Institutional framing of CSR and social entrepreneurship interactions in South Africa

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Institutional Framing of CSR and Social Entrepreneurship Interactions in South Africa

Dr David Littlewood,
Lecturer in Reputation and Responsibility, Henley Business School,
Greenlands Campus, Henley-on-Thames, Oxfordshire, RG9 3AU, UK.
Tel: +44 (0) 1491 414 559.
Email: d.c.littlewood@reading.ac.uk

Dr Diane Holt
Senior Lecturer in Management
Essex Business School, University of Essex

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Abstract

Objectives. This paper considers the intersection of Corporate Social Responsibility (CSR) and social entrepreneurship in South Africa through the lens of institutional theories and draws upon a number of illustrative case study examples. In particular it: (1) charts the historically evolving relationship between CSR and social entrepreneurship in South Africa, and how this relationship has been informed by institutional changes since the end of apartheid, particularly over the last few years; (2) identifies different interactional relationship forms between social enterprises and corporates engaging in CSR, with an emphasis on new innovative multi-stakeholder partnerships; and (3) considers internal engagements with social responsibility by SME social enterprises in South Africa.

Prior Work. Reflecting South Africa’s history of division, the controversial role of business during apartheid, and the ongoing legacies of that period, the South African government has been particularly pro-active in encouraging companies to contribute to development and societal transformation through CSR and Black Economic Empowerment (BEE). Accordingly a substantial body of work now exists examining and critically reflecting upon CSR and BEE across a range of sectors. In response to perceived problems with BEE, efforts have recently been made to foster broader-based economic empowerment. However the implications of these transitions for the relationship between CSR and social entrepreneurship in South Africa have received scant academic attention.

Approach. Analysis is undertaken of legislative and policy changes in South Africa with a bearing on CSR and social entrepreneurship. Data collected during fieldwork in South Africa working with 6 social enterprise case studies is utilised including qualitative data from key informant interviews, focus groups with stakeholders and observational research.

Results. The paper considers the historically evolving relationship between CSR and social entrepreneurship in South Africa informed by institutional change. Five different relationship forms are identified and illustrated with reference to case examples. Finally internal engagement with social responsibility concerns by small and medium social enterprises are critically discussed.

Implications. This paper sheds light on some of the innovative partnerships emerging between corporates and social enterprises in South Africa. It reflects on some of the strengths and weaknesses of South Africa’s policy and legislative approaches.

Value. The paper provides insights useful for academic and practitioner audiences. It also has policy relevance, in particularly for other African countries potentially looking to follow South Africa’s example, in the development of legislative and policy frameworks to promote corporate responsibility, empowerment and transformation.

Acknowledgments
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Institutional Framing of CSR and Social Entrepreneurship Interactions in South Africa

Introduction

It is almost two decades since the end of apartheid and South Africa’s first democratic election. Upon gaining office in 1994 the then and current African National Congress (ANC) government committed to the social, economic and political transformation and development of South Africa, and to addressing the historical imbalances created by the apartheid system. Since that time, the economic empowerment of historically disadvantaged groups (black but also Indian, mixed race ‘coloured’ and in some instances women and people with disabilities) has been regarded as a key national development priority, with legislation and policies enacted to encourage and push through this process. However to date progress in transforming South Africa’s society and economy, and tackling the legacies of apartheid, has been mixed. South Africa remains a deeply unequal society, scoring 63.4 on the Gini index (World Bank, 2009). While this is an improvement on the 69 Gini index score achieved in 1996, South Africa remains one of the most unequal countries in the world. Similarly, whilst showing long term positive trends, access to basic services like sanitation and safe drinking water in South Africa remains complicated. According to the latest estimates 91% of the population has access to safe drinking water, which compares favourably to previous 83% or 62% variously reported in 1994 (Sonjica, 2011; World Bank, 2013). However it has been suggested that recent figures are overstated, particularly in relation to water quality and quantity, and the exclusion from safe drinking water experienced by marginal rural communities and households (Africa Check, 2013). Overall national poverty levels in South Africa increased in the first decade after apartheid. These are now declining but remain significantly high, with 31% of the population still estimated to live below the national poverty line (CIA World Fact Book, 2013).

These are just some of the development challenges faced by South Africa, other challenges include high levels of long term unemployment, low skill levels linked to pre and post-apartheid deficiencies in education, and a high national HIV/AIDS prevalence estimated at 17.9% (UNAIDS, 2013). Business potentially has a key role to play in South Africa’s transformation process. However private sector organisations are also regarded as important actors in addressing wider national development challenges. These actors include both traditional for-profit businesses through corporate social responsibility (CSR) practices and interventions, but also increasingly social enterprises and ventures that utilise business approaches and techniques in addressing social problems. In line with global trends and developments on the rest of the Continent there is increasing interest in, and engagement with, social entrepreneurship and innovation in South Africa as mechanisms for addressing complex ‘wicked’ sustainable development problems (after Rittel and Weber, 1973). This is reflected in growing international and domestic research on social entrepreneurship and innovation in Africa and elsewhere (e.g. Granados et al., 2011), the creation of learning hubs for academic and practitioner knowledge exchange in South Africa such as the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town, the formation of practitioner networks such as the African Social Entrepreneurs Network (ASEN), and training entities such as the South African Social Enterprise Academy.

While there is growing academic interest and research on social entrepreneurship and innovation in South Africa, and across the African continent more widely, at present this research remains quite nascent and fragmented. In both instances, research that is theoretically informed but which also draws upon rich empirical data is limited. Many questions and themes for further enquiry remain, for example feeding into wider international debates there is still little consensus on the definition of an African social enterprise, social entrepreneur or social entrepreneurship including how they differ from more traditional and western centric incarnations and variants. Sub regional differences are equally under explored in terms of differences in context and environment, for example how social entrepreneurial processes and the landscape of social enterprise in South Africa may differ from that in Kenya or Mozambique. At present definitional debates and decisions are predominantly occurring in US and European forums, largely drawing upon understandings, experiences and voices from the developed world. There is a need more disparate voices and perspectives to these discussions from places such as South Africa, but also the wider developing world.

Attention to context and environment is a similarly key theme in CSR research, where there are calls for a more “Southern” or developing world oriented research agenda (Idemundia, 2008). As with social entrepreneurship, it is similarly argued that much of the current debate around the meaning of CSR, and what the social, environmental and development responsibilities of companies actually are, is occurring between business, academics, civil society and state actors predominantly in the developed world (Jeppesen and
Lund-Thomsen, 2010). The appropriateness and legitimacy of these understandings and practices when applied to developing countries with very different institutional contexts, business environments, and norms of business society interaction, is potentially questionable (e.g. Fox, 2004).

