. EE used the information to promote the education model to potential funders and partners.

The organisation used a comprehensive data-collection system from inception. The co-founders were of the belief that their model, which emphasised cognitive development more than content retention, would prove to be the ideal education model in the long run. To support this belief and develop their model, they needed to gather as much information as possible.

> *So, we're already banking on our success and we want to have data to talk to it. (Founder)*

Funders typically requested academic scores from standardised tests to evaluate programme performance. The information that EE gathered was sufficient for reporting on programme performance.

Normally what we report to funders is too much and we are always asked to narrow it down. (Founder)

Relationship dynamics

The relationship with the community in the township where EE operated was important for the implementation of EE's education programme. The relationship had changed over time and, in the view of the founder interviewed, was not as cordial as it had been. During the formative years of EE, the provincial Education Department had refused to give EE an operating licence. The community had come to EE's assistance and had ensured that the licence was granted. At that stage, EE had been operating on a temporary site with prefabricated structures. The relationship with the community had changed as funding had come in and the organisation started building a permanent structure.

When we started they thought we will pull it together, there was like camaraderie and now as the building comes they are like, this is a big building for an NGO, these people have money. (Founder)

Although the learner fees at EE were lower than the amount government spent per learner in public schools, the fee structure at EE did sometimes become an issue within the community. Learners on the EE school programme took multiple international exams, which came at an additional cost.

Last year someone started a rumour that our kids would not sit for the exam because it was too expensive…we lost 10 kids because of that. (Founder)

While the relationship with the learners had been set up in a structured manner, the relationship with the community had developed in an unplanned or effectual manner.

Pricing

It cost EE R9,000.00 a year, or R750.00 a month, to educate a learner. EE was able to raise two-thirds of the R9,000.00 through donors, and this was given to the learners as partial scholarships. The parents paid the remaining amount in monthly instalments of R250.00. Additional costs came in the form of exams and the school ran a number of these. The total cost of exams per learner could go up to R4,200.00 per annum. The exam fees were covered jointly by the school and parents of the learners.

Going forward, EE planned to use an affordability calculation to determine the proportion of fees that parents needed to pay.

> *We found a loophole was there are parents who earn around about R25,000.00 after deductions each month, so 750 is not too much for them. And they live maybe five minutes away so there are no transport. (Internal staff member)*

Funders had started to have a say in the pricing model, especially as EE was planning to set up additional schools.

> *So they will go and push – at least three donors said to us you need to charge at least 1 500, because these people can afford, they have children they should pay that much for their education at least. (Founder)*

The funders seemed to have influenced the pricing model for future schools, as the co-founders were considering running the additional schools on a for-profit basis and bringing investors on board.

> *Investors are not interested in lower margins, if you can get a lower margin they are asking why cannot you increase it. (Founder)*

While the pricing strategy at EE had been in place from inception, the funders had been able to influence the pricing model as the social enterprise scaled up.

4.7.6 *Value networks*

Partners and suppliers

Most of the core functions at EE were carried out in-house, and other services were outsourced on commercial and market-related terms. The organisation did form partnerships but only considered organisations that were aligned with its mission.

> *We are much more careful now, we want to make sure that the mission alignment is there. (Founder)*

EE's biggest partnership was with Humanity, a social enterprise in the Eastern Cape. This partnership aimed to see EE establishing a school in the Eastern Cape.

EE had also partnered with an international organisation that incubated and sourced funding for social enterprises. This partnership began in 2014 and had been responsible for most of the donor funding from Australia.

Funders had played a role in selecting organisations for EE to partner with. One example was when a funder recommended that EE partnered with a mining community trust to establish a school in the mining community. The mining community trust had a history of building schools and handing them over to the government. The idea was that if EE could successfully establish a school in the community, it would go on to establish additional schools. Halfway through the project, EE identified a few issues that it realised could be challenges later on.

> *It was unclear about whether or not it would be an EE school or whether we were brought on as a consultants. (Founder)*

The partnership never materialised, and the mining community trust went on to implement the school on its own.

There was evidence of a structured approach to partnering at EE, with mission alignment a key determining factor. Funders had been able to influence partnership. However, suppliers were chosen purely from a business point of view, and the funders had no say in this regard.

4.7.7 *Strategic resources*

Core competencies

The ability to design and implement a different and blended approach to education was a competency that set EE apart from similar programmes. This approach had been shared on numerous communication platforms and a number of people had tried to replicate the model.

> *That's perhaps one of our biggest input into the space and it's been stolen by organisations in this space. We had and organisation's staff come through here to see what we do and then they went on radio and they plagiarised everything. (Founder)*

Strategic asset

The school building in which EE provided education to learners was the organisation's biggest asset. Most of the funds raised to date had gone into the construction of the school building.

> *We were selected as one of the top creative structures or green structures in South Africa, so that's one thing that is unique as well. (Internal staff member)*

The school also had facilities such as a science lab, something that was not common in township-based schools.

There was no evidence of external funder influence in the development of the core competencies, which were improved on in a planned manner.

4.7.8 *Overall business model implementation*

EE had implemented several dimensions of the business model. The objective of having a different approach from the current education system had compelled the organisation to be structured from inception. The business model's implementation stages – from the pilot site, to the township where the co-founders formed a group, to the organisation's partnership with another social enterprise – were all embarked on in a structured manner and aligned with the goal of creating several schools in under-resourced areas.

Funders had tried to influence several elements of the business model by introducing their people into the management structure, but this had not been successful.

4.8 Case Study Seven: GrowTrees (GT)

GT is a non-profit organisation that focuses on reforestation, sustainable development and urban greening, with the aim of restoring ecosystems and encouraging communities to lead environmental management.

4.8.1 *Background*

GT was founded in 2010, when its founders decided to plant 1,000 trees as part of National Arbor Month, which is September each year. National Arbor Month is a month when South Africans are encouraged to plant indigenous trees as a practical and symbolic commitment to sustainable environmental management. GT's focus in South Africa was on greening towns, townships and informal settlements as these places had been disadvantaged in terms of planning for parks and planting trees. The organisation had gone on to plant more than 115,000 trees in Sub-Saharan Africa to date and planned to plant 500,000 trees by 2025

The global urban population is expected to double between 2000 and 2030, putting ecosystems and natural resources under severe pressure and the organisation was working in response to this challenge.

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4.8.2 *Development of the social enterprise*

GT started off as a month-long initiative by a group of friends, to plant 1,000 trees in under-greened communities where they lived. This was accomplished through fund raising and persuading other individuals to assist with the planting of the trees. At the end of the month, the group of friends continued to receive interest from people keen to sponsor trees. Schools in under-resourced areas also called and requested trees.

Three of the friends decided to focus on planting trees as a career and founded GT. GT sought to achieve its objectives through four programmes: forest

restoration, urban greening, sustainable development and urban art. Through forest restoration GT aimed to restore degraded forest areas by planting 500,000 trees by 2025. Additional activities under forest restoration included clearing alien species, harvesting wood into wood lots and providing training to ensure adequate management of the restored forests. Urban greening was a programme geared towards providing environmental education and green spaces in urban areas. GT ran sustainable development programmes in Sub-Saharan Africa that assisted rural communities to achieve the United Nations Sustainable Development Goals. The fourth programme used art to educate communities about environmental and conservation matters.

4.8.3 *Funding process*

At the interview GT reported raising funds through various means. Most of the funding was raised through corporate and individual donation, where a company or person pledged several trees. Some companies pledged on the basis of sales made; for example, a tree for every 100 products sold. People could also buy a tree as a gift and then receive a donation card.

GT targeted small to medium-sized companies that were winning awards for what they did, as opposed to large corporates. The approach was to start on a small scale with the company and maximise the experience for the targeted small to medium-sized enterprise. The expectation was that as the funding company grew, so would the level of funding. One of these companies was a beverage manufacturer that had been supporting GT's initiatives for seven years. Most funders wanted to plant trees, and it took effort on GT's part to convince them to fund other programmes. Besides the socio-economic spend recognition, funders also benefitted from the cause-related marketing around greening the planet. Once someone had purchased a tree, the GT team would plant the tree on their behalf and they would receive a certificate with the GPS coordinates to indicate where the tree was planted.

GT was also listed as a beneficiary on a loyalty programme where beneficiaries received a percentage of the purchase made by the loyalty card holder. GT

staff members also made themselves available for speaking engagements, for which the organisers were requested to cover the travel costs and pay a speaker fee. The organisation could raise more than R3 million a year, with two-thirds of the funding coming from corporates.

Two people were interviewed for this case study: one of the founders, and an internal staff member. The implementation of the GT business model is elaborated on next, using the four elements of the Hamel business model: core strategy, customer interface, value networks and strategic resources.

4.8.4 *Core strategy*

Social mission

The founder interviewed described the mission of the social enterprise as broadly connecting individuals with nature to create a sense of pride of place and to get people activated around the environment. The internal staff member described the mission as planting trees, growing gardens and providing environmental education.

> *We provide empowerment for the next generation of environmentalists. (Internal staff member)*

The organisation's mission had not evolved much, owing to its broad description. Additional programmes had been brought on board, as long as they were aligned to the social mission.

> *Our mission has not evolved too much, we have kept our vision and mission fairly broad. We are pretty headfast around what we are trying to achieve. (Founder)*

Product/service scope

GT started off by planting trees, following the success of the one-month project in 2010, and had since developed into a non-profit organisation that covered Sub-Saharan Africa.

In the beginning, it was very much about planting as many trees as possible. (Internal staff member)

The organisation soon realised that planting trees alone was not the solution in some circumstances.

We now offer a variety of different eco-system rehabilitation techniques, education and training, rather than going out and planting a bunch of trees. (Internal staff member)

We engage with the environment in a more sustainable way. (Internal staff member)

The product improvements had taken place in a planned way over time, based on feedback from the monitoring and evaluation conducted within the organisation.

We always strive to make sure that our projects are having an impact. (Internal staff member)

The funders had played no role in introducing new products or services.

Differentiation from other social enterprises

GT differed from similar enterprises in its approach to reforestation and urban greening, which focused on positive impact rather than the negative consequences of deforestation and mass urbanisation.

Our initiatives are social to the core, in that they add value to society. (Founder)

Other organisations have a doom and gloom message around them. They use fear tactics to get people involved. (Internal staff member)

We focus on a positive outlook; we activate people in communities. We empower people. (Internal staff member)

The services that GT provided benefitted both the environment and society. This was in contrast to other organisations, which typically focused on one area, usually tree planting, with less focus on encouraging environmental awareness. This goal of creating environmental activists had been there from the beginning of GT and had matured over time, with people even encouraged to start and manage their own environmental awareness campaigns under the GT banner.

4.8.5 *Social enterprise interaction with customers*

Fulfilment and support

GT used a structured approach to selecting beneficiaries and places for growing trees. Beneficiaries could be schools, community centres, community spaces or under-greened areas.

People apply for trees on our website, we then contact them and go for a review. We assess how relevant planting trees is for that area. (Founder)

The relationship with the beneficiaries was built as a collaboration, based on what the beneficiary community needed and wanted.

We try not to be paternalistic like a top down organisation, we collaborate with our beneficiaries. (Internal staff member)

The beneficiaries received weekly updates and tips on how to take care of the trees. GT staff also visited the beneficiaries four times over two years, and then left them to take care of the trees on their own. Funders did not influence how GT interacted with the beneficiaries, but were allowed to visit the beneficiaries when GT had planned visits.

We visit them to see how they are doing, and to assist with anything they need. We try to be as responsive to our beneficiaries. (Internal staff member)

I would describe our interaction as participatory, interactive. It is consistent and can be physical, telephonic, digital and on paper. (Founder)

Funders had not really influenced where their pledge trees were planted leaving GT to decide where the trees would be planted.

Most funders do not give us any prerequisite. They give us free reign. (Founder)

There was a huge demand for GT's services, and this hampered the organisation's capacity to scale up.

Our ability to scale up depends on funding, and staff capacity. We are quite a small team and don't generally add a lot of new projects. (Internal staff member)

There were instances where funders had influenced beneficiary selection, although usually GT identified the areas that were in most need of its services. This was evident in the projects GT was running in Southern Africa.

In Malawi, we were invited by a local man who was trying to do a similar reforestation project. In Tanzania, we were also invited to assist. (Internal staff member)

On customer support and fulfilment, GT exhibited areas of funder influence, as well as both causal and effectual mechanisms. GT's interaction with its beneficiaries was conducted in a structured way without influence from funders. Beneficiary selection was partly structured. The structured approach was based on the research, monitoring and evaluation used by GT to inform future

beneficiaries. Funders had influenced beneficiary selection by insisting that the trees were planted in their areas of interest. Lastly, the expansion into Southern Africa was an unplanned, effectual move and was initiated by organisations in other countries that were interested in the work GT was doing.

Information insight

GT captured comprehensive information about tree growth and survival rates, number of trees, impact of deforestation and urban greening, and the ecosystem services the trees provided. In terms of beneficiaries, the information was captured per community and looked at the living standard measure (LSM), race and age demographics.

The information management system used by GT was able to provide funders with the information they required, and funders had not influenced the key performance measures.

Relationship dynamics

GT's relationship with its beneficiaries began with a 24-month post-planting relationship where GT visited the beneficiaries regularly to check how the trees were growing and how the community was taking care of them. The relationship after that involved infrequent contact and focused on measuring the impact of planting trees on the community in the long run.

The relationships that GT had with its beneficiaries were structured and the funders did not influence how the relationships unfolded. Funders were encouraged to visit the beneficiaries when GT had scheduled visits.

Pricing

Beneficiaries did not pay for GT programmes and services. All the costs were covered by external organisations and individuals.

Most of the deforestation projects are funded by companies and education projects are funded through crowdfunding. (Internal staff member)

The programmes and services were all priced. A tree, for example, cost R120, and a tree-planting day could range from R12,000 to R20,000. The organisation also sold tickets to events, and these cost from R350 to R12,000. Proceeds from equipment rental from the interviewed founder's other business were also ploughed into GT.

As GT had always provided its services for a fee, it had an organised pricing model. At the same time, it did allow for negotiation should the need arise. External funders, in the form of grant funders, could negotiate and therefore influence the pricing for the project they were funding.

We are generally open to negotiating. Business is business, and the recession is the recession. (Founder)

4.8.6 ***Value networks***

Suppliers

The social enterprise distinguished between partners and suppliers.

Partners are people that give us products or services in kind, and suppliers are people that we just pay money to get a supply. (Founder)

Supplier selection was based on commercial factors, with values playing a limited role. The services that GT required were quite specific and in some instances offered by very few companies.

We work with suppliers that are willing to offer a service that we need at a discounted price. I do not know if you could find a very socially conscious short message service SMS service, for example. (Internal staff member)

Potential partners sought out and expressed an interest in working with GT. GT was not prescriptive about who it partnered with.

> *We have never really turned down a company based on not having aligned values. (Internal staff member)*

Values were important to how the organisation was managed, though. Values were used to make decisions around new opportunities; the organisation's reporting was based on values; and values were also used to resolve staff issues.

Relationships had been developed in a structured way and the funders had not influenced the selection of suppliers and partners.

4.8.7 ***Strategic resources***

Core competencies

When asked what the core competencies of the organisation were, the founder pointed to resilience and skills as the organisation's core competencies.

> *We are adaptable to strenuous situations. We are good at facilitating big groups, managing multiple things and creatively solving problems. (Founder)*

Skills and experience in persuading people to buy into the idea of planting a tree and creating a moving and intimate experience out of it were pointed out as GT's core competencies by the internal staff member.

There was no evidence of external funder influence in the development of the core competencies, which were improved on in a planned manner.

4.8.8 *Overall business model implementation*

GT came into existence in an unplanned, instinctive manner, following a month-long project. Once the co-founders had decided to operate it as a full-time business, they were aware that they needed funding from inception to start the organisation.

As a result, the organisation had implemented its business model in a structured or causal manner to ensure that funders could fund its initiatives. Although the GT staff researched areas in most need and priced its products and services, it did allow for funders to influence these two areas.

4.9 Case Study Eight: Protect

Protect is a social innovation business that is developing an upper body safety vest that will reduce spinal and rib injuries in the mining and construction sectors.

4.9.1 *Background*

The current protective equipment covers the head, hands and feet, but does not cover the ribs and spine. Mining, in particular, still experiences high fatality numbers. The Department of Mineral Resources and Energy reported that there were 81 fatalities in the South African mining sector in 2018 (South African Government, 2019). Ground and rock falls make up 30% and transportation accounts for 17% of the fatalities in the mining sector. Some 22 out of 55 underground mine workers are at risk of injuries to the upper body section (South African Government, 2019). Besides the fatalities and deaths, mining and construction accidents rob many families of their breadwinners through injury and create a cycle of poverty and dependency.

This challenge is not only prevalent in South Africa, and its global nature was seen as a future market opportunity for Protect. Thousands of miners die as a result of mining accidents each year, with China's coal mines averaging 13 deaths daily (The Balance Small Business, 2019).

Protect was founded in 2016 when the founder's hometown, a gold mining town, experienced earth tremors linked to mining. These resulted in several fatalities and ensuing community unrest. The founder had been working on several social innovations since 2012, most notably a safety protective suit for manufacturing companies and a portable water recycling system for rural areas.

