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**Developing a social performance measurement framework for small and
medium social enterprises in KwaZulu-Natal, South Africa**

by

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DEDICATION

This Doctorate is dedicated to my two sons Aahil and Zakariya Fato

ABSTRACT

Small and medium social enterprises (SMSEs) in developing countries, particularly in South Africa, play a crucial role in a country's economy. With an entrepreneurial mind-set, they respond innovatively to the social, economic, and environmental societal problems. The achievement of the social and environmental mission of SMSEs is defined through the involvement of stakeholders within the enterprises. However, SMSEs in emerging economies experience critical survival and performance challenges, including financial sustainability, a lack of human and financial resources, and the challenge of new pressures, as stakeholders are concerned about their performance evaluation. This study's aimed to develop a social performance measurement framework for small and medium social enterprises in KwaZulu-Natal, South Africa. The study adopted a qualitative research design and a case study approach. The study population was SMSEs who participated in the Champions' Programme as part of a local economic development (LED) programme at the University of KwaZulu-Natal (UKZN). A total of 10 participants were selected purposively for an in-depth interview. However, the saturation point was reached after interviewing the seventh participant. Data is analysed using NVivo software, using the themes that emerged in the study. The literature review indicated that most of the SMSEs in emerging economies lack an established performance measurement framework, preventing them from measuring their social performance and skills. In line with the literature, most social enterprise participants indicated that the lack of performance measurement hindered them in meeting the stakeholders' expectations. This study aimed to address this lack by developing a framework that measures social value as non-financial performance, rather than financial performance. The developed social performance measurement framework may benefit the SMSEs in identifying where they are, and where they would like to be, regarding social and economic growth. Moreover, the proposed framework can be used for better decision-making for all stakeholders. The developed framework can address the stakeholders' requirements for measurement and enhance the performance of SMSEs. The proposed framework brings a new theoretical approach to performance measurement. The framework was developed based on a literature review and an empirical study. The study concluded that SMSEs must define and monitor their social mission to respond to the call for social performance from internal and external stakeholders. The involvement of stakeholders and their need for information must be identified to respond to their views of what the SMSEs need to achieve within the community, and what needs to improve to maintain the necessary support from the stakeholders. Furthermore, to assess their social

performance, SMSEs must identify and focus on the activities of their business operations related to their social mission in order to increase their efficiency and maintain their sustainability. In addition, environmental; human; cultural; community; and educational factors are identified as key social metrics of social performance. The study recommends testing the developed framework to identify other indicators through confirmatory research.

Keywords: small and medium social enterprises, funding model, business operation, stakeholders' involvement, performance measurement

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ABBREVIATIONS AND ACRONYMS

BACO	Best Available Charitable Option
BOP	Bottom of the Pyramid
BBBEE	Broad-Based Black Economic Empowerment
CalPERS	California Public Employee's Retirement System
CBA	Cost-Benefit Analysis
CIA	Central Intelligence Agency
CEA	Cost-Effectiveness Analysis
CHIP	Centre for High Impact Philanthropy
CSR	Corporate Social Responsibility
EASEN	East African Social Enterprise Network
ER	Expected Return
ERR	External Rate of Return
EU	European Union
GDP	Gross Domestic Product
GIBS	Gordon Institute of Business Science
GIIN	Global Impact Investing Network
GEI	Global Entrepreneurship Index
GRI	Global Reporting Initiative
GSVC	Global Social Venture Competition
HIP	Human Impact Profit
IB	International Business

IAIA	International Associations for Impact Assessment
IFC	International Finance Corporation
ILO	International Labour Organization
IRIS	Impact Reporting and Investment Standards
KZN	KwaZulu-Natal
LED	Local Economic Development
LEED	Local Economic and Environment Development
NGO	Non-Government Organizations
NOP	Non-Profit Organizations
OECD	Organization for Economic Co-operation and Development
PM	Performance Measurement
PMS	Performance Measurement System
PPI	Progress Out of Poverty Index
PRI	Principles for Responsible Investing
REDF	Roberts Enterprise Development Fund
SA	South Africa
SIA	Social Impact Assessment
SIAA	Social Impact Analysts Association
SIMPLE	Social Impact for Local Economies
SE	Social Enterprises
SEBC	Social Enterprise Balanced Scorecard
SME	Small and Medium Enterprises
SMME	Small, Medium and Micro Enterprises
SMSE	Small and Medium Social Enterprises
SONA	State of the Nation
SROI	Social Return on Investment
UK	United Kingdom
UKZN	University of KwaZulu-Natal
UNIDO	United Nations Industrial Development Organization
USA	United State of America
USAID	United States Agency for International Development

CHAPTER ONE: INTRODUCTION

1.1. Introduction

The study set out to develop a social performance measurement framework for SMSEs in KwaZulu-Natal, South Africa. In addition, the study investigates the funding model of small and medium social enterprises (SMSEs); to explain the business operations of small and medium social enterprises; to analyze the SMSEs' relevant stakeholders and their information needs; and to explore the performance measurement framework used by different enterprises.

This chapter presents the information that drives the in-depth discussions later in the study. Section 1.2 of this chapter presents the background of the study. It provides insights into the general understanding of the subject: social enterprise, small and medium social enterprises, contribution of SEs and performance measurement. Section 1.3 discusses the problem statement. Section 1.4 presents the objective of the study. Section 1.5 outlines the research questions. A preliminary literature review is presented in Section 1.6 and the theoretical framework follows in response to the research questions and is presented in Section 1.7. The description of the research design, sample and sampling techniques, and data collection and analysis is presented in the discussion of the methodology of the study in Section 1.8. Section 1.9 and Section 1.10 highlight the scope of the study and its expected contribution to knowledge and practice. The limitation of the study is presented in Section 1.11. The definition of key terms is presented in Section 1.12. Section 1.13 presents the chapter overview of the study. Lastly, the chapter conclusion is presented in section 1.14.

The next section provides background of the study.

1.2. Background of the study

1.2.1. Overview of social enterprises and small and medium social enterprises

Social enterprises (SEs) are enterprises that are oriented towards solving community problems innovatively, through the production of goods and services to sustain their businesses financially (Bacq & Eddleston, 2018). The primary goal of social enterprises is to facilitate social change in those part of the community where the government and other institution fail to act (Arena et al., 2018). Their combined social and economic objectives make SEs different from traditional and commercial enterprises. SEs undertake trade for social and environmental purposes (Littlewood &

Holt, 2018a). A social, environmental, and broader ethical mission is the main reason for SEs. Their existence and achievements are prioritized over profit-making (Littlewood & Khan, 2018a). Social enterprises (SEs) are known for accomplishing various activities (Arena et al., 2015a; Littlewood & Khan, 2018b). These activities include the social and economic incorporation of the disadvantaged, excluded and low-income populations at the bottom of the pyramid (Arena et al., 2015a). The last decade seems to have witnessed a rapid rise of, and increased focus on, social enterprises, as well as more media attention. Researchers, policymakers, and practitioners have seen SEs as a potential vehicle for creating innovative responses to complex societal needs, particularly at a local level (Arena et al., 2015a; Crucke & Decramer, 2016; Littlewood & Khan, 2018b; Weaver, 2018).

