

Social Entrepreneurship – individuals with vision hold unlimited potential to alleviate poverty: The UnLtd South Africa model

Kathy Watters, Louise Willington, Tom Shutte and Rachel Kruh

Synopsis

Social entrepreneurship¹ is a relatively new concept in South Africa and provides a refreshing option to continuous demands for job creation to address South Africa's social and economic ills.

UnLtd South Africa has supported early stage social entrepreneurs based in greater Cape Town since 2010 and Gauteng since 2012. The model used by UnLtd South Africa is drawn from the experiences of UnLtd UK which was launched in 2000. UnLtd UK developed a unique model for working with social entrepreneurs from start-up to investment readiness and have supported over 13 000 social entrepreneurs across a wide variety of industries and sectors. In 2005 the model was successfully replicated in India and UnLtd South Africa is drawing on this knowledge and experience to adapt the model to South Africa's unique conditions. The model involves finding, funding and supporting exceptional individuals with interesting ideas to develop sustainable, high-impact social enterprises.

To date UnLtd South Africa has supported 14 social entrepreneurs who are active in Macassar, Nyanga, Masiphumelele, Cape Town and Springs. In addition to our award winners we have a strong network of up and coming social entrepreneurs that we work with to help on their journey, by providing pro bono coaching and access to training and events. Over the last 3 years we have received 122 applications and worked with 32 people to make our awards. Two examples of our social entrepreneurs follow.

Johan received an UnLtd South Africa award in November 2011 for his project in Macassar. Proudly Macassar Pottery employs interns to help them start business units of their own. While teaching pottery Johan uses the process of creating with clay as a metaphor for successful living; each stage in the process must be correctly completed without taking short cuts if the finished product is to emerge successfully from the kiln.

In January 2011 Sipiwo was one of the winners in a project run in partnership with the Western Cape Department of Economic Development and Tourism. UnLtd South Africa provided the non-financial support for his White Walls Project that involves building walls for householders at busy road intersections and sells advertising space. The home owners benefit from living in a more secure environment and receive a percentage of the revenue generated from advertising. Sipiwo uses local building contractors to build the walls and young graffiti artists to replicate well known household brands as advertisements on the walls.

The paper describes our experience in this space and the potential contribution of social entrepreneurs to the alleviation of poverty and to addressing the social problems in South Africa. We discuss our model of support and why it works; provide some examples of the social entrepreneurs we have supported and the lessons we have learnt in this process. In addition we discuss barriers to success experienced by ourselves and our social entrepreneurs. This includes the lack of a legislative framework in South Africa to deal with social enterprise as neither social development or enterprise development take responsibility for this hybrid. In addition the process of registering, irrespective of whether the social entrepreneur follows the for-profit or non-profit route, is time consuming and can itself be a barrier to success.

¹ http://en.wikipedia.org/wiki/Social_entrepreneurship

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Introduction

The much lauded political transformation in 1994 in South Africa has not resulted in the expected economic and social transformation. Individuals have benefited from better access to a wider range of social grants that are now available; the macro-economic policies driven through affirmative action have improved the lives of a small segment of society. However life for most people in South Africa has not changed over 18 years - the poor remain poor and the rich have remained rich. Clem Sunter² recently highlighted the lack of growth in the U2 economy and of particular concern is the growing group of young people who are not in training or employment, commonly described as NEETs³.

We believe that aid is not the solution but that support to small entrepreneurs and more particularly, social entrepreneurs can bring about sustainable and lasting solutions. UnLtd India⁴ who have been supporting social entrepreneurs in India since 2008 report that:

- *For each 1 Rupee we have provided in funding, each of our investee has on average raised or earned a further 14.5 Rupees – that's a 1,450% increase*
- *Our investees' ventures have create 3,200 jobs to date and have reached out to more than 4.2m beneficiaries through their work*

Social entrepreneurship is a relatively new concept in South Africa and to date has not attracted much traction in government circles. The South African Global Entrepreneurship Monitor (GEM) report of 2011 has only one reference to social entrepreneurship⁵. There is no official definition of a social enterprise in South Africa, but at a conference organised by the International Labour Organisation (ILO) in October 2009 over 130 South Africa participants representing national, provincial and local government, employers, workers, academic institutions, corporates, non-profit organizations, consultants, service providers and social enterprises agreed that:

A social enterprise's primary objective is to address social problems through a financially sustainable business model where surpluses (if any) are mainly reinvested for that purpose.

