

# **SOCIAL ENTREPRENEURSHIP AND THE SUSTAINABILITY OF SMALL BUSINESSES AT A SOUTH AFRICAN TOWNSHIP**

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## **ABSTRACT**

*This study explored social entrepreneurship and the sustainability of small enterprises at a township settlement that is fifteen kilometres from the Cape Town Central Business District (CBD). The study was based on the following questions: (1) what are the determinants of sustainable social entrepreneurship in black South African townships? and (2) what is the nature of the relationship between social entrepreneurship and the sustainability of small businesses in black South African townships? Interviews with ten (10) social entrepreneurs were conducted to gather evidence and suitable data to respond to the stated research questions. The study found that determinants for sustainable social entrepreneurship were based on certain social based values of the entrepreneur as well as the availability of certain support. Value for culture, aesthetic values and value for corporate social responsibility were some of the social values that were found to determine sustainable entrepreneurship while political and societal support were also found to be essential. There was also evidence that social entrepreneurship practices result in a social licence to operate in a community, improves brand and lead to better return on investment among other benefits. Entrepreneurs are recommended to adopt social entrepreneurship to ensure their sustainability.*

**Keywords:** Social, Sustainability, Entrepreneurship, Small Businesses, Social Business.

## **INTRODUCTION**

After twenty four years of democratic rule, South Africa is still troubled by social inequalities and wide economic gaps in its population. Within this matrix, unemployment in South Africa remain higher (19.1%) among the Brazil, Russia, India, China and South Africa (BRICS) group (Bowmaker-Falconer & Herrington, 2020). In respect of this problem, policy makers have advocated for the promotion of entrepreneurship and small businesses to alleviate unemployment. However, the mortality rate for small businesses has been high over the years. Some analysts have reported that 75% of South African SMMEs fail after being in existence for only 42 months (Bruwer & Van Den Berg, 2017). This problem has been analysed and discussed in multiple ways that include capacitation of both active and potential entrepreneurs through entrepreneurial education ( Imenda, 2006; Pitso, 2019) as well as the need for government support (Small enterprises Development Agency, 2018). Social as opposed to economic entrepreneurship has not received adequate scholarly attention as a possible strategy for the sustainability of small enterprises in black South African townships in South Africa (Mair & Marti, 2005). Social entrepreneurship as a possible route to improving small business viability and sustainability seems to be gaining much recognition in recent years. Despite this situation,

Urban and Kujinga (2017) commented that much of social entrepreneurship research has focused on United States of America (USA) experiences and other environments in the developed world. Rosa, Gutierrez-Tano, Garcia Rodriguez (2020) acknowledges the growing interest in social entrepreneurship for small business sustainability especially when considering modern socioeconomic crises such as those arising from the global Covid-19 pandemic. This study was aimed to explore the possibility of adopting social entrepreneurship for the sustainability and viability of small businesses.

### The South African Context for Social Entrepreneurship

Social entrepreneurship research has generally taken consideration of the context in which social entrepreneurs are expected to operate. Some social and environmental context appears to inspire social entrepreneurship more strongly than others. Reflecting on this argument, Urban and Kujinga (2017) argued that social entrepreneurship has greater relevance in the South African environment which is characterised by socioeconomic inequalities which originated from apartheid. This study focuses on studies in black South African communities which have been characterised by violence, protests, crime and service delivery challenges. Table 1 shows some of the social challenges facing by South Africa in general and black townships in particular which were extracted from the General Household Survey [GHS] (2018).