This paper speaks to this need to consider context, environment and institutions in both CSR and social entrepreneurship research and literature. In this paper a contextual lens informed by institutional theories is applied in considering the intersection of CSR and social entrepreneurship in South Africa. In addressing this nexus this paper addresses a subject area that has received little academic attention to date. Drawing upon empirical and predominantly qualitative research undertaken with six South African social enterprise case studies, this paper has three key aims which also structure the paper: Firstly we chart the historically evolving relationship between CSR and social entrepreneurship in South Africa, and how this relationship has been informed by institutional changes which have occurred since the end of apartheid and particularly over the last few years; secondly we identify different interactional relationship forms between social enterprises and corporates engaging in CSR, including new innovative multi-stakeholder partnerships; and thirdly we consider internal engagements with social responsibility by small and medium social enterprises in South Africa, including how these engagements have developed in response to overarching institutional change.

**CSR in South Africa – A Research Review**

The meaning and practice of CSR varies between countries, informed by different business and institutional environments (Gjelbe, 2009; Matten and Moon, 2008). Despite a substantial and growing literature (Crane et al., 2008; Lee, 2008; Lockett et al., 2006) there is no common or universally accepted definition of CSR (Blowfield and Frynas, 2005). Efforts to create such a definition are furthermore complicated by factors like the varied use of CSR to describe both practical engagements by companies with social responsibility issues, but also as a wider research agenda concerning what Carroll (1979) identifies as the economic, legal, ethical and philanthropic responsibilities of business. Another source of complexity is the wide variety of issues that can be considered under the rubric of CSR; everything from philanthropy and community development to worker rights and corporate governance (Blowfield and Murray, 2008; Wherther and Chandler, 2011). Another layer of complexity relates to terminology; with the vocabulary of business/society debates constantly changing and expanding. Terms like corporate citizenship, sustainability, and the triple bottom line have all been adopted into the lexicon of CSR debates, aimed variously at replacing, redefining or complementing existing CSR concepts (Blowfield and Frynas 2005). In some instances the deployment of these terms may be linked to specific aspects of CSR, in others they may simply be employed interchangeably. However preference for certain terms may also reflect contextual factors, for example Fig (2005) discusses how businesses in South Africa generally eschew CSR in favour of terms like corporate social investment or ‘corporate citizenship’, suggesting that unlike CSR these terms raise no questions about legacy, justice, or moral and historical responsibility, particularly in relation to the role of businesses during apartheid.

Definitions of CSR often highlight its voluntary nature, where businesses engage with social and environmental issues going beyond legal compliance, for example the widely cited European Commission definition of CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". However such discretionary understandings of CSR can become problematic when applied to countries and contexts in the developing world (Carron et al., 2006). Compliance with laws and regulation is often regarded as the most fundamental and sometimes only social responsibility of business.

However there are many developing countries where non-compliance with even basic legal standards is widespread, meaning debating whether companies should go beyond legal requirements and adopt voluntary CSR often has little meaning. This point is made by Bhushan (2005) in reference to India, and Lund Thomsen et al. (2005) in relation to Pakistan. Graham and Woods (2006) and Ward (2003) discuss a further complexity relating to voluntary understandings of CSR, noting that voluntary CSR initiatives often have mandatory aspects, while national regulatory frameworks may incorporate voluntary instruments. Additional complexities in relation to CSR as a voluntary process relate to its use as a steppingstone for legislation and legal codification (Klein and Harford, 2005), and also that voluntary CSR action in the developing world can be linked to legislation and the threat of litigation in MNC country of origin, particularly through the US Tort Claims Act (Frynas, 2000; Newell, 2001; Ward 2000). The contextual specificity of CSR, particularly in relation to how it interacts with legislation, is finally illustrated by Hamann et al. (2008), who examine the formation of the ostensibly voluntary Mining Charter in South Africa, highlighting how enabling legislation and the threat of government sanction were key factors in the mining industry's acceptance of the Charter. They argue that the 'hardball bargaining' approach adopted by South Africa's government in negotiations over the Charter and its implementation, call into question its characterisation as 'voluntary'.
A body of work exists which explores national and contextual differences in the understanding and practice of CSR, drawing upon various theories and approaches. In a study particularly useful for this research, Matten and Moon (2008) address the question of how and why CSR differs among countries, and why it changes, drawing upon institutional theories (Di Maggio and Powell, 1983; North 1990) and national business systems approaches (Maurice and Sorge, 2000; Whitley, 1997). Focussing in particular on differences, change, and potential areas of convergence between CSR in Europe and the US, they contrast “implicit” CSR, argued to be more prevalent in Europe, with “explicit” CSR more common in the US. Implicit and explicit CSR are first differentiated on the basis of the language corporations’ use in addressing their relation with society. Companies practising explicit CSR use the language of CSR in communicating their policies and practices to stakeholders, those practising implicit CSR normally will not. It is secondly suggested that they also differ in intent, where explicit CSR is often conceived as a deliberate and voluntary corporate decision, while implicit CSR reflects or is a reaction to a corporation’s institutional environment. While Matten and Moon (2008) focus on the US and Europe they also reflect on how their proposed framework would apply to other regions, including Asia, South America and Africa, and in countries with different institutional environments and national business systems. The usefulness of institutional theories in understanding cross national differences in corporate responsibility and governance is similarly stated by Aguilera and Jackson (2003). In further studies reference is made to how social and cultural environments shape the practice, understanding and attitudes towards CSR in different countries (Orlitzky et al., 2003; Quazi, 1997; Waldem et al., 2006). For example Orpen’s (1987) study of American and South African managers’ attitudes towards social responsibility, which found significant differences between the two based upon the norms and values of their social environments. Other approaches to understanding national differences in CSR are reviewed by Williams and Aguilera (2008), and include: those that compare CSR across a range of countries at one level of analysis focussing on one issue (Cullen et al., 2004); those comparing multiple CSR issues between geographic regions (Doh and Guay, 2006); and those looking at company actions more directly i.e. company reporting practices (Kolk, 2003).

Research examining CSR in Africa remains quite limited and fragmented (Idemudia, 2011). However of the work that exists much of it has focussed on South Africa, providing a variety of insights for this paper. One significant strand of research examines CSR and corporate governance in South Africa (e.g. Andreasson, 2009; Armstrong et al., 2005; Naidoo, 2002; Vaughn and Ryan, 2006). For example Andreasson (2009) considers corporate governance reform in South Africa in the wake of the first and second King Reports4 and with reference to the third King report released in 2009, locating South Africa’s hybrid approach to corporate governance in the continuum of shareholder and stakeholder models of capitalism, and in terms of its affinity with Anglo or American approaches. He suggests that for a variety of pragmatic and historical reasons South Africa’s approach to corporate governance is more akin to that in the UK than the US, while also having its own national specificities. Such specificities might include how corporate governance in South Africa draws upon communitarian ‘African values’ like Ubuntu (West, 2006), creating a hybrid ‘African’ governance model. A related strand of work explores the intersection of CSR with Black Economic Empowerment (BEE) (see Hamann et al. (2008), Juggernath et al. (2011) and Arya and Bassi (2011) for further exploration).