UnLtd South Africa focuses on the individual social entrepreneur and describes these as people with interesting and new ideas, passion and determination to create an enterprise which will benefit the community. The individuals we support, often only have an idea which has a social purpose as the primary objective and a business model that could contribute to generating an income. Part of the work of UnLtd South Africa involves supporting these individuals to develop their idea into financially sustainable projects.

To date we have identified our award winners by running competitions on our own and in partnership with other organisations as well as pro-actively seeking out potential candidates through contact with community, educational, religious and business organisations. In addition we have developed our own social media communications to inform people about social entrepreneurship in general and to share ideas of best practice in the sector. We are advocates of open-hearted collaboration with like-minded organisations.

² http://www.news24.com/Columnists/ClemSunter/Parallel-Economic-Universe-20120725?goback=%2Egde_3225916_member_138365980

³ Cloete et al (2009) report that there are 2.8 million (42% of) NEETs between the ages of 18 and 24 .

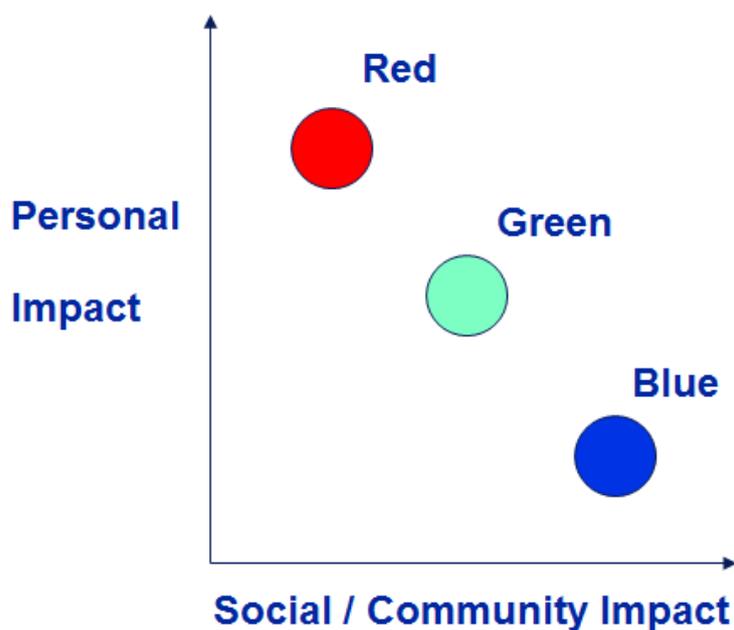
⁴ www.unltdindia.org/about-us/impact

⁵ Exposing students to real business challenges in our courses and fostering an understanding of social entrepreneurship.(quote from Leigh Meinert, director TSIBA on page 13)

Much has been written on the lack of an entrepreneurial spirit in South Africans, for example in the GEM reports, but we have continued to receive more applications from budding social entrepreneurs than we can support; in our recent competition we had 35 good applications for one award. Over the last three years we have received 122 applications and worked with 32 people to make our 14 awards.

Who are the social entrepreneurs

Our award winners come from a wide variety of backgrounds and life experiences. This spectrum of starting points informs both the potential of the award winner and the elements of their support package. In broad terms, our award winners can be categorised into three types: Blue, Green and Red. The chart with key below describes the characteristics and probable impact of an UnLtd South Africa award for each of these types.



Red award winner:

Typically a community-based person, with little or no experience of running their own initiative and therefore need a lot of support from UnLtd South Africa. The majority of the impact of this award is usually on the award winner (increase in skill and experience) though there is some social impact. Project model tends to have fairly low levels of innovation (though not always).

Green award winner:

Usually the person is reasonably self-propelling with a fair chance of success. There will be some impact on the individual and on their chosen community. Individual is more capable and typically more resourced than a 'red' and the model is more innovative.

Blue award winner:

A 'Blue sky thinking' person who has come up with a really creative idea for a project which if successful, could have a real impact on their community. The idea often lends itself to replication or scale. Because it is innovative, it may not always work and requires technical support/input. Successful blues are often people who have had success in other areas (e.g. developed a private enterprise) and are transferring skills to the social sector. The lower a blue's skill/experience set, the higher the risk of delivery.