Social dimension		Implication
Rate of increase of households	2.4% per annum	Household are the basic units of service delivery. The rate of increase indicate increasing strain on service delivery
Percentage of orphaned children (lost one or both parents)	11.7%	The emotional, physical and psychological development or growth of children is affected.
Children between 0-4 years not attending Early Children Development classes	49,2%	Child development is affected
approximately three-quarters (74,5%) of learners were still in school by the age of 18 which usually represents the age at which learners exit grade 12		Poor educational outputs
Percentage of households in informal dwellings	13.1%	Service delivery challenges
Slow provision of water		Service delivery challenges
Percentage of households with access to improved sanitation	Stagnated at 80%	Service delivery challenges
Percentage of households with complaints about waste removal and littering	42.6%	Service delivery challenges
Land degradation and soil erosion	32.7%	More investment in corporate investment
Percentage of households relying on social grants for income	19.9%	Strain on monetary policies
Households that reported hunger	11.3%	Crime. Service delivery

Source: GHS (2018)

When the problems shown above are considered, there are notable social entrepreneurship decisions which can be presumed to provide social value to the community while creating sustained entrepreneurial existence. There are social, technical, economic, political, psychological, spiritual, legal and other values that are important for businesses (Stimpson & Farquharson, 2010). Examples of social value projects that can be done in various areas include the following: housing, health, welfare, job creation, community development, enterprise development, arts, culture, environmental conservation, rural development, women's empowerment, Orphans, vulnerable children, HIV/AIDS, disability and many others. At times areas which the government has struggled to adequately provide can become target projects for valuable social entrepreneurship.

Table 2 provides possible social projects that have been classified under human rights, labour conditions, environmental impact of products and/or services from creation to disposal and projects related to the impact of an organisation's products on customers.

<b>CSI project areas</b>	<b>Possible project objectives</b>	<b>Examples</b>
Human rights	<ul style="list-style-type: none"> <li>- Promote the accessibility, provision and exercise of basic human rights</li> <li>- Development programmes for women, the youth, people with disabilities, people living in rural areas and other target groups</li> <li>- Support for community education facilities, programmes at secondary and tertiary education levels.</li> </ul>	<ul style="list-style-type: none"> <li>- Small business development</li> <li>- Housing projects</li> <li>- Bursaries and scholarships; Training; community training; skills development for the unemployed; adult basic education and training in communities.</li> </ul>
Labour conditions	<ul style="list-style-type: none"> <li>- Advance economic empowerment</li> <li>- Small business support</li> <li>- Small business development</li> <li>- Community projects</li> <li>- Removing barriers to the employment and empowerment of marginalised and disadvantaged groups.</li> </ul>	<ul style="list-style-type: none"> <li>- Advancing the employability of persons with disabilities</li> <li>- Partnering with other organisations to improve working conditions.</li> </ul>
Environmental impact of products and/or services from creation to disposal	<ul style="list-style-type: none"> <li>- Environmental conservation</li> <li>- Focus on conservation, awareness, education and waste management</li> <li>- Dissemination of knowledge and information on sustainable environmental management</li> </ul>	<ul style="list-style-type: none"> <li>- Gabbage collection support to local government</li> <li>- Providing waste management and refuse collection services</li> <li>- Advancing the green movement for reducing global warming</li> </ul>
Impact of operations on local communities	<ul style="list-style-type: none"> <li>- Support of development programmes</li> <li>- Development of new talent such as in sport.</li> <li>- Support of developmental programmes.</li> </ul>	<ul style="list-style-type: none"> <li>- Employing locals</li> <li>- Providing support to local communities affected by noise and other pollutants</li> </ul>
Impact of products or services on customers	<ul style="list-style-type: none"> <li>- Empowering communities with knowledge of services and products they offer and their side effects.</li> </ul>	<ul style="list-style-type: none"> <li>- Health education</li> <li>- Informing side effects of products</li> <li>- Household services on how to use products</li> </ul>

In respect of the above, the present study was initiated to pursue the following questions: (1) what are the determinants of sustainable social entrepreneurship in black South African townships? And (2) what is the nature of the relationship between social entrepreneurship and the sustainability of small businesses in black South African townships?