4.9.2 *Development of the social enterprise*

Protect was founded by three partners, two of whom were no longer involved in the enterprise. After working on a few other social innovations, the founders identified the need to develop a wearable and functional vest that would provide protection to the rib and spinal areas. The founding partners consulted with local mining houses; conducted research on the extent of mining-related injuries and fatalities; and visited some of the people who had been affected by mining accidents, either as victims or relatives of those who had lost their lives.

After affirming the need for such a product, the founders went about developing a prototype that could be taken through the necessary stages to get patented and finally produced and sold. At the time of the interview, the remaining founder was still working on getting the prototype approved by the national standards authority and having it patented. Although the social enterprise was still at the pre-commercialisation stage, it had been developing its business model while working towards the final product.

4.9.3 *Funding process*

The interview revealed that Protect had gone about fund raising in several ways, with varying success in three of these methods. The founder had used crowdfunding to promote the social innovation and source funds from interested donors. This approach had not yielded results. The second option used was entering competitions with cash prizes. Protect had performed well in these competitions and was a regular finalist in social innovation or social entrepreneurship competitions. The competitions had also helped to raise the profile of Protect. The organisation was recognised by the South African government as one of the most crucial interventions to South Africa in 2018.

Most of the funding to date had been provided by a public-sector innovation development organisation. The funder’s core mandate was research and development, and it ran a programme that focused on product development or projects in the technology and innovation space. The funding relationship

between Protect and the funder had started in January 2017 and continued to the present. The estimated value of the support provided was over R1 million, which had been used for incubation support, product development and testing, certification and patenting, business coaching and overseas benchmarking trips.

Two people were interviewed for this case study: the founder of Protect and a manager from the public-sector innovation development organisation. The implementation of the Protect business model is elaborated on next, using the four elements of the Hamel business model: core strategy, customer interface, value networks and strategic resources.

4.9.4 *Core strategy*

Social mission

In the interview the founder described the mission of the social enterprise as reducing fatalities and injuries caused by occupational accidents in mining and high-risk construction. The founder had been working on developing and commercialising the product with this social mission in mind and had not deviated from it since 2016. The funding organisation had bought into the social mission and was also motivated by the innovative nature of the product and that the original founders were all young people. The rationale for establishing the enterprise had always been to provide a product that was currently not on the market.

> *We identified a gap in the current market of PPE [personal protective equipment]. (Founder)*

The funder's envisaged outcomes from the support it was providing Protect was a product successfully brought to market and a business run profitably and creating jobs in the process. The funder had not sought to alter the social mission of Protect.

Product/service scope

Protect's founder began as an innovator and established two companies prior to setting up Protect. Protect's product was an upper body safety vest that sought to minimise injuries caused by mining and high-risk construction accidents. The product was yet to be sold, and the target market had been identified as mining houses and construction companies.

With the current personal protective equipment (PPE) market in South Africa dominated by overseas companies, Protect would work with major retailers to introduce its product to the mass market. The Mining Charter III, the legislation regulating mining practice in South Africa, had set mining companies strict targets for using local products and services. This legislative requirement offered Protect a good opportunity to service the local mining community. The founder's short-term goal was to sell 50,000 units annually, which would bring in R25 million in annual turnover. Protect believed the product would offer the mining and construction sectors a wide range of benefits, such as minimising the impact of injuries, reducing the force of mechanical impact experienced by workers and saving companies costs associated with employee deaths.

The funder had played a huge role in the development of the product. While the founder had come up with the idea for the product, the product had been developed under an incubation programme funded by the funder. The incubation programme provided technical expertise that worked with the founder in developing the product to its current state. Although the founder did acknowledge the support from the funder and incubation programme, his view was that there was a mismatch between the incubator expertise and what Protect was working on.

> *The incubator is not really aligned with what I am doing, they are in biochemistry while I am manufacturing a product. The mandate of assisting me entirely is one of the reasons I am staying. (Founder)*

The product development had been undertaken in a controlled incubation environment, with the help of technical expertise. In product development, a structured process is followed from ideation, through prototyping and patenting to ultimately deploying the product to the market. The funder, by virtue of providing incubation and technical support to Protect, was integral to the product development process. An example was the advice given to the social enterprise on manufacturing the product.

> *Although he can establish a manufacturing factory, we said to him that it is better in the initial stages to contract a manufacturer and reduce costs. (Funder)*

Differentiation from other social enterprises

The protective vest that Protect was working on was a unique product, and the organisation was working on patenting the idea. Besides its novelty, the product offered several other benefits. It was padded in key areas and offered added protection to the shoulders, spine and ribs; it used technology that kept it dry and comfortable; and its seams allowed for natural movement and also prevented friction against the skin. The founder believed that working with and receiving support from a government agency would also differentiate the enterprise from other organisations.

> *Working with a government agency will make market access easier for us. (Founder)*

Most of the PPE in South Africa is imported from the Middle East and Asia. Being a local manufacturer would differentiate Protect from other manufacturers and position it at an advantage.

The competitive edge elements of innovation and local manufacturing had been there from the beginning and had not been influenced by the external funder.

4.9.5 *Social enterprise interaction with customers*

Fulfilment and support

Protect did not have any customers, as the product was yet to be finalised and introduced to the market. The founder started the enterprise with mining houses and construction companies as the target customers. These companies were expected to buy the equipment as part of the PPE they provided to their staff members.

> *The customers will come from the underground mining companies and coal, and the high-risk construction sector. (Founder)*

Over time and through the mentorship and incubation support from the funder, the founder had also considered retail companies as part of the target market. The founder believed that, although approaching retail companies was a long process, there was merit in considering this market.

> *Creating awareness through presentations, developing catalogues and sales literature will maintain regular contact with suppliers. (Founder)*

The funder had influenced the customer selection approach of Protect.

> *We conduct training so that he can be aware of other market opportunities. One of these is the construction sector. (Funder)*

The funder also indicated that the founder was not interested in understanding the needs of and the environment within which the mining houses operated.

> *…does not want to really want to follow these kinds of things like the Mining Charter. (Funder)*

The approach to working with customers had been evident and considered from the moment the founders identified their target customers. The funder, through

the incubation programme, had proposed additional customers and how to approach them.

Information insight

At the time of the interview Protect did not have an information management system as it had not yet had any sales. The information gathered so far had been on the size of the market, fatalities and injuries on an annual basis and how much these fatalities and injuries cost the mining houses. This information was planned to be used to sell the benefits of the upper body safety vest to the target customers.

Pricing

Protect had not worked on a pricing strategy for the upper body safety vest, but the founder and the external funder had identified what they would consider when pricing the vest.

> *I have not really worked around pricing the upper body safety vest. When I do so, I will take the costs associated with manufacturing the whole product into account, and add a mark-up. (Founder)*

The novelty of the product made it challenging for the funder to influence the pricing of the product.

> *…no comparable product in the market, so it is very difficult to even estimate. (Funder)*

4.9.6 ***Value networks***

Suppliers

The intention was to outsource production to an established manufacturer initially, once Protect had registered a patent for the product. Establishing a manufacturing plant would require external funding, and potential funders had indicated that they first needed to see how the product was received by the market before deciding on whether to fund a project like this.

It is going to be costly to manufacture; outsourcing means we spend less on capital. (Founder)

Although the final manufacturer selection could be made by the founder, the causal decision to use an established manufacturer had been informed by the external funder.

4.9.7 ***Strategic resources***

Core competencies

The founder identified his background and experience as an innovator as the critical competencies that the enterprise possessed.

…involved in several scientific and business-related projects since 2012…devised a portable recycling system for rural areas. (Founder)

The founder had also participated in numerous innovation competitions and business television programmes and was therefore a good ambassador for the business.

4.9.8 ***Overall business model implementation***

Protect had evolved its business model from ideation to pre-commercialisation. This process had taken place in an incubation environment, with technical and business expertise guiding Protect through its product development and business formation. Incubators by their nature follow a particular process, and Protect's business model had therefore developed in a causal or planned manner. The funder had been able to influence this process through the incubation support advice.

4.10 Case Study Nine – Organised Collection (OC)

OC is a social programme that provides informal waste collectors with business management skills, environmentally friendly and durable waste collection trolleys, an additional revenue stream through marketing and the opportunity for the informal waste collectors to formalise their businesses.

4.10.1 ***Background***

OC, the ninth case study, was established in 2013 as a programme within We Collect Waste, a commercial waste-recycling business. Waste recycling is part of the waste management process, which begins with waste generation, then proceeds to waste collection and transportation, then to recovery and recycling, and finally to treatment and disposal. Some of the collection and transportation in South Africa is carried out by approximately 60,000 informal waste collectors, who wake up early each day and go through suburbs and townships salvaging recyclable material from refuse bins. They use crudely assembled trolleys that pose a danger to them and to other road users.

To create a better environment for the informal waste collectors, OC was established to provide durable and working trolleys and training on practical waste management and business skills. The informal waste collectors would have an option of selling their waste to We Collect Waste and a portion of the profits would be put into a fund to be shared by the informal waste collectors. The trolleys were also expected to generate advertising revenue, which would go into the fund to be shared by the informal waste collectors.

4.10.2 ***Development of the social enterprise***

We Collect Waste's founder left a corporate job in 2013 to establish an outdoor media and waste management business that had the prosocial motive of empowering and improving the lives of informal waste collectors. The founder was concerned about the conditions that the informal waste collectors were working under and how little they were earning.

They move long distances and work in very tough conditions. It is a bit unfair for them to just collect. (Founder)

The founder identified two areas where a difference could be made, with the first being durable and better functioning trolleys and the second training. The highest revenue was expected to come from the advertising space sold on the trolley. Informal waste collectors used the same busy routes that commuters used, which made the trolleys a good marketing platform. Corporate marketing divisions were approached and sold the advertising platform on the trolleys. The response was not as positive as OC expected.

They were skeptical about putting their brands on a moving trash bin…have got very high standards in terms of where their brand is placed. (Founder)

4.10.3 ***Funding process***

After failing to sell the advertising space to corporate marketing divisions, OC decided to approach the corporate social investment divisions of beverage companies. These companies are the biggest waste contributors after industrial and mining waste.

The beverage companies responded positively and had provided ongoing funding to OC, by funding a project for informal waste collectors in a particular region. OC made its money by charging a project management fee. OC had also entered numerous competitions and received grant funding from local government and development financial institutions.

A beverage manufacturer had provided funding to OC in numerous ways, including funding an OC-implemented programme for informal waste collectors. OC had also been a finalist in the beverage manufacturer's social innovation awards and had received a cash grant from the manufacturer. Lastly, OC was currently the recipient of a grant that had enrolled it in an accelerator programme.

Two people were interviewed for this case study: the founder of We Collect Waste/OC and a business development manager (BDM) from the accelerator programme currently working with OC. The implementation of the We Collect Waste/OC business model is elaborated on next, using the four elements of the Hamel business model: core strategy, customer interface, value networks and strategic resources.

4.10.4 ***Core strategy***

Social mission

At the time of the interview, OC's mission was to partner with corporates to provide support infrastructure and training to informal waste collectors. The mission had been there from inception and had not been influenced by the numerous corporates that OC had worked with. While the accelerator acknowledged that the mission was well reasoned, it had identified how this was articulated as an area of development and was working with OC on it.

> *One of the things we have been able to help him with…he knows there is impact but the story is not told correctly. Funding will only happen if we are happy with the impact story. (Accelerator BDM)*

The support provided by the accelerator went beyond refining how OC told its impact story.

> *We are asking questions on how to expand the business beyond collecting waste from informal collectors…we are involved in strategic analysis. (Accelerator BDM)*

OC's social mission and strategy had been implemented in a planned manner. The external funder was refining or influencing the strategy direction of OC through the support provided by the accelerator.

Product/service scope

OC's business had been built around helping informal waste collectors. The first product was providing them with trolleys and selling advertising space to corporates.

> *We were targeting the marketing spend. (Founder)*

When this product did not take off as planned, OC then positioned the informal waste collectors at the core of its business model and approached corporate social investment programmes of companies in the beverages industry. The informal waste collectors received equipment and training support through a programme funded by corporates. A corporate would identify the location for the programme and agree with OC on the number of beneficiaries. OC would then implement the programme for a fee.

> *We partner with corporate partners to drive social impact…give the collectors trolleys, tuk-tuks, training and protective personal equipment. (Founder)*

The funders were very involved in the implementation of the programme.

> *…very involved, anything we want to implement has to be approved, the branding and messaging on the trolleys. (Founder)*

Over time, the programme had also targeted households in townships as the producers of waste and encouraged them to recycle.

> *We do not only focus on the informal waste collectors, we expand the impact to local communities. Community members are encouraged to recycle and win prizes they redeem at local spaza shops. (Founder)*

Differentiation from other social enterprises

With most support to informal waste collectors in the form of one-off corporate social spend for trolleys or PPE, OC's difference lay in its structured programme

and clustering of informal waste collectors as cooperatives. Selling advertising space on the trolleys also set the OC programme apart from similar programmes.

> *We provide these trolleys as an alternative so that companies can put their brands and advertise. (Founder)*

Improving the livelihoods of the informal waste collectors was central to the OC programme.

> *…moving up the value chain, convert recyclables that they get into a product, for example making flower pots using paper. They need to supplement their income. (Founder)*

4.10.5 ***Social enterprise interaction with customers***

Fulfilment and support

OC clustered approximately 60 waste collectors into each cooperative. Clustering had two advantages: it was easier for OC to work with groups as opposed to individuals to provide support such as training. Clustering also made it possible for the informal waste collectors to work together and hold each other accountable. Everyone was expected to contribute equally to the cooperative and share equally in the profits.

> *Waste collectors are organised as different cooperatives. (Founder)*

Funders were involved in the beneficiary site selection and in the number of beneficiaries taking part in the programme. How the programme was delivered was the sole decision of OC, which had to report against agreed upon measures and targets.

Information insight

Information management and reporting were important to OC as they were used to market the programme to corporates. The potential market size was

also used to market the programme. Waste management is estimated to be a R50 billion industry each year.

> *We currently report on the waste collectors…amount and type of recyclables they have been able to recover, income levels and monthly improvements to income levels. (Founder)*

The accelerator BDM had identified information management as an area of business development focus. Improving information management, it was believed, would enable OC to tell a better impact story to potential funders.

> *…need to aggregate the economic benefits, need to get a sense of the non-financial benefits to the informal collectors. The financial information was recorded, but not as sophisticated as we desired. (Accelerator BDM)*

The founder perceived the reporting requirements as stringent, and not always of value to the social enterprise.

> *…it can be very stringent. It is quite a lot, even post funding. Some of the questions do not make sense. (Founder)*

Relationship dynamics

Continuous interaction took place with the beneficiaries as they sold their waste to OC. In this way OC was able to understand their challenges and provide support where needed. The informal waste collectors were made aware of what the programme provided them with and what was expected from them.

The accelerator and OC interacted on a continuous basis, mostly digitally and telephonically as they were located in different cities. Occasionally they met in person.

Both the relationship between OC and the beneficiaries and the relationship between OC and the accelerator were managed through a contract that spelt out each party's responsibilities. This causal mechanism was agreed upon at the beginning of the programme.

Pricing

OC's programme was priced per informal waste collector and the funding corporate decided how many informal waste collectors it would support. The funding was used to equip the informal waste collectors with trolleys and PPE, and to provide them with training. OC then charged a set percentage for programme management. OC also bought the waste material from the informal waste collectors at an agreed upon fee.

The pricing component of the business model was planned and detailed, and was not influenced by the external funders. This was confirmed by the accelerator BDM.

> *…no, we are not involved in advising on price. Remember, he knows the waste industry more than us. (Accelerator BDM)*

4.10.6 ***Value networks***

Suppliers

The trolleys and PPE that were provided to the informal waste collectors were procured from suppliers. While value alignment was considered important, the deciding factor was cost, as OC had to justify the costs associated with the programme to potential funders. The decision on which suppliers to use was not influenced by external funders.

Partners

According to the OC founder, waste collection works well if the community is also part of the programme. As informal waste collectors normally rummage through rubbish bins in the hope of finding recyclable waste, OC had identified households and taverns in the townships where it implemented its programmes

as key partners. Households and taverns can make life easier for informal waste collectors by sorting out their waste and working with the collection schedule of the waste collectors. OC had implemented a reward scheme that incentivised households to manage their waste.

> *…we are running these door-to-door campaigns, we were galvanising households to preserve their recyclables on behalf of the waste collectors. (Founder)*

> *…if you bring a certain number of recyclables to the beneficiaries then you get a chance of winning a voucher. (Founder)*

OC had introduced partners into its programme in a planned manner, with the objective of making the informal waste collectors more efficient.

4.10.7 ***Strategic resources***

Core competencies

OC's founder identified planning and stakeholder relations as the key competencies required to implement the programme successfully.

> *…able to envision a project from point A to point Z. (Founder)*

> *You need to be able to work with people. (Founder)*

Managing stakeholder relations was also identified by the accelerator BDM as a critical competency.

> *What makes him good is being able to manage a project, mitigate certain risks and relationship management. (Accelerator BDM)*

Strategic assets

OC did not have strategic assets as the trolleys were owned by the informal waste collectors.

4.10.8 ***Overall business model implementation***

The services that OC offered to its beneficiaries had always been funded by corporates in the form of grant funding. The reliance on external funders had compelled OC to develop a structured business model and to make changes where they were merited. This is evidence of a causal approach to business model implementation. Funders had had limited influence on how the model had evolved. The accelerator's objective was to be involved at a strategy refinement level. Although it was too soon to see the effect of accelerator involvement, the interaction between the accelerator and the founder was likely to influence future business model implementation. An example of where this had happened was the Protect case study, where an incubator had been integral to the business model implementation.