The overlaps between CSR and BEE in South Africa are myriad, with some suggesting that given the prominence of BEE in dominant discourse around the social responsibilities of businesses in South Africa it might be argued that BEE to a large extent corresponds to the negotiated definition of what CSR means in the South African context (Hamann et al., 2006). Although in Fig’s (2005) overview discussion of CSR in South Africa while themes of legacy, transformation and historical responsibility are addressed, relatively little explicit attention is given to BEE legislation and frameworks. Relevant extant studies work addressing BEE, though removed from a particular focus on CSR, includes: those charting its history and evolution (e.g. Edigheji, 2000; Jack, 2006); examining the intersection of BEE, politics, governance and business (e.g. Iheduru, 1998; Ponte et al., 2007); critical perspectives on BEE and its impacts on business (Alessandri et al., 2011) and impacts for society especially criticism that BEE remains mostly about the creation of a black elite and has few benefits for the poor and vulnerable (e.g. Eliliary, 2010). Studies also include sector and company specific analysis of BBE initiatives, for example analysis by Ayra et al. (2008) of transformation in the financial services sector with particular reference to the ABSA Group Limited, or by Ponte and Sittert (2007) who investigate the ‘chimera’ of redistribution in South Africa’s fishing industry.

How particular sectors or individual companies operationalise CSR practices may also vary especially in partnership with other actors. In particular some of the extant studies examine multi-stakeholder partnerships between companies engaging in CSR and NGOs, government and community actors, leveraging their respective skills and competencies to create positive social outcomes. For example in his analysis of CSR community development activities by mining companies in South Africa’s North West and Limpopo Provinces, Hamann (2004) discusses the challenges and potential benefits of companies working in partnership with local government, community groups and local NGOs. The question of how civil society should respond to CSR and the potential for partnerships with particular reference to South Africa is furthermore discussed by
Hamann and Acutt (2003). They critically consider and unpack the underlying motivations for business to both engage in CSR, and to enter into partnerships with civil society actors. They also consider the benefits and threats for civil society groups in working with companies, concluding that such partnerships can aid civil society actors but that a critical position needs to be adopted in cooperation, what they term ‘critical cooperation’. Moving away from a focus specifically on South Africa to a wider level, a number of recent studies have considered partnerships between MNCs engaging in CSR and NGOs in other African countries. For example Kolk and Lenfant (2012) consider the dynamics of such partnerships in the Democratic Republic of the Congo, while Nwankwo et al. (2007) consider the intersection of CSR social investment, community enterprise and the development of water resources focussing on Nigeria.

**Social Enterprises and Entrepreneurship in South Africa**

There is growing academic interest in social enterprises and social entrepreneurship, and their potential role in sustainable development and poverty alleviation in the developing world. This interest reflects increasing engagements with social innovation by a range of development actors including national governments, development agencies, multilateral institutions, NGOs and more traditional businesses. For example in 2001 the United Nations launched its SEED Initiative, a global partnership on sustainable development and the green economy, which identifies alternative social and environmental entrepreneurship as critical for improving incomes, strengthening livelihoods, and tackling marginalisation and poverty in the developing world, in ways that are sustainable and conserve natural resources and ecosystems (SEED and IISD, 2009). More recently in 2010 the United States Agency for International Development (USAID) initiated its Development Innovation Ventures Department, with the aim of finding and supporting “innovative breakthrough solutions to the world's most important development challenges” (USAID, 2013). Furthermore as international donor funding regimes have shifted, most recently informed by austerity but also in a broader sense driven by aid fatigue and scepticism amongst donor and recipient country constituents, NGOs are moving into social enterprise spaces and being expected to become more self-sufficient through income generation (Munoz, 2010). Finally, through Base of the Pyramid (BoP) initiatives, MNCs are increasingly interacting with the poor as customers, producers, micro entrepreneurs and service users. Popularised by authors like CK Prahalad, Ted London and Stuart Hart, BoP approaches argue that there is ‘a fortune waiting at the bottom of the pyramid’ for those companies, that can tailor their products or services to tap into low income markets (Prahalad, 2004). More recently ‘generation 2.0’ BoP strategies have stressed the opportunity for co-creation of value within BoP communities to support social uplift (London and Hart, 2011). BoP programmes and interventions often make use of new innovative sustainable development technologies, and involve social enterprises working in partnership with MNCs, or increasingly are initiated by social enterprises directly (Wheeler et al., 2005).

Developing shared understandings and definitions of social enterprise, entrepreneurship and innovation remain key areas of discussion in social entrepreneurship research, with their definition complicated by issues of context and environment (Mair and Marti, 2006). While there is no universally accepted definition of a social enterprise, particularly in relation to such enterprises in the developing world, a number of frequently cited characteristics can be identified. For example the centrality of a social or ethical mission is a common thread in many social enterprise definitions (Dees, 2003; Defourny and Nyssens, 2006; Munoz, 2010; Peattie and Morley, 2008), while the primacy given to social over economic value creation is regarded as a key boundary condition separating such enterprises from traditional businesses, even those engaging in advanced forms of CSR. Income generation through trading is a second widely recognised trait of a social enterprise, and an important way in which they are distinguished from charities or non-trading NGOs (Langdon and Burkett, 2004; Smallbone et al., 2001; Social Enterprise London, 2011). Other commonly identified attributes include participatory governance structures where there is active stakeholder involvement (Defourny and Nyssens, 2006; Thompson and Doherty, 2006); limited profit distribution or profits reinvested for a social purpose (Langdon and Burkett, 2004); a non-profit maximising approach to business (Defourny and Nyssens, 2006); and innovation in addressing social problems or needs (Dees, 2003). To date there has been very limited explicit discussion of the characteristics of African social enterprises, how they might differ from social enterprises in the developed world and also other parts of the developing world, as well as variation between social enterprises in different African countries. For example in countries on the Continent with different colonial histories, in peaceful versus conflict or post-conflict societies, between countries with relatively high and low levels of corruption, and stronger and weaker legal environments and institutions. The following consideration of social enterprise and entrepreneurship in a specifically South African context and institutional environment therefore makes a timely contribution to emerging discussions in this area (Kolk and Rivera-Santos, 2012).