## **LITERATURE REVIEW**

### **Entrepreneurship**

In a review of entrepreneurship in South Africa, Herrington, Kew and Kew (2009) noted that the term 'entrepreneur' is a French word which emerged as far back as 1700. The word has been popularised to denote the process of undertaking a venture. Another well cited description of an entrepreneur is found in the work of Schumpeter (1934) who describes entrepreneurship as innovation through the provision of new goods, new production methods, the penetration of new markets, the determination of new sources of supply of goods and services or the formation of new organisations. Definitions of entrepreneurship have consistently emphasised the act of exploiting certain opportunities to create something in a way that entails proper risk management. In South Africa, entrepreneurship has emerged as the principal way of addressing the unemployment challenge, especially among the youth. The total early stage entrepreneurial activity (TEA) in South Africa seem to have slowed down in comparison to the previous years (Bowmaker-Falconer and Herrington, 2020). Reports also indicate that there has been a general appreciation of the entrepreneurial culture in South Africa. On a macro scale, the central government has been promoting entrepreneurship through entrepreneurship education in universities and colleges including the creation and capacitation of institutions such as the Small Enterprises Development Agency (SEDA) as well as the Department of Trade and Industry (DTI).

### **Social Entrepreneurship**

This study takes the perspective that social entrepreneurship is entrepreneurship on a social purpose. According to Lee (2015), social entrepreneurs pursue a social mission in a way that allows stable revenue collection and profitability. Herrington, Kew and Kew (2009) stated that social entrepreneurship is still a new phenomenon and there is still a search for a general definition for it. Dees cited in Herrington et al. (2009) emphasised that the essential component of social entrepreneurship is in the commitment to pursue a social mission while that one for general entrepreneurs lies in the profit motive. The present study took the position that social entrepreneurs provide social value for societal, environmental, ecological and personal sustainability. Globalisation, internationalisation and technological advancements are some of the elements in the business environment that have required a new way of running businesses. Indeed, many firms have resorted to adapting to the change and also to the implementation of various strategies to remain competitive. Corporate Social Responsibility (CSR) as well as Corporate Social Investment (CSI) can be seen as important strategies that organisations can adopt in order to remain competitive in the turbulent business environment. Social entrepreneurship remains an important issue in South Africa. This is because of its apartheid history which left serious inequalities and societal problems. It has been reported that during

apartheid, businesses supported laws that favour whites and their communities. As a result black communities and their related problems were ignored. The new democratic government after 1994 had to consider addressing a number of problems that arose from the apartheid government. Therefore businesses had to considerate CSI as a way of addressing some of the pertinent issues that are affecting most black communities.

### **Social Entrepreneurship and Sustainability**

Lee (2015) commented that the relationship between social entrepreneurship and sustainability has become an issue of increasing concern in various industries and sectors. The literature asserts that social entrepreneurship is a multidisciplinary field that has implications in many areas. The main thrust in social entrepreneurship is based on the pursuance of both business missions such as profitability by providing social value. Sung and Park (2018) investigated the assumption that social orientation and economic orientation have a trade-off based on a mutually exclusive relationship in which social orientation results in unsustainable poor economic benefits. Similarly, Malunga et al. (2014) considered the likely role of social entrepreneurship on the sustainability of both the entrepreneur and the communities. Among many other studies, these researches found that social entrepreneurship leads to sustainable economic and social systems that increase the growth and survival of the entrepreneur as well. As such, literature trends seem to suggest a positive relationship between social entrepreneurship and sustainability. Despite these observations, there is need for in depth understanding of the relationships among these social and sustainability concepts. Therefore this study sought to increase knowledge on the social entrepreneurship-sustainability relationship by providing in-depth data on the phenomena. In other words social entrepreneurship is based on a social value proposition which leads a competitive economic position. It should be observed that sustainability is a dominant concept which often assume an environmental approach. Gomis et al. (2011) observe that sustainability arose from the observation that no entity can exist without being in a proper relationship with the environment. In this particularly study, the premise and assumption is based on the view. It was assumed that an entrepreneur require elements of the social environment for survival. There it seemed that social entrepreneurship is likely to be related to sustainability of business ventures.