A vital characteristic of SEs is the persistent engagement of internal and external stakeholders in their strategic decisions (Samsuddin et al., 2021b). This participatory nature includes the persons influenced by the activity; and participation of customers, stakeholder orientation, and a democratic management style, are essential characteristics of SEs (McDermott et al., 2018). SEs are accountable to their members, external stakeholders, and the broader community, for their social, environmental, and economic impact (Connolly & Kelly, 2011, Costa & Goulart da Silva, 2019). The accountability of SEs to various stakeholders means there is a need to configure their performance measurement and management to outcomes (Crucke & Knockaert, 2016). This unique feature means it is essential to identify and understand the stakeholders of the SEs.

Small and medium social enterprises are defined as “social enterprises that produce goods and services innovatively to respond to community problems at the local level” (Cheah et al., 2019:610). They are enterprises with an entrepreneurial mindset which see opportunities and provide innovative solutions to community problems (Alvarez et al., 2019). They typically have a few employees, ranging between 20 to 100 for medium enterprises, and between five and 19 for small enterprises with less than a million turnover (Alvarez et al., 2019, Loader, 2018).

Small and medium social enterprises (SMSEs) play a crucial role in a country’s development (Hillary, 2017, Choi et al., 2018). SMSEs represent an essential economic sector that matters to all countries, especially developing countries like South Africa (Mamabolo & Myres, 2019). SMSEs form the pillar of economic and global shifts and transformations (Margaretha & Supartika, 2016; Almansour et al., 2019). SMSEs are essential in exploiting the primary resources, reallocating the income, and responding rapidly with a low likelihood of risk. The economic, social, and political

environment around SMSEs impacts their quality and qualitative performance (Bouazza et al., 2015; Almansour et al., 2019).

In addition to their size, SMSEs are typically characterized by their competitive position and individualized management practices (Smith & Smith, 2007). Furthermore, a lack of resources, in terms of human resources and time, and the accessibility to capital to spend on supplementary projects (Hudson et al., 2001) characterize SMSEs. It is recognized that SMSEs differ from traditional large companies in these respects.

1.2.2. Contribution of SEs in economy

In response to the global economic crisis, the decline of the welfare state, and social challenges, social enterprises have been given recognition and support in Asia, Europe, and USA. For instance, in Korea, based on a press release in 2020 by the Korean social enterprise promotion agency, the Korean government increased the budget by about 53.348 million US dollars in 2016 to provide financial and managerial support to SEs (Doh,2020). Moreover, the Korean government is also dynamically encouraging local government to promote and support SEs that provide solutions to local community problems by granting the power to the local governments to identify SEs and enact regulations at the local level to support them (Doh, 2020). Due to this, the number of certified SEs reached 2626 by the end of September 2020; indicating an increase of 2571 certified SEs from 2007 (Doh, 2020).

In the most developed countries, governments have emphasized the role of SEs in creating jobs and reducing unemployment, and in regional and local economic development. For instance, according to Borzaga et al. (2020), 2017 European data on *ex lege* social enterprises put the estimated number of SEs at 102,000, providing paid job opportunities for 900,000 workers and an annual turnover of 42,700 million EUR. In Poland, the number of active SEs, operating as co-operatives in 2019, reached 1600, which increased from 70 in 2007. In 2017, social co-operatives' total annual income was estimated at PLN300 million (about 70 million Euro). The social co-operatives in Poland employ an estimated 5,500 workers on co-operative or regular contracts, and 3,200 workers through civil law contracts (GUS, 2019: 20, 25).

However, there are countries where SEs are still in their infancy. For instance, in Georgia the average estimated employment per SE is 9.05 persons, including people with disabilities, internally displaced persons and socially vulnerable people (Defourny et al., 2021). In Georgia, there is no specific legal form for social enterprises. Furthermore, there is no government agency directly

accountable to support SEs and no regulations on the responsibilities of SEs (Defourny et al., 2021). Moreover, in Russia, despite the support from government and leading corporations, social entrepreneurial activity level remains quite low: of the total adult population only an estimated 1.2% participate in social enterprises (Defourny et al., 2021).

According to the Global Entrepreneurship Index (GEI, 2017), sub-Saharan Africa has only a quarter as many small businesses as Asia, compared to its population; and as eighth as many as countries in the Organization for Economic Co-operation and Development (OECD). The reasons for the small number of social enterprise businesses include factors related to the colonization of most of the countries in the continent, which led to the extraction of natural and human resources, and political boundaries which led to dislocated tribal ties and social networks; as well as post-colonial governments with much bureaucracy and corruption (GEI,2017). Furthermore, lack of access to financial capital; lack of commercial and community infrastructure; and widespread poverty, made it difficult to sustain and grow an enterprise on the continent (Ayandinbu & Houghton, 2017). This led to a low score on the World Bank's 'ease of doing business' index for over 20 sub-Saharan countries (GEI, 2017). On one hand, these factors have been identified as opportunities for the creation of social enterprises, as social enterprises emerge when both the markets and the government fail to meet the needs of the community. On the other hand, however the lack of a fertile environment to support SEs results in low growth and poor sustainability of SEs.

According to the 'Trickle Out of Africa' network of scholars, in association with the East African Social Enterprise Network (EASEN), there are over 4000 social enterprises located in 19 countries in sub-Saharan Africa (Mirvis & Googins, 2018). Supporting these data, Holt and Littlewood (2015a) studied 20 hybrid organizations which took the form of non-profits, for-profit, and community associations found in Mozambique, Zambia, Kenya and South Africa, to identify, map and monitor their impact as hybrid organizations. The environment in which social enterprises operate in Africa is most characterized by policy barriers (difficulty in creating private- public partnerships) and regulatory barriers (lack of legal forms of existence and governing regulations for social enterprises and hybrids) (Holt & Littlewood, 2015a). Furthermore, financial difficulties such as access to grants and commercial funding, access to loans, and consumer lending are major problems for SEs in Africa) (Holt & Littlewood, 2015a; Mirvis & Googins, 2018). Based on these

barriers, most SEs on the continent require capacity building, networks and partnerships, information services and skills training (Mirvis & Googins, 2018).

South Africa (SA) faces the triple challenges of poverty, inequality, and unemployment. Other challenges include a weak education system; migration; insufficient healthcare; energy shortages; poor access to water; poor food safety; bribery, and fraud (Littlewood & Holt, 2018b). In the State of the Nation (SONA) address, the president of South Africa highlighted poor education and skills as the main challenges (Government of South Africa, 2019). These challenges fall under social, economic, and environmental challenges. Therefore, the balance between future sustainable, and existing, needs rests on the three pillars of social, economic, and environmental protection (Claeye, 2016), especially for SEs whose missions often incorporate each of these elements.