Academic literature and research on social enterprises, entrepreneurship and innovation in South Africa remains relatively sparse, particularly compared to the more developed bodies of work around CSR, BEE and their intersection. Where reference is made to South African social enterprises, it is often as part of a wider
review of international case studies, for example Thompson and Doherty (2006) consider the social enterprise ‘Play Pumps’, operating principally in KwaZulu Natal, as one of eleven social enterprise ‘stories’. Play pumps operating model involves the installation of special bore hole water pumps which are powered by the rotational movement of an integrated children’s roundabout. Perhaps the most comprehensive study of South African social enterprises to date was conducted by researchers at the University of Johannesburg with support from the International Labour Organisation (ILO) and Belgian government. This study involved case study work with 24 South African social enterprises, examining: their backgrounds and history; their business models including the products or services they offer, their business form, target market, and replicability; and the challenges they face with an emphasis on best practice learning. From this research a number of tools, guides and training materials for social enterprises in South Africa were developed as well as reports addressing themes like measuring social enterprise impact (Fonteneau, 2011) and creating an enabling policy environment for social enterprise development (Steinman, 2010). Moving beyond the social enterprise as the exclusive focus of analysis, Urban (2008) considers the landscape and context surrounding social entrepreneurship in South Africa, with a particular focus on the skills, competencies and characteristics of successful social entrepreneurs. Work by Hamann et al. (2013) also considers social enterprises, entrepreneurship, and innovation in South Africa more broadly, and their manifestations in other African countries, while Karanda and Toledano (2012) deploy a narrative lens in discussing social entrepreneurship in South Africa, reflecting how the meaning of “social” changes is re-interpreted in South African and wider developing world environments, as well as the challenges social entrepreneurship faces in Africa. Limited academic research on social entrepreneurship in South Africa can be supplemented by practitioner and grey literature, for example Fury (2010) who discusses social enterprise development in South Africa, and opportunities to create a virtuous cycle of investment, start-up and social impact. Meanwhile Meldrum (2011) considers social impact measurement and the application of European models and knowledge to an African context with reference to social innovation in the Western Cape. Organisations such as the Social Enterprise Academy Africa, the African Social Entrepreneurs Network, and UnLtd South Africa are also producing a range of training and education material available.

**Methodology**

This paper draws upon research undertaken as part of a wider project examining social and environmental enterprises and their role in sustainable development and poverty alleviation in East and Southern Africavi. As part of this research, fieldwork was undertaken working with 20 social and environmental enterprise case studies in Kenya, Zambia, South Africa and Mozambique. In particular this paper draws upon data collected from a subset of 6 South African social enterprise cases (see Table 1 for further details).

The cases were predominantly urban, both in terms of where they were located and where the majority of their interventions and activities occurred. They were mostly based in Western Cape Province, with one case drawn from Gauteng Province. However often the cases were active and had direct and indirect impacts in other parts of the country, i.e. interventions with more disparate communities or households, wage remittances from employment.

Qualitative methods of data collection were primarily employed including interviews and focus groups, observation research, and analysis of secondary materials i.e. annual reports. Analysis of relevant legal and policy documents was also undertaken. In total 45 interviews and focus groups were conducted across the different case studies with key informants and stakeholders i.e. founder social entrepreneurs, managers, staff representatives, employees, community leaders and members, and service users. Data was collected during fieldwork in November 2011, and May to June 2012. Participants were primarily identified and recruited in collaboration with partner organisations in order to manage issues of access and trust, but the researchers were not specifically accompanied by representatives of the organisation. Verbal informed consent was used and the research team was accompanied by translators where necessary. The discussions with respondents were undertaken with one or both of the authors of this paper present. Interviews and focus groups were recorded where possible, although participants were given a choice in this. The recording equipment was place in full view of the respondents and no-one within the 6 cases declined the researchers’ request for recording. Recordings were then transcribed for data analysis, with some back checked for translation accuracy. The discussions were guided by a broad interview protocol informed by the antecedent literature but discussions were also exploratory allowing researchers to follow emergent themes. Key themes and insights were identified from the interviews and focus groups through a primarily inductive coding process.
Finally the cognitive pillar focuses on individual beliefs and expectations of their institutional environment, as well as their role in change to reflect the legislative, normative and cognitive requirements. This pillar might be understood as the 'best practice' or 'regulative' pillar, as the idea that organisations and their behaviours are shaped by the institutional environment in which they are located and their activities occur (Scott, 2001). The degree of autonomy and agency organisations have relative to their institutional environments, as well as their role in establishing, and ability to influence such environments, is a significant area of difference between new and old institutional theories (Barley and Tolbert, 1997; Burns and Scarpens, 2000). Institutional environments are commonly considered to comprise three principal elements, the regulative, normative and cognitive ‘pillars’ (Scott, 2001). Hoffman (1997, p.36) outlines a useful way of conceiving these pillars, as a continuum moving “from the conscious to the unconscious, from the legally enforced to the taken for granted”.

When applied at a national level of analysis, the regulatory pillar might be understood as the laws and rules in a particular country that promote certain types of behaviours and restrict others (Kostova, 1999). In that same national institutional environment, the normative pillar would represent those values, norms, beliefs and assumptions that inform particular types of behaviour. Finally the cognitive pillar focuses on individual understandings, and how certain types of behaviour become embedded and taken for granted as the way things are done. New institutional theories posit that organisational structures and behaviours develop and change to reflect the legislative, normative and cognitive requirements and expectations of their institutional environments, adherence to which ensures organisational legitimacy. Variants of isomorphism are suggested to drive this process. For example coercive isomorphism, linked to regulative institutional dimensions, is the requirement that organisations adhere to national legal frameworks. Meanwhile mimetic isomorphism is the process whereby organisations move towards ‘best practice’ in an area of activity, where this practice is

<table>
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<tr>
<th>Social Enterprise</th>
<th>Activities</th>
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<tr>
<td>Proudly Macassar Pottery</td>
<td>Pottery, production of clay drums and flutes for sale. Training, mentoring and empowerment of young people</td>
<td>Social Investment; Enterprise Development</td>
</tr>
<tr>
<td>Learn to Earn</td>
<td>Skills development and training in a variety of fields. Job creation. Entrepreneurship and business support programmes. The Feel Good Project (tfg)</td>
<td>Social Investment; Procurement; Enterprise Investment; Partnership with Foshini Group on tfg</td>
</tr>
<tr>
<td>The Skills Village</td>
<td>South African secondary cooperative. Facilitates establishment of cooperatives with a focus on events and event planning. Development of a cooperative economy. Use cooperatives and events to address social needs and community problems.</td>
<td>Procurement; Philanthropic; Partnership; Volunteering</td>
</tr>
<tr>
<td>Shonaquip and the Uhambo Shonaquip Foundation</td>
<td>Innovative and sustainable service delivery systems and mobility devices for people with disabilities, particularly those living in under resourced rural regions in South Africa</td>
<td>Procurement</td>
</tr>
<tr>
<td>The Khayelitsha Cookie Company</td>
<td>Produces handmade cookies and biscuits. Empowering employment of women from disadvantaged Khayelitsha township community. Facilitates their personal and professional growth and development</td>
<td>Procurement; Social Investment; Investment; Volunteering; Enterprise Development</td>
</tr>
<tr>
<td>Taunina</td>
<td>Creation of unique handcrafted collectable soft toys. Empowering employment and training of women from disadvantaged communities.</td>
<td>Social Investment</td>
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Institutional Change, CSR and Social Entrepreneurship in South Africa

This paper draws upon new institutional theories as a framework for understanding the changing nature of CSR and its interaction with social enterprises and entrepreneurship in South Africa. Engagement with new institutional theories can be found in research from a range of disciplines, from economics and political science to sociology and human geography. New institutional theories, particularly from a more sociological tradition and drawing upon the works of authors like Di Maggio and Powell (1983), Meyer and Rowan (1977) and Scott (2001), have also been widely deployed in management research, for example in the study of MNCs (Kostova et al., 2008, 2009), their interactions with subsidiaries (Kostova and Roth, 2002), wider organisational change (Greenwood and Hinings, 1996) and legitimacy (Kostova and Zaheer, 1999). Central to institutional theories, both new and old, is the idea that organisations and their behaviours are shaped by the institutional environment in which they are located and their activities occur (Scott, 2001). The degree of autonomy and agency organisations have relative to their institutional environments, as well as their role in establishing, and ability to influence such environments, is a significant area of difference between new and old institutional theories (Barley and Tolbert, 1997; Burns and Scarpens, 2000). Institutional environments are commonly considered to comprise three principal elements, the regulative, normative and cognitive ‘pillars’ (Scott, 2001). Hoffman (1997, p.36) outlines a useful way of conceiving these pillars, as a continuum moving “from the conscious to the unconscious, from the legally enforced to the taken for granted”.