4.11 Case Study Ten: Completeness

Completeness is a social enterprise that develops township and rural communities in a holistic manner, offering programmes related to healthcare, skills development, education and enterprise development

4.11.1 ***Background***

Initial programmes' at Completeness involved education and healthcare as the organisation recognised that most rural and township communities are saddled with inadequate education and access to health. Once these had been improved to acceptable levels, Completeness then provided economic access programmes in the form of skills and enterprise development. The envisaged outcome of Completeness' interventions was a fully sustainable programme after five to ten years.

4.11.2 ***Development of the social enterprise***

Completeness was established in 2005 and operated from three sites in South Africa. The organisation had first focused on skills training for prison inmates, and then evolved to early childhood development, before moving on to holistic community development. The evolution was undertaken to ensure that an environment was created that would prevent social problems from occurring.

Community development took place under the following pillars:

- Education – adopting and formalising township preschools through staff training and facilities improvement;
- Healthcare – providing primary community-based healthcare through community health workers, focusing on mother and child, dental, tuberculosis and HIV/AIDS healthcare;
- Skills development – training youth in end user computing and fashion and design, and numerous other skills; and
- Enterprise development – running business hubs with an incubator and open working spaces.

Healthcare was the most frequently used programme, with up to 1,000 people accessing a health centre monthly. The other programmes took in fewer people, but on a more continuous basis.

4.11.3 ***Funding process***

Completeness began fund raising from its inception, as the beneficiaries could not afford to pay market-related prices and funders were not willing to fund an initiative without a track record.

> *…started raising funds from individuals, like selling food outside hardware stores. (Founder)*

> *…when you do not have a track record it is very hard to approach corporates. (Founder)*

The organisation had been able to build a track record and now sourced funding in several ways. Completeness received grant funding from a number of organisations. It was also part of a few broad-based black economic empowerment (BBBEE) ownership schemes. These schemes accrued dividends to Completeness, which it could use without any conditions from the main company.

Beneficiaries paid for the healthcare services they received from Completeness. Healthcare was the main service offered by Completeness and the revenue generation helped to make the programme sustainable.

> *We actually serve a lot of people purely because of healthcare, because within the healthcare space you see 1,000 per clinic per month. (Founder)*

Two people were interviewed for this case study: the founder and a manager from a multi-national company that funded the primary community-based healthcare services of Completeness. The business model implementation

related to the primary healthcare component of Completeness' programme is elaborated on next.

4.11.4 ***Core strategy***

Social mission

At the interview, the founder described Completeness' social mission as first eradicating extreme poverty and then reducing economic inequality. The social mission was broken down into these two parts as the founder believed that it was first necessary to deal with extreme poverty, and then use the improved income levels in the community as a base to bridge the economic divide. The result would be a community that was self-sustainable.

The funder, on the other hand, described the social mission of Completeness within the area of support, i.e. primary healthcare.

> *Government is not able to provide healthcare to everyone; it sometimes means you have to queue the whole day. Organisations such as Completeness exist to work in area where government has shortcomings. (External funder)*

The founder highlighted past experiences where the organisation had had to take on projects that were not entirely in line with its vision, but somewhat aligned with the broader mission.

> *…so not to say mission drift…so now skills development, learnerships and all those kind of things have become quite a big opportunity. (Founder)*

> *So we had so much demand for it at some stage that we weren't producing as good quality as we would normally do and we were just taking it on board because it was a massive opportunity. (Founder)*

In hindsight, the founder acknowledged that Completeness should have declined a number of those clients.

…Not good for your reputation. It results in less quality than what people are used to receive from you. (Founder)

The organisation's social mission had remained the same since inception and had not been influenced by the external funder.

Product/service scope

Primary healthcare was one of the foundational interventions offered by Completeness, together with early childhood development. These interventions focused on poverty alleviation. The funder was a multi-national electronics company that specialised in health and healthy living-related products and services. The funder had piloted a community healthcare programme in another African country and was looking for non-profit organisations to partner with and implement the programme in South Africa.

Completeness and the funder were introduced to each other by an organisation that had links to both. The initial services offered by the community health centre were maternal and child healthcare and were informed by the pilot programmes the funder had carried out in another African country.

We had to test what had worked elsewhere, and we piloted the programme in South Africa with Completeness. (External funder)

The funder had influenced later developments of the community healthcare programme.

The next step was to say you cannot have mother and child treatment in isolation from other illnesses. (External funder)

…this is where we come in. We look at project management, concept development, the whole scoping and planning and long-term visionary thinking. We are working with Completeness to get them National Health Insurance (NHI) compliant. (External funder)

Completeness' primary healthcare programme was implemented in a structured manner and was influenced by the external funder, from strategy and interventions to the actual equipment being utilised.

> *We make sure that what you do is aligned to where you need to be. We hold your hand to make sure that is realised. (External funder)*

The funder confirmed that it would continue to influence the healthcare programme and develop it towards a low-cost hospital.

> *By starting these small hubs, we can use them to develop low-cost hospitals. (External funder)*

Differentiation from other social enterprises

Completeness' holistic approach to development made it different from other organisations that focused on one societal challenge and left other enterprises or the government to focus on the rest.

> *We are quite developmental, we live the developmental model both internally and externally. (Founder)*

The model enabled Completeness to focus on an area and develop it to a point of self-sustainability.

The funder identified price and access to the community as the key value propositions for Completeness, for both funders and beneficiaries.

> *They have access to the community…and offer services at a cheaper price than other social enterprises doing primary healthcare. (External funder)*

Completeness was able to offer its health services at a cheaper price as the medication was subsidised by the government and the operating costs by various donors. However, the organisation found reliance on the government

for medication to be risky, as it sometimes reduced its subsidy when it could not afford to support an enterprise.

The basis for differentiation, which was the holistic developmental approach, had been evident since inception and had not been influenced by external funders.

4.11.5 ***Social enterprise interaction with customers***

Fulfilment and support

Completeness operated out of a centre that was embedded within a community. All community members had access to the health facility, provided they paid the required fee. The health centre drew in the largest number of beneficiaries, based on beneficiary need.

> *It is direct delivery, so we have sites in our communities…so wherever there is a healthcare program there will be a clinic. (Founder)*

Beneficiaries paid a fee, which, although cheaper than that of other non-profit organisations, was more than the no fee of government healthcare services.

> *We want people to take responsibility for their lives, and value the services provided to them. And I think when something is for free that is not it. (Founder)*

External funders had not influenced the causal approach to beneficiary interaction that Completeness had implemented to date. However, the funder did intend to improve beneficiary interaction.

> *We want people to take ownership of their health, and think Completeness should introduce a rewards programme where we reimburse people for healthy living. They can get rewards vouchers that can be used at local spaza shops. (External funder)*

Information insight

Information management was an ever-evolving practice at Completeness. The initial system was very basic, as monitoring and evaluation was not a key focus of the enterprise.

> *…originally very little, which is quite normal for smaller entities. (Founder)*

The system had evolved as the enterprise had taken on external funders. The organisation conducted baseline and end-line assessments of beneficiaries and reported on this impact to funders and other stakeholders. Performance information was verified by Completeness' overseas office.

> *We populate monthly impact statistics. That is monitored and evaluated by our office. They evaluate the impact of the data and come up with recommendations. (Founder)*

The founder alluded to the challenge of reporting to multiple funders.

> *We try and standardise the reporting template and frequency. (Founder)*

The information management system for the healthcare services was also improved by the external funder.

> *We had to bring in our own mobile obstetrics monitoring solution, which also works as a telemedicine solution. (External funder)*

> *We are considering a whole electronic medical records (EMR) solution for primary healthcare where you can register everything you would see in a typical clinic. (External funder)*

Information management and reporting had evolved in a causal manner as the social enterprise developed, with the external funder influencing information management at Completeness.

Relationship dynamics

Completeness estimated that it would take about five to ten years for its programme to reach a level of self-sustainability. This was the stage where it planned to exit and allow the community to run the programme. The enterprise was therefore embedding itself in the community and creating relationships that would exist even after Completeness was no longer involved in the daily running of the programme.

Some of the measures put in place to enhance relationships with the host community included sourcing non-core services from local businesses.

> *Our IT services are provided by a local entrepreneur. Although we could get the service cheaper elsewhere, we have to develop the local community. (Founder)*

Relationships were being built intentionally to somewhat guarantee that the community supported the implementation of the programme and would also be there to run the programme once Completeness was no longer involved operationally.

Pricing

Beneficiaries paid a fee for the health services that Completeness provided. Fees were lower than for other non-profit organisations and private healthcare. The health centre had about 1,000 beneficiary interactions each month. The fees from these visits covered 80% of the health facility running costs. The remaining 20% was covered by donor funding.

> *With healthcare there is a R50 consultation fee, which seems little, but purely due to the amount of people that are seen per clinic makes the clinic 80% sustainable. (Founder)*

Although the funder had not influenced the pricing model, by suggesting a private public partnership (PPP) between Completeness and the government it

had attempted to influence the pricing model. The government does not charge for healthcare and this was one of the conditions to partnering with it.

> *Funders want a PPP with the Department of Health, who does not want us to charge. (Founder)*

These partnerships had not materialised and Completeness continued to price its services with the objective that the fees should cover 80% of the healthcare programme costs.

4.11.6 ***Value networks***

Suppliers

Completeness prioritised local businesses when selecting suppliers.

> *…you try to align them as much as you can, even our IT department, which is predominantly outsourced, it is a local start up. (Founder)*

Values were also an important factor in supplier selection.

> *…values are aligned. So we try to align as much as we can. (Founder)*

The funder supplied all the core support for the primary healthcare programme and did not have an influence on suppliers used in other programmes and the administration of the social enterprise.

Partners

Completeness had partnered with other non-profit organisations involved in primary healthcare and had been able to select these without external funder influence. Some of the funders had insisted that Completeness partnered with the national government health department.

One of the conditions from their board, was that we work with the Department of Health. (Founder)

The founder was reluctant to work with the national government department as this would mean providing the services free, which would impede the ability to do work.

…and all they need to do is put a signature somewhere, and that takes three months anyway. We lose interest quite quickly. (Founder)

All partnerships to date had been based on Completeness' willingness to partner with the companies. Completeness was not averse to funders suggesting companies it should consider partnering.

…so if they see a synergy for me it doesn't hurt to explore it as long as it is not being imposed on you. (Founder)

4.11.7 ***Strategic resources***

Core competencies

The organisation had learnt from earlier practices where it had taken on programmes because they came with readily available funding. It had over time improved its fund-raising and funder-retention capabilities.

We have become better at retaining clients, like partners and donors. We have a 95% retention rate. The only reason we do not retain is if their focus changes. (Founder)

The external funder also believed that Completeness had a better understanding of the community and what worked locally.

they get the money from wherever but use what works locally. (External funder)

A competency that was receiving priority was building monitoring and evaluation capacity. The external funder believed that the organisation could benefit from building additional clinical health capacity.

4.11.8 *Overall business model implementation*

The primary healthcare programme had evolved in a planned or causal manner. The external funder had been integral to the evolution, as it had influenced the services offered, the technology utilised and the performance measures. Although 80% of the primary healthcare programme was covered by paying beneficiaries, the high establishment costs meant that the external funder would always have an influence on how Completeness implemented its primary healthcare programme.

4.12 Conclusion

The analysis of the ten case studies provides an understanding of how the social enterprises were funded, how their business models had evolved, how the dimensions of the business models had been implemented and how external funders had influenced the implementation of the business models. Although the cases were at different stages of business model implementation, they all had a social mission that underpinned their wish to create social impact.

The ten cases were found to have implemented the four dimensions of the business model (i.e. core strategy, customer interface, value networks and strategic resources) to varying degrees. The implementation of these four dimensions and the extent of influence by external funders are discussed in the next chapter.

CHAPTER 5. CROSS-CASE ANALYSIS

5.1 Introduction

This chapter evaluates the findings from the previous chapter, focusing on how external funders influence the implementation of the business model in the social enterprises they fund. The chapter identifies connections, similarities and differences, and themes emerging from the ten case studies.

The cross-case analysis themes that emerged are:

- The types of funding for social enterprises;
- The level of influence of each funding type;
- The stage of business model implementation at which external funding is sought;
- The business model dimensions implemented in social enterprises;
- How the business model dimensions are implemented by the social enterprises; and
- The extent of influence of external funders on the implementation of the business model dimensions.

Table 5.1 below illustrates how the themes are linked to the research questions and the within-case analysis themes. The within-case analysis themes were based on the business model dimensions and the cross-case analysis themes on commonalities emerging from the within-case analysis. The cross-case analysis themes are then discussed with reference to the literature review.

Table 5-1: Links between research questions, within-case analysis themes and cross-case analysis themes

Research Question	Case Study Theme	Cross-Case Analysis Themes
How does external funding influence social enterprise	Funding process	Types of funding for social enterprises.

Research Question	Case Study Theme	Cross-Case Analysis Themes
business model implementation?		Stage of business model implementation where external funding is sought
How do causation and effectuation theories explain social enterprise business model implementation?	Development of the social enterprise Overall business model implementation	Business model dimensions evident in the social enterprises
How do causation and effectuation theories explain social enterprise business model implementation?	Core strategy Customer interface Value networks Strategic resources	How the business model is implemented by the social enterprise
How do external funders introduce causation in the social enterprises they fund?	Core strategy Customer interface Value networks Strategic resources	External funder influence on business model implementation

5.2 Types of funding for social enterprises

The literature review section on social enterprise funding identified funding as important in social enterprises' efforts to scale up and create greater societal impact (Sunley & Pinch, 2014). In South Africa, social enterprises rely mostly on government funding (Patel, 2012; Teles & Schachtebeck, 2019) in the form of grants, but are also funded through debt, quasi equity, equity and crowdfunding (Greater Capital, 2011).

The funding options and the relevant business lifecycle stage are illustrated in Figure 5.2.

Table 5-2: Social Enterprise Funding Options

	Seed	Start Up	Early Stage	Accelerate	Maturity
Grants	Own funds Sales Donations Venture philanthropy Competitions Convertible grants Individual grants Technical support grants	Own funds Sales Donations Venture philanthropy Competitions Convertible grants Individual grants Technical support grants	Own funds Sales Donations Venture philanthropy Convertible grants Individual grants Technical support grants	Own funds Sales Donations Venture philanthropy Individual grants Franchising Technical support grants	Own funds Sales Venture philanthropy Individual grants Franchising Technical support grants
Debt		Senior debt – government	Senior debt – government and commercial Subordinated debt	Senior debt – commercial Subordinated debt	Senior debt – commercial Subordinated debt
Quasi-equity			Mezzanine finance	Mezzanine finance	Mezzanine finance
Equity	Angel investment	Angel investment Venture capital	Venture capital Private equity	Venture capital Private equity	Private equity Public equity offerings
Other	Crowdfunding Friends and family	Crowdfunding Friends and family Patient capital	Crowdfunding Patient capital		

Source: Adapted from Greater Capital (2011)and Lyon and Owen (2014)

The funding sources illustrated in Figure 5.2 were all present in the ten case studies. Seven of the ten case studies had received grant funding; five generated their funds by offering services at commercial or subsidised rates (sales); two had received grant funding that went towards technical support; two had conducted fund-raising activities; one received loan funding; one

derived funding through franchising; one had an equity investor; and one received dividends as a beneficiary of an economic empowerment programme. Nine out of the ten case studies had multiple sources of funding, with one case study having four sources of funding.

We Are It Technologies (WAIT) has sourced funding in various forms over the 16 years of its existence. Franchising was introduced as a growth and reinvention strategy five years ago, when the social enterprise had reached full maturity. The founder has gone on to become a world-renowned social entrepreneur and uses this status to raise donor funding to fund the franchisees. Most of the franchisees are former employees and would ordinarily not qualify for funding from commercial banks and other institutions.

The franchisees receive soft loans from the funds that the founder raises and WAIT initially takes a 50% ownership position, which reduces as the franchisees buy WAIT out. WAIT then charges each franchisee a franchise fee. The founder sees franchising as the way WAIT will operate and scale up. There is demand from other Southern African countries and franchising would allow local social entrepreneurs to own the stores. WAIT would then operate as a research and development centre that comes up with new service offerings to ensure that the franchises remain relevant to the market.

Deriving revenue from sales features in four of the ten social enterprises. Sales work in instances where paying for the service has been normalised and accepted in society. Social entrepreneurs work with marginalised and under-resourced communities that cannot afford to pay a market-related rate for a service. The social enterprises implement various strategies to ensure that they deliver the services at an affordable rate and remain sustainable. Central to this is minimising costs as much as possible.

Completeness and EducationExcel (EE), which provide services in primary healthcare and education respectively, rely on donors to fund the establishment or capital costs. The primary healthcare centres that Completeness operates were funded by a multi-national healthcare equipment provider as part of its

social responsibility. The multi-national healthcare equipment provider and other donors cover 20% of the operating costs and the beneficiaries cover 80%.

This model, although sustainable, limits Completeness' ability to scale up into other regions. Funders of healthcare programmes normally insist on a partnership with government, to ensure that the initiative is funded once the funder is no longer involved. Government does not charge patients for primary healthcare, which is at odds with the Completeness operating model. Several opportunities to open new primary healthcare centres have not materialised because of this.