Social enterprises, in particular SMSEs, are increasingly being suggested as a critical device for governments to respond to social, economic, and environmental challenges (Littlewood & Holt, 2018). The government of SA is showing a growing enthusiasm for the potential of SMSEs (Government of South Africa, 2019). The attention is on determining the impacts of social, economic, and environmental SMSEs, which fit with the South African government, the new public management paradigm, and its evaluation requirements (Claeye, 2016:25). However, the growth of small and medium social enterprises in South Africa is still in its infancy. As far as the researcher knows, there is no statistical data that indicates the total number of SEs found in SA, or which can be classified as small. Moreover, the contribution of SMSEs to the economy has not been statistically quantified. However, according to the GIBS report of 2018, most SEs in SA can be categorized as small, since their annual revenue amounts to less than R1 000 000.00. Furthermore, ILO Green paper report indicate the size estimate of social and solidarity economy organizations including cooperatives, for-profit organizations, non-profit organizations and social enterprises are categorized as small with 1-10 number of employees (ILO,2021). Scholars have highlighted that most South African SMSEs experience critical survival and performance challenges, including financial sustainability and a lack of human and financial resources, as well as new pressures, as stakeholders' are concerned about their performance evaluation (Littlewood & Holt, 2018b). Thus, SMSEs are under pressure to measure their social performance, to improve internally, and to maintain sustainability through stakeholder engagement.

1.2.3. Overview of performance measurement

Performance measurement (PM) is a system that converts strategies into results (Lall, 2019), merging operational, financial, and strategic measurements to determine how well companies achieve their targets. Based on their role in the economy there has been growing attention on measuring the performance of SMSEs. This is primarily due to the need to improve performance, access resources, and build organizational legitimacy (Lall, 2019). Designing a performance measurement system influences an organization in planning, executing, and utilising it strategically (Abbas et al., 2019). Subsequently, PM assists the company in setting future goals and designing any necessary improvement processes (Maas & Grieco, 2017). The performance measurement is specific and varies in its implementation for each entity, depending on an exclusive set of subsystems and unrepeatable situations. They reflect the internal and external changes in the company's environment and allow the business strategies to be reviewed, assessed, and improved accordingly (Waśniewski, 2017). Measuring the social performance of SMSEs is helpful in making strategic decisions, offering evidence essential to guide SMSE managers in their choices. Furthermore, measuring performance boosts business operation effectiveness, efficiency, and economic and social performance (Arena & Azzone, 2005; Bertotti et al., 2011a; Arena et al., 2015b). In addition to considering economic performance based on quantitative representation, measuring social value generates a basis for contrasts between diverse SMSEs within the same sectors and across industries (Grieco, 2018). Finally, it offers an understanding of unsuccessful activities that hamper success within the business. PM facilitates the spread of good and bad practice limitations across the SE sector (Beer & Micheli, 2018).

Social enterprises offer innovative solutions, with less strategic emphasis on the returns or the formal structure of recording their business activities, resulting in poor statements and reports on their investments (Arena et al., 2015a). Furthermore, SEs emphasis on solving community problems and structuring social value, which is difficult to measure (Clifford et al., 2013). For the strategic development and implementation of social performance measurement framework, it is critical to identify the funding model in which SMSEs are sustaining their enterprises. Scholars suggest that SMSEs might attract a pool of investors than commercial enterprises if they can restructure their funding model by considering charitable donations as a means of capital that relies on social, not financial, returns (Bugg-Levine et al., 2012). The social enterprise financing concept suggests that SEs approach charitable donors to expect a social benefit, rather than a monetary

return, and measure the investment only by whether social benefits are created (Bugg-Levine et al., 2012). This determines what activities to focus on as a social benefit in restructuring their funding. Additionally, it helps to consider charitable donations as a means of capital that pursues social, not financial returns. This in turn attracts various stakeholders that can provide access to financial sustainability permitting SMSEs to grow and identify metrics to attain the determined performance within the SMSEs.

The business operation of SMSEs rely on the funding model enterprises adopt such as funding from traditional donors including philanthropic foundations and private and government institutions (Dees, 1998) to achieve their social mission. However, recently, SMSEs are forced to implement a diversified funding mechanism , to sustain their business, and to scale up (Nicholls, 2009; Arena et al., 2018). Beside the call of scholars and practitioners for SMSEs to diversify their funding sources through accessing credit and other commercial finance, SMSEs rely heavily on public grants and self-funding. The main challenge of SMSEs in diversifying their funding sources especially to the investment communities and banking relates to the requirement of indicating their social performance and impact within the community (Arena et al., 2018). Investment communities, such as banks, have little information of the characteristics of social business organizations in terms of their business model, organizational structure and governance (Choi et al., 2018; Álvarez Jaramillo et al., 2019). Since the investment communities are less aware of a business model that generates both social and financial returns, they are reluctant, and very careful, about investing in SMSEs (Arena et al., 2018). To satisfy the prior need of investors which is maintaining systematically standardized social metrics for measuring the relative social and environmental impact of their investments within and across the sectors and geographies that substantiate them (Chong & Kleemann, 2011), SMSEs are forced to focus on the choice of their funding model and social metrics in terms of attaining their social mission (Choi et al., 2018; Álvarez Jaramillo et al., 2019). Depending on the above consideration, this study aims to contribute to the current debate by exploring the funding and business model of SMSEs; and develop a social performance measurement framework to respond to the call for accountability by the investment communities and other stakeholders.

Due to stakeholders' need for information on the activities and social changes in SMSEs, there arises the need to measure performance to indicate the social value created within the community (Bellucci and Manetti, 2018). Stakeholders engaged in the organization influence the PM of the

organization. Stakeholder engagement is a powerful tool in the success of PM (Costa & Pesci, 2016; Bellucci and Manetti, 2018). Stakeholder engagement allows companies to interactively involve their stakeholders to comprehend their critical organizational objectives and priorities (Bellucci & Manetti, 2018). Different stakeholders' needs vary regarding an organization's PM (Samsuddin et al., 2021b).

External stakeholders of SEs, like public and private funders or investors, must choose between many organizations requesting their support. They demand evidence of the social performance of non-profit organizations to guide their investment/donation decisions (Nicholls, 2018). The heightened rivalry for philanthropic funding has thus made PM significant (Chmelik et al., 2016). Investment communities (investors and funders) are frequently hesitant to sustain their investment in SEs due to a lack of information on their efficiency (André et al., 2018). In addition, SEs are accountable to several stakeholders with different, and sometimes competing, interests in the complexity of their missions and operations (Arena et al., 2015a).

Several practitioners and academic researchers have attempted to develop an appropriate performance evaluation tool for these hybrid organizations (Nicholls, 2007; Hassan, 2018b). The introduction of these new performance measurement methods, like Social Return on Investment (SROI) (Aeron-Thomas et al., 2004); the Social Enterprise Balanced Score Card (SBSC) (Kaplan, 2001); the Contingency Performance Measurement System (PMS) model (Bagnoli and Megali, 2011); and the SIMPLE model (McLoughlin et al., 2009), have been developed in recent decades (Barraket & Yousefpour, 2013; Castellás et al., 2018). Despite the development in the exercise of these activities in the social economy, comparatively little research has been undertaken. This includes research where SEs perform performance measurements, the difficulties they came up with, and the outcomes they experience (Bull, 2007, Cheah et al., 2019). The hybrid nature (which implies a combination of a social and a commercial mission in pursuit of social impact and economic sustainability) of SEs creates tensions in achieving and measuring both social and economic goals simultaneously (Luke, 2016). While certain methods have been developed to measure the financial values of SEs, measuring social value is a challenge in respect of the internal and external stakeholder inputs (Ormiston, 2019). In particular, the current literature suggests that the research field in small-to-medium social enterprise performance measurement is still in its infancy (Choi et al., 2018, Almansour et al., 2019). A literature review highlighted a lack of published research, in spite of increasing attention from both the academic and practitioners

(funders, investors), on how performance measurement is undertaken and could promote small-to-medium social enterprises (Carlyle, 2013, Choi et al., 2018). This study will attempt to fill this gap by reviewing the available literature.