The impact on poverty relief is different for each of the three types. Typically 'red' people rely on the profit from their social business for their livelihood and create new opportunities for piece work. 'Blues' are often employed elsewhere and only switch to being full-time social entrepreneurs when their business has

reached some maturity. However in our experience both 'greens' and 'blues' create employment even if they are not earning from the social business. This will be elaborated on in the section which describes our winners later in the paper.

UnLtd South Africa model

UnLtd South Africa's model is based on the approach pioneered by UnLtd UK who have been distributing grants to and supporting more than 13 000 Social Entrepreneurs since 2002. UnLtd South Africa aims to fill a critical gap in the enterprise development and social change space based on 5 key principles:

1. We engage with entrepreneurs wishing to use their enterprise to deliver social change as well as earning a livelihood for themselves and their community/employees.
2. We engage at concept stage of a project, often before the social entrepreneur has put anything into practice, usually before an organisation is registered, and almost always before other funders or support agencies will become involved.
3. We place emphasis on providing financial support in the form of a cash grant and non-financial support in the form of one-to-one coaching, mentoring, access to training and networking opportunities and signposting to sources of further expertise.
4. We recognise that a crucial role of an organization such as ours is to act as a bridge that links social entrepreneurs with people in their sectors and communities who enhance their social capital and resources.
5. We provide a unique staircase of support, encouraging the social entrepreneur to access more funding and more support as their project develops.

Our staircase model offers two different levels of support:

- A Level 1 award is designed for individuals starting or piloting new initiatives, often part-time and over and above their day jobs. This encompasses a R25 000 cash grant matched with the same value in non-financial support for up to two years. Cash is given to support project set up costs.
- A Level 2 award is designed to enable individuals to develop existing early-stage projects towards greater impact, sustainability or investment readiness: this encompasses up to R150 000 of further grant/loan funding, along with an further package of non-financial support. Grant funding can be used towards staff costs at Level 2.

We are currently focused on identifying and supporting Level 1 social entrepreneurs through an awards competition model which is run over 10 weeks and aims to identify and select high potential early stage social entrepreneurs. Outreach for the competition involves both online and offline promotion using a variety of channels. Our experience thus far has taught us that partner outreach organisations that operate in similar sectors (e.g. entrepreneurship education, personal development, enterprise development, skills training) and their networks are of considerable value here as often the best applicants are well known within their communities and are easily identified by key people within these networks.

Once the outreach programme is complete and applications have been received they are judged against the following criteria in order to determine suitability for an award:

- The individuals background, experience and motivation for running their project
- The potential for learning and development for the applicant
- The potential for the project to have a positive impact in the community
- The financial sustainability of the proposed project
- The impact of non-financial support on the applicant and their project

As part of the competition applicants pass through a series of stages including attending a one-to-one interview, a presentation to a panel and a project visit (if the project is sufficiently advanced). The final stage involves a pitch and Q & A session to a panel of experts who then score the applicants based on their personal qualities and the project plan submitted.

Successful applicants are then offered an Award contract with UnLtd South Africa whereby they can access:

- The cash element of the award to pay for critical start-up costs
- Expertise to help social entrepreneurs refine their idea into a sustainable business model and to develop crucial management skills, including financial planning, fundraising, marketing, legal obligations and governance
- Coaching which addresses issues such as belief systems, values, trust, attitude and social cohesion, if needed
- Introductions to relevant people within our network who can add value
- Access to pro-bono support opportunities and mentorship within their particular field

The non-financial element of our support package is tailor made to the individual's needs as determined by their level of experience and skill development. For some award winners our support will focus more on building their skill base and exposing them to new concepts whereas for more experienced award winners the support package will focus more on technical aspects of their project and making introductions to relevant networks.

Applicants that are not ready for an award or are not selected as a winner by our selection panel, but are judged as having a worthwhile idea or have the characteristics of a social entrepreneur are given a place in our 'pipeline'. People in the pipeline are offered aspects of the non-financial support depending on their need.

Our most significant partnerships to date are with The Marshall Foundation, who supported our first cohort of social entrepreneurs, The Business Place (Philippi), the ILO, African Social Entrepreneurs Network (ASEN), The Bertha Foundation, Social Enterprise Academy Africa and the Western Cape Provincial Department of Economic Development and Tourism (DEDAT).

