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The influence of institutional perceptions on social enterprise outcomes: a South African perspective

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Abstract

Institutionalist theory can provide an appropriate frame of reference for entrepreneurial behaviour with its emphasis on the role of the regulatory, normative and cognitive environments. This article provides a much needed account of current thinking on social entrepreneurship by running a regression analysis to determine the influence of institutional profiles on social outcomes.

The results, from a survey of 165 respondents involved in a variety of social enterprises, indicate positive perceptions of the institutional profiles and outcomes measured in terms of impact, innovativeness of the solution, expandability/replication, and sustainability.

The study has important implications as social enterprises offer the promise of empowering marginalised segments of the population in BRICs and emerging economies. The main implications of this study relate to developing a country-specific mix of social enterprise institutional profiles, and recognising that the assessment of social outcomes is critical to the fitness of social enterprises.

Key phrases

emerging market; institutions; social enterprise; social outcomes

1. INTRODUCTION

Research shows that the institutional environment has an impact on the nature and extent of entrepreneurial behaviour (Eunni & Manolova 2012:172; Naude 2009:14; Welter & Smallbone 2011:108). Thus this institutional environment (the socio-economic and political milieu in which an entrepreneur operates) influences people's willingness to engage in socially productive activity (Baumol 1990: 893). Additionally, the institutional environment determines the process of gaining cognitive and socio-political legitimacy, which is critical for entrepreneurial ventures to overcome the liabilities of newness and smallness. Moreover, cognitive and socio-political legitimacy is useful to increase levels of entrepreneurial capital

and to gain cooperative exchanges in business networks and form alliances (Dickson & Weaver 2011:127; Manolova, Eunni & Gyoshev 2008:205; Urban 2012:208).

Investigating institutional profiles is important considering that idiosyncrasies in institutions of emerging economies contrast with those of the developed market economies generally characterised by a well-established regulatory basis, a long tradition of management in a market-based competition, along with societal acceptance and support for entrepreneurship (Puffer & McCarthy 2011:22). Consequently, by recognising the relevance of the institutional environment to entrepreneurship there is a need to analyse how institutional variables may differ in emerging economies and to what extent they shape entrepreneurial behaviours, and outcomes. Institutionalist theory can provide an appropriate frame of reference with its emphasis on the role of external influences and institutional embeddedness of entrepreneurial behaviour (Eunni & Manolova 2012:173; Memani & Fields 2014:287; Sud, VanSandt & Baugous 2009:202; Welter & Smallbone 2011:123).

The present study applies an institutional framework towards understanding one specific area of entrepreneurship – social entrepreneurship. This new area of entrepreneurship research has not been studied adequately within an institutional framework and/or emerging market context, where increasingly, researchers are looking beyond entrepreneurship as only having an economic component or Schumpeterian purpose, where entrepreneurs spur innovation and speed up structural changes in an economy, but also recognise a social component (Bosma, Wennekers & Amorós 2012:4; Dhurup & Makhitha 2014:232). Social entrepreneurship has gained popularity under shifting market conditions and can be viewed as a process that catalyses social change and varies according to the socioeconomic, cultural and institutional environments (Mair & Marti 2006:38; Rootman & Zeka 2013:3).

2. STUDY PURPOSE AND OBJECTIVES

2.1 Problem statement

The investment for impact space represents a rising and significant part of the South African investment industry (Giamporcaro 2014:1). However few studies focus on social entrepreneurship that incorporates an impact assessment of their social initiatives, particularly in an African context (Rivera-Santos, Holt, Littlewood & Kolk 2014). Indeed, it has been noted that this rapidly expanding sector of the economy is evolving without effective evaluation tools that can provide reliable measurement and impact assessment (Baker 2011:2; Roy 2012:380; Singh & Bodhanya 2014:351).

The study takes place in South Africa which remains a highly significant regional, political and economic player in sub-Saharan Africa (SSA), and has recently acceded to the BRIC (Brazil, Russia, India, and China) cooperation mechanism, reflecting its growing international influence (Carmody 2012:224). In South Africa, social entrepreneurship has unequivocal application where traditional government initiatives are unable to satisfy the entire social deficit, where an effort on the reduction in dependency on social welfare/grants is currently being instituted, and where the survival of many non-governmental organisations (NGO's) is at stake. Such challenges are exacerbated by a social context characterised by massive inequalities in education, housing, the HIV/AIDS pandemic, and high unemployment and poverty rates (Rwigema, Urban & Venter 2010:528).

Social entrepreneurship not only has direct relevance to South Africa but also in the developing world, considering that in nations such as India and China, dramatic changes in attitude have taken place, where people believe that individuals can and should make their own futures and are in charge of their own destinies (Dafuleya 2012:358; Woolridge 2012:4). According to Baker (2011:3) what matters for social entrepreneurship more than restrictions, is the sense amongst the general population that it is up to them to find solutions for the challenges they confront. Environments are neither certain nor uncertain in themselves but perception makes them so, if individuals perceive an environment to be uncertain they are likely to make decisions that are designed to deal with uncertain environments (Urban 2012:296; Welter & Smallbone 2011:110) which is why the study is focused on perceptions of institutions. Moreover, the social entrepreneurs' actions are not only constrained by institutional and cultural forces in their environment, they are also enabled as opportunities are opened for those who can understand and make the most of the local institutional regime (Bruton & Ahlstrom 2003:233; Welter & Smallbone 2011:124).