There is a lack of universally accepted unified social performance measurement for SEs, due to the unique characteristics and hybrid nature of SEs (Littlewood & Khan, 2018b, Rawhouser et al., 2019). The social economy and policy based in emerging and developed economies play a crucial role not to maintain a standard measurement practice (Irene et al., 2016). Furthermore, the challenge of measuring social value in respect of the internal and external stakeholders' involvement require the development of new measurement practice that can fit to the needs of stakeholders and the business operations of SEs within specific market (Ormiston, 2019). Because of the wide range of entities and activities that make up by the SEs, its size, contribution and scope of work is hard to measure using the current practices.

In SA, the misalignment of the social solidarity economy with the existing national accounts structure blocks makes the quantification of the social solidarity economy organization including SEs using traditional economic indicators, such as employment and gross domestic product, challenging (ILO, 2021). Furthermore, due to the common good function that the SE exudes, its assessment cannot only be financial, and will benefit from qualitative social and environmental indicators of progress made (ILO, 2021). Performance measurement is essential for the reliability and growth of SEs, however, a mechanism beyond GDP approach to evaluate the social solidarity enterprise is required, which supports the country level reporting on the sustainable development goals. The ILO report on the green paper for social solidarity economy highlight the recognition and ongoing conversation of having a social performance measurement for social solidarity organizations and multiple stakeholder approach to confirm a unified final result (ILO, 2021). The report further recommend the development of measurement framework both for practical purpose to promote the incorporation of the social solidarity economy into access to market mechanisms, but also to allow statistical measurement and reporting in responding to stakeholders call. (ILO,2021). Therefore, this study will be based on the premise that the current practices are ineffective in measuring the extent of SMSE social performance. The identification of the business operation and funding model lead to identification of social metrics necessary for the evaluation of social performance. Hence, this research aims to develop a social performance measurement framework that measures the performance of SMSEs in KwaZulu-Natal, South Africa.

1.3. Problem statement

Different approaches have been developed to measure the performance of SEs, such as Social Return on Investment (SROI) (Banke-Thomas et al., 2015); the Social Balanced Score Card (SBSC); and the SIMPLE method (McLoughlin et al., 2009; Arena et al., 2015a). However, there is no unified model for measuring performance in SEs (Grieco et al., 2015), especially in SMSEs (Barraket & Yousefpour, 2013).

Scholars have identified various reasons for the lack of unified measurement tools. Firstly, the diversity of performance (both financial and non-financial) required by SMSEs suggests that no single methodology can assess a wide range of performance reasonably or impartially (Irene et al., 2016). Secondly, some indicators regularly neglect, or can distort or underestimate, the essential qualitative value (Chmelik et al., 2016). Thirdly, because the purpose and nature of SMSE activities varies, depending on their type, using common indicators for all SEs to achieve comparability between their activities can misinterpret their value (Irene et al., 2016). Fourthly, the rapid fluctuations of the world economy and business environment in which SMSEs operate make it problematic to use the same standard continually.

For SMSE success and sustainability in the competitive market, SMSEs need to identify what works best with the few resources they have. The challenges organizations are experiencing through global competitiveness require updated performance information to make strategic decisions. The query from stakeholders on what SMSEs do practically can be answered through the PM information. Stakeholder engagement plays a significant role in the success of PM (Costa & Pesci, 2016; Bellucci and Manetti, 2018). Stakeholder engagement permits companies to interactively involve their stakeholders to understand their critical organizational objectives and priorities (Bellucci & Manetti, 2018). The lack of a social performance measurement framework affects SMSEs in identifying the effectiveness and efficiency of their activities within the community. The identification of the business operation of SMSEs helps in describing the reliable and integrated picture of a company, indicating how the organization creates, achieves and captures value (Yeshawanth & Kumar, 2020). Additionally, SMSEs can make better strategic decisions to fulfil their social mission if they can identify which activities are improving and what needs to be changed. Furthermore, the business operation of SMSEs mainly depends on funding from

traditional donors including private and public institutions (Dees, 1998) to attain their social mission. SMSEs are heavily engaged in the community, creating strong relationships with different groups of stakeholders (Mair & Marti, 2006). These relationships can create opportunities to maintain and assess PM information. Without a proper assessment of their performance, SMSEs will face pressure in sustaining their enterprises and will lack support from the stakeholders involved in the enterprise.

Despite increasing attention on the performance measurement of SMSEs, there is limited empirical and theoretical research (Garengo et al., 2005; Langwerden, 2015). The study area has mainly been in Europe (Hudson et al., 2001; Cocca & Alberti, 2010; Langwerden, 2015; Dobrovic et al., 2018; Nigri & Del Baldo, 2018; Majetić et al., 2019). Other studies were conducted in Australia (Barnes et al., 1998; Barraket & Yousefpour, 2013) and Korea (Choi et al., 2018). In emerging economies, the concept of performance measurement and its application in SMSEs is in its infancy. Some of the research in this area has been undertaken in Nigeria (Odetayo & Onaolapo, 2016; Owolabi et al., 2016); South Africa (Maduekwe & Kamala, 2016; Kunaka & Moos, 2019); Ghana (Ankrah & Mensah, 2015); Bangladesh (Dzomonda & Fatoki, 2019), and Malaysia (Singh et al., 2016).

The findings of two comprehensive systematic literature reviews on impact assessment approaches (Littlewood & Khan, 2018b, Rawhouser et al., 2019) suggested the necessity to generate a comprehensive unit of measurement for impact assessment and social performance measurement. This appears to be lacking in developing countries. SMSEs in South Africa (SA) have not been well studied. Therefore, academics, practitioners and policymakers remain confused about the characteristics and measurements of performance of these organizations. As a result, policy development has been hindered, and authoritative obstructions and formality remain. The absence of a social performance measurement framework inhibits the effectiveness of SMSEs. It constrains research into the phenomenon (Mamabolo & Myres, 2019). Therefore, this study aims to develop a social performance measurement framework for small and medium social enterprises in KwaZulu-Natal, South Africa.

1.4. Aim and objectives of the study

The study aims to develop a social performance measurement framework for small and medium social enterprises in KwaZulu-Natal, South Africa.

Specific objectives

- 1) To investigate the funding model of small and medium social enterprises (SMSEs).
- 2) To explain the business operations of small and medium social enterprises.
- 3) To analyze the SMSEs' relevant stakeholders and their information needs.
- 4) To explore the performance measurement framework used by different enterprises.
- 5) To develop a social performance measurement framework for SMSEs.

