

Social enterprise as Communised Capitalism: Towards a collectivist, redistributive and egalitarian economic growth model for developing countries.

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Abstract

This paper is written as a tribute to the late Professor Kaseke. He was to us a colleague, friend and academic mentor. As a student of social planning and a social development proponent, Professor Kaseke's work, just like many other social planners; was partly focused on finding practical ways to harmonize the simultaneous pursuit of social and economic objectives. This paper builds on this work; we argue that the social enterprise model of operation that has characterised the nonprofit sector globally over the past few years can be adopted at a macro level as a socio- economic model for developing countries. For years, social workers and social development planners have battled to find ways to harmonise the simultaneous pursuit of social and economic objectives. Lessons drawn from researching social enterprises show its potential as a typology of organisation with a model of operation that can be adopted at a macro level leading to a new economic model. Such an economic order would lead to a collectivist, redistributive and egalitarian growth model based on communised capitalism. It is our contention that, using state interventionism, the social enterprise model can be adopted at a macro level to create a three-tier economic order in which capitalism coexists alongside communised capitalism. Capitalism in its current configuration has led to high levels of poverty and inequality in most developing countries. While we may not totally dispense with capitalism, lessons gleaned from the operations of social enterprises point towards a potential for a new type of economic system that could potentially bring a more just and equitable socio-economic order in developing countries.

Key words: Capitalism, communised capitalism, social enterprise, poverty, inequality

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Introduction

Despite the world's gravitation and continued push today towards a neo-liberal consensus over the past few decades, there is a realisation that capitalism in its current configuration has led to untold suffering and marginalisation for many a country and peoples. Under the neo-liberal economic framework, it is argued that market forces are 'supreme' and mirror the best way via which people can locate their own means and resources for a livelihood. The term neo-liberalism is synonymous to capitalism with the latter being the form of economic order that emerges under the former. While the neo-liberal framework has dominated development thinking for many years, there is now widespread consensus even amongst the staunchest fanatics that; in many countries it has simply not worked as expected (Choi, 2006). Glaring market failures as evidenced in the events and developments such as the impact of structural adjustment programmes in Africa and the recent global financial crisis point to the deficiencies of capitalism that is championed by neo-liberal proponents.

Under a neo-liberal framework state intervention is seen as undesirable and proponents argue that it can lead to serious market distortions and failure which will negatively affect many people. To this end, proponents of the neo-liberal economic framework champion non-state intervention in the workings of the market. It is assumed that if markets are left to their own devices, it will lead to rapid growth in industry and competition which, not only leads to competitive products and services for people, but also allows people to locate their own resources via employment opportunities. A growing economy under the neo-liberal framework is assumed to automatically lead to the eradication of poverty, unemployment and reduction of inequality. As such, under neoliberalism, the ability of the state to intervene in the

workings of the economy is curtailed. It is largely limited to the making and protection of rules that allow markets to thrive and people are left at the 'mercy' of the markets (Midgley, 1995).

The argument about non state intervention is a thinking founded on the false assumption of 'perfect markets' a phenomenon that has not and will never become a reality. Many governments in Africa have experimented with neo-liberal policies in the past two to three decades. For many of these countries, such an experimentation has led to weakened states incapable of adequately protecting their citizens. Debilitating consequences have ensued. Despite many countries managing to achieve notable economic growth of their economies under neoliberalism, that growth has not translated into tangible benefits for the masses. Many countries such as South Africa, Ethiopia, Ghana, Zambia and Rwanda have shown remarkable growth in different periods. However, in all these countries, a common denominator that characterise them has been the continued rise in the triple evils, namely unemployment, poverty and inequality (Todaro, 2009).

Many development thinkers are arguing for an alternative to neo-liberalism. Choi (2006) notes that the world has become better informed to know that there is no one model of economic system that works. Rather, there are multiple economic systems which all yield differing/different results. Choi (2006) notes that many countries in Asia such as Singapore, Korea, Japan and Taiwan have experimented with different systems. All these countries, he concludes, provide clear evidence that there are varied approaches to running economic systems. As such, our pre-occupation should be looking at what economic model or mixture of models would best serve developing economies. Against this backdrop, we write to argue that insight gleaned from studying social enterprises

points towards a potential for a type of economic system that could potentially bring a more just and equitable socio-economic order in developing countries. As economists grapple with the question about the best model to use particularly for Africa, we posit that the adoption of the social enterprise model at a macro level will lead to an economic system in which capitalism coexists alongside communized capitalism in the form of social enterprise and state driven ventures.