## **METHODOLOGY**

The study adopted a social constructivist research approach. The approach was based on the selection of 10 case studies and the collection of data through interviews conducted among the social entrepreneurs from a major township located fifteen (15) kilometres from Cape Town centre. The social constructivist approach seemed relevant and was also used similar studies. Lan et al. (2014) used the same approach in the study of social entrepreneurship in rural areas in China.

### **Case Selection**

The study accessed the Service Learning Department of a prominent University in Cape Town. The service learning department is linked to various community organisations to which students from various departments are often attached in a way that allows them to give back to social community based organisations as they also so learn certain organisational concepts

related to their studies. The data base of community based organisations was analysed in search of entrepreneurs who meeting the following characteristics: (1) the entrepreneurs satisfied the definition of a social entrepreneur as someone who provided a social service or product in the community in a sustainable way, (2) the entrepreneurs had a mission that was based on solving a certain social problem in the community, (3) the entrepreneurs had been in social entrepreneurship for a period of at least ten (10) years and (4) the entrepreneurs had made notable impact in solving the social problem in a significant way yet their operations have also registered a growth trend over the years. In other words, the unique case strategy for case selection was adopted to seek possible social entrepreneurs to participate in the study. In depth interviews were conducted. The database provided fifteen possible social entrepreneurs all from the same township. The researcher then proceeded to seek more information on the profile of the entrepreneurs. The social services Department of the Western Cape Provincial Government was also approached to seek more information on the entrepreneurs. All the fifteen (15) social entrepreneurs appeared to suit the required criteria. Meetings with the social entrepreneurs were arranged through the Social Services Department of the Western Cape Provincial government. The researcher first explained the objectives of the study to the officials in the social services department before the study and its intention was documented and telephone calls were made to alert the entrepreneurs on the study. The first meetings were conducted at the premises of the entrepreneurs' registered office or work addresses with facilitation of a social services official from the Western cape Provincial Government office. The researcher requested to be a member of the organisation and to be assigned roles to perform in the organisation throughout the data collection process. At the end, ten (10) social entrepreneurs participated in the study. The profile of the ten case studies that participated in the study are shown in Table 3 below.

	Business type	Years of operation	Main product/services	Social value created
Case 1	Technological services provider	Six	Laptops, mobile phone, components supplier	Discounted laptops and cell phone repairs to the old aged people in the community
Case 2	Electrical products retailing	Six	Electrical cables, household electrical tubing and connections	Provides educational services to the safe use of electrical products
Case 3	Carpentry services and tools supplier	ten	Chairs, tables, cabins, wardrobes manufacture, carpentry tools	Free household carpentry services to newly wedded couples in the area
Case 4	Welding and metal products manufacturing	Fifteen	Windows, metal pipes, doors, general metal products	Free home repairs and metal products in cases of unforeseen disasters
Case 5	Studio, music and entertainment	Eight	Musical equipment, musical recording services	Offers studio services and music recording to upcoming artist
Case 6	Educational resources provider	Twenty	Books, study packs, stationery suppliers	Supplies discounted learning resources to academically gifted poor students
Case 7	Business consultants	Fifteen	Business proposal writing, tender preparation, business registration	Assist young people with business ideas, business start-up processes and company seed funding
Case 8	Catering and bakery services	Sixteen	Traditional food catering, bakery products	Free meals to street children and orphans
Case 9	Pharmaceutical products retailing	Nine	General medication, simple medical examinations	Home to home delivery of discounted medication to patients with chronic ailments
Case 10	Textiles and clothing retailing	twelve	Clothing and cloth, knitting services	Supplies clothing to the old aged and vulnerable households

## DATA COLLECTION

In-depth interviews were conducted with each social entrepreneur for a period of one month. The interviews with the social entrepreneurs started in January 2020 and were completed in October 2020, taking a period of ten (10) months. At the end of the process, information saturation was noted and this was deemed to indicate the validity and reliability of the interviews. Each interview took an average forty five minutes. The interviews were semi structured and based on an interview guide that contained both close ended and open ended questions. Interviews were conducted during the times that were convenient to the social entrepreneurs. As a result most of them were conducted during lunch time and the researcher offered refreshments during the interviews. The interview guide that was used during the data collection was designed following the research questions and was scrutinised by research experts from the entrepreneurship Department of a major University in the Western Cape province.