1.5. Definitions of key terms

A **social enterprise** is defined as an entrepreneurial business ventures with a clear social or environmental mission, which assumes market-based approaches to follow a self-sustaining revenue model, and distributes substantial resources or profits to fulfil its social or environmental mission (Davies et al., 2019:1620). SEs can be non-profit organizations; co-operatives; or charitable, voluntary, or private organizations, providing goods and services directly related to their primary aim of benefitting the community. They depend on shared dynamics involving various categories of stakeholders in their governing bodies, operational and strategic activities, and decision-making structures. Social enterprises can either reinvest net earnings or redistribute to the primary stakeholder group.

Social entrepreneurs are individuals launching new activities dedicated to a social mission, while behaving as true entrepreneurs in terms of dynamism, personal involvement, and innovative practices (Battilana, 2018:1280). Through their explicit and central social mission, they identify unmet needs in a society that existing commercial and governmental institution cannot satisfy. For the social entrepreneur, social impact is more significant than wealth creation, and these characteristics differentiate social from commercial entrepreneurs.

Small and medium enterprises (SMEs) are enterprises engaged in any kind of organizational activities employing between 20 and 99 employees as medium enterprises; between 5 and 19 as small enterprises; and fewer than five workers as micro enterprises (Alvarez et al., 2019, Loader, 2018:50).

Small and medium social enterprises (SMSEs) are social enterprises which adopt an entrepreneurial and innovative approach to provide solutions to community problems (Cheah et al., 2019:610). They have both an economic and a social mission for the benefit of society. They employ similar numbers of workers to SMEs. As social enterprises, they produce goods and services to serve the disadvantaged community.

Stakeholders are defined as ‘any group or individual who can affect, or is affected by, the achievement of an organization’s purpose’, since they have a right to actively engage and participate in decisions of the organization.(Bellucci & Manetti, 2018:156)

Performance measurement is a measurement used to measure both the efficiency and effectiveness of activities and results (Hasan, 2018:88). It leads to further analysis and an evaluation perspective; generates support for decision-making; and addresses accountability to the stakeholders involved.

Social Performance measurement is the measurement of how well the organization’s social mission is implemented on to ground with the action of organization-integrated activities (Pierce, A. 2022:21).

1.6. Research questions

1. What is the funding model for small and medium social enterprises?
2. What are the business operations of small and medium social enterprises?
3. Who are the relevant stakeholders of small and medium social enterprises, and what are their information needs?
4. What is the existing performance measurement framework used by different enterprises?
5. How to develop a social performance measurement framework for SMSEs?

1.7. Preliminary literature review

Small and medium social enterprises (SMSEs) play a critical role in the development of a nation’s economy (Hillary, 2017; Arena et al., 2018; Littlewood & Khan, 2018b; Weaver, 2018). They create and provide jobs, especially when the government lacks them (Ayandibu & Houghton, 2017, Hillary, 2017). Since SMSEs employ the citizens in developing countries such as SA, they

assist in reducing crime rates (Ayandibu & Houghton, 2017). SMSEs are a source of entrepreneurial and innovative spirit and exploit individual creative efforts. They create competition and are the starting point for future businesses (Lee et al., 2016, Choi et al., 2018).

SMSEs are mainly challenged by financial insecurity and a high likelihood of failure (Lyon and Owen, 2019). SMSE sustainability is affected by exposure to higher levels of risk, due to economic instability and many size-related factors (Davies et al., 2019). These factors include access to funding; access to customers and markets; retention of knowledgeable and competent staff; influence over communities; research and development; access to technology; and the productivity and quality of their value-added outputs (Jackson et al., 2018). To respond to these challenges, scholars and practitioners suggest the identification of a funding model for SMSEs and increased involvement of stakeholders within the enterprises.

The funding model is used by SMSEs to fund their enterprises to achieve their social mission (Lyon & Owen, 2019). The literature mentions various funding models for SMSEs, including grant/donations from public and private institutions; self-funding; family support; stakeholders; bank credit; and investment companies (Heminway, 2012; Bengo & Arena, 2019; Guo & Peng, 2020). However, the majority of SMSEs rely on grants and public funding (Bugg-Levine et al., 2012). The business operation of their enterprises mainly depends on funding from traditional sources such as philanthropic foundations, and private and government institutions (Dees, 1998) to achieve their social goals. The lack of diversification in SMSE funding is explained because, even when SMSEs are applying for credit, only a limited number of enterprises are accepted and granted the requested funding because banks and financial institutions are reluctant to fund these enterprises (Bengo & Arena, 2019). Furthermore, SMSEs are expected to indicate their social performance and impact within the community for the banking and investment communities to release the requested funds (Christlieb, 2012; Crucke & Decramer, 2016). However, SMSEs with few resources experience difficulty in measuring their social value and impact as there are no unified measurement frameworks (Florman et al., 2016). SMSEs encounter several challenges, including little structure, reflected by the lack of a formal organizational structure and inexperienced accounting, management and control systems (Bull, 2007; Costa & Pesci, 2016). They are well known for lacking financial resources (Bengo & Arena, 2019). SMSEs also lack collateral and tangible assets that the financial investment communities can use to provide credit (Bengo & Arena, 2019).

Furthermore, investment communities, such as banks, have little knowledge of the characteristics of social business organizations in terms of their business model, organizational structure and governance (Choi et al., 2018; Álvarez Jaramillo et al., 2019). Since the investment communities are less aware of a business model that generates both social and financial returns, they are resistant, and very careful, to invest in SMSEs (Arena et al., 2018). Thus, there is a need to investigate the funding model of SMSEs and develop a social performance measurement framework to respond to the call for accountability by the investment communities and other stakeholders.

Small and medium social enterprises are very engaged in the community, creating strong relationships with different groups of stakeholders (Mair & Marti, 2006). Finding and collaborating with the right stakeholders helps open up opportunities, gain access to new resources, and acquire knowledge, which may lead to further development and growth. Partnership, cooperation and the exchange of ideas about the strategic operation of social activities, between private, public and non-profit organizations, are highly productive and effective, allowing risk sharing and becoming major success factors (Alegre & Berbegal-Mirabent, 2016). For SMSEs to survive and achieve their social goals, it is crucial to understand their business model regarding their customers, beneficiaries, shareholders and other partners (Alegre & Berbegal-Mirabent, 2016). There is increasing attention from practitioners and researchers on social enterprise environmental and social issues (Bertotti et al., 2011b, Chmelik et al., 2016, Dufour, 2019). At the same time, the issue of environmental and social accountability has gained the attention of researchers. Considering the evolving expectations of consumers and investors, enterprises have recently experienced the need to communicate to internal and external stakeholders how their business structure, strategy, social mission and activities are integrated with the concept of sustainability (Bagnoli & Megali, 2011a). In the light of this growing interest, a question is raised about the real mission and objectives of SMSEs and the best way to account for, and inform, the degree to which these objectives are being realised. The development of social and environmental measurement results in a wide range of actual improvements and achievements in society and the environment (Dufour, 2019). With that in mind, it is more crucial than ever for SMSEs to take into consideration their stakeholders' opinions when defining their strategies and mission on the one hand and, on the other, to reveal relevant information concerning their ability to achieve their

social mission and contribute to sustainability, while giving value to all their stakeholders (Bellucci & Manetti, 2018).