What are social enterprises?

Over the past few years, there has been a proliferation of social enterprises across the globe and notably, in Africa. Social enterprises are organisations that largely exist to meet social ends. They operate within both the private sector and nonprofit sector. While in times past, there were clear boundaries in how private business and non-profit sector organisations operated, social enterprises have led to the blurring of such boundaries by trading in the market economy and using profits to meet social goals. Unlike traditional for-profit business whose main aim is to generate profit for shareholders, in social enterprises there are no shareholders. All the profit is used to meet the main social purpose of the social enterprise and surplus income is reinvested back into the business. In essence, social enterprises operate in the very same way in which capitalist driven organisations function. The main difference is that in private businesses there is individualised benefit while in social enterprises there is communitarian benefit (Department of Trade and Industry (DTI), 2002).

Currently, there are varied conceptions of the term social enterprise from country to country. As such a universally agreed definition of the term social enterprise is yet to emerge. Despite the many differences in how several scholars define social enterprise, a closer look at the many definitions available largely shows

negligible differences (Chikadzi, 2013; Jones, 2007 and Young, 2007). For example, according to the Social Enterprise London (SEL), a social enterprise is a “competitive business, owned and trading for a social purpose. It seeks to succeed as a business by establishing a market share and making a profit. Social enterprises combine the need to be successful businesses with social aims. They emphasise the long-term benefits for employees, consumers and the community” (Jones, 2007:2). Similarly, the DTI (2002:6), defines social enterprise as “a business with primarily social objectives whose profits are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners”. In the same vein, Talbort, Tregilgas, and Harrison (2002:2), note that “social enterprise is a means by which people come together and use market-based ventures to achieve agreed social ends. It is characterised by creativity, entrepreneurship, and focus on community rather than individual profit. It is a creative endeavour that results in social, financial, service, educational, employment, or other community benefits”. Young and Salamon (2002) observe that in the United States, social enterprise denotes the undertaking of business ventures and engagement with business corporations by non-profit organisations to deal with diverse public benefit activities.

It is clear from the several definitions given above that there are several attributes about social enterprises that are common in all the definitions. Firstly, social enterprises are run as business entities that seek to make profit. Secondly, the profit is intended to benefit a public or social cause rather than individuals. Thirdly, social enterprises reinvest their profits in activities that aid the social purpose or mission of the organization. Unlike privately owned business whose main aim is to generate profit for a few shareholders, in social enterprises, the community is the shareholder.

The emergence of social enterprises is largely linked to two major factors. With the ever increasing competition for donor funding, many non-profit organisations were faced with dwindling donor funding. This pushed many non-profit organisations to start trading in the market economy with the intention of using these funds generated to compensate for the dwindling donor funds (Dees, 2007). For some organisations donor funding had a lot of restrictions on what they could do and the pursuit for autonomy in the use of funds pushed some organisations to seek alternative funding by trading and using the profits generated to pursue their social missions (Young, 2007). This is largely the emergent context of social enterprise especially from the non-profit sector side. On the other hand, the drive towards social enterprise was largely fueled by social innovators popularly termed social entrepreneurs. These are people who seek for innovative solutions to social problems in communities which are either bounded by geography or by a common problem. Thus depending on the emergent context from which a scholar is writing, many definitions of social enterprise will either focus on earned income strategies or on social innovation as a key characteristic in the definition of social enterprise.

For the purposes of this paper we will define a social enterprise as a venture which exists to solve a problem or exploit an opportunity which may be economic, social or political in nature for the benefit of the public using both donated and earned income from its trading activities. The venture's activities are characterised by innovation and all profits generated from trading activities are used in public benefit activities.

According to Yunus (2006), social enterprises operate at four different levels. Some adopt the **no cost recovery** where the social enterprise fails to break even in the business operation but will still

be considered as valuable and strategic in the accomplishment of the core objectives of the organisation. Other social enterprises operate at the **some cost recovery**. Such social enterprises recover a portion of their initial investment without breaking even. At the third level social enterprises operate on a **full cost recovery** basis. This means that the organisation recovers all of its costs and manages to break even. The last level of operation is the **more than full cost recovery**. Social enterprises operating at this level are self-sustainable and manage to generate profits out of their operations. The focus of this paper is on social enterprises which operate at this level where a return on investment is generated.