EE's goal is to build a network of self-sustainable, independent secondary schools that are affordable to anyone. These schools would be located in townships and would aim to produce learners that can compete with the best globally. The first school that EE operated was built with donor-generated funding. Learner results are used to demonstrate the effectiveness of the programme and to source funds. EE targets organisations that have supported initiatives before and positions its programme as one that produces better results than the others. The families of the learners at the EE schools cannot afford to pay fees that would cover the running costs of the school. The annual cost to educate a learner is R9,000.00 a year, with EE covering two-thirds of this cost. Most of the families earn enough to afford more than the required R3,000.00 a year, and EE plans to introduce an affordability calculator. This could result in some families paying more than the 33% they currently pay.

The fourth organisation that provides its services for a fee is We Got Talent (WGT). The beneficiaries are unemployed young graduates, who make up a large proportion of unemployed youth in South Africa. WGT does not charge its beneficiaries for its services; instead, it charges corporate clients a fee to develop beneficiaries on their behalf. The fee is calculated at R4,000 per beneficiary per month, which is higher than other unemployed graduate development programmes. WGT focuses on depth (numerous interventions per beneficiary) as opposed to breadth (few interventions with as many beneficiaries as possible). From an outcomes' perspective, the percentage of

beneficiaries that attain permanent employment is higher in WGT than in other programmes.

Technical support grants are different from normal grants in many ways. Grant or donor funding is provided to a social enterprise to implement a programme or interventions that the social enterprise and the donor company have agreed upon. This funding is time specific and there is no guarantee that the social enterprise will receive support once the funding period has come to an end (Karanda & Toledano, 2012). The funding is usually used for capital and operating costs. Technical support grants are different in that the funder covers the costs of providing non-financial or technical support to the social enterprise. This could be for mentorship, incubation support, product development, product certification or product deployment.

Protect is a beneficiary of a technical support grant that covers the incubation and technical support needed for the development of an upper body safely vest for the mining and construction sectors. The founder approached the funder to assist with the product-development process from ideation, through prototyping and patenting, and ultimately to deploying the product to the market. The incubation and technical support enables Protect to work with experts and attend overseas conferences that it would not have been able to afford otherwise. The support also includes introducing Protect to other organisations that the funder partners with, such as the national standards certification bureau.

Organised Collection (OC) has received support from numerous funders. One funder, a multi-national beverages company, has funded a number of programmes that seek to develop informal waste collectors. The funder has also provided a grant for OC to be part of an accelerator programme that focuses on reformulating OC's strategy and how it measures impact. The accelerator works in a similar way as an incubator, but more rapidly.

Literature review on mission drift as a result of external funding is mixed. Some papers such as (Battilana et al., 2012) and (Lyons & Kickul, 2013) hypothesise

that moving from self-funding and grant funding could lead mission drift while to Koch et al. (2015) argued that external funding does not influence the social mission and type of beneficiaries the social enterprise supports. There was no evidence of mission drift in the ten case units.

5.3 Stage of business model implementation where external funding is sought

Social enterprises develop through a business lifecycle that is similar to other types of enterprises. The business lifecycle is made up of a seed or ideation phase, an early stage or start-up phase, a growth or accelerate phase and a maturity phase (Patel, 2012; Wuttunee, Rothney, & Gray, 2008). Access to finance features throughout a social enterprise's life cycle. The type of funding depends on the development stage of the social enterprise, and the funding can range from grants to loans, equity and social impact investments. Table 5.2 highlighted the different types of funding social enterprises utilise at each life cycle stage and that social enterprises require funding at all stages of their life cycle. The key realities and needs faced by social enterprises across the lifecycle stages is tabled below.

Table 5-3: Type of funding by received by the ten case studies

Lifecycle Stage	**Realities**	**Needs**
Seed and ideation	High degrees of risk, sweat equity and own investments Developing an enterprising culture	Access to start up support and capital Better understanding of funding environment Adequate financial systems
Start Up	Managing cash flows Building financial capacity Balancing financial and social objectives	Working capital Linking capital and capacity Transparency on costs and impacts

Lifecycle Stage	Realities	Needs
	Dealing with blended value, income and costs	
Growth	Managing bottom line Building an ethical organisation Ensuring there is equipment to build growth	Growth capital Debt and equity capital in different forms
Maturity	Realities of sustainability Impact of weak balance sheets on sustainability	Large asset development for long term sustainability Understanding what sustainability means

Source: Burkett (2010); Erin, Castellas, Orniston & Findlay (2018); Kandaiya (2018)

Evidence from the case units in this study and studies such as Haugh, Lyon and Doherty (2018) and Stumblitz, Vickers, Lyon, Butler, Gregory and Mansfield (2018) suggests that access to finance has become more difficult and costly to social entrepreneurs and this has constrained the potential of the enterprises to grow. Obtaining finance is more challenging for seed, ideation and start up social enterprises as they do not have a track record, collateral and are hampered with information asymmetries (Haugh et al, 2018).

Table 5.4 below details the type of funding the ten case studies have accessed during the different stages of the business lifecycle.

Table 5-4: Type of funding by received by the ten case studies

	Seed and Ideation	Early Stage	Acceleration Stage	Maturity Stage
Technical Support Grant	1	0	1	0
Grant	6	6	5	1
Paid Services	3	3	3	1

	Seed and Ideation	Early Stage	Acceleration Stage	Maturity Stage
Fund-raising Activities	2	2	0	0
Loan	0	0	1	0
Equity Investor	0	0	1	0
Dividends received	0	0	1	0
Franchising	0	0	0	1

The type of funding received by the ten case studies is not much different from typology presented in Table 5.2. All the social enterprises required funding from the seed and ideation stage, apart from WAIT. WAIT's owner resigned from his job and used his own funds and funds generated from sales to start the social enterprise. External funding was only pursued once the first centres had established a track record. WAIT has since then successfully received funding from a wide range of options, including grants, loans and franchising.

None of the ten case studies distinguished between the seed and ideation, and early stages phases. Seed and ideation take place when an entrepreneur or enterprise takes a minimum viable product into the market to establish whether there is a market for it and what adjustments need to be made. Adjustments could relate to the product, how it is delivered or the price. Once these adjustments have been made, the enterprise then goes into the early stage phase and grows from there.

A possible reason for the absence of piloting is that social enterprises service under-resourced beneficiaries in dire need of interventions. Most of the services are offered at no cost or at a subsidised rate. The beneficiaries therefore tend to accept any intervention that is provided. Social enterprises also tend to overlook the views of the people who are meant to benefit from their programmes (Twersky, Buchanan, & Threlfall, 2013).

5.4 Business model dimensions evident in social enterprises

The study used the Hamel business model to construct the conceptual model that was utilised in the study to answer the research questions. The Hamel model has been used before to explain social enterprise business models in studies such as Aziz and El Ebrashi (2016), Brock and Steiner (2009) and Michelini and Fiorentino (2012).

Social enterprise business models cover a wide range of elements, and previous research has convergences in how the Hamel business model is interpreted. The interpretation of the papers mentioned above is tabled next.

Table 5-5: Social enterprise business model elements and literature utilisation

Social enterprise business model element	**Aziz & El Ebrashi (2016)**	**Brock & Steiner (2009)**	**Michelini & Fiorentino (2012)**
Value proposition	Transformational impact creation	Solution to the underservices	Innovation
Governance model	Resourceful entrepreneur with a personal commitment	For profit, non-profit or hybrid	Social joint venture
Value chain	Use value networks to provide holistic services	Core services done inhouse	From marketing to research and development and distribution
Competences	Competences required for social mission achievement	Focus on competences aligned to objectives	Focus on core business
Partner network	Value networks to create and	Complementary partners aligned to social mission	Partnerships with non-profit

Social enterprise business model element	Aziz & El Ebrashi (2016)	Brock & Steiner (2009)	Michelini & Fiorentino (2012)
	disseminate value to larger group		organisations and other institutions
Market segment	Marginalised populations	Underserviced communities	Low-income sector
Distribution	With value network partners	Cost effective channels	Non-conventional sales channels
Profit management model	Reinvested into enterprise	Reinvested into the enterprise	Profits to cover the investment, reinvested in the enterprise

Sources: Aziz and El Ebrashi (2016); Brock and Steiner (2009); Michelini and Fiorentino (2012).

Social enterprises, according to the literature review, implement all the dimensions and elements of the social enterprise business model. This is because the social nature of the social enterprise's mission compels it to have an integrated approach to intervening in an environment where resources are a challenge. The social enterprise also needs to exhibit a level of structure to attract external funders and partners, and also prove that it can be of assistance to its beneficiaries.

The dimensions (core strategy, customer interface, value networks and strategic resources) and elements of the model evident in the ten case studies are discussed next.

5.4.1 *Core strategy*

The core strategy details how an enterprise chooses to compete. It is made up of three elements: the mission, products or services scope, and basis for differentiation. The mission determines an organisation's business, its approach and its objectives. In social enterprises, it justifies their existence. The

products or services scope talks to the beneficiaries; the services or products the social enterprise delivers to its beneficiaries; the location of the beneficiaries; and competitors. The basis for differentiation articulates how the social enterprise chooses to compete and how it differs from similar social enterprises. The presence of the three core strategy elements in the ten case studies is detailed in Table 5.6.

Table 5-6: Core strategy dimension implementation in the ten case studies

	Social Mission	Product/Service Scope	Basis for Differentiation
We Are It Technology (WAIT)	X	X	X
Get the Moola (GTM)	X	X	X
Makufundwe	X	X	X
We Got Talent (WGT)	X	X	X
Humanity	X	X	X
EducationExcel (EE)	X	X	X
GrowTrees (GT)	X	X	X
Protect	X	X	X
Organised Collection (OC)	X	X	X
Completeness	X	X	X

The three elements of the core strategy dimension were present in all ten case studies. The core mission was understood by the founders, internal staff and external funders. While the products or services and basis for differentiation had changed over time in some case studies, the social mission remained constant. Completeness had a broad social mission at inception, and this allowed it to fit in products and services that funders were willing to fund at a particular time.

The main value proposition or basis for differentiation was uniqueness; all ten case studies reported that their business model was unique. This was the main

reason that most of the founding social entrepreneurs were not willing to share internal documents with the researcher as part of the data-collection process.

5.4.2 *Customer interface*

Customer interface involves how an organisation interacts with or reaches its customers and the knowledge collected and utilised on behalf of its customers. This dimension has four elements: fulfilment and support, information insight, relationship dynamics and pricing structure. Fulfilment and support are the way a social enterprise reaches its beneficiaries. Social enterprises rely heavily on beneficiary information for reporting to funders and approaching new funders. Insights from the information also help programme improvement. “Relationship dynamics” refers to how well the social enterprise knows its beneficiaries, how it interacts with them and the strength of its relationship with them. “Pricing structure” refers to what the social enterprise charges beneficiaries to access its products or services and to the value external funders believe they are receiving when they fund a social enterprise.

The presence of the four elements in the ten case studies is shown in Table 5.7

Table 5-7: Customer interface dimension implementation in the ten case studies

	Fulfilment and Support	**Information and Insight**	**Relationship Dynamics**	**Pricing**
We Are It Technology (WAIT)	X	X	X	X
Get the Moola (GTM)	X	X	X	X
Makufundwe	X	X	X	
We Got Talent (WGT)	X	X	X	X
Humanity	X	X	X	X
EducationExcel (EE)	X	X	X	X

	Fulfilment and Support	Information and Insight	Relationship Dynamics	Pricing
GrowTrees (GT)	X	X	X	X
Protect				
Organised Collection (OC)	X	X	X	X
Completeness	X	X	X	X

Three of the elements of the customer interface dimension were evident in nine of the ten cases, with pricing evident in eight of the ten cases. Protect is still at the pre-establishment stage and has yet to formulate an approach to dealing with customers. These elements are part of the business development intervention Protect is receiving from the incubation support programme, but nothing has been finalised. With pricing, for example, the owner and the incubation support programme have agreed they will only have a price once they have worked out the production costs.

Makufundwe does not price its literacy programme for under-resourced schools. The organisation does have a sense of its running costs but is not able to provide the cost per learner. It also has unplanned costs, which makes financial management and budgeting a challenge.

Improving the conditions of beneficiaries informs the fulfilment and support element of the case studies. There is a common understanding that the improvements will be realised over time and the support tends to be of a continuous nature. None of the case studies provided one-off interventions; all had several interactions with the beneficiaries.

Information insight was of high priority for the case studies. Funders require periodic progress reports as part of the funding agreement, and this compels the social enterprises to have an effective information management and reporting system. What was found to be lacking is feedback from the funders. While the social enterprises invest much time and effort in information

management and reporting, they do not receive feedback from the funders about the performance of the social enterprise and where it can be improved upon.

5.4.3 *Value networks*

The value network surrounds an organisation and complements and extends the organisation's own resources (Agudelo, 2013). In today's world it is quite common for most of the resources that are essential to an organisation to lie outside its direct control. Social enterprises operate under resource constraints (Dew et al., 2009) and partnering with complementary organisations enables them to enhance their social impact. The value network is made up of suppliers, partners and coalitions (Hamel, 2000).

Suppliers provide a good or a service that the social enterprise uses in implementing its programmes. Partners, on the other hand, work together with the social enterprise towards achieving a common objective. Each partner brings its own resources and expertise into the partnership. Coalitions are formed when social enterprises that offer similar services collaborate in an area of common interest to achieve certain objectives. An example would be social enterprises in the education field working together to convince government to pass legislation. The presence of the three elements in the ten case studies is set out in Table 5.8.

Table 5-8: Value networks dimension implementation in the ten case studies

	Suppliers	**Partners**	**Coalitions**
We Are It Technology (WAIT)	X	X	
Get the Moola (GTM)			
Makufundwe			
We Got Talent (WGT)		X	
Humanity	X		
EducationExcel (EE)	X	X	
GrowTrees (GT)	X	X	

	Suppliers	Partners	Coalitions
Protect			
Organised Collection (OC)		X	
Completeness	X	X	

The value networks dimension is implemented to varying degrees across the ten social enterprises. None of the social enterprises were found to collaborate with other social enterprises in areas of common interest. Cooperation with outside organisations is limited to ensuring that the social enterprises achieves its objectives and the desired social impact.

Suppliers are contracted for those goods and services that are important and cannot be provided by the social enterprise. The decision is made on commercial terms, and value alignment is not a key consideration. GrowTrees (GT), for example, uses a bulk short message service (SMS) supplier to communicate with potential individual funders. The supplier was selected because of the effectiveness of their service. The organisation that supplies WAIT with printers was selected because it has a national network that can support even the most remote WAIT sites.

Social enterprises partner with other organisations where the services provided by the organisations complement what the social enterprise does and amplify its social impact. An example of this is WGT, which partners with psychologists that are aligned with its vision to assist the unemployed graduates it develops and places in corporates. The psychologists offer this service free or at a rate that is lower than the market rate.

5.4.4 *Strategic resources*

Strategic resources give an enterprise a real competitive advantage (Hamel, 2000). Three strategic resources are put forward by the Hamel business model: core competencies, strategic assets and strategic processes. Strategic capabilities are the abilities and aptitudes that enable the people within a social

enterprise to deliver on the organisation's objectives successfully. Strategic assets are the assets that a company owns and are mostly technical in nature. They include trademarks, client data, infrastructure and property. Strategic processes are the day-to-day routines that take place within a social enterprise. These are carried out in a systematic and consistent manner. Over time they should result in improved efficiencies, such as reducing time, reducing cost without compromising quality and improving planning.

The presence of the three elements in the ten case studies is shown in Table 5.9.

Table 5-9: Strategic resources dimension implementation in the ten case studies

	Core Competencies	Strategic Assets	Strategic Processes
We Are It Technology (WAIT)	X	X	
Get the Moola (GTM)	X	X	
Makufundwe	X		
We Got Talent (WGT)	X		
Humanity	X	X	
EducationExcel (EE)	X	X	
GrowTrees (GT)	X		
Protect	X		
Organised Collection (OC)	X		
Completeness	X		

The strategic resources dimension is implemented to varying degrees across the ten social enterprises. None of the ten case studies focused on process optimisation as an objective, even though some of the case studies had been in operation for over a decade. Core competencies, in the form of skills and abilities of the founder and staff, were implemented across the ten social enterprises. The founders are involved in the daily operations in all the ten case studies. Their role tends to become more strategic as the social enterprise

matures. The founders of WAIT, Humanity and Completeness, for example, are involved in fund raising and stakeholder management and leave the daily operations to a manager.

Strategic assets in the form of buildings exist in the social enterprises that provide walk-in services such as education and healthcare. These assets are located within the beneficiary community and serve as a community mobilisation point and beacon of hope. Humanity's facility has been able to attract other organisations that intend to provide socio-economic support to the community. GtM's strategic asset is the beneficiary information it has collected since inception. The organisation has a comprehensive database on small enterprises and their funding needs. The database is refined on a continuous basis and is prioritised by GtM when marketing its offerings to funding institutions.

5.5 How the business model is implemented by the social enterprise

The conceptual research model advances causal and effectual mechanisms as two ways in which business model dimensions are implemented in social enterprises. Extant research has argued that early-stage social enterprises operate under high uncertainty and are therefore established in an effectual manner (Sarasvathy & Dew, 2008; Verreynne et al., 2013; Weerakoon et al., 2019). As the businesses become more established, they then adopt planned or causal mechanisms.