The literature identifies stakeholders' various needs regarding the performance measurement of non-profit organizations (Costa & Pesci, 2016). For instance, donors are interested in identifying whether the funding they provide to the enterprise is properly spent (Guo & Peng, 2020). Donors are, therefore, eager to calculate measurements of effectiveness which will indicate that funds are utilized for the purpose and aim for which they donated. Other stakeholders, such as managers, could be concerned about different measurements of enterprise effectiveness associated with administrative and managerial decisions. Different stakeholders require different kinds of information. Thus, SMSEs need to identify the needs of their stakeholders and adopt the necessary performance measurement metrics accordingly.

Small and medium social enterprises are under pressure to measure their impact, leading to an increasing demand to evaluate their activities. Performance measurement systems implemented excellently can deliver precise information, and support strategic, tactical, and operational objectives. Additionally, the use of performance measurement system can avoid sub-optimization; and inadequate resource utilization (Carlyle, 2013). Performance measurement identifies the logical causal interaction between activities and results. It also allows organizations to determine the relationship between business processes (Waśniewski, 2017). Measurement of performance does not only emanate from the request of external stakeholders. Measuring the social performance of SMSEs is helpful in making strategic decisions, offering essential information to guide SMSE managers in their choices. Furthermore, measuring performance boosts business operation effectiveness, efficiency, and economic and social performance (Grieco, 2018; Almansour et al., 2019; Majetić et al., 2019). In addition, apart from only considering economic performance based on quantitative representation, measuring social value generates a basis for contrasts between diverse SMSEs within the same sector and across industries (Bertotti et al., 2011a). PM facilitates an understanding of the successful activities that lead to success within the business. PM enables the spread of good and bad practice limitations across the SMSE sectors (Bertotti et al., 2011a, Arena et al., 2015a). There is an emphasis on PM through its perceived advantages for organizational learning (Barraket & Yousefpour, 2013; Arvidson & Lyon, 2014). Developing a social performance measurement framework would provide more nuanced insights and an understanding of past performance and would guide future decision-making (Hassan, 2018b).

In light of the above discussion, this study explored the funding model and business operation of SMSEs. Furthermore, the study investigated the stakeholders involved and their information needs and developed a social performance measurement framework using social; environmental; cultural; human; and educational metrics from a developing country perspective, with particular reference to small and medium social enterprises in KwaZulu-Natal, South Africa.

This study attempted to fill the gap in existing performance measurement methods and the other frameworks for the under-researched issue of qualitative performance measurement of small and medium social enterprises by suggesting a new framework that is able to address problems relating to evaluating the social performances of the small and medium social enterprises in the KwaZulu-Natal, by using the social performance metrics related to the social mission, enterprise activities, and stakeholder involvement underpinning the study.

The next section discusses the theoretical framework that guides the study.

1.8. Theoretical framework

Since SEs interact continually with a diverse set of internal and external stakeholders who are integral to the functioning of the enterprise, this study is based on stakeholder theory. Additionally, theory of change base the study.

Stakeholder theory (Freeman, 1994; Donaldson & Preston, 1995) is a theory that focuses on the consideration of a broad range of groups and individuals and their relationships with the organization, which influence organizational activities (Phillips et al., 2003). Earlier theories of the firm fail to consider all the relevant stakeholders. Stakeholder theory has three interrelated premises (Arena et al., 2015a): First, organizations have various stakeholder groups that affect and are affected by them. Second, the process and outcome of these interactions impact specific stakeholders and the organization. Third, the perspectives of salient stakeholders have significance for organizational strategy and operations (Irene et al., 2016).

Stakeholder theory accounts for all individuals who are socially impacted by, or have a social impact on, the firm through social drivers and barriers (Burga & Rezania, 2015). Bellucci and Manetti (2018) classified internal and external stakeholders according to their drivers and barriers

to social responsibility practices and weighed these drivers and barriers to assign them to a category.

In the social entrepreneurship literature, there is regular reference to stakeholders. For Santos (2012), the best way for SEs to achieve their desired outcomes is to empower stakeholders to become an integral part of the solution and put mechanisms and systems in place to reduce stakeholder dependency. In their comparative study of conceptions of social entrepreneurship and SEs in Europe and the United States of America (USA), Defourny and Nyssens (2010) identified different types of relationships between SEs and their stakeholders, linked to differences in their respective institutional environments, which inform the presence and prevalence of different social enterprise models in these different contexts.

Small and medium social enterprises may be defined according to their relationships with the stakeholder groups that focus on their social and environmental missions. These key mission stakeholders (including the environment) are the reason for these organizations' existence (the purpose), and social enterprises measure their success. They are assessed according to their impact on them (Littlewood & Holt, 2018a). Performance measurement of SMSEs thus requires a clear identification of the various stakeholders and their requirements. Identifying stakeholders enables a clear assessment of the social performance of the enterprise by these stakeholder groups. This may be done in a visual presentation, as Fletcher et al. (2003) suggested. They presented a stakeholder map that reflected the position of all internal and external stakeholders. When all stakeholders are placed in their respective areas, it is possible to determine the role played by each member. Additionally, it helps to understand their perspectives and requirements and measure the effect of the enterprises' performance on them.

In small and medium social enterprises, both nature of producing goods and service to attain revenue for sustaining the enterprise than profit maximization and providing solutions for community problems to maintain social value must be considered (Ebrahim and Rangan, 2014). The hybrid nature of small and medium social enterprises requires both financial and non-financial dimensions of performance measurement system (Costa & Anderaus, 2020). The performance measurement system of SMSEs require the constant creation of economic value in order to survive over time and guarantee that they will be able to continue with their social mission (Ramus & Vaccaro, 2017).

In recent literature PMS and social enterprise accountability debate has been driven by the “theory-driven evaluation” method (Rogers, 2007). The method elaborates how organizations different activities and programmes cause projected outcomes and impacts (Ebrahim and Rangan, 2014; Costa and Andreaus, 2020). This method applies the impact value chain or logic chain of result (Clark et al.,2004), in which organizational inputs such as financial and non-financial resources (money, staff time, capital assets, etc.) are utilized to support activities and services (e.g. health care services, job training, skill endorsement, consultancy, etc.). These activities eventually result in the delivery of outputs to a target beneficiary population (i.e. the immediate result that SEs can measure or assess directly). The outcome of the SEs activity (e.g., change in beneficiaries attitudes, behaviours, knowledge, skills and/or status)) can be driven from the identified output. The short term results and changes can be transferred into a societal impact on the large scale for the broader society in the long term (Ebrahim and Rangan, 2010; Ebrahim et al.,2014; Arena et al., 2015; Costa and Pesci, 2016; Costa and Andreaus, 2020).