2.2 Study objective

The present study will provide a much needed account of current thinking on social entrepreneurship outcomes (Nicholls 2011:2, by examining the institutional environment in determining such outcomes. The objective of the study is to build on earlier work on institutions, where North (1990) and Scott (1995) classified the formal and informal institutions that influence organisations and organisational actors into regulatory, normative, and cognitive categories. In the present study, hypotheses are formulated which test the relationship between the different institutional dimensions and social entrepreneurship outcomes. Social outcomes will be evaluated in terms of their social impact, innovativeness

of the solution, expandability/replication, and sustainability. A regression analysis will be performed to attempt to predict the influence of the independent variables of institutional dimensions on social outcomes as the dependent variable.

2.3 Study contribution

The study makes an important contribution as social initiatives offer the promise of empowering marginalised segments of the population in BRIC and emerging economies. Research on emerging markets is important as current entrepreneurship research focuses almost exclusively on North American and European contexts (Bruton, Ahlstrom & Obloj 2008). It is anticipated that this study, conducted in an under-researched region (Urban 2012:205), South Africa, will contribute to the social entrepreneurship literature by empirically evaluating social outcomes from an institutional perspective. This article starts with a brief overview of the constructs under investigation. Based on a survey sample 165 individuals involved in a wide range of social entrepreneurship activities in South Africa, data is analysed using correlational and regression analysis. Results and discussion follow where limitations are addressed and avenues for future research are recommended.

3. THEORETICAL OVERVIEW

3.1 Social entrepreneurship

As with any change orientated activity, social entrepreneurship (SE) has not evolved in a vacuum, but rather within a complex framework of political, economic and social changes occurring at the global and local levels (Bhowmick 2011; Harding 2006; Smith *et al.* 2014). Social entrepreneurs are increasingly playing a pivotal role in promoting initiatives and building social capital to address economic and social challenges in regions and local communities (Squazzoni 2009). In many emerging markets, innovations are being generated in the area of social technologies, which often represent combinations of low-and-high-end innovation that produces huge benefits to masses of people. In 2012, four of the 10 most innovative companies in India could be defined as social enterprises, and a growing number of venture capitalists are increasing investments in this area (Woolridge 2012:14).

Examining established literature, the concept of SE remains poorly defined and its boundaries to other fields remain unclear (Mair & Marti 2006). Conceptual differences are noticeable in definitions of SE (focus on process or behaviour), social entrepreneurs (focus on founder of initiative), and social enterprise (focus on tangible outcome of SE). Further reflection on the SE academic literature reveals a number of themes, preoccupations and

domains (Weerawardena & Mort 2006), broadly these are: (1) SE may be expressed in a vast array of economic, educational, welfare, and social activities, reflecting diverse initiatives and activities; (2) SE may be conceptualised in a number of contexts, that is public sector, community, and social action organisations; (3) the role of innovativeness, proactiveness and risk taking in SE have been emphasised in distinguishing SE from other forms of community work; and lastly, (4) social enterprises have also been conceptualised as tri-value enterprises since their revenue sources derive from the non-profit, for-profit, and public sectors (Herranz, Council & McKay 2011).

In the series of global entrepreneurship monitor (GEM) reports, Bosma and Levie (2009) conceptualise early-stage social entrepreneurship activity (SEA) as the social equivalent of total entrepreneurship activity (TEA), while considering levels of economic development. While the range of SEA is similar for all three economic development stages, the average SEA rate increases slightly with economic development. Individuals in richer countries, having satisfied their own basic needs, may be more likely to turn to the needs of others. In other words, the opportunity cost of social entrepreneurship may be higher in developing countries.

On the other hand, social and environmental problems are often more prevalent in developing countries. Based on the GEM analyses, it must be noted that definitions of a traditional enterprise and a social enterprise may overlap in developing countries, whereas they may be more distinct in developed countries (Bosma & Levie 2009; Bosma *et al.* 2012; Harding, Brooksbank, Hart, Jones-Evans, Levie, O'Reilly & Walker 2005).

For the purpose of the present study the construct SE is used at the individual level of analysis and is based on the GEM reports, where SE is defined as an attempt at new social enterprise activity or new enterprise creation, such as self-employment, a new enterprise, or the expansion of an existing social enterprise by an individual, teams of individuals or established social enterprise, with social or community goals as its base and where the profit is invested in the activity or venture itself rather than returned to investors (Harding 2006: 12).

3.2 Social enterprise outcomes

Social entrepreneurship, non-profit and philanthropic studies are a relatively new area of study, and consequently the emphasis of most publications has tended to be focused on issues of definition and theory with designs that rely on anecdotal evidence. This rapidly

expanding sector of the economy is evolving without effective evaluation tools that can provide reliable measurements to gauge social venture impacts (Nicholls 2006).

The phrases social impact and social value and the measurement thereof are ubiquitous in both practitioner and academic discourse today. The terms are particularly relevant to those involved in social business that are required at some stage to demonstrate to stakeholders, investors, funders, or simply themselves that they are making a difference.

At the same time a profusion of arguments exist over which approach from 150 or so tools available is best suited to help these social ventures (Roy 2012:380). Numerous qualitative and quantitative social metrics have been developed to measure social impact (Nicholls 2006), with the current leading technique of measuring social impact or social value being social return on investment (SROI) (Roy 2012:381).