### Data Analysis

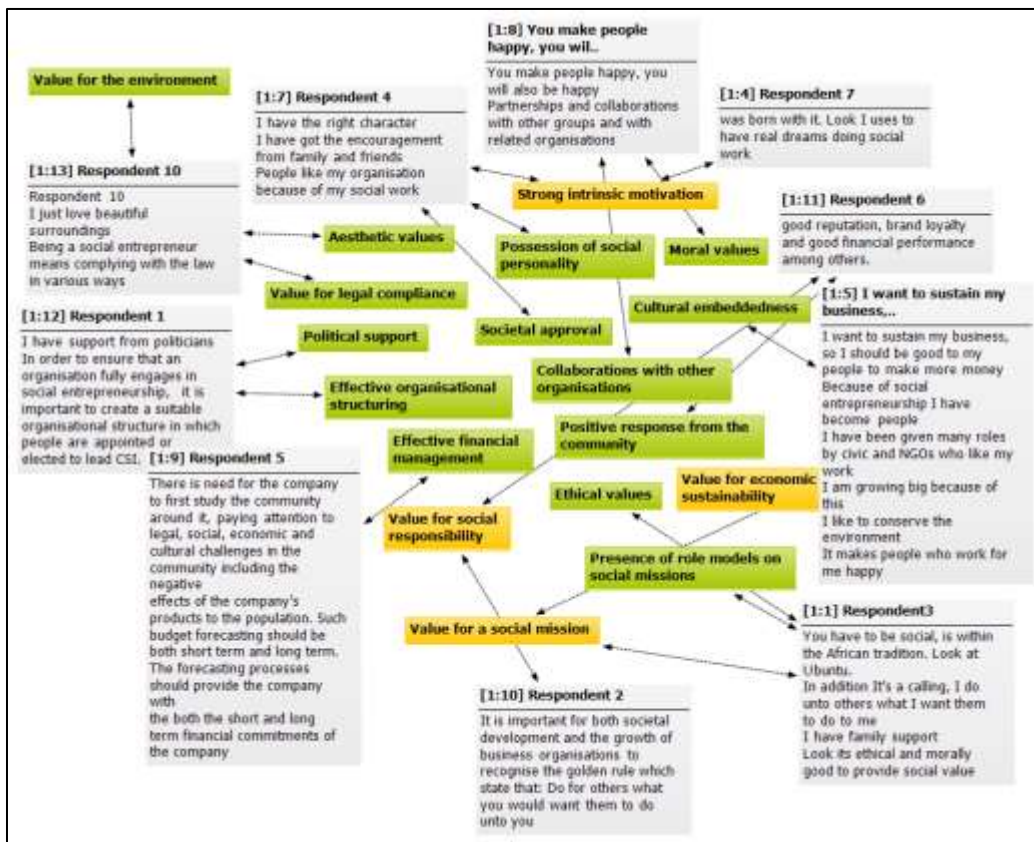
The results of the 10 interviews were then analysed using Atlas ti (qualitative data analysis software). Relevant quotations were extracted from the interview transcripts and a coding system involving both in vivo codes and thematic codes was applied to the transcripts. The coding process and the extraction of relevant quotations from the transcripts enabled the reduction of data to attend to the research questions set for the study.