Social enterprises, it is argued, do not have sufficient data and enact a market rather than study it, which makes effectuation the preferred option to implementing a business model (Bocken, Miller, Holgado, Weissbrod & Evans, 2017; Chesbrough, 2010). A study by Andries, Debackere and van Looy (2013) also found that continuous experimentation, which is effectuation, ensured long term success. It is not possible to predict how the operating environment will receive the social enterprises intentions. (Reymen et al., 2013), ads the social

entrepreneur is sometimes not able to explain the business model fully (Sitoh et al., 2014).

Successful entrepreneurs, according to Read et al. (2016), do not just contend, but actually capitalise on the opportunities presented by uncertain environments by utilising effectuation practices. Servantie and Rispal (2018) also identified effectuation as the preferred way of leveraging available means from stakeholders. Starts ups are established under resource constraints and this makes effectuation the ideal entrepreneurial decision-making approach (Dwivedi & Weerawardena, 2018)

The view that social entrepreneurs are effectual in approach is consistent with the broader field of entrepreneurship research where entrepreneurs are seen as risk takers who navigate an uncertain world to achieve their business goal. What is lacking in the studies cited above, is detailed information on the extent of effectuation in the social business model elements and dimensions. One is therefore left to assume that the studies advocate for implementing the entire business model in an effectual manner.

Three conditions are evident from the literature on why social enterprises implement their business models in an effectual manner. These are operating in an uncertain environment, need to leverage resources from stakeholders and operating under resource constraints. All the three conditions are evident in the ten case units. Although some of the case units have been in for nearly two decades, and have well developed business models, their operating environment remains uncertain. The uncertainty introduces continuous refinement of the business model. All the ten case units make use of value networks to implement their business model, and external funders also form part of their stakeholder network. Resource constraint comes out as a dominant condition in the operating environment of the case units.

Resource constraint refers to an instance in an organisation where there are insufficient inputs or resources required to complete a particular task or achieve a particular objective. This can either be because the resource is generally in

short supply or the organisation does not have the means to acquire the required amount of the resource. One of the consequences of operating in a resource constrained environment is unrealised or partially realised goals or objectives. This can be seen in the ten case studies, where there is realisation that the social mission has not yet been fully accomplished.

The implementation of the four Hamel business model dimensions, using effectuation and causation as lenses is discussed next.

5.5.1 *Core strategy*

The social mission is evident in all ten case studies. It is used to justify the existence of the social enterprises, and all the other dimensions and their elements are informed by it. Protect, which is yet to begin operations, began by formulating its social mission once it had identified that there was a social need that it could address.

How the products or services scope element is implemented depends on the revenue-generation model of the social enterprise. Flowing from the social mission, there are two means of generating revenue: external funders or a combination of external funders and payment for services by beneficiaries. GtM, Makufundwe, WGT, Humanity, GT and OC do not charge their beneficiaries for their products or services.

The products and services offered by these social enterprises have evolved over time. As its first service OC planned to sell advertising space on recycling trolleys as an additional revenue stream for informal waste collectors. When this did not materialise, its focus shifted to acquiring corporate social investment funding for a development programme for the informal waste collectors. Humanity also changed its products and services during its early stages. This change was not part of its original plan and was influenced by external funders and beneficiaries. Social entrepreneurs that rely on external funders for implementing their programmes tend to develop their programmes in an

effectual manner during the start-up phase and become more causal once they are established and have built a track record with the funders.

WAIT, EE and Completeness use a combination of external funders and beneficiaries paying for goods and services. Providing their goods or services for a fee compels social enterprises to define their product or service and to establish what value the beneficiaries will derive from it. Changes to the products or services also need to be thought through and calculated. WAIT has introduced new products and services over the course of its operation, based on market research and an understanding of how emerging technologies affect its business model.

External funding is a highly competitive area, both in South Africa and globally. Some funders have resorted to opening a window over a specified period for funding applications, and then assessing all the applications at the same time. Funding also tends to be limited to a specific period, with no guarantee of additional funding once the agreement has expired. To survive in the competitive external funding area, social enterprises need to have a value proposition that sets them apart from other similar enterprises.

Being innovative, doing business in an entrepreneurial manner, focusing on depth rather than breadth, using a holistic approach to beneficiary development and providing quality at an affordable cost are some of the value propositions that the social enterprises used. Two social enterprises, Makufundwe and Protect, are still formulating their value proposition. Makufundwe is working where its beneficiaries are located, which is the most impoverished communities, as a key aspect of its value proposition. Protect's founder is formulating its value proposition around the uniqueness of the product and the innovative nature of the business.

Value propositions are well thought through in the ten case studies, and this practice demonstrates causal behaviour.

5.5.2 *Social enterprise interaction with customers*

The nine operational case studies acknowledged that a change in the livelihoods of the beneficiaries will not be achieved after one intervention. Interaction with the beneficiaries is therefore developmental over several interventions. The interventions are either uniformly provided for all beneficiaries or customised per beneficiary. WGT, GtM, Makufundwe, GT, EE, GT and OC offer the same services to all their beneficiaries. They also do not charge a fee for the beneficiaries to access their products and services.

Humanity also does not charge a fee but offers customised support to its beneficiaries. This could be because healthcare is based on an individual's needs, as is the case with Completeness, where healthcare is individualised for each beneficiary. WAIT and Completeness offer customised interventions and charge beneficiaries for their interventions. The thinking within Protect at the time of the interview suggests customer interaction that is different from the other nine social enterprises. Protect plans to interact directly with corporates and not with the employees who will wear the protective vest.

With funders looking for data on beneficiary performance, information management and reporting are evident in all the case studies and have been in place since inception. Information management systems have been set up intentionally in all the case studies, developed over time and constitute an area that the social enterprises and funders agree needs to be optimised.

The decision about whether to charge beneficiaries a fee for services or offer them free, with funders covering the costs, is one that the social enterprises make at inception. This decision has several implications. One of these is finding external funders to fund the social enterprise. For Completeness, charging a fee for services means that it cannot work with government or funders that insist on a partnership with government. The social enterprises that charge a fee for service tend to rely less on external funders as the business matures. WAIT generates enough revenue to fund its outlets. WGT's funding only comes from the corporates that pay it to implement a graduate

development programme for them. However, WGT's ability to scale up depends on the willingness of corporates to take up its programme, whereas WAIT's scaling up is influenced by market opportunities.

5.5.3 *Value networks*

Two of the three value network elements, suppliers and partners, are evident to varying degrees in the ten case studies. The use of suppliers is evident in those case studies where the equipment needed for delivering a service must be sourced externally, or where it makes financial sense to use a supplier rather than offer the service in-house. Humanity's programme, for example, does not offer schooling beyond primary education. Instead, beneficiaries are placed in neighbouring secondary schools and universities where Humanity believes they will settle in well. WAIT contracted a telecoms service provider because it planned to benefit from its other offerings, such as a reduced price for airtime.

Partner selection is also a cogent decision aimed at amplifying the social impact of the enterprise on the beneficiaries. This aim means that the social enterprises partner with organisations that have similar values. Completeness partners with non-profit organisations to deliver its healthcare programme. One of its principles is that the partner should also be of the view that beneficiaries value a service they receive if they pay for it.

5.5.4 *Strategic resources*

The resource constraints experienced by the social enterprises compel them to make a choice between investing in strategic resources or creating social impact in the areas where they operate. As such, strategic resources are invested in only when they are essential to the achievement of the social goals. Staff and physical infrastructure feature as strategic resources in the case studies. GtM, by virtue of its business, considers its data and staff capability to manipulate the data as its strategic resources.

The founders are also a key resource in the implementation of the objectives of the social enterprises. They persuade the funders to invest in the social enterprises, with the funder's decision in some instances influenced by the expertise and commitment of the founding social entrepreneur. Investing in and developing strategic resources is a rational decision the social enterprises make.

5.6 External funder influence on business model implementation

The conceptual research literature review on the role of external funders in social enterprises suggests that there may be similarities in background, rationale and goals (Defourny et al., 2013) between the external funder and the social enterprise. However, divergences and convergences may occur as the relationship unfolds.

External funders also introduced skills and expertise, strategic thinking and management experience (Defourny et al., 2013; Knott & McCarthy, 2007) in the social enterprises they fund, and these could differ with what already existed in the social enterprises. The introduction of an external funder into a social enterprise brings about the expectation of blended value, which is social, environmental and financial goals (Mayer & Ganahl, 2014). Besides differences in the meaning of social, environmental and financial goals, there is also a difference on which goal to prioritise.

External funders have been revealed as tending to exercise control rights by adjusting the governance structures of the social enterprises they invest in, through imposing conditions such as requiring a seat on the governance structure (Lerner, 1995). Social entrepreneurs have also sometimes perceived the board membership by external funders as there to serve their exit-oriented interests, adding little to the strategies that benefit the funded social entrepreneur (Achleitner et al., 2013).

External funders also introduced standard accounting practices in the social enterprises they fund (Anhcicr, 1990). Bendell and Unies (2006) argued that the imposition of standardised rules and objectives by external funders could stifle the ability of social enterprises to help the external funder understand the social enterprise they fund. In some cases performance measurement has been used to make sense of these different identities and come to an agreement about the mission and strategies of the funded social enterprise (Grimes, 2010; Plantz et al., 1997).

External funding demands, particularly from the public sector, could have an adverse effect on social enterprises (Choudhury & Ahmed, 2002; Edwards & Hulme, 1996). The external funding demands include regular reporting to the external funders and the imposition of performance measures on the social enterprises. This imposition sometimes weakens the social enterprises' accountability to and connection with their beneficiaries (Nevile, 2010).

The relationship between the social enterprise and the external funder is further complicated when the external funder expects a financial return and the external funder and the social enterprise do not assign equal weighting to the social and financial returns (Mayer & Ganahl, 2014). None of the external funders interviewed in this study expected a financial return from the social enterprises they funded. This seems to reflect the South African funding landscape generally, where only 8% of social enterprises in South Africa are funded through equity investments, and a further 3% through loans. Even where loan funding occurs, the loans are usually interest free or soft loans.

The funder influence on the four Hamel business model dimensions is discussed next. Where similarities across the case studies exist, the influence is described according to the type of funder.

5.6.1 *Core strategy*

The three elements of the core strategy dimension are implemented in a causal or planned manner in all the case studies and form the basis of the other

dimensions and their elements. The social mission has remained the same in all the social enterprises, and there was no evidence of the external funders interviewed in this study attempting to influence it. The accelerator working with OC was assisting to rewrite the social mission in a way that talks to social impact and compels potential funders to invest in the social enterprise.

GtM experienced an attempt by an external funder to alter its mission from a prosocial to a for-profit mission. The funder was an equity investor and had a seat on the governance structure as part of the funding agreement. The equity investor's motive was to convert GtM into a profit-generating enterprise, and then sell its shareholding for a profit. GtM was able to find other investors with a prosocial motive and could dilute the equity investor to the point where it had no influence on the enterprise's mission.

The products and services in the nine case studies that are operational have all undergone changes. Protect is still developing its product, with the technical expertise from the incubation support influencing the product development. In five of the case studies, WAIT, GtM, Makufundwe, EE and GT, the products and services evolved without any influence from the external funders. External funders had an influence on the product and service evolution in the remaining four cases.

Humanity's products and services were influenced by external funders during its formative years. The organisation's beneficiaries do not pay a fee for the services and the organisation has been reliant on external grant funding and fund-raising activities. The influence diminished as the social enterprise reached the growth and maturity stages. Any changes to the products and services are now an internal decision, and this is communicated to existing and potential funders.

OC's initial concept was to generate revenues for the informal waste collectors by selling advertising space on their trolleys. When the market was not receptive to this product, OC was forced to change the product to providing better quality trolleys and business training services to the informal waste

collectors. This external influence occurred during the early stages of OC's existence.

The funder providing grant funding to Completeness' primary healthcare programme is a multi-national organisation that provides healthcare solutions. Completeness' primary healthcare programme is one of the solutions that the funder sells on a commercial basis. The funder also provides strategic advice as part of the support to Completeness. Part of the strategic support is to ensure that Completeness is NHI compliant.

Innovativeness, doing business in an entrepreneurial manner, focusing on depth rather than breadth, a holistic approach to beneficiary development and quality at an affordable cost are some of the value propositions embraced by the operational social enterprises. The value propositions have remained the same across the case studies and have not been influenced by the external funders. External funders are interested in scaled-up social enterprises and have proposed establishing new operations as a basis for differentiation. None of the social enterprises have identified scaling up as a basis for differentiation.

5.6.2 *Social enterprise interaction with customers*

The interaction between the case studies and the beneficiaries is premised on the understanding that improving the livelihoods of the beneficiaries will happen over time. Interaction takes place through numerous interventions and is developmental in nature. Face-to-face interaction is either generic or customised to each beneficiary's situation. There is no evidence of external funder influence on how the social enterprises interact with the beneficiaries.

All nine operational case studies implemented a system to manage information at inception. Protect is also establishing performance measures as part of the incubation phase, with a view to setting up an information management system at inception. Information management in six of the nine operational case studies has evolved, with the external funder influencing the evolution. The evolution has introduced either new performance measures or different

templates and reporting time frames. The external funders have also introduced additional reporting requirements during the funding relationship.

The external funder in WGT's case was satisfied with the level of reporting provided and did not require additional information. EE built a comprehensive performance management system at inception and puts the beneficiaries through numerous examinations. The performance management system was developed to convince funders that EE's programme is better than those of similar organisations. EE therefore provides funders with more information than they need. The funder influence is on the reporting templates and time frames.

Four pricing models emerge from the ten case studies. WAIT charges beneficiaries a fee for its services. GtM, WGT, Humanity, GT and OC charge corporates a fee to provide a particular set of products and services to the beneficiaries. Protect is also working on a pricing model that will charge corporates a fee for its product. Makufundwe does not have set pricing model and requests funds from donors to implement its programmes. Pricing its products is part of its conversion from a non-governmental organisation to a social enterprise. EE and Completeness have a hybrid model where beneficiaries pay a fee that covers part of the costs of the programme, and external funders cover the rest of the costs.

Funders influenced pricing in GT. Although the organisation has a standard list of prices for its products and services, these are open to negotiation and funders can suggest a price they are willing to pay. If the social enterprise is happy with the price, it then provides the products and services at that price. Funders attempted to influence the pricing model at Completeness by insisting that Completeness works with the national health department. This would have meant that beneficiaries do not pay for the products and services they receive.

The case studies are embedded in the communities they serve and build relations with the communities as well. Community buy in also ensures that there is support for the programme after the social enterprise is no longer

involved in the daily running of the programme. There is no external funder influence on the relationship dynamics.

5.6.3 *Value networks*

The value networks dimension is implemented to varying degrees across the ten social enterprises. Five of the social enterprises, WAIT, Humanity, EE, GT and Completeness, make use of suppliers in sourcing their non-core services. The decision about who to work with is based on commercial reasoning and is not influenced by external funders. Completeness is open to funders suggesting suppliers if there is no coercion.

WAIT, WGT, EE, GT, OC and Completeness work with partners to implement their programmes and achieve their social mission. Value alignment is used to determine which organisations to partner with. External funders do not influence the choice of organisation to partner with and how the partnerships unfold.

5.6.4 *Strategic resources*

Staff and their competencies are recognised as a strategic resource across all the case studies. This strategic resource is used to market the social enterprises to existing and potential funders. External funders also identify the commitment and capabilities of the founding social entrepreneurs as key to their funding decision making. WAIT has an extensive network of service points. This network has been built up over time, based on market demand. GtM recognises its data and information management system as one of its core assets and continuously optimises it. Humanity, EE and Completeness have state-of-the-art facilities that are used to deliver services to the community. The facilities are also seen as a beacon of hope to the community. The external funders have not influenced what emerges and is recognised as a strategic resource in the case studies.

5.7 Conclusion

The cross-case analysis identifies the business model dimensions that are implemented in the ten case studies. Core strategy and customer interface are evident in all the case studies. Certain elements of the value networks and strategic resources exist to varying degrees. Forming coalitions with other social enterprises and process optimisation are absent from all ten case studies.

The externally funded social enterprises go about implementing their business model with a structured, causal approach. Resource constraints in most instances compel the social enterprises to make rational decisions about resource allocation. In their formative years, the social enterprises alter their products and services in an effectual manner and become more structured as they mature.

External funders that do not seek a financial return from the social enterprises exercise limited influence on the social enterprises. Influence was evident in product and service selection in the formative years, and in information management and reporting.

The relationship between the existing theories in the literature review chapter and empirical evidence from the ten case studies creates a basis for developing theory and a theoretical framework is presented in the next chapter.

CHAPTER 6. A THEORETICAL FRAMEWORK FOR EXTERNAL FUNDER INFLUENCE ON SOCIAL ENTERPRISE BUSINESS MODEL IMPLEMENTATION

6.1 Introduction

In Chapter 1 the significance of the study is outlined in terms of its theoretical, methodological and practical contributions (see Section 1.6). Case study research has more than one objective when it comes to contributing to theory (Ridder, 2017). It can create theory by expanding constructs and relationships in a particular context, or advance theory by comparing similarities among cases. Building theory from case studies involves using the data from the case studies to create theoretical constructs or hypotheses (Eisenhardt & Graebner, 2007).

This chapter utilises the findings detailed in the preceding two chapters to propose a theoretical framework and propositions that answer the research questions and provide an understanding of how external funders influence the business model implementation in the social enterprises they fund.