In South Africa the investing for impact barometer was recently launched and strives to depict the spectrum of investors in Africa who seek to combine financial returns with positive societal impact and environmental concerns. Findings show that in that 65 percent of funds managed in the private equity space take into consideration social and/or environmental criteria in their investment strategy (Giamporcaro 2014:2). Singh and Bodhanya (2014)propose a systems thinking methodology known as System Dynamics (SD) to realise a more holistic consideration of the issue of non-profit sustainability by examining the beneficial implications of such an application.

Evaluation of social impact rests at the heart of any SE endeavour. Often social change might at best be incremental, in rare cases SE has significant impact. Either way, evaluating this impact might entirely depend on the nature of the SE initiative in relation to its mission. In other words, profit as a potential marker of success would be of far less concern to a social entrepreneur. Rather, the reach and impact (whether this be at the level of individual, community or nation) of the benefit delivered would be more of a concern. Such benefits may be in the form of social enterprise impacts such as job creation, utilisation of buildings, and volunteer support (Peredo & Chrisman 2006:310; Thompson 2002:414).

Similar to business entrepreneurs, social entrepreneurs initiate and implement innovative programs, even though they are differently motivated, the challenges they face during start-ups are similar to those faced by business entrepreneurs (Sharir & Lerner 2006). The commercial entrepreneur thrives on innovation, competition and profit, whereas the social entrepreneur prospers on innovation and inclusiveness to change the systems and patterns of societies (Jeffs 2006).

The importance of social outcomes is underscored when considering that those who fund social entrepreneurs are looking to invest in people with a demonstrated ability to create change, and the factors that matter most are the financial, strategic, managerial, and innovative abilities of social entrepreneurs (Kramer 2005). Empirical research confirms that a wide range of both entrepreneurial and managerial skills, with significant overlaps, is necessary for successful SE (Urban 2008:352).

In many instances it is impossible to obtain start-up funds without demonstrating proof of concept together with commensurate abilities required to execute such an initiative (Seghers, Manigart & Vanacker 2012). Recognising that a key issue confronting social entrepreneurs relates to the evaluation of outcomes, four 'metrics' are used in this study which will hopefully facilitate a better assessment of the social initiative (Nicholls 2011). The outcomes of the social entrepreneur's venture are determined in terms of: (1) social impact, (2) innovativeness of solution, (3) expandability/replicability and (4) sustainability.

3.3 Institutional perceptions and social outcomes

Bygrave and Minniti (2000) propose that while it is true that conceptions govern behaviour, conceptions themselves are partly fashioned from direct or socially mediated transactions with the environment. Consequently, it is important to understand the context of the institutional environment in terms of the regulatory, normative, and cognitive categories (Eunni & Manolova 2012; Scott 1995), when proposing linkages to social outcomes.

3.4 Regulatory institutions

A major prerequisite for a thriving enterprise sector is the existence of an enabling environment, with institutions which render political and economic stability, relative security, and market based incentives, and access to resources needed to grow (Schwab & Sala-i-Martin 2013). According to the series of GEM (Global Entrepreneurship Monitor) reports, entrepreneurial framework conditions provide a better understanding of the entrepreneurial environment within a specific economy.

An enabling environment can be linked to conditions that enhance (or inhibit) new business creation and growth (Herrington, Kew & Kew 2014). Entrepreneurs are constantly aware of the pervasive influence of the regulatory environment on their enterprises. The regulatory and political climates often dictate whether it makes sense to act entrepreneurially or not. Changes in government carry with them the prospect of changed laws and regulations, new policies and restrictions, and varied attitudes to business. South African entrepreneurs, like

their counterparts elsewhere, closely monitor changes in political fortunes, laws and regulations, tax regimes, and international relations.

In South Africa, regulatory requirements make it very difficult for people to start businesses. Onerous labour laws, the low efficiency of the labour force, corruption, and crime remain a major challenge for doing business in South Africa (Herrington, Kew & Kew 2014:14). While government officials have said much about this, but little real and effective action has been taken (Turton & Herrington 2013).

3.5 Normative institutions

Not only does the macroeconomic environment together with the more immediate business environment affect the levels of entrepreneurial activity in a country, but more specifically enduring national characteristics have been predicted to have an impact on entrepreneurship (Bygrave & Minniti 2000). The less formal are those normative institutions, which typically manifest in standards and commercial conventions such as those established by networks, professional and trade associations, and business groups. Social networks and trust provided by extended family, community-based or organisational relationships are often theorised to supplement the effects of education, experience and financial capital (Greve & Salaff 2003; Salaran & Maritz 2013).

In South Africa, decreasing political confidence specifically on issues of transparency and accountability, correct appointments, affirmative action, crime, inflation, the widening income gap and corruption adversely affect trust. Such adverse normative environmental conditions influence the perceptions of social entrepreneurs and often the result is that entrepreneurs with good ideas do not want to be involved with government departments or agencies unless they anticipate some corruptor or cronyist advantage (Klein 2008; Turton & Herrington 2013).