The communitarian perspective of social enterprise and its transformative potential

According to Mendell (2010:246), social enterprises have begun to occupy a position of increased importance in the public policy discourse in many countries. This is mainly because of the demonstrated ability by many social enterprises to tackle difficult social and economic problems in a manner that is beyond what the state and the market are able to do. On the other hand, he notes that the social enterprise movement has put a lot of sustained pressure on the private sector to reform their ways of doing business today. It is thus becoming a model for socially responsible business (Francesco, 2005). Similarly, for some scholars, social enterprises have the potential to become the engine for economic growth in many countries (Ridley-duff, 2006; Harding, 2004). Such has been the promise of social entrepreneurship in driving social change particularly in the area of poverty eradication to the extent that development practitioners see it as the first step needed in reforming the 'flawed' capitalist system (Bornstein, 2007; CASE, 2008).

While the transformative potential of social enterprises cannot be doubted; thus far there is no conceptual model that has been put forward to demonstrate how social enterprises can occupy a position of prominence in future economic, social and political systems within different countries. This paper is an attempt to theorise how social enterprises can give birth to a new economic order that is more just and egalitarian. It is our contention that social enterprises will not organically grow or mutate into realising their transformative potential within the socio-economic and political landscape of many countries. Rather, there are pre-conditions that are necessary for this to happen. There has to be deliberate efforts that are directed towards this goal. The central thesis of this paper is that, the social enterprise model of operation can intentionally be used to create a form of communised capitalism which will coexist alongside the normal capitalist economic configuration and state owned ventures. Within this threeter economic system, the social enterprise model can be used for strategic interventionism in some key sectors of the economy in a manner that safeguards collective interests and guarantees social and economic progress for all.

Given the hegemonic entrenchment of the capitalist system, there is always going to be resistance against such an arrangement. This does not mean to say that it is not possible, rather; it is an economic configuration that threatens existing 'individualised' interests of those that benefit from the monopolistic ownership of capital. Tam (1998) observes that free market proponents are against cooperative innovations in order to safeguard the monopoly ownership of the means of production. Tam (1998) however notes that, it is possible to create an economic system in which **'the basic support systems of human community life and well-being are cooperatively produced instead of capitalistically produced for monetary profit'**. We will now demonstrate below how the social enterprise model adopted at a macro level to create a

three-tier economic system in which communised capitalism in the form of social enterprises coexists alongside free market capitalism and state owned enterprises.

Configuring the social enterprise model to form a three-tier economic system

The central thesis of this paper is that, using state interventionism; the social enterprise model can be adopted at a macro level to create a three-tier economic order in which capitalism coexists alongside communised capitalism. This would result in an economy in which some sectors are purely operated by capitalist driven ventures while some sectors which are deemed strategic will have social enterprise ventures and state owned enterprises competing alongside capitalist driven enterprises. The adoption of the social enterprise model at a macro level to work alongside profit driven free market enterprise will enable a state to achieve two critical things. Firstly, there is a wide array of essential goods and services critical for human existence and economic functioning that are at present largely produced privately via free market enterprise. Such a category of goods and services would differ from country to country depending on contextual differences. Using the social enterprise model would allow such goods and services to be produced for communitarian benefit at a fraction of the price that it would cost when there is monopolised production of such goods and services. In essence, the social enterprise model of operation allows us to treat 'essential goods and services' as “public goods” (Hansmann, 1987 which can be produced for communitarian benefit. On the other hand, the social enterprise model can be used to solve the problem of contract failure largely prevalent when government contracts private service providers. The notion of using the social enterprise model to extend the range of public goods and resolve contract failure will now be discussed in detail below.

Extension of public goods

The Public Goods Theory is regarded as the first economic theory of the role of non-profit enterprise and it was propounded by *Weisbrod* (1974, as cited in Hansmann, 1987). *Weisbrod* argues that organisations in the non-profit sector serve as private producers of public goods. In economic sense, a public good is a product that has two attributes, firstly it costs the same to provide it to many persons than it would to one person and the person's enjoyment of the good does not interfere with the ability of others to enjoy it simultaneously. Secondly, once the good has been provided to one person it is very difficult to stop other people from consuming the good as well. An example of such goods would be television broadcasts or prevention of air pollution. These benefits can be consumed by anyone regardless of the fact that they may not have paid for it. As a result, there is no incentive for for-profit organisations to produce such goods and non-governmental organisations exist to produce such goods. In many cases the government is best able to provide public goods because they can craft mechanisms through which all people can bear the cost through taxation and other applicable means. While government's main legitimate function would be the provision of public goods, *Weisbrod* (1974, as cited in Hansmann, 1987) argued that governmental entities will often, provide public goods only at the level that satisfies the average voter, as a result there will always be some residual unsatisfied demand for public goods among individuals whose need for such goods is greater than the median voter. It is for this reason that non-profit organisations arise to meet this residual demand by providing public goods to supplement those provided by the government which fail to meet the demands of a particular segment of the public.