Examples of our Social Entrepreneurs

The following section provides some information on the social entrepreneurs. The first example is one of our more mature enterprises and the range of possible impacts from such a project has been provided in some detail.

Lauren O'Donnell (Greenpop)

Lauren was a winner in a competition run towards the end of 2010 in partnership with DEDAT. Lauren and the co-founders of Greenpop are addressing the global deforestation problem and greening the 'unleafy' areas of the Cape while creating employment opportunities. They have started a 'treevolution' by running urban greening and reforestation projects around sub-Saharan Africa. Greenpop is a good example of a grassroots success story - the social enterprise has inspired thousands of people to get involved by providing an easy way for people to help repopulate nature's forests by giving trees as gifts to under-greened areas. The project generates income by selling the trees to companies and individuals - the cost of the tree includes everything needed to plant and maintain it. Planting days provide a more hands-on opportunity for people to get involved and tackle the issue using a sustainable and educational approach. So far they have planted over 12,000 indigenous and fruit trees in 165 locations in the Western Cape and Zambia.

The three founders of Greenpop are sustaining themselves from the profits of this project. In addition they employ a nursery manager and on tree planting days they employ three drivers and the services of at least twenty of the over one thousand volunteers they have on their books. They are still buying their trees from

large wholesale organisations, but plan to change this and develop micro growers who will supply the trees. They have three interns at any one time and employed a person on a contract basis to sell voluntourism spaces for their recent trip to Zambia. An additional beneficiary is Sidney who makes the wire key rings in the shape of a tree that are given to donors of trees. Sidney currently employs four people to keep up with the demand.

Greenpop is transforming the way people who live in the less leafy suburbs of Cape Town understand the environment. On being asked if there were any 'feel good' stories, Lauren spoke about Louise a 50 year old who she met because she voluntarily maintained the grounds at one of the schools. Louise has arranged three tree planting days to date and all the trees were being immaculately maintained. Lauren reported that Louise had been so inspired by her contact with Greenpop that she had completed her matric and was developing a business idea to submit to the next social business competition. She had also persuaded Greenpop to give her sufficient trees so that each child in her home street could receive a tree for Christmas. Greenpop knew that this was outside of their work, but had complied and had been amazed at how Louise had been able to sell the gift of a tree as the best possible present a child could ever get. Lauren was sure that all these trees would survive.

They insist that all schools complete a simple online application form requesting that trees are planted at their school as they have found this useful in getting the commitment of the school. An unintended consequence of this policy has been to force school management to engage with the technology available at their schools. Greenpop has established that schools have computers and Internet access, but are reluctant to use this technology to apply online. As a result they now have a volunteer dedicated to assisting schools to complete the application. Another condition of accepting a school as recipients of Greenpop trees is that they have a person dedicated to maintaining the school grounds. This person attends a workshop with the school principal at Kirstenbosch National Botanical Gardens. The spin off from this is that personnel from a range of Cape Town based schools get to spend a day with each other, but more importantly the ground staff member spends a day with the school principal which crosses conventional social structures at schools.

Lauren is an example of a 'Blue' social entrepreneur.

Siphiwo Rengqe (White Walls Project)

Siphiwo was also a winner in the competition run in partnership with DEDAT. Siphiwo aims to generate income and security for local communities with his social enterprise, The White Walls project, which sells advertising space on newly built boundary walls. Privacy and security is an issue in the townships and government built houses do not include boundary walls, leaving homes along the main road especially exposed and vulnerable. To combat this problem, Siphiwo has developed an innovative business model that enables The White Walls Project to take on the cost of building external boundary walls by selling advertising space strategically placed at key transport junctions. The walls provide privacy and security for local residents whilst simultaneously creating profitable advertising space that can be sold to relevant brands looking to reach a captive target market.

Siphiwo has a range of businesses in the construction industry and runs his White walls project as an 'evening social entrepreneur'.

He is an example of a successful 'Green' social entrepreneur.