3.6 Cognitive institutions

The central premise of the cognitive perspective is that entrepreneurial behaviour emerges as a result of the entrepreneurs underlying cognitions. Essentially the entrepreneurial cognitions perspective allows researchers to understand how entrepreneurs think and why they do some of the things they do (Krueger Jr 2000). Cognitive institutions are the axiomatic beliefs about the expected standards of behaviour that are specific to a culture, which are typically learned through social interactions by living or growing up in a community or society. Recent work suggests that social entrepreneurs who are members of a

disadvantaged community seem to have incomparable insight into that community's needs. However, they may not always be able to procure the resources required to launch a social venture intended to address the needs (Peredo & Chrisman 2006), and are not always well prepared to manage and lead such a social venture (Austin, Stevenson & Wei-Skillern 2006).

In South Africa, most aspiring entrepreneurs have a sense of entitlement and an expectation that big business, government and others should create jobs, rather than that one creating one's own employment. These individuals also tend to have low levels of self-belief, little experience, inadequate education, and lack of access to finance and business-orientated networks (Urban 2006 2008).

3.7 Hypothesis formulation

Firstly, by acknowledging the context of the regulatory environment and given the definition of regulatory institutions, which refers to the formally codified, enacted, and enforced structure of laws in a community, society, or nation (Busenitz, Gómez & Spencer 2000), the first hypothesis links the regularity institutional dimension with social outcomes.

H_1: Positive perceptions of the regularity institutional environment will lead to greater social outcomes in terms of: (a) social impact or reach, (b) innovativeness, (c) expandability or ability to replicate, and (d) sustainability of the social initiative.

Secondly, the link between socio-structures and outcomes is hypothesised in terms of the normative institutional dimension. This is in line with the definition of the normative institutional environment, which determines the degree to which a country's residents admire entrepreneurial activity and value creative and innovative thinking (Busenitz *et al.* 2000).

H_2: Positive perceptions of the normative institutional environment will lead to greater social outcomes in terms of: (a) social impact or reach, (b) innovativeness, (c) expandability or ability to replicate, and (d) sustainability of the social initiative.

Thirdly, by recognising the potential influence of cognitions on social outcomes, the cognitive institutional environment which reflects the knowledge and skills possessed by the people in a country pertaining to establishing and operating a new business (Busenitz *et al.* 2000), is predicted to influence social outcomes.

H_3: Positive perceptions of the cognitive institutional environment will lead to greater social outcomes in terms of: (a) social impact or reach, (b) innovativeness, (c) expandability or ability to replicate, and (d) sustainability of the social initiative.

4. METHODOLOGY

4.1 Research design

The study relied on a quantitative cross-sectional empirical approach which was based on primary data sources. Responses were solicited in a manner that allowed for quantitative analysis and where items were measured with interval scales. It was deemed appropriate to closely approximate the procedure of sampling with those of earlier studies investigating institutional profiles and entrepreneurship (Douglas & Shepherd 2002; Manolova *et al.* 2008).

4.2 Sampling and data collection

The sampling objective of this study was to approach individuals involved in social enterprises and not the general population. Such a sampling approach adds control and homogeneity to a study because the respondents in this group already possess the knowledge and experience required to assess social outcomes NCSE 2001.

Individuals were surveyed attending various short programs such as the New Venture Creation certificate course, Grow Your Business developmental programme, and seminars such as The Entrepreneurial Mind-Set and Innovation workshop, all hosted during the period March-November 2011 at the University of the Witwatersrand, Johannesburg, and University of Fort Hare, Eastern Cape in partnership with various enterprise development agencies, private incubators and NGOs.

During the offering of these programs, 450 surveys were distributed by individual facilitators during their respective classes and collected once completed anonymously and voluntary by respondents. The purpose of qualifying as a participant was that the respondent must be principally involved in an initiative which is a social as opposed to a mainstream enterprise.

Furthermore, enterprise must have social rather than profit goals, and revenue should be used to support social goals instead of shareholder returns (Harding 2006). Based on selection criteria 63.4 percent of respondents answered ‘no’ to any involvement in a social initiative, and 36.6 percent of respondents indicated ‘yes’ to current involvement with a social initiative.

A final count of 165 affirmative and complete responses served as the final sample. Sample descriptives, which served as control variables, included gender, age education level, race or ethnic group, parents or relatives who are or had been entrepreneurs, social initiative

activity type, size of enterprise in terms of full-time members and age of enterprise, all of which have previously been linked to SEA (Brinckerhoff 2000; Harding 2006).

Considering that non-probability sampling was used and data was collected over a period of several months, the potential for non-response bias was explored in two ways. The first procedure was based on the work of Armstrong and Overton (1977) who argued that the characteristics of late respondents are similar to those of non-respondents. Consequently, the response dates for each survey response were recorded (at several points during the March-November 2011 period) and the responses were divided into two groups representing those received before the median response date - July 2011 - and those received after that date. Analyses of variance (ANOVA) conducted using these two groups revealed no significant differences on any of the important demographic variables such as gender, education, firm age or size. The second procedure involved using archival sources where accessing non-respondents Web sites compared venture size and age with non-responding social ventures. Results of t-tests comparing these ventures with the current study sample's mean scores on select demographic variables revealed no statistically significant differences ($p > 0.10$) between these groups, suggesting that the sample appears to be representative of the population from which it is based (Cooper & Emory 1995). Table 1 provides the full results on the sample characteristics.