The 21st century has been characterised by rapid advancements in technology which has resulted in the introduction or production of

new categories of goods and services that are so critical to human progress to the extent that many people cannot do without them. An example of such services include among other things, the internet, cellular networks, banking and fuel to power cars and machinery. These goods and services are largely privately produced in many countries. As such many privately owned companies make a fortune out of providing such goods and services. In Africa, the cost of such goods and services is prohibitive for many and they remain unable to access them. This results in marginalisation and growing inequality amongst people in many countries. A majority of people fail to access such essential goods and services because of the prohibitive costs, yet such goods and services are critical for their own survival and progress. Our argument is that, in developing economies particularly in Africa, such goods should be regarded as public goods given that it is in the public interest to provide universal coverage of the goods and services so that all people can equitably benefit.

As long as these goods continue to be privately produced, the profit motive that characterises privately owned enterprises will always lead to exorbitant pricing and billions of dollars will continue to be harvested for the benefit of a few individuals. Using a social enterprise model of operation, it is possible to set up several companies in a country which would provide such goods and services. These social enterprises would operate in the same way that privately owned business do. They would charge for these services to fully recover operational costs and also make profits out of their operations. However, there are several benefits that can be harnessed in such a model of operation which are not possible when running a privately owned for-profit enterprise. The key question that arises is how social enterprises will be able to finance such capital intensive projects. Our contention is that it is in the

state's interest to fund the start-up of social enterprise ventures that would operate at the macro level. These strategic and operational advantages of running a social enterprise model of operation in some key sectors of the economy will be discussed later below.

Resolving contract failure in government contracting by using social enterprises

The contract failure theory was propounded by Nelson and Krashinsky (1973, as cited by Hansmann, 1987), they argue that non-profit institutions of different types arise in situations where consumers want to purchase a product whose value is very difficult to determine, in terms of quality and quantity. In such cases, consumers can be reaped off by for-profit companies and end up paying much more than the worth of the product in question. In such cases it is argued that a non-profit firm is in a much competitive position to offer such a service due to the fact that the institution cannot distribute its earnings to individual shareholders as would be the case in a for-profit entity. The theory posits that, because people who run a non-profit have no direct benefit from the service which the organisation renders, they would be less inclined to take advantage of consumers by overcharging for the service than their for-profit counterparts. Because the aim of a for-profit business is to make as much profit as possible, there will always be an incentive to offer poor quality services owing to the difficult nature of evaluating it. Thus in a way, the non-distribution constraint of a non-profit organisation assures consumers that a non-profit is likely to deliver the best value for money paid and in the event that it does not happen, the consolation for the customer is that no one will benefit personally from their resources. According to Rose-Ackerman (1996), if the quality of service or output rendered is difficult to measure and if contracts for future delivery are difficult to enforce, the non-profit form functions as a signal of assuring people that quality will not be sacrificed for private

monetary gain. This is mainly because, “those who control the organisation are constrained in their ability to benefit personally from providing low-quality services and thus have less incentive to take advantage of their customers than do the managers of a for-profit firm. Non-profits arise (or rather, have a comparative survival advantage over for-profit firms) where the value of such protection outweighs the inefficiencies that evidently accompany the non-profit form, such as limited access to capital and poor incentives for cost minimisation” (Hansmann 1987:29).

This theory was termed contract failure because it suggests that non-profits arise where contractual mechanisms do not provide consumers with adequate means to regulate producers. According to Hansmann (1987), the contract failure theory helps to explain the role of commercial non-profits that offer services such as day care, nursing care and education which are often complex and difficult for the consumer to evaluate.