Johan De Meyer (Proudly Macassar Pottery)

Johan runs his social enterprise, Proudly Macassar to give at-risk youths opportunities to create a sustainable economic lifestyle. He does this by running a pottery internship that provides a forum for the interns to raise themselves up and produce a marketable product that can be sold to raise revenue for the project at the same time. The business model is one where young people are given the opportunity to get back on their feet and find their passion. They are trained in basic pottery skills and involved in all spheres of the business,

with the aim of either starting their own enterprises, or being absorbed into the formal labour market. Johan uses clay as a metaphor for developing an understanding of living a healthy life and his success is demonstrated in the following quote from one of the interns which appeared recently on their Facebook page:

I work the clay. I get to understand the clay and how it works. I get to understand myself and how life works. - Danny

Johan takes on contract work to sustain himself and work for three days a week on this project in Macassar. Since winning the award in December 2011 he has contracted six interns, two have found permanent employment and one has started a pottery related business. Johan also runs a men's group which meets once a week in the evenings and has countless numbers of school going children who visit the pottery to play with the clay.

Johan is an example of a 'Green' social entrepreneur.

Charles Nyakurwa (Deaf Hands at Work)

Charles founded his social enterprise, Deaf Hands at Work to combat the alienation and economic hardship that deaf South Africans face on a daily basis. Charles trains deaf members in his community, giving them skills in areas such as carpentry, painting and panel beating. In addition to this Charles sources job opportunities for the Deaf Hands at Work team, providing work and income for team members. Deaf Hands not only provides skills training and employment to the deaf community (in South Africa the total estimate is 1.8 million) but combats the sense of isolation that is often felt by the disabled.

Charles is employed as a waiter in the evenings which allows him to work during the day on Deaf Hands at Work. Since winning the award in May 2012 he has trained and provided contract work for eight deaf people living in Masiphumele.

Charles is UnLtd South Africa's most recent award winner and is an example of a 'Green' social entrepreneur.

Winston Pietersen (SP Land Projects)

Winston dreams of ridding South Africa of the alien vegetation that is destroying our natural resources. Aiming to solve this problem, Winston, a keen nature conservationalist, worked for 17 years removing alien vegetation for his local municipality and was part of the government funded Working For Water Project. After being retrenched in 2003 Winston survived by doing sub-contracting work in the building industry before starting SP Land and River Projects in 2009. Thanks to his advantageous industry connections, Winston has been able to secure high profile contracts with the public and private sector to clear dangerous plant growth around Stellenbosch. In true entrepreneurial spirit, once the invader plants have been cleared Winston sells the usable materials which are recycled into furniture or used for firewood.

Winston was also a winner in the 2010 competition run in partnership with DEDAT. Winston had extensive experience of removing alien vegetation, but having worked in the public sector all his life had minimal experience of running a business. The focus of UnLtd South Africa's non-financial support was to develop his business acumen and to assist him to register his business. Since receiving the award and obtaining the necessary registration to obtain government contracts he has trained eleven people to assist him to deliver on successful tenders and contracts. Eight of these trained people were young women. His family is dependent on the income of this project.

Winston is an example of a "Red" social entrepreneur.

Examples from the pipeline

The following two women are in our pipeline and we are looking for funding for them. Neither are earning an income from their project ideas at this stage. Both would be regarded as 'Green' social entrepreneurs,

but with funding and support their ideas could easily develop into 'Blue' projects as they have enormous potential to transform and empower women and youth respectively.

Kim Smith (Woman's Health)

Kim is developing a social enterprise that will raise awareness, educate and empower young South African women on the topic of menstruation and reproductive health. She is addressing social taboos around menstruation and the lack of access to affordable feminine care products. Kim is currently doing research and running educational workshops in Khayelitsha and Mitchells Plain. Following her research, Kim plans to use the results to develop a programme aimed at empowering young women to make healthy choices around menstruation. Her project includes plans to develop and distribute an affordable menstrual cup designed for the South African market.

Meghan Daniels (Ilizwi)

Meghan's started her project in 2011, Ilizwi (meaning voice) at the age of 17 whilst still at high school. Since then she has taught more than 30 township youths photography skills through running a series of Saturday workshops. At the end of each intake a public exhibitions is held showing off the Ilizwi students work. Meghan aims to provide an outlet of self expression for her students while simultaneously providing them with a marketable skill. Her dream is to empower youth in disadvantaged communities in South Africa who otherwise lack the resources and support to follow their dreams. The potential impact of this project to bring about change is demonstrated by the following quote from a participant.

