

The Clash of Missions: Juxtaposing competing pressures in South Africa's Social Enterprises

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Abstract: This study examines the question of how defining the domain of action affects the configuration of processes that allow social enterprises to scale their impact. Financial and other resources are needed to ensure that a social enterprise can fulfill its mission. However, the resource-seeking mandate is also a distraction that adds a layer of complexity to the operations of any social enterprise. By analyzing operating scenarios based on the logic of control versus the logic of empowerment; and the logic of power versus the logic of social embeddedness we examine the process trade-offs that enhance or limit social impact. This study used selected cases in South Africa. Our findings place a premium on efficiency in resolving process trade-offs, because for a given domain of action the focus on value creation diminishes the feedback loop for value capture. We also propose that value chain processes must be controlled to the extent that the enterprise acts as a custodian of community empowerment for its target beneficiaries.

Keywords: social enterprise, social impact, enterprise sustainability, Africa

JEL Classification Codes: M14, L26, O17

Introduction

The activities of social enterprises need to be conducted efficiently to achieve the intended impact and to provide some assurance of sustainability. Demonstrating evidence of impact is critical to gaining buy-in from stakeholders. However, hard evidence on specific projects may not always be available at the time the participation of stakeholders is being sought. Under these conditions, positive signaling effects may be achieved through formalized structures and routines, and conforming to traditionally recognized benchmarks such as transparency and accountability (Aldrich 2008, DiMaggio and Powell 1991, Fury 2010). On the other hand, creating such formalized structures in an institutional environment may be counter-productive for a social enterprise in a task environment that directly responds to the needs of its beneficiaries. Less formalized structures could help an enterprise to engage in reliable exchanges in the task environment (Patel 2011) under the expected conditions of uncertainty in the social space. A task approach may also reduce the administrative burden on the enterprise. Consequently, a tension exists between increasing the level of formalization in an enterprise and increasing the flexibility of its processes. The tension creates a need to balance “firmness” and “flexibility” (Vega 2006), and may be manifest in process issues: trade-offs between differentiating the enterprise to compete for funding, and creating sufficient common ground for collaboration; trade-offs between organizing the value-delivery system around the primary social mission, and allocating resources to ensure that the supporting commercial mission is sustained. Short, Moss and Lumpkin (2009) call for Operations Management contributions in the social entrepreneurship literature to help resolve such trade-offs and clarify process design issues for social enterprises. This study is a response to that call.

Process trade-offs in Social Enterprises

The main activities engaged in by social enterprises globally include education, health, enterprise development, children and youth, rural development and environment among others (Zikou, Gatzoufa and Sarri 2012). These activities usually occur in areas with unequal opportunities for access; they have become important mostly because of the declining provision of essential services by states and the challenge for communities to be more self-reliant (Kuratko 2005, Mulgan 2006). Social enterprises have a primary objective to alleviate social burdens using financially sustainable business models in which surpluses are reinvested to support the primary mission (Steinman 2010). For the most part, they need partners to help them introduce change that is commensurate with the size of the social problem. However, the pool of partners providing grants has dwindled in favor of partners that award competitive contracts (Brinckerhoff 2000). The funding shift has forced organizations with social missions to blend social values with business principles including management systems, quality standards and marketing in order to win such contracts (Emerson 2006, Nicholls 2006, Pearce 2003; Smallbone et al. 2001). This blend may actually be useful for building the intervention capabilities of social enterprises. The skillful integration of service performance frameworks, for example, could improve internal process efficiency of social enterprises by aligning their activities with their mission. On the other hand, questions have been raised about whether such a business-like transition is sensible for a sector built on community, trust and togetherness Bull (2008).

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