

How can corporates support social enterprises in South Africa?

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By Rachael Millson, African Partnerships Director, [Social Enterprise Academy South Africa](#). (Social Enterprise Academy South Africa is the knowledge partner for the Social Enterprise topic on the [Trialogue Knowledge Hub](#).) In this article, she looks at how corporates can support the rapidly growing social enterprise sector in South Africa.



Social enterprises – businesses that sell goods and services for benefit rather than purely for profit – provide a unique opportunity to solve many of the prevalent social and environmental problems in South Africa, whilst at the same time contributing to economic growth and job creation.

Social enterprises come in many different shapes and forms. Nonetheless they all face the same fundamental question. ***Can they generate enough revenue and attract enough investment to cover their costs and grow their activities, and therefore their social impact?***

CSI has traditionally taken the form of grants (and in many cases grants remain relevant). However, with the emergence of social enterprise there are many powerful ways to create social impact that do not necessarily depend on a constant stream of donor funding for an organisation to survive.

Social enterprises need three things to be able to thrive:

- Customers (for the goods and services they offer),
- Finance, and
- Support.

There are opportunities for companies, through **procurement**, **corporate social investment (CSI)**, **enterprise development (ED)** and **supplier development (ESD)** to engage with social enterprises across these three areas:

Customers:

Procuring from social enterprises is one of the most fundamental ways that companies can engage with social enterprises and support their growth. While the inclusion of social enterprises in corporate supply chains is a new and emerging concept in South Africa, there is precedent of the impact this can make in countries around the world. “Buy Social” is Social Enterprise UK’s flagship campaign that aims to build markets for social enterprises among the general public as well as the private and public sectors. It challenges individuals, public sector and corporates to think about where they buy goods and services from, and the social impact of purchasing decisions.

Of course, you don’t have to be a big business to procure from social enterprise and some companies here in South Africa are already joining this trend. CSI managers have two choices for procurement: to look to spend CSI budgets on social enterprise goods and services, rather than simply offer donations; or to refer social enterprises to the main buying

departments to incorporate these into their mainstream business, thereby taking responsible business out of just the CSI department and into the business as a whole. It may be possible, for example, to include a section on responsible business in a company's preferential procurement policy, where such a policy exists.

By procuring from social enterprises, especially those which are BEE level one rated, it's possible to ensure that money spent on goods and services also provides societal benefit, and contributes towards improving the lives of people within our communities and country. Naturally, you can also earn BEE points this way as well.

Finance:

The lack of funding opportunities remains one of the major challenges social enterprises face. The social enterprise sector is small in South Africa, but growing. 80% of social enterprises have an income of less than R500,000 a year and CSI is the biggest source of income for many.

Social enterprises need finance, particularly at start-up phase and then for scale and growth. It is possible to be innovative about corporate donations and CSI departments would do well to look at CSI financing as an investment, rather than a pure donation. The difference is that the return on the investment is not financial, but social.

Financial innovations that will enable social enterprises to access a deeper pool of capital are also required. Most suitable for CSI and SED would be to provide grants to catalyse start-up and early stage social enterprises. For growth and scale stages, loan guarantees or match funding are most relevant, or indeed equity investment. Soft loans, patient capital, outcomes funding, convertible loans or equity and social impact bonds can also be part of the mix, allowing social enterprises to greatly extend their social reach and impact. Bertha Centre's research and courses on innovative finance are particularly useful in decoding the many options that are available. <http://www.gsb.uct.ac.za/berthacentre>

Non-financial donations are equally important. The Clothing Bank, an award-winning South Africa-wide social enterprise, provides a highly successful example of this. Excess stock is donated by retail companies to the Clothing Bank which would otherwise most likely end up in landfill. The Clothing Bank sells the stock on to the women and men on their two-year programme, at an affordable price. The income from reselling the goods allows the organisation to cover 80% of its own expenses, and the Clothing Bank runs a two-year programme that teaches participants to become micro-entrepreneurs in their communities, using clothes and appliances as the sales medium.

The Clothing Bank now partners with most retail chains. Like in this example, there has to be a business case for corporates in order for any partnership to be sustainable.

Support:

While financial investment is critical, when it is combined with capacity building or individualised support, it becomes a truly powerful offering. Some companies are able to offer mentorship or professional services themselves. Others who wish to offer support to social enterprises could consider teaming up with service providers who can provide specialist social enterprise support, thereby ensuring that their investment leads to results.

Distell is a great example. The CSI team recognised there was a need to build capacity and resilience amongst the non-profits they supported, many of whom were beginning their own journey towards a social enterprise model. They partnered with the Social Enterprise Academy to offer learning programmes and mentorship on leadership, measuring social impact, and social enterprise to enable those non-profits to become more financially sustainable, whilst increasing their social impact.

By providing support either internally or via a service provider it may be possible to earn enterprise development points, as long as the benefiting social enterprise is a QSE or EME business that is at least 51% black-owned.

Support can also take the form of opening up networks or providing social media coverage for social enterprises.

Become a social enterprise yourself:

The time has never been more ripe for companies to make the transition towards becoming a social enterprise themselves. According to Michael E. Porter and Mark R. Kramer at the Harvard Business Review,

“When a well-run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, it can have a greater impact on social good than any other institution or philanthropic organization.”

As the global market evolves to include more and more for-benefit enterprises, early-movers and leaders have the most to gain.

The era of social enterprise is upon us. More than ever, we can see that it is possible to turn a profit, while at the same time meeting the demands of our country and world's most pressing problems (and to reinvest the majority of that profit back into those social issues). There are many ways for corporates to be involved in social enterprise, through clever use of their CSI/ESD budgets or more integrated ways of creating change through procurement or strategic repositioning.

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