TABLE 1: Sample characteristics

Variables	Frequencies	Percent
Gender		
Male	104	62.7
Female	61	36.7
Age in mean years (Std.dev)	165	32 (5.55)
Education levels		
No high-school	1	0.6
High-school complete	17	10.2
Short programme attended	54	32.5
Diploma or degree attained	91	54.8
Postgraduate studies complete	2	1.2
Missing	1	0.6
Ethnic group		
Indian	2	1.2
Coloured	6	3.6

Black	140	84.3
White	13	7.8
Chinese	1	0.6
Other	3	1.8
Parents who are/have been entrepreneurs		
Yes	121	72.9
No	43	25.9
Relatives who are/have been entrepreneurs		
Yes	128	77.1
No	33	19.9
Venture activity type		
Education and skills training	61	36.9
Community business	48	29.1
Health and rehabilitation	29	17.6
Environmental	15	8.9
Religious	14	8.5
Sports and similar coaching	6	3.6
Other	5	3.0
Venture age		
Less than 3 months	32	19.4
4-11 months	65	39.3
1-2 years	41	24.8
3-5 years	19	11.5
5 + years	8	4.8
Venture size by full-time members		
1-3 members	112	67.8
4-7 members	24	14.5
8-12 members	16	9.7
12 + members	13	7.8

Source: Based on survey results

Some notable features in Table 1 are that few of the respondents had completed post-graduate studies while 54.8 percent of the sample had completed some form of undergraduate qualification. Education has been found to be a predictor of SEA, where individuals with tertiary qualifications are more socially active compared with only high-school qualifications. In general for entrepreneurship activity, research reports those with

more formal education, including primary and secondary education tend to start high-potential ventures with substantial growth prospects (Urban 2008).

The racial composition of the sample reflects South African national demographics, where 84.3 percent of respondents are Black. Ethnic and race group differences in entrepreneurial activity are noted in the series of GEM reports (Bosma *et al.* 2012), with research indicating differences between Black, Indian and White groups on networking ties and self-efficacy beliefs (Urban 2006). It is acknowledged that the term 'race' used to divide people into discrete reified social categories could well be considered prejudicial, but in South Africa these divisions are used to justify extant patterns of domination, exclusion and entitlement (Urban 2006). The relatively high percentage of respondents who have parents (73 percent) and relatives (77 percent) who are or have been entrepreneurs resonates with previous studies which finds that entrepreneurial behaviour is influenced by a history of family enterprise, where family tradition in business inculcates a business culture and may provide greater access to capital and information from within the family (Douglas & Shepherd 2002).

In terms of the social enterprise types, education and training (37 percent) is the most prevalent type of activity, followed by community business (29 percent). The majority (39 percent) of the enterprises is in the four to 11 month age category and most (68 percent) have between one and three full-time members. This limited number of full-time members is perhaps as a result of social entrepreneurs assuming multiple roles in their organisations, not least because of financial restrictions which limit staffing. Social entrepreneurs often adopt roles of innovators, initiators, transformers, strategists, policy makers, mentors or role models (Rwigema *et al.* 2010).

4.3 Measurement and scales

The research survey design was a self-reporting closed questionnaire consisting of three separate sections measuring the main concepts under study. Care was taken to ensure clarity in terminology and to ensure that the items of the questionnaire addressed the hypotheses. Existing instruments were scrutinised for suitability and the following items were used for constructing the instruments for this study.

Institutional dimensions: As Manolova *et al.* (2008) noted the Busenitz scale (Busenitz *et al.* 2000) is an appropriate instrument to use in the context of emerging economies. Results from their original study employing confirmatory factor analysis suggest high reliability, internal consistency, and construct validity. For the present study, this instrument was adopted and all items representing the regulatory (five items), normative (four items) and

cognitive dimensions (four items) were used along a five-point Likert scale ranging from strongly agree (five) to strongly disagree (one).

For social entrepreneurship outcomes, several evaluation measures used in the field of SE were scrutinised for suitability of use as the dependent variable in this paper; these included the SROI index (Roy 2012), the Skoll Foundation measuring innovation measures (Kramer 2005), the Canadian Centre for social entrepreneurship measures (Johnson 2003), the social impact measures from the Centre for the Advancement of Social Entrepreneurship (Dees, Anderson & Wei-Skillern 2002), and variables from the guide to social entrepreneurship at the NCSE (2001). In the final instance measures were selected that best encapsulate the themes and areas of social venturing and included the dimensions of social impact and reach (four items), innovativeness of solution (three items), expandability or ability to replicate (three items) and sustainability of the venture (four items). All items were measured with five-point Likert scales ranging from strongly agree (five) to strongly disagree (one).

In order to ensure the overall instrument had face and content validity, a preliminary analysis via a pilot test was undertaken. This process allowed the researcher to refine the questionnaire design to maximise responses. Moreover, this procedure ensured that the respondents had no difficulties in answering the questions and there was no problem in recording the data. Having established content validity, a closer look at the instruments revealed that the dependent variable was not concerned with establishing the psychometric properties of a construct, but rather items were measuring a set of different social outcomes. Consequently instrument reliability was tested where Cronbach alpha values all within range of the benchmark of 0.70 were obtained indicating a high degree of internal consistency across items (Nunnally 1978), refer to Table 2. Finally, to ensure rigour in the results all items relating to independent, dependent and control variables were explored in a single principal component analysis (PCA), using Harman's one-factor test (Podsakoff, MacKenzie, Jeong-Yeon & Podsakoff 2003) to check if one component accounted for most of the variance. Seven components with Eigen values greater than 1.0 were detected, which accounted for 61 percent of the variance. The largest component accounted for only 12 percent. Consequently no evidence of common method bias was identified.