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regarded as particularly legitimate in its organisational field. Finally normative pressures might be especially legitimate standards set by experts or non-governmental authorities. National institutional environments exert a powerful influence on organisational structures and behaviours, yet in an increasingly globalised world, with organisations often active in multiple territories, and needing to retain legitimacy with a variety of spatially dispersed stakeholders and legitimating agents, the role of international isomorphic forces and regulative, normative and cognitive dimension of an organisation’s institutional environment must also be recognised.

New institutional theories have been applied in studies of business and organisations in transition economies, for example work by Kostova and Roth (2003) in relation to economies in East and Central Europe after the fall of communism. The tendencies that some old, inefficient institutions persist even after radical institutional change, and that new institutional structures are in part often built on pre-existing ones, have been noted by a number of authors, see Martin (2004) and Kostova and Roth (2003) for further discussion, including the notions of ‘institutional imperfections’ and ‘institutional baggage’. These works provide insights for consideration of South Africa, which underwent its own major economic, social and political upheavals and transitions following the end of apartheid. New institutional theories have also been specifically applied in studying CSR, with existing work broadly divided between those using new institutional theories to explore the nature of corporate responsibility and CSR as a discourse, agenda and discipline (Bonde, 2008; Marquis et al., 2007) and more empirical works applying them to understand organisational practices, structures and behaviours in particular institutional environments (see for example work by Hamann (2004) on CSR in the South African mining industry).

The institutional environment surrounding CSR and wider corporate responsibility in South Africa has undergone significant transformation since the apartheid period, with substantial shifts in its regulatory, normative and cognitive components. The role of business and the CSR activities of companies in South Africa during apartheid were at the time, and subsequently since, have been the subject of intense debate. From the 1970s in particular, domestic violence and instability intensified in South Africa, creating an increasingly risk operating environment for business. At the same time MNCs working in South Africa were facing growing scrutiny and opposition at an international level over their activities in the country. It was in this context and in response to these challenges that some of the first concerted engagements with CSR began in South Africa. For example, in the aftermath of the 1976 riots in Soweto, a number of South African companies formed the Urban Foundation as a vehicle for business to help improve living conditions in black townships (Hamann et al., 2005). Two years earlier, in 1974, Anglo American and De Beers had jointly launched the philanthropic Chairman’s Fund. However these kinds of engagements were limited to a small number of largely foreign companies, and were still subject to criticism in relation to the juxtaposition of charitable giving with questionable wider operating practices, labour policies and corporate decisions to invest in South Africa. Companies operating at that time in South Africa were seen by many to be at odds with efforts to economically and politically isolate South Africa, and bring about the end of apartheid. In the 1980s, increasing international calls for sanction against South Africa influenced many US firms to disinvest from the country, while other foreign firms endorsed the Sullivan Principles, which outlined responsible business principles for companies operating in South Africa.

The end of apartheid and South Africa’s first democratic elections in 1994 can be considered a moment of radical event driven institutional change (Martin, 2004), whereby understandings of what was acceptable and responsible business behaviour shifted very quickly. Although it should also be noted that in the years preceding the end of apartheid many companies in South Africa had begun to change aspects of their operating practices, and started to address racial imbalances in the terms and conditions of employment. This more incremental change was spurred by various factors including shortages of skilled labour, international pressure, and recognition of the inevitable end of apartheid and the risk of punitive legislation and demands for redress and compensation from future non-racial governments.

Change in the institutional environment informing social responsibility in South Africa was not instantaneous. It took time for new legislation to be prepared, with delays and inertia in company adoption. Since 1994 the South African government has enacted a host of legislation in the arena of corporate responsibility. This includes acts like the Labour Relations Act (1995), the Basic Conditions of Employment Act (1997) and the Mine Health and Safety Act (1996) which establish basic standards and responsibilities in areas like employment, in some instances with reference to particular sectors, bringing South Africa up to date with international norms. However through acts like the Mineral and Petroleum Resources Development Act (2002), the National Black Economic Empowerment Act (2003), and the Cooperatives Act (2005) and their subsequent amendments, the South African government has sought to proactively encourage business to contribute to societal transformation, and legislate to business their wider social and developmental responsibilities. These changes in the regulatory dimensions of corporate responsibility in South Africa have also been accompanied by developments in the normative pillar. The King Reports have promoted better corporate governance in South Africa, and helped foster corporate buy-in and understanding around the need
and operational imperative to take a more pro-active and even leadership role in addressing South Africa’s development challenges. For example in the face of the ineffective government response to HIV/AIDS and recognising, albeit slowly, the threat it posed to sustainable business operations a number of large South African companies began providing antiretroviral treatment to employees and in some instances their families (Rosen et al., 2003; Rosen et al., 2004). HIV/AIDS and wider wellness programmes are now commonplace in larger South African firms. Many companies were also pro-active in addressing empowerment issues, even after delays in the release of codes and criteria by government.

South Africa’s troubled past, contemporary social challenges, and questionable historic interactions between business and society, generate a particular narrative around CSR in the country. The imperative for transformation, and the South African government’s interventions to encourage BEE, are also key components of the contextually distinct nature of CSR in South Africa. This BEE legislation in particular has implications for the way in which corporates and traditional businesses in South Africa interact with social enterprises and the wider social sector, and also how social enterprises, which are often SMEs, engage with the CSR agenda. While South Africa has a well-developed civil society and social sector, engagement and identification with social entrepreneurship by organisations in this sector remains in its infancy. Even where non-profits, NGOs and charities are undertaking social entrepreneurial or innovative activities they may not recognise it in these terms. Furthermore while the number of organisations founded as social enterprises is rapidly expanding, the numbers remain relatively small. Historically CSR in South Africa was largely conceived in terms of charitable giving and philanthropy i.e. companies would donate funds to a local clinic, build a school or supply books to a library. CSR was often quite separated from wider business practices and decision making. While social enterprises might receive philanthropic assistance from companies, there was often resistance to this, with support for local health and education provision perceived as a safer option. For many years there was often only limited consideration of how CSR might apply to supply chains and how working with social enterprises in such channels might generate win-win scenarios for business and society.