In theory of change, organization use input to transfer into output through process in order to attain output and outcome which leads to the long-term impact. Input is the knowledge, equipment and financial resources utilized to sustain the activities or processes of service delivery (EVPA European Venture Philanthropy Association, 2013). In SMSEs, various input indicators related to different stakeholders (i.e. either internal or external such as employees, customers, suppliers, beneficiaries, and institutions) can be maintained. For instance Costa and Andreaus (2020:299), found out that within the category of stakeholders identified, the case study social enterprise “monitors the number of people engaged in the provision of the homecare service (both employees and members), the financial resources adopted and the buildings in which the homecare assistance is delivered.”

All of the resource (financial or non-financial) direct to a set of activities that could be explained as the set of projects conducted by the SEs to create value for the stakeholders. SEs undertake various activities in order to achieve their social mission (Ormiston, 2019). Through the analysis of activities conducted, it is also possible to reflect the output of the social enterprise, which reveals initiative short term results (Costa and Andreaus, 2020). Literature exhibits, the challenges SEs expressed in terms of defining and measuring non-financial metrics that defines the social value of their enterprises. This study found out by discussing and refining social mission and the

organization strategies, relating to the need and information requirement of the stakeholders, social enterprises can identify the measurement for the outcome of their activity (see Figure 6.1).

1.9. Research methodology

In this section the methodology of the research is discussed, based on the research design; the population; the sampling; and the data collection and analysis used for the study.

1.9.1. Research design

The study aims at developing a social performance measurement framework for small and medium social enterprises in KwaZulu-Natal, South Africa.

The research design is a case study using qualitative research. Qualitative research is appropriate because the current practices are ineffective in measuring the performance of SEs, particularly small and medium social enterprises (Ankrah & Mensah, 2015; ca; Langwerden, 2015; Costa & Pesci, 2016). Furthermore, a qualitative research design assists in answering research questions about developing an in-depth understanding of how different cases provide insight into an issue or a unique situation (Creswell et al., 2007; Creswell & Creswell, 2017b). The literature identified a research gap in the knowledge of performance measurement in SMSEs (Costa & Pesci, 2016; Irene et al., 2016). In addition, there is a need to investigate and describe the phenomena and develop a social performance measurement framework to assess the performance of SMSEs.

The inductive approach has been adopted.

1.9.2. Population and target population

The population is all small and medium social enterprises operating as formal-sector organizations across South Africa.

The study's target population was all 54 small and medium social enterprises identified in the champions' programme of the local economic development project at the University of KwaZulu-Natal (UKZN) from 2016 to 2019.

1.9.3. Sampling

Purposive sampling was employed to select the participants in the study. It was used to reach out to expert participants who have gained the necessary knowledge in the area. In South Africa, social enterprises are a catalyst for the country's economic development. Most SEs in South Africa are small and medium in scale (GIBS Study, 2018; ILO,2021). Furthermore, the GIBS (2018) study on social enterprise in South Africa highlighted that many social enterprises in South Africa are

involved in training and skills development to satisfy the basic needs in the education, agriculture, health, housing and tourism sectors (GIBS Study, 2018; ILO,2021). Thus, to achieve the aim of the study, ten small and medium social enterprises in the education, agriculture and tourism sectors that provide training and skills transfer as their main activities, based in KwaZulu-Natal, were selected purposively.

The following inclusion criteria were implemented to reach the sample: The inclusion criteria included that SMSEs should play a crucial role in providing solutions to societal problems at the individual and community levels; 60% of their operations should be local community-based; and they should be conveniently accessible to the study. Furthermore, the SMSEs should prioritize social and environmental missions. They should be self-identified as small and medium social enterprises and based on the study area. Additionally, the SMSEs should have had prior experience of a monitor and in evaluating performance assessments. They must have been operating for more than three years. They had to be registered with the Champions' Programme supported by the local economic development project at UKZN. The study did not include SMSEs that did not meet the above inclusion criteria. For the in-depth interview participant who can speak and understand English language was set as an inclusion criteria.

1.9.4. Data collection and analysis

Both semi-structured and unstructured interviews were used to collect empirical, primary data from selected SMSEs. Interviews were audiotaped, and notes were taken and transcribed accordingly. Interviews were held with owners/managers/founders of SMSEs. The objective of the interview was to incorporate the practitioner's perspectives on the process of performance measurement, its purpose and challenges, and their role in the process; and to identify possible indicators to measure the social performance of SMSEs.

Implementing data analysis, based on data collected from each study phase, is necessary in qualitative research (Creswell & Creswell, 2017a). NVivo software was used for analysing, coding, and creating themes. The collection of raw data through the data collection instruments, such as interviews and focus group discussions, is the first step in qualitative data analysis. Thus, data was collected using in-depth semi-structured interviews with the sampled social enterprise respondents. Once the data had been gathered, the researcher read each transcript and set of notes to organize the data and prepare for the analysis. Being familiar with the data helped the researcher

to easily organize and structure the data and it increased the researcher's mindfulness of patterns, themes and categories in the data. Finally, thematic analysis was employed to construct the data, recognize designs (categories, themes), and extract meaning from these designs. Narrative passages with figures and tables were employed to convey the findings of the analysis. Different stages in data collection and analysis are interrelated (Creswell & Creswell, 2017a).

1.10. Scope of the study

Geographically, all 54 social enterprises registered for the Champions' Programme in the local economic development project at the University of KwaZulu-Natal, located in the province of KwaZulu-Natal (KZN), made up the target population of the study. The rationale was that the social enterprises in the Champions' Programme undertake performance measurement regardless of their enterprise activities and their geographic locations. However, out of 54 social enterprises, ten were selected as a sample once the inclusion and exclusion criteria had been set to meet the objectives of the study. The selected small and medium social enterprises were all in KZN.

The study considered the activities and performance measurement of small and medium social enterprises from 2015-2019, a period during which the SMSEs were participating in the Champions' Programme at UKZN. However, the study focused more on the period from 2016 to 2019 and the data for the study was collected in 2019 and 2020. This, it was anticipated, would increase the validity and reliability of the study's result, conclusions, implications, and recommendations against the turbulent operating and business environment that was caused by the COVID pandemic at the time of this study.

In an effort to achieve the objectives of the study in terms of the theoretical/conceptual scope, the study reviewed conceptual and empirical literature on social enterprises in general, and small and medium social enterprises in particular; stakeholders' involvement; and performance measurement. In addition, literature on the funding model of small and medium enterprises, and the effect of funding on the performance of small and medium social enterprises; the business operation; stakeholders' engagement, and their role in social performance measurement, was reviewed. Further, to that, current performance measurement techniques and their strengths and weaknesses were also reviewed. The study focused on the stakeholder's theory and theory of change that determines the performance of the enterprises.

The study adopted an interpretivism research philosophy, since the aim of the study was to develop a social performance measurement framework. Furthermore, an exploratory research strategy was thought more suitable since there were limited studies to refer to regarding social performance measurement, as no known similar study has been carried out in the context of KZN, South Africa. Finally, a qualitative research design, in particular a case study approach, was employed to answer the ‘how’, ‘what’, ‘who’, and ‘why’ questions (Saunders et al., 2016).