### Determinants of Sustainable Social Entrepreneurship

The first research question was set to establish the determinants of sustainable entrepreneurship in the respondents' environment. An analysis of responses provided by the participants showed that they can be classified into certain categories namely: responses with a value for the environment, aesthetic values which were based simply on a drive to have a beautiful environment, value for legal compliance, value for economic sustainability, value for social responsibility, value for a social mission and strong intrinsic motivation among other important determinants for sustainable social entrepreneurship. In other words, respondents felt that these values are important in ensuring sustainable social entrepreneurship. Figure 1 shows quotations from the responses provided by participants and the codes or categories that were generated for them.

**The determinants of sustainable social entrepreneurship:** The results shown in Figure 1 seem suggest that there are various values, situations and attitudes that promote sustainable entrepreneurship among the respondents that were interacted. Firstly, the study noted that a social entrepreneur who values social responsibility and the environment in general tend to be sustainable. This finding should be considered in line with Krueger cited in Urban and Kujinga (2017) who argues that intention is a critical predictor of success in any activity. Value and passion for social entrepreneurship in the context of this study seems to suggest the existence of the intention to engage in social entrepreneurship. In the same way, Lee (2015) recognises the social responsibility dimension that drives sustainable social entrepreneurship. Stimpson and Farguhason (2010) provided that social entrepreneurship is driven and made sustainable by the pursuance of certain values which include legal, political, psychological, moral and ethical values that are of benefit to the society. Evidence found in this study seems to support the

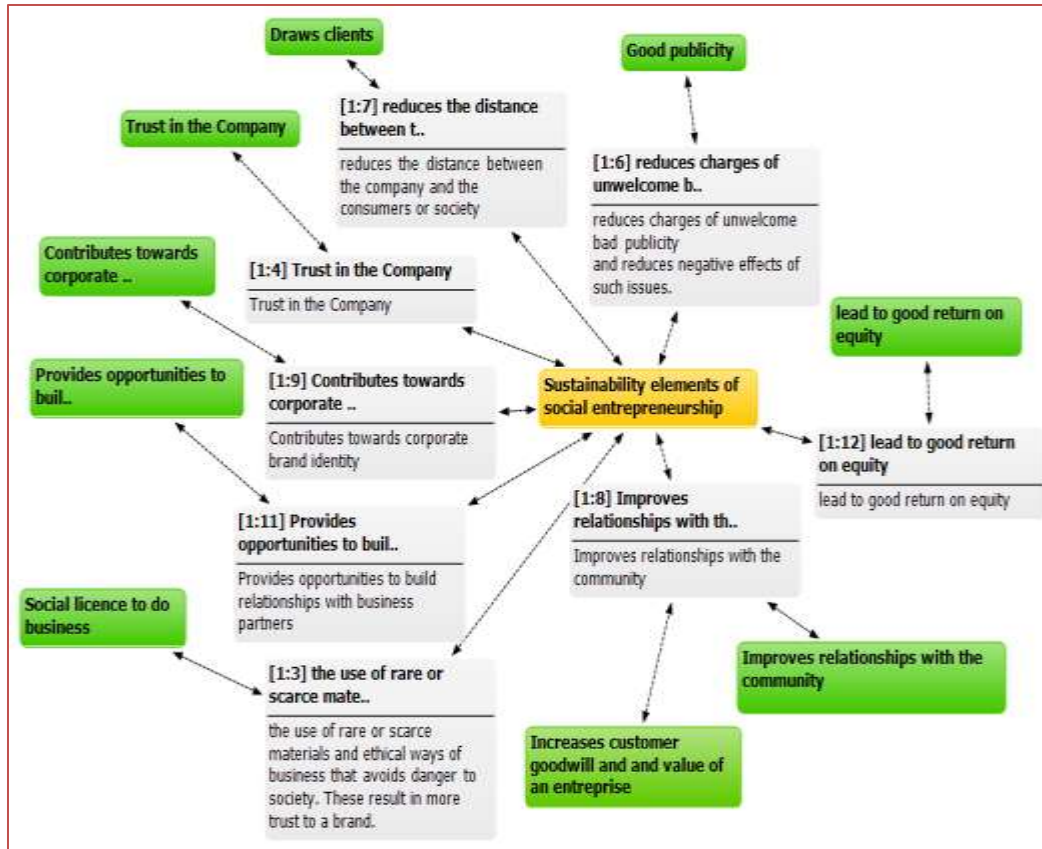
literature and add on other determinants for successful social entrepreneurship. It was also found that sustainable entrepreneurs tend to possess an intrinsic motivation to achieve certain social missions. Herrington et al. (2009) commended that there is a correlation between social entrepreneurship and the possession of a social personality. Quotations extracted from the interviews also indicated that societal approval and the positive response from the society which can be evidenced by social partnerships and collaborations tend to ensure sustainable social entrepreneurship. From the above, it can be concluded that sustainable social entrepreneurship is spurred by both personal and societal dimensions support mechanisms within a society. The present study also noted that societies that have social entrepreneur role models also tend to sustain the challenges associated with social businesses in the long run.