However over the last decade in particular the nature of CSR engagements by companies in South Africa has shifted. This can be seen as reflecting change in the national legislative and wider institutional environment around corporate responsibility in South Africa, but also the influence of global developments and advances in CSR best practice which have been adopted by international and domestic firms. For example recognition of issues around supply chain sustainability by the UN Global Compact and World Business Council for Sustainable Development. In South Africa the National Black Economic Empowerment Act (2003) outlines a generic scorecard for Broad Based Black Economic Empowerment (BBBEE). This scorecard has four principle dimensions: (1) direct empowerment and management; (2) human resource development and employment equity; (3) indirect empowerment; and (4) miscellaneous or sector specific issues. Within the Act sector specific BBBEE charters can be drawn up for principles 2-4, for example the Mining Industry Charter and the Finance Sector Charter. Company compliance and progress in transformation is measured according to seven variably weighted components, namely ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socioeconomic development (as illustrated in Table 2).

### Table 2: BBBEE Components adopted from Babarinde (2009)

<table>
<thead>
<tr>
<th>BBBEE Component</th>
<th>Indicators</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>Transfer of ownership to blacks</td>
<td>20 points</td>
</tr>
<tr>
<td>Management Control</td>
<td>Share of black in senior management</td>
<td>10 points</td>
</tr>
<tr>
<td>Employment Equity</td>
<td>Alignment with Employment Equity Act</td>
<td>15 points</td>
</tr>
<tr>
<td>Skills Development</td>
<td>Share of payroll devoted to training</td>
<td>15 points</td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>Procurement from “black-owned” firms</td>
<td>20 points</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>Investment in “black-owned” firms</td>
<td>15 points</td>
</tr>
<tr>
<td>Socioeconomic Development</td>
<td>Supporting community initiatives</td>
<td>5 points</td>
</tr>
</tbody>
</table>

Each company sets its own targets and measures progress internally and/or through an external independent party. While company participation with BBBEE is ostensibly voluntary, it is a requirement and criteria in public sector procurement bids. In the case of the mining industry the investiture of natural resource ownership in the state following the 2002 Mineral and Petroleum Resources Development Act required companies to reapply for mining licences. In theory the granting of such licenses was dependent on companies committing to BBBEE. A further business rational for engaging with BBBEE exists in terms of difficulties in finding other...
economic actors to partner with if a company has not embraced the transformation agenda. Finally there are tax incentives for socioeconomic development activities and BBBEE procurement.

South Africa’s BBBEE legislation and scorecard (Table 2) incentivises corporate engagement with SMEs but particularly social enterprises. Social enterprises in South Africa are often strong in employment equity, black management and ownership, and have a significant focus on skills development and training. As discussed earlier a lack of skills and education is a key development challenge for South Africa, and of the six case studies presented in this paper five are active in this field. Procuring from, investing in, and supporting, social enterprises and wider social ventures through philanthropy can also significantly benefit larger businesses in meeting their BBBEE targets. By engaging with social enterprises companies can amass cumulative BBBEE points, whereby companies provide socioeconomic and enterprise development support to a social enterprise which has high levels of black ownership, management control and equity, and which invests heavily in training, with companies then procuring from that social enterprise. The potential for social enterprises to achieve the highest levels of BBBEE status and its benefits for commercial partners are illustrated by the following interview quotation:

“We are the best you can get. So the BEE scorecard is made up of how much equity the staff owns in the business, your black employees, so like if you have got more than 80 percent or 90 percent black people working in your factory that counts and gives you a higher score, also the wages that you pay, how that is set out, so that all determines your BEE scorecard. So it is quite a complex system and it gets audited. Most of the companies you find in South Africa are on like a level 5 and we are a level 1, and the triple A is for all the additional that we do which other companies don’t. So the higher your rating, and basically it works on if you are like on level 2 then you can claim 100% of tax spend back on the products you are buying. With us you get 135% back so that is the get back, so there is a financial advantage as well for companies using us as a supplier.” (Interview Social Enterprise Marketing Manager)

Fury (2010) suggests that BBBEE legislative changes in South Africa have the potential to create a virtuous cycle where growth in financially sustainable enterprises which tackle key socioeconomic challenges can be stimulated. Recent changes to the South African Cooperatives Act (2005) aims to further encourage this process in both government procurement and the private sector, with an emphasis on even greater inclusion. In the following section some emerging interactional forms and relationships between social enterprises and CSR, stemming from developments in the institutional environment around such activities in South Africa, are reviewed.

Intersections of CSR and Social Entrepreneurship

Social Investment

Proudly Macassar Pottery is a social enterprise based in the town of Macassar in South Africa’s Western Cape. Macassar is a former township near Cape Town with an approximate population of 40,000. Unemployment, substance abuse and gang related violence and criminality are major interrelated problems in the community, particularly amongst young people. Proudly Macassar Pottery uses the production of clay drums and flutes as a means to connect with local youths. It works with young people in Macassar providing them with pottery skills training, business opportunities, advice and support. It also provides wider education and personal development guidance and mentoring, with the aim of empowering young people in the community and helping them to live more sustainable lifestyles. Proudly Macassar is a relatively young social enterprise and grew as part of the ‘Restoring the Sound Centre of Learning’, a ground breaking initiative started by musician Trevor Sampson which has brought world-class musical tuition to Macassar. Other supporters include the not-for-profits ‘UnLtd South Africa’ and ‘Drive More Safely’. However individual donations and private sector social investment related donations have also been significant. For example the Tourism Enterprise Partnership (TEP) is a not-for-profit company funded by government but also the private sector. TEP’s Enterprise Development Programme serves as a conduit for organisations to earn points on their BBBEE scores whilst contributing to job creation and transformation. Bridging organisations like TEP are significant actors in the landscape of social entrepreneurship in South Africa, channelling funding into organisations and areas that may qualify for BBBEE points in multiple areas. Proudly Macassar Pottery has also been recipient of social investment related support from the private economic and development consultancy firm Imani Development.

Enterprise Development

Funding enterprise development is a significant component of South Africa’s BBBEE scorecard. However it is a practice that has also been embraced in wider global CSR agendas, and often linked to demands for greater
local procurement and enhanced linkages between MNCs and host economies. Several of our social enterprise case studies have received CSR enterprise development funding, which has played a significant role in their development. This can be illustrated with the reference to the Khayelitsha Cookie Company, a social enterprise based in the Ndabeni suburb of Cape Town, whose twin aims are to produce the best cookies in South Africa, while improving the lives of women from poor township communities. The Khayelitsha Cookie Company hires women largely from the Khayelitsha Township, a community beset by high unemployment, crime and wider social problems, and many of these women have never been formally employed. The Khayelitsha Cookie Company trains them, helping the women to develop skills in a variety of areas as well as providing permanent affirming employment. The company offers its employees opportunities for personal growth and career advancement, while also paying a fair wage. Presently over 57 women are employed. The Khayelitsha Cookie Company is 30% owned by its staff, with dividends generated given over to a Trust Fund for disbursement. Cookies made by the Khayelitsha Cookie Company are available for purchase in major South African retailers, and supplied nationally to hotel chains, corporates and a range of wider customers.