A theory, according to Friedman (2003) and Gremme (2017) should consider four constituent elements:

- Variables, constructs or concepts should be considered as part of the explanation of the phenomena;
- The variables, constructs or concepts should be related;
- The underlying dynamics that justify the selection of the variables, constructs or concepts and the proposed causal relationships; and
- What are the temporal boundaries that place limitations on the propositions generated from the theoretical model.

When building theory, this study considered the elements mentioned above and recommendations from (Gehman et al., 2018). This study sought to ensure that concepts and relationships from the inductive data could be transferred and tested in other research domains and settings. Theory needs to have an underlying dynamic or logic that links the associated constructs and explains the phenomenon. The underlying dynamic or logic is what differentiates theory from correlation. Theory also needs to have a pattern. The similarities in the implementation of causal and effectual mechanisms, operating in a resource constrained environment created a pattern across the different case units.

The theoretical framework and propositions developed in this study are derived from the similarities and differences emerging from the literature and cross-case analysis.

6.2 The importance of social entrepreneurship theory development

Social entrepreneurship research is considered important as social enterprises are expected to solve local, national and international problems (Haugh, 2012; Rey-Martí et al., 2016; Saebi et al., 2019). For-profit enterprises are interested in social enterprises, particularly in how the for-profit enterprises can support and enable the social enterprises. Non-profit organisations are also interested in social enterprises, as social enterprise business models strive for self-sustainability. Policy makers have acknowledged the potential of social enterprises to solve the challenges faced by disadvantaged and remote people and societies.

While there has been growing interest in social entrepreneurship research (Haugh, 2012), the development of a theory that explains and predicts social entrepreneurship behaviour has been limited. This may be because of the perceived tension between theory development and improving practice when it comes to social entrepreneurship research. However, as mentioned above,

social entrepreneurship research needs to come up with theories to ensure the legitimacy of social entrepreneurship as a distinct research field.

6.3 Theory building approach applied

Building theory from case studies involves using single or multiple cases to come up with theoretical constructs, propositions and/or mid-range theory (Eisenhardt & Graebner, 2007). Cases could be historical accounts of past events or descriptions of recent events. Using case studies for theory building bridges the gap between qualitative evidence and deductive research (Eisenhardt & Graebner, 2007).

Theory building using case studies can be inductive or deductive. Inductive theory building uses case studies to produce new theory, while deductive theory building completes the cycle by using data to test theory (Eisenhardt & Graebner, 2007). As such, deductive theory building moves from the general to the specific, while inductive theory building moves from the specific to the general (Rule & John, 2015). The indictive approach to theory building is illustrated in Figure 6.1 below.

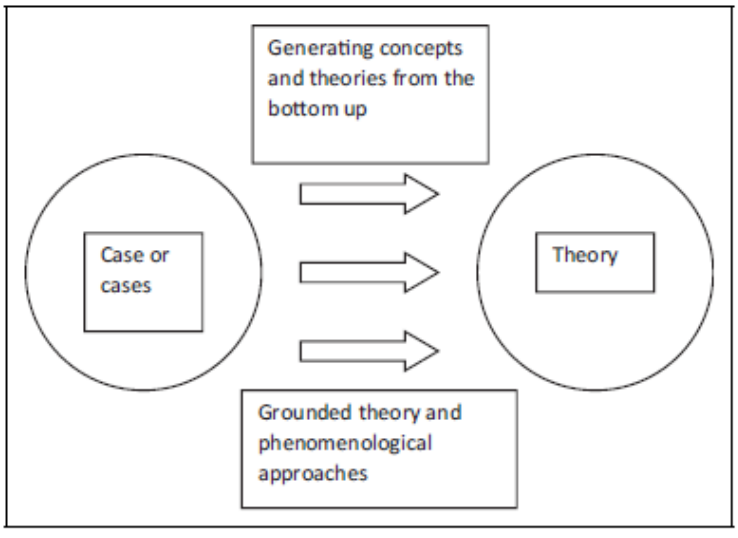


Figure 6-1: Inductive approach to theory building

Source: Rule & John (2015)

Locke (2007) puts forward a five-step approach to inductive theory building. This approach begins with a base that has existence, identity or consciousness. The next step is to develop a substantial amount of data or observations. Concepts are then formulated in an inductive manner from the data or observations. The research then looks for evidence of causality and identifies causal mechanisms from the concepts. In the last step, the findings and concepts are integrated into a whole, which is the beginning of theory building.

Inductive theory building, according to Bendassolli (2013) starts off with reading through the data and taking notes in the form of memos. This is followed by data analysis and allowing for themes and patterns to emerge from the data. The themes and patterns are then categorised and conceptualised into theory.

Ridder (2017) puts forward three approaches to theory building from case studies; the theory first, gaps and holes and social construction of reality approaches. The theory first approach captures the richness of observations without the limitation of theory. The gaps and holes approach specifies gaps in existing theory with the aim of expanding on the existing theory. In the social construct of reality approach, the interest is in the case unit and theory plays a secondary role.

This study utilised the inductive approach to come up with theories from the data. Firstly, all interviews were conducted before reading through the data. This was to ensure that eliminate any possible influencing of subsequent semi structured interviews by earlier interviews. The researcher did not develop a code book upfront, but rather coded the data inductively. At the end of the coding, a code book was developed and similar codes were merge, reducing the codes into a manageable number of concepts. Related concepts were then analysed for relations, and this formed the basis for theory development.

6.4 Theoretical framework

The meso-level theoretical framework consists of five theoretical framework propositions that respond to the three research questions of the study. They are built from the cross-case analysis themes, which in turn are built from the case study themes.

Table 6-1: Links between research questions, within-case analysis themes, cross-case analysis themes and theoretical framework propositions

Research Question	Theoretical Propositions (from literature review)	Case Study Theme	Cross-Case Analysis Themes	Theoretical Framework propositions
How does external funding influence social business model implementation?	Social enterprises require external funding to implement their business models	Funding process	Types of funding for social enterprises. Stage of business model implementation where external funding is sought	Social enterprises operate in resource-constrained environments and rely on external funding from inception. Social enterprises in resource-constrained environments approach external funders that do not expect a financial return.
How do causation and effectuation theories explain social enterprise business model implementation?	Social enterprises implement their business models through effectuation.	Development of the social enterprise Overall business model implementation	Business model dimensions evident in the social enterprises	Social enterprises in resource-constrained environments implement business model dimensions that will lead to the

Research Question	Theoretical Propositions (from literature review)	Case Study Theme	Cross-Case Analysis Themes	Theoretical Framework propositions
				achievement of the social mission.
How do causation and effectuation theories explain social enterprise business model implementation?	Social enterprises implement their business models through effectuation.	Core strategy Customer interface Value networks Strategic resources	How the business model is implemented by the social enterprise	Externally funded social enterprises implement their business models in a causal manner.
How do external funders introduce causation to the social enterprises they fund?	External funders introduce causation in the social enterprises they fund Social enterprises adopt the causation introduced by external funders	Core strategy Customer interface Value networks Strategic resources	External funder influence on business model implementation	External funders not expecting financial returns apply limited influence on the business models of the social enterprises they fund.

The five theoretical framework propositions are based on evidence that emerged from the research data. Operating in a resource-constrained environment did not feature strongly in the literature review but did come up in the case studies as one of the key factors that influence social enterprise business model implementation.

The expectations of external funders are also not discussed in detail in the literature review, but the case studies revealed two distinct expectations, with particular types of funding linked to the expectations. All external funders invest in social enterprises because they intend to create the desired social impact. One group of external funders does not expect to realise a commercial return from the funding. The types of funding linked to this expectation include grants,

convertible loans, grants for technical support, crowdfunding, fund-raising events and paid services. Equity investors, on the other hand, expect a financial return from their investment.

6.5 The five theoretical framework propositions

6.5.1 *Proposition 1*

Social enterprises operate in resource-constrained environments and rely on external funding from inception.

The ten social enterprises that were part of the study all operate in areas where people struggle to eke out a daily living. Most of the people that live in these areas in South Africa rely on government support through grants for survival. Government does not have the capacity and financial resources to provide other essential services to all the people living in poverty and in some instances, the government support provided is not effectively or efficiently run.

Social entrepreneurs then step in to ensure that the conditions of these people change. Social entrepreneurs are motivated by the need to effect social change when implementing programmes and not by resource abundancy. While some social entrepreneurs invest some of their own funds in the social enterprise, these are not enough to effect change that is noticeable and on a sustainable basis.

Humanity has been in existence for 20 years and has received funding in the form of grants, donations, donated services and through fund-raising activities. To establish the social enterprise one of the co-founders cashed in his savings and raised funds from friends and family. External funders were approached for funding in the form of donations and grants from the early stages to support the social enterprise implement its programmes. The community that Humanity operates in is one of the most impoverished communities in South Africa and the people would not be able to pay for services and make Humanity self-sustainable.

Completeness had to raise funds from inception as the beneficiaries could not afford to pay market-related prices for the healthcare services. The founders attempted to raise funding from the public, but this was not enough to initiate the healthcare programme. Health facilities are expensive to set up, and this further compelled the organisation to seek external funding. The community members do pay a fee to access the healthcare services. The fees paid by community members cover 80% of the running costs, and external funders cover the remaining amount.

Social entrepreneurship is associated with resource constraints (Devarapalli & Figueira, 2015). The influence of resource constraints is seen where social enterprises attempt to strike a balance between achieving the social mission and being self-sustainable. External funders are brought in to ensure that the social mission is achieved, under conditions where self-sustainability poses a huge challenge. The interconnected relationship of the social mission, social enterprise and external funders is depicted in Figure 6.2 below.

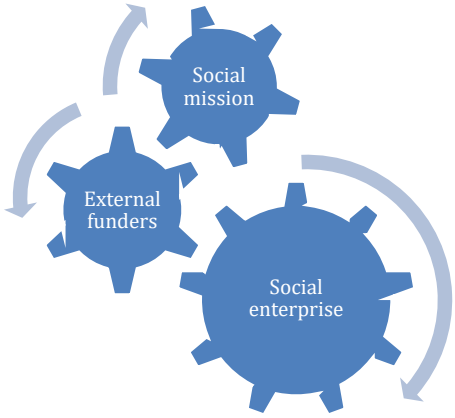


Figure 6-2: Interconnected relationship of social mission, social enterprise and external funders

Source: Deverapalli & Figueria (2015)

6.5.2 ***Proposition 2***

Social enterprises in resource-constrained environments approach external funders that do not expect a financial return.

All ten case studies at some point received funding from sources that did not expect a financial return on their investment, instead of turning to equity investors or loan funders, who expect higher returns than what they invest in the social enterprise. Funders who expect a financial return do not look only at the envisaged social impact when making a funding decision. They also look at the financial performance, whether the social enterprise can sustain itself and whether it would be able to generate a surplus at the end of each financial year. These considerations apply throughout the life of the social enterprise.

Social enterprises sometimes do not have the means to meet their monthly obligations and need to make choices about which supplier to pay or expense to meet. This indicates low levels of self-sustainability and makes equity and loan funders reluctant to invest in the social enterprises. The social entrepreneurs also do not want to take on obligations that they are not confident of fulfilling on a consistent basis.

GrowTrees (GT), Humanity, We Got Talent (WGT), Get the Moola (GtM), Makufundwe and Organised Collection (OC) decided from inception that they would not generate revenue from their beneficiaries. This decision diminished their ability to borrow money from funders that require the funds to be repaid and sometimes charge interest on the funds. GT and WGT might be attractive to funders that require a financial return, either through loan funding or equity funding as they charge corporates market-related fees to deliver programmes and services to target beneficiaries. Through planned scaling up, they could reach a position where the revenue from the corporates exceeds the programme running costs.

Only two of the ten social enterprises had relationships with funders that sought a financial return, and both took place during the early stages of their business lifecycle. We Are It Technology (WAIT) approached a loan funder when the need to establish additional branches arose. Although the loan was successfully repaid, WAIT was still contractually bound to be used by the funder for promotional purposes. This experience seems to have deterred the WAIT founder from working with that loan funder again.

GtM's founder agreed to take on an equity investor during the early years of the enterprise. The founder's reason for selling part of the business to an equity investor was that the equity investor would bring on board much needed governance and strategic direction. This would free the founder and the staff members to optimise the service offerings. However, it became evident that the equity investor wanted to increase the value of the business and then sell its share of the business for a profit. The founder could bring in other investors that were investing for reasons the founder felt comfortable with.

GtM had different experiences with equity investors. One equity investor, as discussed above, was interested in making a profit from its investment. Another investor was brought on board, and this reduced the first investor's influence on GtM's strategic direction and governance. The second investor wanted the founder to focus on optimising the business and implemented measures to ensure that the founder remained focused. These measures included finding a mentor for the founder and paying off the founder's personal debt.

6.5.3 *Proposition 3*

Social enterprises in resource-constrained environments implement business model dimensions that will lead to the achievement of the social mission.

The Hamel business model was used to develop the conceptual research framework used for this study. The business model has been used before to understand the social entrepreneurship phenomenon. Mair and Schoen (2005), for example, utilised the Hamel (2000) business model to analyse the social enterprises of Grameen Bank from Bangladesh, Sekem from Egypt and Mondragon Corporacion Cooperative from Spain.

The core strategy dimension and its elements (i.e. social mission, products and services, and value proposition) are evident in all ten case studies. The social mission informs how other dimensions and their elements are implemented. Social enterprises formulate a broad social mission during their formative years. This allows them to source funding from a wider range of funders until they settle on a core mission and a group of funders that is aligned to their mission. Humanity's founder acknowledged that the broader social mission enabled the social enterprise to source funding during the early years. Humanity then narrowed the social mission once it had established good funding relationships.

The Mair and Schoen (2005) study found customer interface, value networks and strategic resources to be the three dimensions that the social enterprises focused on to become self-sustainable and successful. The Hamel business model was aligned with the causation and effectuation validation items from Chandler et al. (2011) in the current study. All four dimensions of the Hamel business model (i.e. core strategy, customer interface, value networks and strategic resources) were evident in the ten social enterprises.

The customer interface dimension and its constituent elements existed in all ten case studies. Social enterprises exist to service the beneficiaries and this is achieved through several interventions. Five of the ten social enterprises have a physical structure in the community in which they operate. One of the social enterprises runs its programme at the beneficiary's facility. WGT runs its programmes as paid services and the beneficiaries are located within the company paying for the services. GtM and GT have online platforms to interact with beneficiaries. Protect is still to establish operations.

Coalitions do not feature as part of the value networks in all ten social enterprises. Although most of the social entrepreneurs know each other, there is no formal structure where they discuss issues of common interest. This is different from the United Kingdom, where a platform called the Social

Enterprise Coalition was established in 2002 to coordinate and raise the profile of the social entrepreneurship sector (Sepulveda, 2015). Partnerships are pursued when it makes sense for the social enterprise to partner with another organisation rather than provide a particular service. Value for money is the determining factor when it comes to selecting suppliers.

Staff and physical infrastructure rank highly when it comes to strategic assets that enable the case studies to implement their programmes. Staff retention is a key challenge for the social entrepreneurs, as most are not able to pay market-related salaries and offer other benefits. Despite this, the social enterprises prioritise staff development, as staff skills and expertise are their key competencies.

Core processes as a strategic resource were absent from all ten case studies. Although delivering the products and services takes place in a structured way, no effort is put into optimising the processes. Process optimisation can be a costly and time-consuming exercise, and resource-constrained social enterprises might not have the capacity to focus on improving processes. In most instances, the social enterprise is the only organisation that offers a particular service within a community. The absence of competition means that beneficiaries have no option but to make use of the social enterprise, even if its processes are slow.

6.5.4 ***Proposition 4***

Externally funded social enterprises implement their business models in a causal manner.

The literature review posited that social entrepreneurs use the effectual approach when implementing solutions to existing social problems (VanSandt et al., 2009). This approach is used because social enterprises are established under conditions of uncertainty, where it is not possible to predict how the operating environment will respond to the social enterprise's actions (Reymen et al., 2013).

The ten case studies exhibited behaviour that was different from the approach suggested in the literature review. Overall, the social enterprises are causal in how they implement their social mission. The only evidence of effectual behaviour was related to the evolution of products and services in four case studies and to core competencies in one case study.

Rather than explore the business in totality, the dominant research looks at the service offerings of the social enterprise only and uses these to surmise that social enterprises are run in an effectual manner. In contrast, this study used a business model framework to explore causal and effectual behaviour. The two factors that can explain the causal behaviour of the ten case studies are resource constraints and reliance on external funders.

None of the ten case studies was established with sizeable start-up funding. Resource constraints limit an organisation's ability to be innovative, particularly in a context where there is a dire need for services. Social entrepreneurs in resource constrained environments therefore have to make rational decisions on how to utilise the funds that they have. The social entrepreneurs also desire to establish long-lasting relationships with the funders and to receive repeat funding. Implementing the business model in an effectual manner could be seen as irresponsible behaviour by the funders and could deter future funding. The application process for funding compels the social enterprises to think through their business model, and then implement it once a funding agreement has been reached.

Where social enterprises serve communities that cannot afford to pay a market-related fee, they must source additional funds from other funders to remain in operation.

None of the case studies would have been established successfully without external funding. While some founding social entrepreneurs invested their own funds, these were not enough to get the social enterprise past the start-up phase. WAIT's founder resigned from his job as a teacher and used his pensions and savings to start the enterprise. Once the product focus shifted from selling computers to establishing centres where people could be trained and provided with technology services, the founder was compelled to approach external funders.