"My camera has become a part of my life. It is now my weapon of change" -Athini

Some Lessons

While the UnLtd model has worked successfully in the United Kingdom for over a decade and India for 4 years we have found it necessary to adapt the model to address some of the idiosyncrasies of South Africa including the dual economy, the lack of social welfare and the legacy of apartheid. This includes:

The principle of **funding the solution not the need** is especially important in an environment where grants are seen as being a relief mechanism for the poverty stricken.

Unemployment is clearly a major social issue in South Africa. Whilst creating jobs is increasingly seen as a major secondary benefit of social entrepreneurship, UnLtd South Africa believes that it is not itself a sufficient reason to receive an award and we look for signs that this idea will also address a broader social issue.

One of the strengths of the UnLtd model is that individual winners are provided with a tailor-made support programme. Looking at the winners and pipeline people who are currently in the UnLtd South African stable there are some common threads. All of them have good ideas, lots of enthusiasm and energy, but weak ideas on how to turn their idea into a sustainable let alone profit making business. Much has been written on how few start-up businesses survive the first three years with much of the lack of success being linked to poor **basic business skills** (managing cash flow for example). UnLtd South Africa recognises that **self esteem, leadership and personal values are as important as the development of the individual's business acumen.**

One of the successful strategies used by UnLtd UK is to rely on a core group of experienced business people to work as volunteers to guide and **mentor** their winners. The win-win relationship allows the business person to 'give-back' and the winner to gain expert opinion as well as exposure and introductions to potential financiers. UnLtd South Africa has followed this model and started to develop a network of volunteers based in the UK and in South Africa who wish to 'give back' or 'give forward'.

In her recent master's research on social entrepreneurs in South Africa, Brenda Goldblatt identified the key role of **networking** in improving the chance of success. She identified the particular need for 'township based' social entrepreneurs to access vertical networks which could provide them access to the kind of knowledge and resources they needed. Most importantly she identified the need for organisations to act as

bridges between horizontal (networks in one's own community) and vertical networks. We learnt the importance of accessing appropriate vertical networks from one of our first winners who made products by recycling glass bottles and because she was located in Khayelitsha struggled to access the lucrative tourist market.

Barriers to success

South Africa has no legislative framework to deal with social enterprise which is essentially a hybrid of social development and enterprise. In 2009 the ILO took a group of high level South African government officials to Belgium and the United Kingdom to explore legislative and other supportive frameworks used in these countries. The visit aimed at developing an understanding of Community Interest Companies and included meetings with the Office of the Third Sector and the Charity Commission in the UK, but to date there has been no similar developments in South Africa.

Enterprises working in this space are often morphed charities who are then limited by their non-profit status in the extent to which they can generate income. More recently new enterprises, such as Greenpop, have registered as for-profit organisations and then found themselves unable to provide tax benefits to their donors.

The process of registering, irrespective of whether the social entrepreneur follows the for-profit or non-profit route, is time consuming and can itself be a barrier to success. UnLtd South Africa chose to register as a trust and then sought status as a non-profit organisation (NPO) and public benefit organisation (PBO). Despite our access to resources and legal expertise the process took over a year.

Due to being misunderstood, intermediaries such as UnLtd South Africa and social enterprises still struggle to access funding through channels such as corporate social investment (CSI) or the BBEEE codes that award companies points for supporting enterprise development or social development.

Measuring impact is equally challenging with funders measuring impact only on return on investment models. The current indices designed to assess social return on investment usually have a bottom line that narrowly measure impact in terms of number of jobs created or turnover. We believe that the measure of what counts as 'success' should be broadened, to include both personal development of social entrepreneur and the longer term effect of their increased capabilities, and the transformational effect on their communities.

Conclusion

Social entrepreneurship is a relatively new concept in South Africa, with the result that it's contribution to poverty alleviation is still emerging. However we can see from the concrete examples described in this paper that successful social enterprises provide solutions to specific social problems, as well as contributing to job creation and creating opportunities for communities to improve their circumstances. These can be achieved with a relatively small investment in support for social entrepreneurs. Social entrepreneurs face several barriers to starting their venture. It would be helpful if the national government put in place policies such as a legal vehicle for social enterprises and there was wider recognition of the need to support and develop organisations which are neither charities nor businesses.

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Related Websites

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<http://youtu.be/InQIU4DKrI0> and <https://vimeo.com/46222202>