A new form of contract failure has become prevalent in government contracting. In many African countries companies win tenders to provide goods and services to governments. More often than not, follow up audit trails have unearthed several problems in the way in which government tenders are handled in many African countries. Firstly, there has been overwhelming evidence of widespread overcharging by private companies when bidding for government tenders. Price fixing and collusion amongst companies is an endemic practice that prejudices many governments of large sums of money which could have been redirected towards service delivery. Secondly, corruption has become entrenched in many African governments. Huge sums of money are siphoned from government's coffers using fraudulent and corrupt tendering practices. This, in essence, is a manifestation

of contract failure. Thirdly, year after year many governments contract private companies to do business for them which is worth billions of dollars. The profits made benefit a few shareholders who own these private companies. This is a clear leakage of government coffers to benefit the few. Such financial leakages can be avoided by opting to give government tenders to social enterprises. Given the non-profit distribution constraint that characterise social enterprises, all the monies that are generated will be ploughed back into initiatives that benefit the broader masses. Thus, owing to their way of operating, social enterprises would be immune to contract failure that currently characterises government tendering processes in many African countries.

How can this model be operationalised?

There are three critical preconditions that have to be met if the social enterprise model is to be operated at a macro scale in a country. Namely, state interventionism, harnessing of substantial capital reserves and grooming a diverse and dynamic pool of social entrepreneurs. These will be discussed separately below.

State interventionism

Under a neo-liberal framework, state intervention is seen as undesirable and proponents argue that it can lead to serious market distortions and failure which will negatively affect many people. To this end, proponents of the neo liberal economic framework champion non-state intervention in workings of the market. However, for a three-tier economic system in which the social enterprise model is operated in strategic sectors of the economy, state interventionism is a precondition. As argued earlier, social enterprises will not organically grow or mutate into realising their transformative potential at a macro level within the socio-economic and political landscape of many countries. There has to be deliberate efforts that are directed towards this goal. Firstly, using the power vested in them to govern, those in power have to

formulate legislation that allows for the operation of the social enterprise model at a macro level. There is also a need to determine the strategic sectors of the economy that should be targeted for such an intervention. The assumption made here is that the government in power has legitimacy to govern. However, even in a dictatorship, such a model can still be operated with those in power dictating the rules of engagement in running such a three-tier economic system. However, those in power need to possess a genuine interest in protecting citizens from the monopolistic and predatory capitalist interests. Without such a commitment, it would be impossible to run such an economic model. At present, there is evidence that shows that the social enterprise movement has begun to pressure business to change the way they operate. More and more businesses are being forced to become more socially responsive in their business strategies (Mendell, 2010). Mendell (2010) further notes that, many people are beginning to realise that social enterprises are gradually assuming a major public role given their demonstrated capacity to tackle challenging social problems in a manner that the market and the state are not able to meet. Similarly, Martin and Osberg (2007:30) note that, social enterprises engaging in 'social entrepreneurship signals the imperative to drive social change, and it is that potential payoff, with its lasting, transformational benefit to society, that sets the field and its practitioners apart'. This transformative capacity of social enterprises that has already been demonstrated can only be accelerated and expanded using state interventionism to create an enabling framework for a social enterprise model to be strategically operated at the macro level.

Harnessing of substantial capital reserves

While social enterprises are no doubt making a difference in many sectors of the economies of several countries in which they are

operated, access to capital remains a major challenge. This inhibits their growth potential. As such, their effect will largely be confined to micro level impact. If this impact is to be replicated on a broader scale at the macro level, there is need to harness substantial capital reserves which can be used to expand and grow the reach of social enterprise ventures. This buttresses the need for state interventionism given that the state is best placed to harness capital using taxation and any other legitimate means at its disposal.

Identifying and grooming a diverse pool of social entrepreneurs

The last precondition is the identification and grooming of a diverse pool of social entrepreneurs. “Proponents of social entrepreneurship hold that the social sector needs the same kind of independent innovators to develop effective, high potential solutions to social problems” the same way entrepreneurs operate in the private sector (Dees, 2007:5). These innovators are called social entrepreneurs (Dees, 1999; 2007). In some countries, social entrepreneurs have been driving a revolutionary wave that has drastically transformed conventional welfare thinking in relation to poverty eradication(see, Dees, 1999; 2007).To this end, the identification of a pool of social entrepreneurs is critical. Such people who tend to be highly innovative and visionary thinkers who would then be used to drive strategy and several initiatives in the implementation of the social enterprise model of operation at the macro- level. On the other hand, such people would also be used to groom and mentor other people. The assumption made here is that, the government will put in place mechanisms that only allow for people to be selected on merit, especially those that will occupy key strategic roles. Without such an arrangement, ventures operated using the social enterprise model may end up suffering the same fate of bureaucratic inefficiencies and excesses that tend to affect parastatals.