6.5.5 *Proposition 5*

External funders not expecting financial returns apply limited influence on the business models of the social enterprises they fund.

The literature review uncovered the interaction between social enterprises and funders as one that has evolved from pure, hands-off philanthropy towards a relationship between the external funder and the social enterprise (Defourny et al., 2013; Pepin, 2005). While the external funder and social enterprise might initially have had similarities in terms of backgrounds, rationale and goals (Defourny et al., 2013), there may be divergences and convergences in the relationship. External funders sometimes exercise oversight over the social enterprises they fund, based on information and control rights that are part of the funding agreement (Lerner, 1995).

This study makes a distinction between three types of funding, based on the level of influence the types of funding have on the social enterprise business model. These are external funders who expect a financial return, external funders who do not expect a financial return and external funders who provide funding for technical support.

External funders who expect a financial return were evident in one of the ten cases, GtM. The organisation experienced two different relationships with such funders. In one relationship, the funder wanted to exert control over the business model to raise the value of the business and then sell its stake at a profit. The other external funder allowed the founder to implement the business model without any influence.

Two of the social enterprises received funding that went towards technical support and the level of influence has been different in the two case studies. Protect has been supported through an incubation programme, with technical and business mentors that assist in developing and patenting the product and in structuring a business model for Protect. The influence is therefore on all dimensions of the business model. OC's incubation support is focused on the core strategy dimension and is intended to prepare the social enterprise for further funding. The influence is limited to rewriting the social impact story.

Funders that did not expect any financial returns, mostly providing grant funding and paid services, featured in all ten case studies. The extent of influence by these funders was limited to information insights or information management. Although not a dimension or sub-element of the Hamel business model, expansion or scaling up is one area that the funders did influence.

The external funders all had specific reporting requirements and templates. This meant that the social enterprises had to alter their reporting systems to cater for this funding condition. The reporting requirements are seen as onerous by the social enterprises, especially as there is no feedback from the funders. One way of making reporting easier would be for all parties to agree on a globally accepted practice such as the UN Sustainable Development Goals. Using a globally accepted practice would also make cross-country comparisons possible.

GT has a set price for its services but does allow external funders to negotiate a price. This is a survival strategy and not evidence of external funder influence on their business model.

External funders attempted in some cases to prescribe which organisations the social enterprises should partner with. In Completeness' case, partnering with the identified organisation would have altered the pricing model. This is something Completeness was not willing to do and so it opted not to pursue the proposal further.

6.6 Conclusion

The cross-case analysis of the ten case studies sought to aggregate the data from the individual cases to a level where the data could be generalised to five theoretical propositions (Yin, 2017). The case study analysis resulted in seven within-case themes, from which five cross-case themes emerged. Five theoretical propositions were then developed from the five cross-case themes.

In this chapter, the theoretical propositions are compared to dominant research on the phenomenon of social enterprise funding. The resource-constrained environment in which the ten case studies operate influences the case study enterprises in two ways. First, it compels them to prioritise business model dimensions and elements that will contribute most to the achievement of the social mission. Second, they know from the outset that external funding will be required for implementing programmes. As such, they prepare for external funding by being structured from inception. These two influences by the resource constrained environment result in the social enterprises implementing their business models in a causal manner. The external funders in the ten case studies exerted little influence on the social enterprises they funded, as the ten case studies already exhibited structured or causal approaches to business model implementation.

The next chapter details the contributions and limitations of the study.

CHAPTER 7. CONTRIBUTIONS AND LIMITATIONS OF THE STUDY

7.1 Introduction

The main purpose of the study was to explore how external funders influence the business models of the social enterprises they fund, based on semi-structured interviews with key actors in ten case studies.

This chapter outlines the key theoretical, methodological and practice contributions made by the study and discusses the implications of these contributions for policy and practice. It concludes with several suggestions for future research.

7.2 Theoretical contributions

Theoretical contributions to research need to fulfil four expectations, according to (Bergh, 2020; Corley & Schinoff, 2017), they need to be of value, imitable, interesting and have an element of surprise. Exploring the influence of external funders on the social enterprise business model implementation provides the social enterprises with valuable insight on which areas external funders have the most interest. The study can be replicated as the sample was only ten social enterprises, and not the universal population. While interesting is subjective, the case study respondents have found the study interesting and requested the research to maintain contact with them and share the final results. Lastly, the context of a resource constrained environment and its impact on the choice of mechanisms (causal or effectual) did not feature in the research hypotheses. Resource constrained environment, in relation to this study, refers to an operating environment where the social enterprise does not have all the resources at hand to achieve its social mission, and the intended beneficiaries

do not have the financial means to pay market related rates for the products of services offered by the social enterprise. At a macro level, government is not able to provide adequate and quality basic services such as health, security and education.

From a theoretical contribution perspective, case study research can fulfil four roles (Kotze, 2010; Lynham, 2002; Majumdar & Ganesh, 2020). It can put a proposed theory into practice or application. It can confirm or disconfirm an already existing theoretical framework through single or multiple case studies. It can advance the conceptualisation of a theory and, lastly, it can continuously refine and develop an already existing theory.

The depth of case study research allows for the examination of the core of a research phenomenon and validation as it is based on real world data (Bhatta, 2018). Case study research is also well suited in new research areas or areas with inadequate theory, as case study research is based on empirical data and less on past literature or existing theories.

The study explores and contributes to causation and effectuation in a setting where they co-exist. Causation and effectuation are usually described as two options that an organisation must choose from, with effectual mechanisms preferred at the early stages of business development and causal mechanisms introduced as the business reaches maturity. Corner and Ho (2010) and (Yusuf & Sloan, 2015a) have identified causation and effectuation to coexist when a social enterprise has been established by a group of social entrepreneurs with different approaches to decision making, and where a social entrepreneur with a causal orientation has opted to implement effectual mechanisms. In this study, both causation and effectuation were evident in all the case studies.

This study makes several theoretical contributions, within the field of social entrepreneurship business model implementation. It does this by proposing that resource constraints compel a social enterprise to implement causation and effectuation simultaneously. The social enterprise makes rational decisions on the social business models that should be implemented in a planned or causal

manner. The decision on whether to implement business models in a causal or effectual manner is made by the social enterprise without influence from external parties. The decision is based on the resources at hand and the objectives of the social enterprise.

Resource constraint was uncovered as a key determining factor in the decision by social enterprises to implement their business models using causal or effectual mechanisms, with social entrepreneurs in resource-constrained environments favouring the causal approach.

The study also established that the social enterprises in resource-constrained environments do not transition from effectual to causal behaviour as proposed by Perry (2012); instead, they start causal. While papers such as those by Smuts, Beckwith, Nkonyeni, Scheepers, and Bonnici (2019) and Urban (2013) describe South African social entrepreneurs as mavericks, the maverick social entrepreneurs do not implement their business models in a maverick or unstructured manner.

The study's conceptual research framework introduced the Hamel business model as a framework for exploring causation and effectuation. Causation and effectuation theories have their own dimensions, and existing research focuses on refining these dimensions instead of testing dimensions from other frameworks to improve understanding of causation and effectuation. Social enterprises operate in an environment where they interact with other structures such as funders, policy makers, beneficiaries and researchers. It is therefore important to understand the phenomenon of social entrepreneurship from the perspective of frameworks used in other research areas. Not only does this enrich social entrepreneurship research; it also provides an outside-looking-in view of the social entrepreneurship phenomenon.

Mission drift is an area of great interest in social entrepreneurship research. It is defined is a process where an organisation diverges from its original mission or purpose (Cornforth, 2014) as a result of high dependency on a resource provider and the demands of competing institutional environments (Cornforth,

2014). Mission drift is also the result of attempting to strike a balance between social and financial goals (Ramus & Vaccaro, 2017; Sabeti, 2011). The ten case studies all relied on multiple funders and, hence, the possibility of a dominant funder leading to mission drift was avoided.

7.3 Methodological contributions

The lack of a common definition for social entrepreneurship and the related concepts of social enterprise and social entrepreneur persists to this day as seen in Saebi et al. (2019) and Sassmannshausen and Volkmann (2018).

Despite the growth in the number of journals and books on social entrepreneurship over the past decade, the definitional challenge has persisted. Sassmannshausen and Volkmann (2018), in their scientometric analysis of the state of social entrepreneurship research and its establishment as a research field, identify defining the phenomenon as one of the challenges that continue to exist. The definition challenge is also identified by Saebi et al. (2019), who acknowledge the growth of social entrepreneurship as a research field.

The study used a systematic approach to review and analyse literature on the definition of social entrepreneurship based on a definition framework that had been used where there was lack of clarity and debate on a definition (Boholm & Arvidsson, 2016; Burek, 2004; Kublikowski, 2009; Sager & L'Homme, 1994; Taç, 2019).

The review of the definition of social entrepreneurship reveals that context matters when it comes to social entrepreneurship as it determines the type of social enterprise and the social mission being pursued. The social challenges faced by developed economies differ greatly from developing-economy social challenges. This is unlike for-profit enterprises where revenue maximisation and cost minimisation remain the driving force, regardless of the state of development of the particular economy.

The systematic approach to reviewing literature that was used in the study provides a comprehensive picture of the state of social entrepreneurship research. It does this by identifying seminal papers over a specified period and then piecing together the converging and diverging evidence from these papers. Literature reviews tend to cherry pick papers that justify why a particular study should be undertaken. This paper is different in that it scans the dominant literature and provides a sense of the state of social entrepreneurship research, theories employed, research methods and research outcomes. It further discusses proposed future areas that will advance social entrepreneurship research.

The study used maximum variation sampling and inductive analysis to come up with themes and ultimately five theoretical propositions. Maximum variation sampling differs from the widely used purposive sampling, where case studies with similar characteristics are used for understanding a phenomenon (Laaksonen, Ainamo, & Karjalainen, 2011; Zamani & Mohammadi, 2018). Maximum variation sampling also ensured that over selecting successful social entrepreneurs was voided and that the data was captured at different stages of social enterprise business model implementation.

The converging practices from the divergent ten cases studies have enhanced the transferability of the research findings in two ways. The maximum variation sampling and thick description of the data allowed for transferability, which refers to the degree to which the results from the study could be transferred to other contexts with other respondents (Anney, 2014; Carminati, 2018). The description provides adequate information from the research data that can be used by other researchers. Maximum variation sampling allows for the research to be carried out on a population from one of the contexts. These contexts can either be a particular demographic, geographic area, stage of business establishment, sector and level of dependence on external funders.

7.4 Practice contributions

Developing new theory or making theoretical contributions takes place not by identifying gaps in literature but by engaging with the problems the world faces (Kilduff, 2006; Rindova, 2011; Shepherd & Suddaby, 2017). Mintzberg (2017) suggests that researchers should choose theories according to how useful they are, rather than how true they are. Truth is a subjective concept and is based on the evidence at the researcher's disposal. Truth is therefore bound to evolve as more evidence comes up. Theory should therefore be important for both researchers and practitioners associated with the phenomenon being studied.

Social entrepreneurship is important in South Africa for several reasons. The South African government is unable to address the country's social challenges, and this makes social enterprises a key resource in minimising and managing some of the social challenges (Urban, 2013; Venter et al., 2008; Viviers et al., 2012).

The debate on the definition of social entrepreneurship has led to social entrepreneurs, external funders and other institutional players being unsure about whether their enterprises are in fact social enterprises. In selecting the case studies for the research, it was not uncommon for the researcher to come across a potential case study that fitted the definition of a social enterprise, only for the social entrepreneur to express unease about being labelled as such. The review of the definitions should give social entrepreneurs a framework they can use to determine whether their organisations are social enterprises.

The sampling of case studies at different stages of the business lifecycle in this study gives aspiring and existing social entrepreneurs a sense of how relationships with beneficiaries and external funders can be expected to unfold. One lesson is that relationships with external funders will be a key feature of the social enterprise's life. Most social entrepreneurs aim to be self-sustainable during the growth phase. However, the reality that beneficiaries in most cases are not able to pay a market-related fee for the products and services they

receive means that the social enterprises have to rely on external funders well into the maturity stage of the business lifecycle.

The varied experience that Get the Moola (GtM) had with two equity investors shows that no two investors have the same motives. Even though they operate in a resource-constrained environment and rely heavily on external funding, social entrepreneurs need to conduct thorough research on the motives of any potential funder and the experiences that other social enterprises have had with the funder before deciding to accept the funding they offer.

Incubation support, or paying for technical support, is one derivative of grant funding that was uncovered by the study. This type of support is important for social entrepreneurs as, while some of them may have an idea or technical background, they may lack the business acumen needed to establish and run a social enterprise. The support provided to protect is of an involved nature, with the incubator and its staff involved in the development of the business model. While this might deviate the social entrepreneur from his original objectives, it brings an element of testing and refining to the business model.

The study introduces franchising as a funding and diversification strategy for social enterprises. Franchising allows the social enterprise to scale up at a faster rate than opening new centres under the social enterprise. It does, however, come with risks, especially reputational risks as the franchisees might not be aligned to the social mission. We Are It Technology (WAIT) minimises this risk by developing its own staff members into franchisees.

For external funders, the study uncovers how structured and rational social enterprises are when implementing business models. Funders define social entrepreneurs as mavericks and assume that this applies to how they run their businesses. However, resource constraints compel social entrepreneurs to be measured in how they make decisions even as they remain optimistic and have an audacious social goal. A distinction therefore needs to be made between the behaviours of the social entrepreneur and how the social enterprise is run.

Social entrepreneurs in South Africa need to organise themselves and advocate regarding certain common issues as a collective. An example of where a collective could play a role is in the current development of a government policy on the social economy in South Africa. Non-governmental organisations and cooperatives have structured organisations that represent them and make contributions to the policy development process. The result of a lack of an organisation that represents social enterprises could be the development of a policy that does not take the need for social entrepreneurship and social innovation and the challenges they face into account.

7.5 Limitations and suggestions for future research

Whilst the study makes contributions to theory, methodology and practice, it did encounter some limitations. The limitations have been categorised as either conceptual or methodological and are discussed below.

7.5.1 *Conceptual limitations*

The continued contested definition of social entrepreneurship invariably leads to research on social entrepreneurship being the subject of inquiry and contestation. In the case of the current study, it made sampling difficult as the researcher could not proceed with case studies where founders did not identify their organisations as social enterprises. This was even though these enterprises fitted the definition the researcher had developed as part of the literature review.

A second limitation was the challenge regarding access to funding that social enterprises face. Social enterprises are straddled between for-profit and non-profit organisations. The latter two organisations are well defined, with identifiable funding options. Social entrepreneurs have to rely on those funders who are willing to straddle between for-profit and non-profit organisations. This makes most of the funding to social enterprises one-off funding, with the funder exerting minimal influence on the social enterprise.

As a third limitation, social entrepreneurship research continues to be informed mainly by the views and opinions of the social entrepreneurs involved in the organisations. The broader field of entrepreneurship makes use of customers, consultants, regulators and board members to get views other than those of the entrepreneurs. Obtaining multiple perspectives enriches the understanding of a particular phenomenon.

Lastly, social entrepreneurship research is on the rise in South Africa. It was not uncommon for the researcher to come across social entrepreneurs who complained of research fatigue. In addition, the rapid growth of social entrepreneurship research, the developing nature of literature and the fact that social entrepreneurship borrows from other research fields have led to a fragmented approach that does not have dominant frameworks (Saebi et al., 2019). Although social entrepreneurship is a multi-layered concept made up of the individual, the organisation and the institutional field, dominant research focuses on the individual level, with limited understanding of social enterprises and how they evolve. Institutional-level research seems to focus on statistical surveys, which, although useful, do not explain why certain behaviours exist.

7.5.2 ***Methodological limitations***

This study shares the strengths and limitations one generally finds in qualitative research. The first limitation concerned the time-consuming nature of multi case study research. Twenty-six people were interviewed for this study, with at least two people per case study. Each of the interviews was scheduled to last for at least 45 minutes but this was guided by the responses from the interviewees. Scheduling the interviews sometimes meant going to one case unit repeatedly as the respondents were unavailable at the same time.

Secondly, the ten cases do not represent the South African social entrepreneurship phenomenon. The qualitative case study method provided in-depth understanding of the individual case studies. It cannot, however, be said to represent the South African case study experience, and this limits generalisability.

The third limitation involved the sampling technique, where at least two respondents were required per case study. Finding at least two people who were knowledgeable about the study also proved to be a challenge in some case studies. Some of the case studies experienced high staff turnover, which meant some respondents had not been fully exposed to the organisation's business model.

The fourth limitation was that the study was cross-sectional in nature and presented a snapshot of the phenomenon rather than how the phenomenon unfolded over time. It was therefore not possible to identify and record the changes in experiences and understanding that might have occurred over a period of time. The study presented the views of the respondents at a particular time, which might change if the respondents were asked the same questions a year later.

The last limitation concerned the challenges faced in obtaining secondary data. The researcher planned to use secondary archival data from the case studies as secondary evidence. More than half of the case studies refused to share secondary data, however, citing confidentiality and unwillingness to share their intellectual property as the reason for this. It is possible that the founding social entrepreneurs wanted the study to reflect their views and not the true picture, which could have been uncovered from the secondary data.

7.5.3 *Suggestions for future research*

The objective of the study was to explore the relationship between social enterprises and external funders. The research uncovered themes, which were used to formulate research propositions. The research propositions each present an area of future research. Of most interest is how resource constraints played a material role in the case studies that formed part of this study.

