

Social enterprise: Converging social and profit missions

The objective of a social enterprise is to address social problems through a financially sustainable business where surpluses (if any) are reinvested for that purpose. **Marcus Coetzee**, a management consultant who specialises in social impact organisations, provides insight on how non-profit organisations (NPOs) and companies can support social enterprising in South Africa.



Please comment on the state of social enterprise in South Africa. Is the sector growing? If so, what is driving this growth?

Social enterprise is still in its infancy in South Africa, but is growing steadily. This growth is driven by several factors. On one hand, NPOs are trying to earn revenue to sustain themselves and expand their impact. On the other hand, many entrepreneurs are trying to establish businesses with heart. I believe there is a convergence between the non-profit and private sectors.

In South Africa, do most social enterprises have their origins in NPOs, or have most been started as new mission-driven for-profit companies? How does this compare internationally?

The 2018 *Social Enterprise in South Africa* survey found that only 27% of respondents had a for-profit legal form, though 8% did report having a hybrid structure. In contrast, the UK *State of Social Enterprise Survey 2017* found that almost half of respondents had assumed a for-profit legal form. This echoes my experience. South African social enterprises are primarily emerging from the non-profit sector and learning how to build robust businesses and revenue streams.

Please comment on South Africa's lack of a policy or legal framework for social enterprises.

Firstly, the Economic Development Department, supported by the International Labour Organisation, is busy developing a social economy strategy for South Africa, which will address this issue. Secondly, social enterprises are covered by, and benefit from, much of the existing policy framework for businesses and NPOs. The existing framework already provides lots of opportunities for social enterprises that know how to navigate it.

How should an NPO determine whether to start, or transition, into a social enterprise?

I believe all NPOs would benefit from becoming more entrepreneurial and applying some business thinking to how they operate. Whether it is possible to adopt the business model of a social enterprise will depend on the specific NPO's situation. Nevertheless, all NPOs that are struggling to overcome the constraints of traditional funding would benefit from cultivating some revenue streams.

What are some of the challenges that an NPO could encounter when transitioning into a social enterprise and where can they find support?

The challenges in what I call the 'journey to social enterprise' include learning how to test the feasibility of business ideas, market oneself and shift one's mindset and organisational culture to be more entrepreneurial and performance-orientated. Fortunately, there are a multitude of support services for social enterprises. I'm most familiar with the work of the Social Enterprise Academy, Bertha Centre for Social Innovation and Entrepreneurship at UCT and Network for Social Entrepreneurs at GIBS.

What type of finance can be accessed by social enterprises for start-up, scaling and growth?

Accessing finance has nothing to do with whether an organisation is a social enterprise, but rather whether it has a sound and financially viable business model, and can provide convincing evidence of these. Banks worry more about financial risk than social impact. Social enterprises should accept that they get no special privileges; they must compete with businesses to get loans and investment.

Should companies support social enterprise? If so, should this be done through the CSI function or another area?

Yes, I believe companies should support social enterprise as a means to enhance their social impact. How this is done will depend on the type of work that the company and social enterprise is doing. Support can come in the form of a donation from the CSI budget, sponsorship from the marketing budget, purchasing from a social enterprise via the procurement department, providing support through an enterprise development programme or even bringing the enterprise on as shareholders.

What are some of the benefits and challenges for companies when supporting social enterprise?

In addition to the benefits of using them as suppliers, a company would be supporting a new approach to achieving social impact – one that does not depend on a constant stream of donor funding for an organisation to survive. The biggest challenge is for companies to realise that the majority of social enterprises in South Africa are very small and need business support, finance and market access in much the same way that a for-profit entity would. Social enterprises sustain themselves by adopting solid business principles.

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