5. RESULTS

Mean scores, standard deviations, item-correlations and Cronbach alphas are displayed in Table 2. The mean scores for the regulatory and normative institutional dimensions exceed

the average or mid-point (2, 5) score, indicating agreement with the construct, although there is quite a high variation within the sample (the standard deviation is greater than 1 in many instances). The relatively high mean scores suggest that the responses to these scales are generally positive, suggesting that individual's perceptions of the regulatory and normative institutional profiles are favourable. Mean scores across the social evaluation dimensions are also above the scale mid-point, with relatively low standard deviations (below 1 in most instances) suggesting that individual's perceptions of the social initiative are favourable.

TABLE 2: Descriptive statistics and reliability of the dependent and independent variables (*n* = 165)

Variables		Mean	Std dev	Item-total	Alpha-if
	Correlation	deleted	Regulatory variables		
Government organizations assist individuals starting their own businesses		3.47	1.01	0.625	0.774
Government sets aside government contracts for new and small businesses		3.47	0.97	0.642	0.771
Local and national government have support for individuals starting a new business		3.48	1.05	0.692	0.753
Government sponsors organizations that help new businesses develop		3.56	0.95	0.618	0.778
Even after failing, government assists entrepreneurs starting again		2.77	1.09	0.475	0.823
Normative variables					
Turning new ideas into businesses is admired in this country		3.79	1.05	0.690	0.769
In SA, innovative and creative thinking is viewed as a route to success		3.86	1.06	0.692	0.769
Entrepreneurs are admired in this country		4.01	0.98	0.671	0.779
People in SA greatly admire those who start own businesses		3.77	0.97	0.577	0.819
Cognitive variables					
Individuals know how to protect a new business legally		2.79	1.05	0.545	0.854
Those who start new businesses know how to deal with risk		2.72	1.09	0.741	0.771
Those who start new businesses know how to manage risk		2.74	1.09	0.784	0.752
Most people know where to find info about markets for their products		2.73	1.09	0.646	0.813

Social impact/Reach of the initiative				
The results of the initiative are tangible to date	3.79	1.03	0.743	0.952
Results sufficient to surmise that people's lives were improved	3.77	1.00	0.874	0.912
The initiative is widespread and spans several communities	3.89	1.06	0.897	0.904
There are many direct beneficiaries	4.19	0.93	0.898	0.903
Innovativeness of solution				
The initiative has introduced new approaches or offered new solutions to problems	4.20	0.75	0.948	0.953
The initiative truly has discovered a new/unique way of using /combining resources	4.19	0.80	0.937	0.961
Has entirely transformed established practices and/or systems	4.20	0.85	0.936	0.962
Expandability/replicability				
The initiative can be expanded from its original group of beneficiaries	4.28	0.71	0.668	0.894
Applicability of the initiative is clear in adjacent communities or country	4.30	0.71	0.723	0.884
Many aspects of the initiative can be transferred and adapted to other global settings	4.31	0.68	0.750	0.887
Sustainability				
The initiative is insulated or independent of political events and legislation	3.55	1.19	0.722	0.865
Initiative self-generates most of its funds, or outside funding is fairly reliable	3.27	1.22	0.819	0.880
The initiative has entered several partnerships with businesses	3.05	1.24	0.683	0.892
Organization is firmly in place, and the initiative can stand without support of founder	3.04	1.24	0.679	0.892

Source: Based on survey results

To evaluate the hypothesised relationships between the variables, and provide additional rigour, a number of control variables were used in the correlational and regression analyses. To provide a parsimonious test of the hypothesis, the variables were calculated by summing the values of each item for each respective scale dimension and dividing it by number of items. To first understand the nature of the relationship between the variables, a correlation analysis was conducted. For the full correlation matrix, refer to Table 3, where the Pearson

Correlation Coefficients is shown with levels of significance denoted. The level of correlations is generally low, although some correlations are statistically significant.

TABLE 3: Correlations for institutional dimensions, social outcomes and controls (n = 165)

	Variables	1	2	3	4	5	6	7	8	9	10
1	Regulatory	1.000									
2	Normative	0.514*	1.000								
3	Cognitive	0.124	0.103	1.000							
4	Social impact	0.151	0.854*	-0.093	1.000						
5	Innovativeness	0.026	0.100	-0.043	0.006	1.000					
6	Expandability	0.576*	0.138	0.253	0.417	0.543	1.000				
7	Sustainability	0.153	0.097	0.118	0.206	0.402	0.389	1.000			
8	Age of venture	0.006	-0.345	-0.022	0.110	0.006	0.014	0.014	1.000		
9	Parents	0.056	0.110	0.121	0.119	0.564*	0.113	0.118	0.121	1.000	
10	Ethnic group	0.941**	0.240	0.033	0.320	0.091	0.634**	0.320	0,336	0.413	1.000

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Source: Based on survey results

Scatter plots were compiled for each of the three institutional dimensions against each of the social evaluation dimensions - social impact, innovation of solution, expandability, and sustainability (not shown due to space limitations). Correlations were generally low and not significant at the 95 percent confidence level.