There is a need for social entrepreneurship research to move beyond the definition battle that seems to be the main focus to this day. While the researcher might have compounded the situation by coming up with new

definitions, further research can be conducted to refine the definitions put forward by this study. This could be achieved through a detailed bibliometric analysis that identifies the key words and phrases and compares these to the definitions put forward by this study.

From a causation and effectuation point of view, the study suggests that operating in resource-scarce conditions compels social enterprises to be causal in their approach to business model implementation. This presents an opportunity for further research to distinguish between social enterprises in resource-constrained environments and those that can survive without external funding during their early stage and growth phases, particularly from a causation and effectuation theory perspective.

Franchising as a scaling up and funding option is one option that has not been researched in great detail. Future research could consider franchising, particularly the conditions under which social enterprises can be franchised and what complexities franchising brings to the social enterprise business model.

The relationship between external funders and social enterprises can also be explored through institutional theory and economic theory. External funders are an institutional influence on social enterprises, and grounded theory and exploratory research can be used to identify and develop institutional theory variables. Economic theory can be used to explore how the presence of external funders influences the rational decision-making process of the social entrepreneur.

7.6 Conclusion

This study contributes to the growing research interest on social entrepreneurship. Practice seems to be disconnected from the research field, and there is a need to close this gap if both fields are to advance. The limitations of the study, which are conceptual and methodological in nature, are typically found in the field of social entrepreneurship and qualitative research. This chapter concludes by putting forward suggestions for future research. These

are based on the five propositions from the inductive data-analysis process, and on practices and behaviours that emerged from the data.

The next chapter outlines the researcher's experience with social entrepreneurship funding.

CHAPTER 8. REFLECTIONS ON SOCIAL ENTREPRENEURSHIP FUNDING

8.1 Reflection

My experience in small enterprise development and working for a government-funded agency for over a decade initiated my interest in social entrepreneurship. I became increasingly aware over time of how governments were not able to solve the societal problems in South Africa and other developing economies. I come from one of the poorest district municipalities in South Africa, with low levels of literacy and employment, a population that relies on government grants for a living, and a population that has historically been a source of migrant labourers for mines and sugar cane plantations.

Reading up on well-known social enterprises such as Grameen Bank, Toms, and Goodwill Industries introduced me to the world of social entrepreneurship. The absence of policy on social entrepreneurship in South Africa then meant that social entrepreneurship was not an area of focus for government and the organisation for which I worked. However, I continued to read up on social entrepreneurship and decided to attempt to understand one area that seems to affect social enterprises, non-profit organisations and for-profit organisations – access to funding.

This study has introduced me to people who tirelessly pursue a dream of ensuring that marginalised communities are assisted and hopefully lifted out of their plight. I also learnt that these social entrepreneurs are forging ahead with implementing their social goals despite the scepticism they sometimes come across from researchers and policy makers.

The results from this study provided rich insights into the social entrepreneurship funding phenomenon and addressed the research questions

outlined in the first chapter of the study. The insights are summarised next according to each research question.

How are social enterprises funded?

Social enterprises are initially funded by the founding social entrepreneur and other people who believe in the social mission of the enterprise. This funding is not enough to scale up operations and the social enterprises therefore seek funding from outside the organisation. This funding comes from either external funders or the beneficiaries paying for the service.

In the developing economy context, beneficiaries cannot afford to pay market-related rates and, in some instances, cannot afford to pay for the services. Social enterprises therefore rely heavily on external funders to scale up. Self-funding confines the social enterprises and has implications for staff retention and stakeholder relationships.

Funders do not commit to long-term funding during the early stages of the social enterprise business lifecycle. A social enterprise therefore relies on multiple funders during the early stages and once it has scaled up its operations, it is able to convince a selected funder to provide the funds required to maintain operations. The funders in resource-constrained environments do not expect a financial return from their funding. A compliance or corporate social investment reporting rationale usually justifies the funding.

What factors drive the establishment and implementation of social enterprise business models?

The implementation of a business model is what differentiates social enterprises from non-profit organisations, in the same way as having a primarily prosocial as opposed to a profit motive differentiates social enterprises from for-profit organisations.

Social enterprises use business models or business model dimensions to differentiate themselves from non-profit organisations and therefore motivate why external funders should fund them. Social enterprises also use business models to make decisions about which areas of the business to focus on. Coalitions and process optimisation, for example, were areas that were absent from the business models of the case studies.

Social enterprises aspire to reach a stage of self-sufficiency. A business model is useful in that it aligns the different facets of the business and identifies the areas that need attention to reach a stage of self-sufficiency. Although it is rare to find social enterprises that have unique ideas and concepts, the value proposition or basis for differentiation element is what social enterprises use to set themselves apart from other social enterprises.

The presence of a business model also gives the funders a fair level of comfort that there are deliberate and planned actions for continuously improving how the social enterprise functions.

One interesting aspect of business model implementation is that none of the social enterprises had a formally adopted business model, and there was an element of surprise in some of the case studies in that a business model had been implemented in an organic manner.

Are the social enterprise business models implemented by the social enterprises in an effectual or unplanned manner?

The distinction between social enterprises in resource-constrained and those in resource-endowed environments is important for how social enterprise business models are implemented. One of the propositions that emerged from the study advocates that social enterprises in resource-constrained environments implement social enterprise business models in a causal manner.

Resource-endowed environments usually have a story of someone who left a high-paying corporate job to make a change in society, did this against accepted business norms and could get people to fund the idea blindly. While not all social entrepreneurs in resource-endowed environments follow this route, the literature reviewed tends to prioritise the stories of the effectual social entrepreneur who went out to change the world.

Social entrepreneurs in the case studies that were part of this research did not start off with a lot of resources and therefore had to implement a practice called boot strapping. Boot strapping requires one to make do with the limitations one has, while not losing sight of the long-term goal. Boot strapping requires structure; it must be a planned and repeated action.

How do external funders influence the social enterprise business models of the social enterprises they fund?

External funders love structure, as structure points to a level of deliberateness in actions. In the case studies used for this study, funders found organisations that were already causal in their approach and this limited their role to an extent.

Ability to influence also depends on the amount of funding and the duration of the funding period. Annual funding that covers part of the operating costs of the social enterprise limits a funder's ability to influence the social enterprise business model. The first quarter of an annual funding cycle is spent on establishing the relationship, and only after that does the funder have an understanding of the social enterprise.

8.2 Conclusion

Social entrepreneurship research was confirmed by the systematic literature review as being in an early stage. Literature tends to focus on the lack of clarity around the definition of social entrepreneurship. Research that has moved beyond the definition debate is of an exploratory nature and is interested in understanding the characteristics of the social enterprise, social entrepreneur and the social entrepreneurship process. This study advances social entrepreneurship research by exploring how external organisations or structures interact with the social entrepreneurship process.

The dominant level of analysis found in the social entrepreneurship literature review is the individual level, i.e. the social entrepreneur. This study advances social entrepreneurship research by looking at the social enterprise as the level of analysis.

Social entrepreneurship research is inclined towards borrowing theories from the broader fields of management and organisation and holds that the selected theory is an ideal lens from which to understand the social entrepreneurship process. There is limited evidence of papers that use theories to explore the social entrepreneurship business model. This study uses theories from the broader management field to explore the social entrepreneurship phenomenon and come up with propositions that can be used to develop social entrepreneurship theories.

The study falls within the interpretivist paradigm as it is concerned with the qualitative what, why and how questions regarding externally funded social enterprises through the lived experiences of research respondents that are part of the funding relationship. The qualitative case study approach was considered appropriate as the intention was not to test predetermined hypotheses, but rather for knowledge and understanding to emerge from the interaction with the case studies.

Data gathering proved a challenge in two ways. Finding case studies was challenging as some potential case studies were not sure whether they could be defined as social enterprises. Once qualifying case studies had been confirmed, finding time to interview research respondents proved a further challenge. Most case studies operate with limited numbers of staff members, who fulfil more than one role.

Resource constraint emerged as a cross-cutting theme from the data analysis and has an impact on how the business models are implemented in the social enterprises. It also means that the social enterprises rely on external funding for most of their existence. The meso-level theoretical framework came up with five propositions that respond to the four research questions. The five propositions are built from the cross-case analysis themes, which in turn are built from the case study themes.

The hypotheses present an opportunity for further research on the relationship between external funders and social enterprises and over time developing theories on social entrepreneurship funding.

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ANNEXURE A: INTERVIEW GUIDE – SOCIAL ENTREPRENEUR AND INTERNAL STAFF MEMBER

1. INTRODUCTORY QUESTIONS:

Can you kindly introduce yourself and explain your role in the company?

What is the company's mission? [can use the what, why, how and with whom questions]

How long has the social enterprise been in operation for?

At what stage of the social enterprise did you decide to seek external funding, and why?

Whose decision was it?

How did you go about identifying potential funders, and how did you settle on the one(s) that you approached?

The next part of the interview is to explore how your social enterprise's business model has been implemented. The literature review proposed that the business model is implemented in an effectual manner. The section also looks at the extent of influence on the business model implementation by the external funders. External funders, according to the literature review, introduce causation into the social enterprises.

2. CORE STRATEGY

Mission

When you established the social enterprise, what was the organisation's core purpose or focus?
How did you settle on this mission for the organisation?
What influenced the decision to settle on this mission?
Has your mission evolved over the life of the organisation?
If yes, in what way has it evolved?
What role, if any, has the external funder played in what you see as the current focus of your social enterprise?

Product/Service Scope

When you started your social enterprise, what would you say its offerings or services was?
Why did you settle on these offerings or services?
Who were the target beneficiaries and what was the geographic area of focus then?
Why did you settle on these beneficiaries and geographic area of focus?
Have your offerings or services changed in any way over time?
If they did, what influenced the change?
If not, how have you ensured that your offerings and services remain relevant to the target beneficiaries.
Has your geographic area of focus changed in any way over time?
If they did, what influenced the change?
If not, why have you remained focused on this geographic area of focus?

Basis for differentiation

A social enterprise typically exists to address a social problem that other organisations are also trying to address. What makes your social enterprise different from other organisations?
Has this differentiation always been there?
What did you envision as the reason the intended beneficiaries would come to your organisation instead of going to others?
How do you ensure that your organisation remains different from others?

3. CUSTOMER INTERFACE

Fulfilment and support

How are your services or offerings delivered to the intended beneficiaries?
What does an intended beneficiary have to go through to benefit from your services or offerings?
Has your delivery mechanism changed between inception and now?
What role, if any has the external funder played in influencing your delivery mechanism?

Information and Insight

How do you keep information about your beneficiaries?
How is the information used to improve your organisation's knowledge of your beneficiaries?
What are the client information requirements of the external funder?
Have these altered your organisation's information management? If yes, in what way?

Relationship dynamics

How would you describe the interaction between your organisation and its beneficiaries?
Do these interactions create a sense of commitment between your organisation and its beneficiaries?
Has the external funder played any role in these interactions between your organisation and its beneficiaries?

Pricing structure

What is your pricing structure for your services or offerings?
Has the pricing structure always been this way?

Do you think the beneficiaries understand what they are paying for?
If not, how was it changed and what has necessitated the change?
Has the external funding you have received impacted on your pricing structure?

4. VALUE NETWORKS

In your social enterprise value chain, do you make a distinction between suppliers and partners.
Suppliers

What is the relationship with the suppliers? Are they suppliers or are they an integral part of your business model?
Would you say your social goals are aligned to those of your suppliers?
Has the external funding altered your relationship with your suppliers? In what way?

Partners

What kind of partnerships has your organisation entered during its life?
What necessitated that the organisation enters into these partnerships?
How would you describe your organisation's partnership with its external funder(s)?
How has the organisation's partnership with its external funder(s) influenced its relationships with current and potential partners?

5. STRATEGIC RESOURCES

Core competencies

What, in your organisation, is unique and valuable to your customers and can be transferable to new opportunities?
What would you say are your organisation's core competencies?
How have these evolved from inception to date?
How has the external funding impacted on the core competencies?
What additional competencies would you say your organisation needs to fulfil its social mission?

How will these be brought on board?

Strategic Assets

What are your organisation’s strategic assets?
To what extent has the external funding resulted in additional strategic assets or enhancement of already existing strategic assets?
To what extent can these strategic assets be used to enhance the business model?
What is needed for this to be realised?

Core processes

What are your organisation’s most critical processes?
How have these processes evolved and improved over time?
Has the external funding influenced any changes of these critical processes?

ANNEXURE B: INTERVIEW GUIDE – EXTERNAL FUNDER

1. INTRODUCTORY QUESTIONS:

Can you kindly introduce yourself and explain your role in your company?

What is the company's mission? [can use the what, why, how and with whom questions]

How long has your organisation been funding social enterprises for?

How did you decide on funding this social enterprise?

The next part of the interview is to explore how your social enterprise's business model has been implemented. The literature review proposed that the business model is implemented in an effectual manner. The section also looks at the extent of influence on the business model implementation by the external funders. External funders, according to the literature review, introduce causation into the social enterprises.

2. CORE STRATEGY

Mission

When you started supporting the social enterprise, what was the organisation's core purpose or focus?
Has this purpose evolved over during your time of working with the organisation?
If yes, in what way has it evolved?
What role, if any, have you played in what you see as the current focus of your social enterprise?

Product/Service Scope

When you started supporting the social enterprise, what would you say its offerings or services was?
Who were the target beneficiaries and what was the geographic area of focus then?
Have the offerings or services changed in any way over time?
If they did, what influenced the change?
Has your geographic area of focus changed in any way over time?
If they did, what influenced the change?

Basis for differentiation

A social enterprise typically exists to address a social problem that other organisations are also trying to address. What makes this social enterprise different from other organisations that would approach you for funding?
What did you envision as the reason the intended beneficiaries would come to this organisation instead of going to others?
Does this view still hold?

3. CUSTOMER INTERFACE

Fulfilment and support

How aware are you of how the services or offerings delivered to the intended beneficiaries?
Has the delivery mechanism changed between inception and now?
What role, if any have you played in influencing your delivery mechanism?

Information and Insight

What are your client information requirements as the external funder?
Has the social enterprise always kept the information that you require?
Have your client information requirements altered the social enterprise's information management? If yes, in what way?

Relationship dynamics

How would you describe the interaction between the social enterprise and its beneficiaries?
Have you as the external funder played any role in these interactions between your organisation and its beneficiaries?

Pricing structure

Do you think the beneficiaries understand what they are paying for?
Has the external funding you have provided impacted on the social enterprise's pricing structure?

4. VALUE NETWORKS

In your social enterprise value chain, do you make a distinction between suppliers and partners. *[If yes, then ask both if not, then ask partners]*
Suppliers

Has the external funding altered the social enterprise's relationship with your suppliers? In what way?

Partners

What kind of partnerships has the organisation entered during its life?
How has the organisation's partnership with its external funder(s) influenced its relationships with current and potential partners?
How would you describe the organisation's partnership with you as the external funder(s)?

5. STRATEGIC RESOURCES

Core competencies

What would you say are the social enterprise's core competencies?
How have these evolved from inception to date?
How has the external funding impacted on the core competencies?
What additional competencies would you say your organisation needs to fulfil its social mission?
How should these be brought on board?

Strategic Assets

What are the social enterprise's strategic assets?
To what extent has the external funding resulted in additional strategic assets or enhancement of already existing strategic assets?
To what extent can these strategic assets be used to enhance the business model?
What is needed for this to be realised?

Core processes

What are the social enterprise's most critical processes?
How have these processes evolved and improved over time?
Has the external funding influenced any changes of these critical processes?
In what way, if yes, has it influenced these critical processes?

ANNEXURE C: INFORMED CONSENT FORM

I…….. (full name and surname) am fully informed about the social entrepreneurship PhD research undertaken by Y Njenge and agree to participate as a respondent. I specifically confirm the following:

- my participation is voluntary and I am at liberty to withdraw my participation at any time during the process without giving reasons and that I will not be penalised for withdrawing nor will I be questioned on why I have withdrawn;

- there is no remuneration to be gained from the participation;

- the aims, objectives and research procedures have been explained fully;

- parties involved in the research must maintain confidentiality and behave in an ethical and honest manner throughout the research process; and

- the results of the research will be made available to all participants and stakeholders.

Signed…….

Date…….

Place…….

ANNEXURE D: ETHICAL CLEARANCE CERTIFICATE

Research Office

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)
R14/49 Njenge

CLEARANCE CERTIFICATE	**PROTOCOL NUMBER: H16/04/15**
PROJECT TITLE	The influence of external funders on the social entrepreneurship process: A causation and effectuation exploratory study
INVESTIGATOR(S)	Mr Y Njenge
SCHOOL/DEPARTMENT	Economics and Business Science/
DATE CONSIDERED	22 April 2016
DECISION OF THE COMMITTEE	Approved
EXPIRY DATE	28 March 2020

DATE 29 March 2017 **CHAIRPERSON** J. Knight
(Professor J Knight)

cc: Supervisor : Dr K Myres

DECLARATION OF INVESTIGATOR(S)

To be completed in duplicate and **ONE COPY** returned to the Secretary at Room 10004, 10th Floor, Senate House, University. Unreported changes to the application may invalidate the clearance given by the HREC (Non-Medical)

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee. **I agree to completion of a yearly progress report.**

_____ _____/_____/_____
Signature **Date**

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES