

## RESPONSIBILITY

# Embrace power of social entrepreneurs

### Boris Urban

Following the corporate scandals around KPMG and Steinhoff International, the legitimacy of business has fallen to levels not seen in recent history. This fall from grace is not just a result of accounting irregularities but a consequence of an obsession with individual enrichment, short-term financial focus, the parochial thinking of management and downright ethical failures.

Leftist critics of free markets assume there is a fraudulent aspect to capitalism, and in SA for many it is easier to see the destructive part of capitalism than its creative side.

In a country such as ours, the scars from decades of corporate complicity in economic crimes will take a long time to heal, but in the interim mistrust lingers between business and ordinary people.

However, it would be far too easy to condemn all corporates as social outlaws. The role of

corporates as powerful instruments of progress, innovation and development is often ignored or overlooked. An inclusive corporate sector lies firmly at the heart of a functioning society. Corporates, if managed ethically, can be powerful vehicles for growth and inclusive development. Moreover, corporates can transform individual lives, particularly when they engage in corporate social responsibility (CSR) programmes. Researchers have investigated the effect of corporate social initiatives and found that CSR is not only beneficial for the public but for the financial performance of the corporation itself.

Business has a key role to play in SA's transformation and development. This includes not only CSR activities but also developing social entrepreneurship and social enterprises, which combine economic and social objectives to create social value by means of commercial, market-based activities.

Entrepreneurship has been successfully employed to boost social causes and has applied

innovative and sustainable solutions to social problems that were previously in the purview of the public sector. Indeed, there is a growing awareness of social problem-solving through entrepreneurial means.

As an empirical phenomenon, entrepreneurship can be traced back to the beginnings of organised trade and is arguably the second oldest profession in the world. From Adam Smith through to Karl Marx, Joseph Schumpeter, Max Weber and beyond, entrepreneurship has been recognised as a driving force for economic development. Industrial history, specifically through the early 17th and 18th century industrialists such as Cantillon and Say, confirms the birth of new industries, which have always depended on the revolutionary skills of entrepreneurs.

Much like traditional business entrepreneurs, who are often the change agents in the economy, social entrepreneurs are the change agents in society, finding new and innovative ways to solve

some of the most pressing social issues. Social entrepreneurship can be distinguished from social service organisations, which are highly localised, vulnerable and lack the capacity to scale effectively. Instead, social entrepreneurs are mission-based businesses rather than charities, as they seek to create systemic changes and sustainable improvements, and their actions have the potential to stimulate global improvements in various fields, whether that is education, healthcare, the environment, or the arts.

By focusing on social entrepreneurship, corporate leaders will understand that creating a sustainable competitive advantage is greater than merely focusing on the economic sphere. These corporate leaders recognise that they need to understand the social and political elements of business to effect an increase in the "total wealth standard" of a country. Corporates today exist and operate in a social environment that does not

encourage firm isolation or the pursuit of a singular economic motive. Instead, they are nested in a pluralistic community affecting others, which requires a more equitable model of management.

As Harvard management guru Michael Porter states, "not all capitalism or profit is equal – profits involving a social purpose represent a higher form of capitalism, one that will enable societies to advance more rapidly while simultaneously allowing corporates to prosper". Such shared value will unlock the next wave of business innovation and growth, as it can

**NOT ALL CAPITALISM OR PROFIT IS EQUAL – PROFITS INVOLVING A SOCIAL PURPOSE REPRESENT A HIGHER FORM OF CAPITALISM**

**Michael Porter**

Harvard management guru

connect business and society success in ways that have been lost with narrow management approaches.

In line with global trends and developments in the rest of Africa, there is increasing interest in and engagement with social entrepreneurship in SA as mechanisms for addressing complex, "wicked" sustainable development problems. Social entrepreneurial activity has the potential to develop human-centric economic development, the goal of which is the increase in sustainable and equitable welfare for a country's population, in line with UN Sustainable Development Goals.

Corporates cannot absolve themselves from their responsibilities to society. Corporates in the 21st century need to constantly evolve and embrace social entrepreneurship to become robust and keep abreast of innovation, and to ensure organisational survival and societal relevance.

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