The value and strategic advantages of adopting the social enterprise model

There are several advantages that a three-tier economic system in which the social enterprise venture model adopted at the macro level alongside capitalist driven entities would bring. These include among other things, lowering of prices of goods and services in selected strategic sectors, enhanced ability to fight poverty and inequality and avoidance of capital flight, reduction of corruption and pricing on government tenders and increased innovation. These points will be elucidated below.

Lowering of prices of goods and services in selected strategic sectors

One key advantage of operating a three-tier economic system in which a pure capitalist oriented economic system coexists alongside communised capitalism based on the social enterprise model and state owned enterprises would be the ability to strategically intervene in key sectors of the economy to reduce prices of goods and services. In every economy, there are key products and services which if reduced, will lead to a spinoff effect in lowering prices of other goods and services. These products and services include among other things, electricity, fuel and telecommunications. Using strategic interventionism, it is possible for the state to set up social enterprise companies that would provide such goods and services. Using such entities allows for price reductions. This is so particularly because social enterprises do not have shareholders to whom profits are distributed. As such, the profit motive is not the overriding factor. To this end, it is possible for social enterprise companies to sell selected goods and services at lower profit margins than what a for-profit company may be willing to accommodate. For example, if a for profit company is selling fuel at a \$1 per litre and the profit margin is 20 cents, a social enterprise would be able to sell that

same fuel at 85 cents and still manage to make a healthy annual profit. Yet it would have given people a 15% price reduction. Thus, using strategic interventionism it is possible to set up social enterprises that would trade in selected sectors and force for-profit companies to drop prices. In cases where for-profit companies may decide to withdraw from that particular sector, the state would simply inject more capital to capacitate social enterprises to be able to offer the product or service in a manner that satisfies demand.

Enhanced ability to fight poverty, inequality and avoidance of capital flight

Fighting rampant poverty and inequality is one of the urgent priorities for many governments in developing countries. However, resource constraints remain a major hurdle. Year after year, billions of dollars are generated by for-profit companies. Most such companies are foreign owned and most of the money generated is transferred to parent companies and shareholders in foreign countries. This results in capital flight, yet such finances could be used to fight poverty and inequality. Using the said two-tier economic system, social enterprises would be able to trade profitably and all the profits generated can be channeled towards fighting poverty and inequality given the non-profit distribution constraint in social enterprises.

Reduction of corruption and pricing on government tenders

One of the key problems inherent in most African governments is the issue of rampant corruption when companies issue government tenders. In essence, this results in contract failure, the phenomenon discussed above. It is not uncommon in many countries to hear of inflated prices on government tenders. This drains scarce resources that could be used to develop infrastructure and also help to fight poverty. The adoption of a two tier economic model would ensure that most, if not all, government tenders where feasible, would be given to social enterprises. This solves the problem of contract failure. Firstly, even if a social enterprise over charges on a

government tender, there is the consolation that all the profits generated will not be distributed to any individual shareholder. Rather, all the monies will be used for public benefit activities. This allows for money to keep rotating in the country and largely being used for public benefit activities. A strong monitoring mechanism of social enterprises will be needed from both government and civil society to guard against potential malpractices. Apart from using social enterprises to resolve contract failure in government tendering, the model can also be used to lower the prices that government agencies would pay to companies when they do business with them. This becomes a possibility owing to the fact that the profit motive is not the central focus of socially entrepreneurial companies as already demonstrated above.

Increased innovation

Research shows that many of the social enterprises are led by social entrepreneurs. In many ways, these social entrepreneurs have been instrumental in bringing about key innovations in the nonprofit sector that has led to improvements in society and in particular, the upliftment of the poor and the marginalised. Many of these innovations have allowed for cheaper and better ways of rendering social services. Innovation is a prerequisite for social progress and in this sense social enterprises play a major role in bringing about new methodologies and products to the market which are accessible to the poor. In this way, social enterprises fill a role that the private sector has largely failed to play, which is to provide products that are accessible and critical to promoting secure livelihoods for people within the second economy. Consequently, social enterprises become an important conduit that enables the marginalised to be integrated and participate actively in the productivity economy. Dees and Economy (2001:16), note that social entrepreneurs who initiate social enterprises are 'forever-innovating'. "They are tireless innovators.