**FIGURE 1**  
**CODING NETWORK DIAGRAM FOR THE DETERMINANTS OF SUSTAINABLE ENTREPRENEURSHIP**

**The relationship between social entrepreneurship and the sustainability of small businesses:** Respondents were asked to reflect on the ways in which social entrepreneurship has allowed their businesses to sustain the economic environment. A number of benefits arising from social entrepreneurship were cited as shown in Figure 2. Quotations were extracted from the response provided and thematic or in vivo codes were assigned to the quotations.





**FIGURE 2**  
**SOCIAL ENTREPRENEURSHIP AND SUSTAINABILITY**

When Figure 2 is considered, it can be noted that there is a relationship between social entrepreneurship and the sustainability of small businesses. The relationship is favourable because there are significant benefits that seem to be associated with social entrepreneurship. Respondents indicated that social entrepreneurship offers the social licence that is essential for a small business entrepreneur to operate and serve in a certain locality. These findings echo similar statements from Stimpson and Farquharson (2010) who argues that social entrepreneurship provides a powerful way to build a trusted and liked brand. The present study also found that social entrepreneurship draws clients, increase customer goodwill, improves relationships with the community and lead to favourable return on investment. These benefits clearly point to a positive relationship between social entrepreneurship and the sustainability of small businesses.

## CONCLUSION

The study was set to explore two questions, namely: (1) what are the determinants of sustainable social entrepreneurship in black South African townships? and (2) what is the nature of the relationship between social entrepreneurship and the sustainability of small businesses in black South African townships? The study has shown that sustainable social entrepreneurship is based on certain values which have been provided in earlier sections. The determinants that were established in this study were mainly based on the personal attributes of the entrepreneur which

were largely centred on the values that the entrepreneur have. Therefore it appears that social entrepreneur possess certain values which propel and urge their performance. On the other hand, it was found that social entrepreneurs enjoy certain advantages and benefits in the community that they serve. This ensures their viability and sustainability. This study seems to suggest that social entrepreneurship is associated with sustainability of social entrepreneurs.

## RECOMMENDATIONS AND FUTURE RESEARCH

This paper considered the essential role of social entrepreneurship for the sustainability of small businesses. The business environment, however, is dynamic and future research should take onto considering issues such as the impact of the Covid-19 pandemic on small businesses and the possibility of promoting social entrepreneurship for the success of small businesses. The study also recommends the use of a larger sample to investigate the phenomenon. The use of a different research design such as the completion of quantitative questionnaires over a wider geographical space is also recommended in order to generate significant evidence for the phenomenon. It is also recommended that entrepreneurs should consider engaging in social entrepreneurship to ensure that their venture support environmental turbulence. The determinants pointed in this study should be appreciated in increasing social entrepreneurship capabilities.

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