The Khayelitsha Cookie Company has received CSR enterprise development assistance from a number of larger companies, particularly those with which it has a supplier relationship. In one instance the company was given a loan by a purchaser company to equip a new factory extension, in another, machinery was purchased with donated money. The significance of corporate assistance to the Khayelitsha Cookie Company and wider SMEs in South Africa including social enterprises is illustrated by the following interview quotation:

“So what you find in South Africa, and that I must say the BEE scorecard rating has assisted small and medium sized enterprises like us which comply to BEE standards, the higher your scorecard level the more open they are to actually investing in your company…so you find that your businesses are really the supporters of small and medium sized enterprises”  (Interview Manager Khayelitsha Cookie Company)

Procurement

As previously discussed enterprise development assistance and procurement are often interlinked, with large companies in South Africa frequently investing in their SME suppliers. The benefits for social enterprises that enter into supplier relationships with larger businesses in terms of increased sales and up-scaling can be substantial, and can again be illustrated with reference to the Khayelitsha Cookie Company and in the following interview quotation:

“Say a hotel has one hundred and fifty rooms, you put a cookie in there and it gets consumed pretty much every night, so one hundred and fifty rooms’ times twenty in the group times thirty in the month times the occupancy rate I am guaranteed twenty thousand cookies or a hundred thousand cookies from that group. That is what I can base a business on … we are pretty much at the point where we have got the eighty twenty principle applying, eighty percent of our business is coming from twenty percent of our customers and we just need to make sure that the eighty percent business is getting us to sustainability” (Manager Khayelitsha Cookie Company)

However mutually beneficial procurement relationships can also be illustrated with reference to the Skills Village case study. The Skills Village is a South African secondary cooperative established in 2011. However it is also a framework for cooperative development and management, and a series of interconnected physical spaces where cooperatives, businesses, individuals and communities come together to work, collaborate and showcase what they do. The Skills Village as a series of interconnected physical spaces is centred on a section of the Frere Road in Johannesburg, which acts as a hub for cooperative activity. Numerous cooperatives operate out of offices and premises on Frere Road, with these cooperatives working together and with cooperatives further afield in an interlinked cooperative micro-economy, as well as engaging with traditional businesses and government particularly in the area of procurement. The Skills Village as a framework for cooperative development and management utilises festivals and events as a catalyst for social inclusion, cohesion and integration. Skills Village 2030 believes in learning through work and practical experience, and that events can play a critical role in building communities. Skills Village 2030 works with communities to run events, which are used as a platform for local learning, capacity building and skills development. For these events, and in the communities it works with, Skills Village 2030 encourages the formation of cooperatives, which remain after the Skills Village's direct involvement ends. Through these cooperatives knowledge and capacity in how to run events is retained, while these cooperative structures also provide a starting point for addressing wider community needs, and engaging with long standing social issues that the state and traditional private sector actors have hitherto unable or unwilling to tackle.
Recent amendments to the Cooperatives Act (2005) propose an enhanced role for cooperatives in meeting government supply and service contracts, as part of efforts to foster broad based economic inclusion, also encouraging greater private sector engagement with the cooperative sector, particularly in procurement. The Skills Village has worked extensively with and within the event planning industry to encourage this engagement process in procurement, but also more widely in areas like the creation of training and competency standards for skills training, and mechanisms for results monitoring and evaluation.

Capacity Building

Skills development is an important component of the BBBEE scorecard, while staff volunteering and community outreach activities which are supported and enabled by employer companies are an increasingly common dimension of CSR programmes globally. Such activities are suggested to have potential benefits for recipient communities and organisations, while internally also fostering improved employee morale and loyalty. Across the different case studies a variety of capacity building interventions and relationships were encountered. For example the ladies employed by the Khayelitsha Cookie Company are offered education and training, often provided by external companies as part of their CSR engagements, in a range of areas including household financial management, health and wellbeing, but also more vocational subjects like basic computer skills and customer service. At a managerial level the same social enterprise was also receiving mentorship support from a retired CEO, and directors in an affiliated business. Furthermore the company endeavours to provide opportunities and to support staff in their wider career development both internally and externally. For example, when suitable job opportunities arise in corporate purchasers the Khayelitsha Cookie Company is informed, and selected staff are given the opportunity to apply and supported during this process. These kinds of capacity building and skills and knowledge transfer relationships were also observed in the Skills Village case study through its learnerships as well as mentoring, and also in some of the programmes run by the Learn to Earn case study.

Partnerships

Learn to Earn is a skills development and job creation social enterprise working with unemployed people from socially and economically disadvantaged backgrounds. It is based in South Africa's Western Cape, and has training centres in the Khayelitsha Township and in Zwelihle Township close to Hermanus. Through these centres Learn to Earn provides skills training in a variety of fields including sewing, woodwork, baking, business, home management, computing, basic education and wider life skills. Through its business resource centres, and its entrepreneurship and business support programmes, Learn to Earn also assists its graduates in starting their own businesses. Since its inception, as a Baptist training centre in 1989, over 9000 unemployed people have received training through Learn to Earn programmes. Learn to Earn is funded through a combination of domestic and international donations and supporters, together with a variety of trading activities in which is engages.

Learn to Earn interacts with more traditional enterprises through their CSR programmes in a variety of ways including capacity building placements for its students, procurement and philanthropic support. However of particular interest is its innovative feel good project (fgp). The feel good project is a corporate social investment joint venture and partnership between The Foschini Group and Learn to Earn with the vision and mission of being financially sustainable while training and developing as many unemployed people as possible for the retail market. The fgp is registered as a Section 21 Not-for-Profit Company, and in May 2009 the first feel good store opened in Claremont CBD (illustrated in Figure 1).

The store stocks reconditioned customer returns, limited samples, rejects and overruns from various brands in the Foschini Group. Through the feel good store previously unemployed people are given the chance to gain training and experience relevant to the retail supply chain. Trainees work in store, and retail students and the store manager also undertake training based on the Foschini Retail Toolkit. At a repair centre in Khayelitsha, other Learn to Earn trainees have also been taught how to repair and mend clothes, and about the clothes finishing process i.e. ironing, tagging and packing goods. Trainees also complete a six week Sewing Industry Technical Training (SITT) course on invisible mending and other repair techniques. Finally Learn to Earn woodwork trainees were involved in the construction and design of shop counters and furnishings.
The feel good project illustrates the potential for social enterprises and corporates to enter into more concerted, wide-ranging and long term collaborative relationships. These kinds of multi-stakeholder, cross-sector partnerships are increasingly common in South Africa, spurred on by national institutional changes but also global trends and the realisation that tackling complex problems with social, economic and environmental dimensions often requires the skills, competencies and resources of different kinds of actors working together. Underlying the collaboration around the feel good store is an understanding that all partners should benefit from the arrangement. Learn to Earn gains in terms of the achievement of its social mission in a way that is self-sustaining. While the Foschini Group benefits in relation to product disposal and recycling, gaining access to more skilled staff, and reputation protection and enhancement. The feel good store represents a more embedded and internally integrated type of CSR intervention, compared to more hands off social philanthropy, which can help to foster greater internal buy-in and support from management and staff in relation to the social but also economic value created by such projects and partnerships.