They truly believe that there is always a better way to do something-whether it's providing a better product or service at lower cost to customers, or improving quality or customer responsiveness-and they are constantly on the lookout for new ways to make a good thing even better”.

Generation of employment opportunities

Research shows that social enterprises can play a critical role in creating employment opportunities within an economy. The non-profit sector around the globe is known to be a major employer. In countries such as South Africa, close to a million people were employed in the non-profit sector in 2002 and this number has significantly increased over the years (Swilling and Russell, 2002). While NGOs are known to create employment opportunities for many people, social enterprises have the capacity to create employment opportunities for many more people given the diversified nature of their activities which would require an increased and diversified staff complement. Pharaoh and Scott (2003) argue that in the context of the United States of America, social enterprise is not only thought along the lines of improving living conditions for the poor but employment creation as well. Similarly, Lyons, et. al. (2010:9), maintain that, “earned income activities have the potential to create employment opportunities as the organisation may require staff with specialised management and marketing skills as well as additional support personnel. As the social enterprise increases in scale, new employment opportunities will arise” leading to the absorption of many people into the job market. More importantly, in many countries such as South Africa, America and the United Kingdom some of the social enterprises specifically focus on developing skills and creating employment opportunities for marginalised people something that government and the private sector in many countries continue to struggle with.

Conclusions and implications for social work and social development

There is no doubt that the social enterprise model of operation can be adopted at a macro scale to create a two tier economic system. If adopted at a macro scale, social enterprises have the potential to become a key vehicle for socio-economic development in developing countries. Social enterprises which do not distribute any profits can become one of the ways by which inequality can be tackled. The more the government gives business opportunities to such entities the more the redistribution of wealth will ensue. Thus ideologically, the social enterprise model can, potentially in future, grow to become the dominant economic model of the day in which profit distribution is not concentrated in the hands of the privileged few. Such a status quo does not however happen on its own. Government interventionism is critical in remodeling the structure of the economy towards such a model. Many a people have managed to move from the margins of the main stream economy and are now active participants in the productive economy owing to the work being done by some social enterprises.

Within the welfare sector of many developing countries, there has been an attempt to move towards the adoption of the social development approach. The primary focus in this endeavour is to tie social change with economic progress. Personnel working within the welfare sector (mainly social workers) remain unclear about the practical methods by which to operationalise this mission. Social entrepreneurship is one of the approaches that have strived to find the unique balance in the need for reciprocity between social change and economic progress. By using business ventures to attain sustainable social impact, social entrepreneurs

have managed to bridge the divide between balancing social change with economic progress. By so doing, the marginalised poor people they serve have been enabled to actively participate in the productive economy (Young, 2006; Bornstein, 2007). Exploring the field of social entrepreneurship therefore becomes necessary for social workers as it is an approach that can potentially bring to fruition the mission and vision of a developmental perspective to social welfare that underpins the welfare direction of many developing countries.

There is no doubt that a rethink of welfare provision is needed. Social workers need to craft interventions that tie social change to economic progress in improving the livelihoods of marginalised communities. Against this backdrop, it is my contention that adopting communised capitalism using the social enterprise model of operation would be one of the best ways through which development practitioners can address continued economic marginalisation of the poor.

This paper has demonstrated how the social enterprise model of operation can be adopted at the macro-level to give birth to a three-tier economic system in which capitalist in its pure form will exist alongside communized capitalism. This could be a viable way through which rapid progress in social development can be attained.

There is no doubt that a wide scale adoption of the social enterprise model of operation is capable of creating a gradual evolutionary tide that could eventually alter the current dominant socio-economic system of capitalism. No doubt the modus operandi of social enterprise largely borrows from capitalist philosophy;

however, non-profit distribution in social enterprises is a radical idea that can result in a new type of economic order. The collective and redistributive focus in social enterprises means that it can be one of the most effective ways by which to fight rampant inequality in developing countries. If adopted on a large scale in all sectors of the economy through government interventionism, social enterprises can propel the nation towards a more just and equitable society in which the broader masses within the population can equitably share in the wealth of the nation. The social enterprise model can lead to improved quality of goods and services whilst leading to the drastic reduction of prices. This would make goods and services more accessible to the poor given that social enterprises are businesses driven by social rather than profit motives.

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