To address the stated study objectives and test the hypotheses a multiple regression analyses using ordinary least squares regression was performed to assess the predicted relationship between the specified variables. The multiple regression results are displayed in Table 4.

TABLE 4: Regression equation section (n =165)

Dependent variable				
Independent variable	**Regression coefficient b(i)**	**Standard error Sb(i)**	**T-value to test H0:B(i)=0**	**Probability level**
Social impact/reach (R^2 = 0.1678)			9.5645	0
Intercept				
Regulatory environment	0.1568	0.0945	1.6596	0.0990

Normative environment	0.0154	0.0943	0.1606	0.8700
Cognitive environment	-0.1134	0.0811	-1.3987	0.1641
Gender	-0.0735	0.0936	-0.0781	0.1125
Age of venture	0.4155	0.0987	4.2061	0.6115
Ethnicity (Black)	-0.0455	0.0934	-0.4869	0.1399
Parent, family, friends	0.0836	0.0993	0.8425	0.2807
Innovativeness of solution (R^2 = 0.1667)				
Intercept			11.2194	0
Regulatory environment	-0.0317	0.0955	-0.3320	0.7403
Normative environment	0.1229	0.0954	1.2883	0.1996
Cognitive environment	-0.0529	0.0820	-0.0645	0.5194
Gender	0.1555	0.0955	1.6306	0.3453
Age of venture	0.2031	0.1172	1.7327	0.4357
Ethnicity (Black)	0.1627	0.0961	1.6937	0.3535
Parent, family, friends	0.1322	0.1040	1.2709	0.3388
Replicability/expandability (R2 = 0.2350)				
Intercept			10.1843	0
Regulatory environment	0.0719	0.0960	0.7490	0.4550
Normative environment	-0.0203	0.0958	-0.2124	0.8320
Cognitive environment	-0.0315	0.0824	-0.3831	0.7021
Gender	0.2249	0.0915	2.4487	0.4057
Age of venture	0.1208	0.1123	1.0761	0.3432
Ethnicity (Black)	0.1517	0.0923	1.6482	0.3345
Parent, family, friends	0.0821	0.0997	0.8234	0.2800
Sustainability (R^2 = 0.0544)				
Intercept			4.2398	0
Regulatory environment	0.1307	0.0946	1.3821	0.1690
Normative environment	0.0187	0.0944	0.1989	0.8425
Cognitive environment	0.1009	0.0811	1.2434	0.2156
Gender	-0.0371	0.1003	-0.0370	0.1619
Age of venture	-0.0163	0.1230	-1.3310	0.0804
Ethnicity (Black)	-0.0068	0.1009	-0.0673	0.1935
Parent, family, friends	-0.0034	0.1129	1.6922	0.2206

Source: Based on survey results

In accordance with each of the hypotheses, the different social outcome dimensions were regressed on the three institutional dimensions. The regression coefficients were as follows: Social impact/reach (R^2 = 0.1678); Innovativeness of solution (R^2 = 0.1667); Replicability/expandability (R^2 = 0.2350); Sustainability (R^2 = 0.0544). However, none of the independent variables or control variables impacted significantly on the different dimensions of the dependent variable.

Additionally, univariate tests of significance, using sigma-restricted parameterisation for the different social evaluation dimensions produced the following significant F values for (1) social impact = 91.480 ($p < 0.01$), (2) innovativeness = 125.875 ($p < 0.01$), (3) expandability = 103.720 ($p < 0.01$), and (4) sustainability = 17.976 ($p < 0.01$).

Although the sign for the majority of the regression coefficients show a positive relationship in accordance with expectations, which could provide some evidence consistent with the hypothesis 1, 2, and 3, the results of the estimation do not allow the confirmation of the latter. Moreover there are several negative coefficients which are not readily interpretable. The limited amount of variance explained by the independent variables means that the predictive and explanatory power of this model is limited and a fair amount of work needs to be conducted to further understand the influence of institutional dimensions on social entrepreneurship outcomes.

6. DISCUSSION

The study is one of the first to provide a much needed empirical account of the evaluation of social entrepreneurship (SE) in an emerging market and BRICs context. In this regard the present study adds to the growing knowledge base on SE where the outcomes of social initiatives was proposed to be influenced by the perceptions of the regulatory, normative, and cognitive institutional environments in South Africa. Surprisingly, the findings of the study suggest that the different institutional profiles do not appear to be significant determinants of social impact, innovativeness, expandability and sustainability. Nonetheless, descriptive statistics reveal positive perceptions of the regulatory, normative and cognitive environments.

Interlinking the empirical results of this paper with established literature allows additional insights to emerge. Despite that no relationships could be established between the study variables, some highlights are noted and interpreted in terms of theory across the social outcome dimensions. Firstly, in terms of the expandability/ replicability dimension

respondents seem to agree that many aspects of the initiative can be transferred and adapted to other settings around the world, and also recognise that the applicability of the initiative is clear in adjacent communities or the country as a whole.

These positive perceptions of social outcomes suggest that this sample of social entrepreneurs appreciates the importance of forming relationships and developing networks with several external constituencies. Through such collaboration, certain benefits are realised. These include commitment, sharing of expertise and experience, economies of scale, and access to established networks (governments, communities, private institutions and other similar organisations). Moreover, support networks with family and friends may also be developed in order to cope with the emotional demands and stress of undertaking the social initiative (Florin, Jones & Wandersman 1986).