**Figure 1. Feel Good Store located in Claremont central business district**

**CSR in South African Social Enterprises**

Much of the antecedent CSR research has traditionally focussed on large and multinational companies (Murillo and Lozano, 2006). However in recent years, academic interest as well as government attention has expanded to include SMEs and their interactions with CSR agendas and practice. There is insufficient space here to review the burgeoning body of international work addressing this subject. However overview discussions of the state of the field, and key areas of discussion, are provided by Spence and Painter-Morland (2011). Examining internal engagements with CSR through analysis of the SME social enterprise case studies a number of key themes emerged:

**BBBEE Orientation**

As previously discussed BEE and transformation are important components in the understanding and practice of CSR in a South African context. This applies to engagements with CSR agendas by larger businesses, and increasingly has an influence on their decision to interact with social enterprises and the approaches they adopt in this interaction. However BBBEE also influences internal engagements with CSR by South African SMEs. A common theme in much of the research on CSR in SMEs highlights the difficulties such businesses face in engaging with the many aspects of CSR, partly due to expense which may reduce competitiveness particularly in price sensitive markets, but also often linked to a wider lack of resources, knowledge and expertise. These difficulties also manifest in social enterprises, particularly as margins may be already squeezed through the adoption of non-profit maximising approaches, for example with the employment of people from particularly marginalised groups with low skills as part of a social mission. This difficulty is illustrated in the following interview quotation:

“The new thing that they have got on board now which many of your key customers want now is your staff welfare it is a new accreditation that someone launched in South Africa and everyone is jumping
on the bandwagon so now you need to also certify what the employment conditions are which your staff work. So you need to measure their happiness from zero to five… but again it does take quite a lot of management time as well to conduct these audits and clear the findings … before you wipe your eyes you are looking at 150,000 Rand purely on audits that you are spending in a year. So it is ludicrous and what does not help is that every single big company they choose the one certifying body that they want and you have got so many and each one wants their own one” (Interview Manager Social Enterprise)

This quotation also illustrates how the cost, both monetary and in terms of time, of meeting the myriad requirements of domestic and international CSR codes, standards and auditing, in order to enter into supplier relationships with larger businesses, reduces resources and time available for an enterprise’s social mission.

With the resultant competitiveness benefits for a social enterprise with a high BBBEE rating, it is unsurprising that there is a strong BBBEE orientation and framework underlying many South African social enterprises’ CSR engagements. A danger with this is that non-BBBEE related social responsibility issues may be given less consideration internally by social enterprises, for example the challenge of HIV/AIDS and also environmental sustainability concerns.

**CSR embedded in Social Mission**

The interplay of a social enterprise’s mission and its CSR engagement is another significant theme for discussion. The need for MNCs to embed social responsibility into core business activities, operations and decision making, and the limits of bolt-on corporate philanthropy related approaches has been widely recognised in CSR debates and literature (Blowfield and Frynas, 2005; Hamann, 2004). In contrast, social enterprises are defined on the basis of the centrality of their social and/or environmental missions, which are inherent and embedded in the how and why of their structures, operations and behaviours.

Amongst the case studies, formal and distinct CSR structures and activities removed from an enterprise’s social mission were rarely encountered. For example in the case of Taunina, a social enterprise which produces unique handcrafted collectable soft toys, operating with an emphasis on socially conscious consumption and improving the lives of the underprivileged, its CSR engagements largely fed into the business’s overall goal of improving the lives of its workers, their families and dependents, who were often refugees with particularly difficult backgrounds. While the company recognised and was active in relation to its environmental responsibilities, in the social sphere responsibility was much more implicit and linked to its operational model.

In some respects the Shonaquip case study could be viewed an exception to this trend. Shonaquip is a social enterprise dedicated to building innovative and sustainable service delivery systems and mobility devices to improve physical access and the quality of life of people living with disabilities in under resourced and rural regions of Africa. Shonaquip is a community needs driven company, and to achieve its aims works in tandem with the not-for-profit Uhambo Shonaquip Foundation. The Uhambo Shonaquip Foundation is funded by the Shonaquip business venture in a manner similar to larger businesses and MNCs funding their social foundations. However while this organisational structure may suggest a more explicit approach to CSR, Shonaquip remains much more socially oriented than a traditional business venture, for example in its non-profit maximising approach and wide portfolio of social outreach work. The Foundation was also established with a particular focus on advocacy and research around disability issues in South Africa and the wider region. Finally the Shonaquip case study is illustrative of the complexity and hybridity which surrounds the defining characteristics of a social enterprise in South Africa and wider developing world environments.

**Conclusion**

Discussions in this paper have explored the intersection of CSR practices, MNCs and social enterprises and entrepreneurship in the South African context. The model emerging from the exploration of the case studies is presented in Figure 2. This model can be used to explore the interaction of MNCs and social enterprises or other social business models and resultant external and internal CSR related activities in different institutional contexts. A theoretical lens informed by new institutional theories has been used to understand the changing nature of their interaction and the factors informing it, with five key external interactional relationship forms identified and illustrated with reference to case examples. Finally a number of key themes in internal CSR engagement by South African social enterprises have been reflected upon.

This paper has important implications for research, policy and practice. It contributes to debates and illustrates the importance of context and environment in definitions, understandings and practices of both CSR and social entrepreneurship. It brings together literature and discussions on these two topics, something which has
previously received limited attention. The strong empirical basis of this work is also relatively rare in research on social enterprise and to an extent CSR in South Africa and wider developing world environments. From a policy point of view South Africa has been unusually proactive in legislating social responsibilities for business.

![Diagram of Institutional Environment]  

**Figure 2. Framing CSR and Societal Enterprise Interactions through an Institutional Lens in a South African Context**

Gaining a better understanding of the positive and negative aspects of this approach can help inform and guide policy interventions in other parts of Africa which may face similar social development challenges, as well as in South Africa itself. This kind of study also adds to the growing body of work offering divergent and alternative experiences and perspectives to mainstream discussions and discourse around both CSR and social enterprise, which is predominantly occurring in Europe and North America. For example in creating enabling legislation which encourages business social responsibility or social enterprise development South Africa may offer a better example for developing nations than the UK or USA. Finally this paper has implications for practice in offering ways South African social enterprises can work more effectively with larger companies and MNCs.

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i The Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.


iii The King Committee on Corporate Governance (headed by Mervyn King) was established in 1992 and published its first report in 1994. The second King report was published in 2002 and the most recent in 2009. The aim of the committee and its reports has been to promote better corporate governance in South Africa, to
assure and demonstrate to domestic and international stakeholders including international investors, that South Africa is committed to best practice in corporate governance.

iv See website www.trickleout.net for further detail.