Considering the positive perceptions of the expandability or ability to replicate the social initiative, demonstrates that respondents recognise that relationships must be developed with other social entrepreneurs or organisations fulfilling similar social missions in order to share information, resources, or to form strategic alliances around a common cause. An example of such expandability is the (NGO) 'Networks for Health' which is a collaboration between five organisations, which come together to meet the need for family planning, reproductive health, child survival, and HIV/Aids information and services in South Africa (Rwigema *et al.* 2010).

Secondly, the sustainability dimension of social outcomes, revealed some interesting descriptive scores, specifically in terms of how the organisation is firmly in place, and the how the initiative can stand without the support of the founder. This observation is relevant in light of research which finds that entrepreneurs who have built sustainable firms have a team of individuals with solid entrepreneurial and management skills, where competency in a variety of skills contributes to the sustainability of a venture (Christie & Honig 2006). A contentious issue in SE, perhaps due to the newness of the concept, is that there are few institutional mechanisms in place to support this type of social work. Related to this issue of support is the issue of training and capacity building for SE.

Considering that SE is defined as a highly creative and innovative individual approach, sustainability and replication seems to be much more difficult to achieve (Johnson 2000), which is perhaps why few social initiatives are truly sustainable without the support of the founder; unless a skilled team is developed. Lastly, the definition of sustainability in the non-profit sector is quite different from the for-profit sector, with the advocacy of sustainability

versus stability being contentious in view of organisations having sustainable finances, but no community support and therefore probably not sustainable (Austin *et al.* 2006).

Reflecting on the findings, in terms of the different social enterprise types that were sampled, it is not surprising that the largest activity is education and training, as one of the biggest challenges facing South Africa is the development and improvement of its knowledge and skills base, particularly among disadvantaged and marginalised sectors of the population. A low skills base further compounds levels of illiteracy (South African Institute of Race Relations 2007). South Africa's crisis in education and training has major implications for the country's social growth and economic progress, as well as its global competitiveness. Social entrepreneurs have responded to these challenges by providing social initiatives in education and training.

Principally the results also have contextual relevance where BRIC nations and emerging economies provide a unique environment which offers the ability to obtain fresh insights and to expand the theory and our understanding of it by incorporating more contextualised considerations (Bruton *et al.* 2008). In this sense social entrepreneurs are embedded in on-going institutional structures that have an effect on their behaviours and beliefs. However it is necessary to acknowledge that entrepreneurs can also act to shape their institutional environments (Welter & Smallbone 2011). The challenge for social entrepreneurs in South Africa is to continue to work within the system, but also to act as institutional entrepreneurs encouraging financial systems, legal structures, and labour markets that generally facilitate social entrepreneurial activities. Aspiring social entrepreneurs also need to be aware of their institutional environment, and of the numerous and often conflicting institutional pressures and constraints facing them. Like business entrepreneurs, social entrepreneurs initiate and implement innovative programs, even though they are differently motivated, the challenges they face during start-ups are similar to those faced by business entrepreneurs (Sharir & Lerner 2006).

The study also holds potentially important implications for practice. By highlighting the importance of environmental perceptions in relation to social outcomes, the findings of the study suggest some key insights to practitioners and managers. Just as the assessment of financial value is important for commercial enterprises in attracting investor stakeholders, so the assessment of social value and outcomes, by a broad set of stakeholders, is critical to the fitness of social enterprises (Meyer & Gauthier 2013). This study may also have important policy implications, where, public policy makers need to enhance the institutional

framework in order to support SE by developing a country-specific mix of entrepreneur-friendly legislation, and promoting positive entrepreneurial role models to influence social attitudes and aspirations towards social entrepreneurship.

7. CONCLUSION

Considering the early stage of development in theory of the social entrepreneurship and the environmental perceptions, the present study has several limitations. As in previous studies, using aggregate measures of the institutional environment for SE may mask subtle and persistent differences that are less readily observable to have an impact on social outcomes, such as legal and cultural traditions (Manolova *et al.* 2008). Moreover, since the research design relied on firms that survived, there is an inherent survivor bias. As a consequence, the generalisability of the findings is limited. It may be beneficial for future researchers to widen the scope of social venture outcomes to include some ventures that have not succeeded. Another limitation is that there is no official data yet available on social ventures in South Africa. This makes any generalisability of the results risky as no comprehensive population and sampling frame could be identified. Lastly, the study also has typical survey design limitations in that survey data are self-reported and the study is prone to self-serving bias.

Many of the limitations of this study afford interesting opportunities for future work. Based on the cross-sectional nature of this study, the dynamic aspects of entrepreneurial institutions are lost as they may well change over time with focused reform measures. Future research should aim for a longitudinal study to provide further insights and causal inferences into the relationship between institutions and social outcomes. More research is required on formal and informal institutions in terms of analysing the regulatory, normative, and cognitive dimensions in under-researched regions such as South Africa and other BRIC nations. Although double bottom line, triple bottom line, blended value, and social return on investment are all terms that have gained popularity over the last decade (Nicholls 2011), there is need to evaluate social initiatives across several of these environmental dimensions. Researchers could possibly identify supplementary non-financial metrics of success based on some of the social outcomes as delineated in this paper.

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