1.10. Expected contribution to knowledge and practice

The study aims at developing a social performance measurement framework for small and medium enterprises in KwaZulu-Natal.

The proposed framework will provide individual SMSEs with the data essential to manage their decisions and improve the effectiveness and efficiency of business operations and their economic and social performance. Additionally, the framework assists corporate investment groups in checking whether the environment in which SMSEs are working is improving, or not. Furthermore, it helps to determine whether SMSEs are growing the economy.

The proposed framework will bring a new theoretical approach to performance measurement. The model will provide a different view of social structures than existing models, grounded in economic metrics. Therefore, the proposed framework offers a new lens for the detailed assessment of the complex interactions between systems.

The developed framework can be used for better decision-making for all stakeholders. The investor needs to evaluate the advantages of the impact achieved against the risks of investing; thus, developed indicators and tools help assess the performance. The investment community (such as banks) will benefit from the developed framework by using the tools to better evaluate SMSEs in order to provide access to funds.

The study guides policymakers, government, and stakeholders in understanding how SMSEs add value. An appreciation of this value offers a chance to shape South African government interventions in social-economic policy, and in the current practice of performance measurement, in supporting SMSEs and enabling an energetic, knowledge-sharing community.

~~The study can also serve as a basis for developing a common language and a standard set of tools for performance measurement of social enterprises, particularly SMSEs.~~

1.11. Limitations of the study

The qualitative research design and purposive sampling techniques decrease the generalizability of the study. During the period that this research was being conducted, there was a pandemic, affecting the physical and psychological well-being of people throughout the world. Thus, it was very difficult to focus the participant on the objectives and questions of the study, without them mentioning the pandemic in relation to their enterprise activities and operations.

The times in which the small and medium social enterprises were willing to make contact with the researcher also affected the schedule recommended for the completion of the thesis.

1.12. Chapter overview

Chapter 1: Introduction

This chapter introduces the study. It looks at the concept of social enterprises, performance measurement, small and medium enterprises, and the rationale for the study. It places the study into perspective by providing the background to the study; the statement of the problem; the research objectives; the theoretical framework; the research methodology; and its expected contribution to knowledge and practice.

Chapter 2: Literature review

The chapter reviews literature on the concept of social enterprises and small and medium social enterprises. This chapter presents the definitions and the common characteristics of social enterprises and small and medium social enterprises definitions, and their position within the economy. Furthermore, this chapter discusses literature on performance measurement and performance measurement frameworks. The chapter provides the definition of performance measurement; its origin and evolution; the rationale for measurement; issues in measuring performance; the concept of performance measurement in SMSEs; challenges of SMSEs in performance measurement; and the existing performance measurement system for social enterprises. An attempt is made to examine the knowledge gap in small and medium social enterprise performance measurement.

Chapter 3: Research methodology

The chapter looks at the research paradigm adopted in this study. The justification for adopting the research design is explained. The characteristics of qualitative research with its ontological,

epistemological, and methodological assumptions are highlighted. The case study approach is discussed, and the justification for adopting the case study approach is explained. The research processes are discussed. The data collection instruments are described as justification for choosing particular methods. The data analysis is also explained. The ethical considerations while conducting this study are detailed.

Chapter 4: Results

The research findings are presented in the form of major themes identified, in tables and descriptions, with direct quotations by participants to provide a rich understanding of the problem statement. The primary and initial sources of funding and revenue generation activities of the participating social enterprises are further explained as major finding from primary data collection. Self-funding; personal savings; family support; and members' contributions are identified as the initial sources of funding. The profit-making organizations created and administrated by the owners of the social enterprises are identified as the primary source of funding in sustaining the social enterprises. The perceptions participant social enterprises on the business development phases; the current priorities of SMSEs; and the resource allocation necessary for further business development are reported. The stakeholders involved with the enterprise are identified and their information needs are explained. The responses of participating social enterprises regarding performance measurement, including the rationale; starting point; frequency; perceived benefits of performance measurements, and factors affecting performance measurements; as well as the performance measurement tools or indicators perceived as essential for small and medium social enterprises, and shifts experienced in performance measurements is presented.

Chapter 5: Discussions

The results of the research are discussed, based on the existing literature, and the major themes are identified. The study finding consistent with the existing literature is discussed and presented. The funding model, business operation, stakeholders' involvement and performance measurement are identified as the major themes of the study. The chapter presents the discussion on the core themes in the identified results, together with the relevant literature, based on the research objectives/questions of the study.

Chapter 6: Development of proposed social performance measurement framework

This chapter presents and discusses the social performance measurement framework that emerged from the study.

Chapter 7: Summary of major findings, conclusion, and recommendations

This chapter incorporates a summary of major findings, conclusions, and recommendations. It also outlines future research directions.

1.13. Conclusion

The current chapter has summarised the background introduced to the study. The background highlights the complexity of performance measurement in social enterprises; the focus of the South African government on small and medium social enterprises to alleviate poverty; and the need to measure the performance of small and medium social enterprises. In addition, the chapter elaborates on the existing problems of measuring the social performance of small and medium social enterprises and the need to develop a framework. The chapter thus proposed that studies are needed to develop a social performance measurement framework for small and medium social enterprises. The chapter also incorporates the study's objectives, briefly explaining the methodology adopted. The next chapter presents the literature related to social enterprise concepts and characteristics, small and medium social enterprises, and performance measurement.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This study aimed to develop a social performance measurement framework for small and medium social enterprises in KwaZulu-Natal, South Africa. To respond to the main research questions and develop the performance measurement framework, the aim can be broken down into the following objectives:

- to investigate the funding model of small and medium social enterprises (SMSEs);
- to explain the business operations of small and medium social enterprises;
- to analyze the SMSEs' relevant stakeholders and their information needs;
- to explore the performance measurement framework used by different enterprises; and
- to develop a social performance measurement framework for SMSEs.

The previous chapter explained the introduction of the study. The problem of statement, the aim and objective of the study, and research questions were also explained. Additionally, the preliminary literature review and theoretical framework the study focus on were discussed. Furthermore, the previous chapter framed the mechanism to collect and analyze the data. The expected contribution of the study to knowledge and practice are also discussed. As explained in the previous chapter, the study focused on social enterprise, small and medium social enterprises, funding model of SMSEs, business operation of SMSEs, stakeholders involvement and performance measurement.

The chapter has nine sections. Section 2.2 explores the literature on the concepts of social enterprises. A table summarising the definition and shared understandings of SEs in different part of the world is provided. Section 2.2.1 and Section 2.2.2 looks at the common characteristics of social enterprises and social enterprise in South Africa.

Section 2.3 provides definitions and positions of small and medium social enterprises in the economy. Literature exhibits the several definitions of small and medium enterprises (SMEs) by scholars, but there is no single and unified definition of SMEs. The definition of SMEs basis on the diversity of business in the sector.

Section 2.4 presents the funding model of social enterprises. The literature state different funding models for SMSEs, including grants/donations from public and private institutions; self-funding; family support; stakeholders; banks; credit; commercial business entities established by the founder of SMSE; and investment companies (Kickul & Lyons, 2015; Mikołajczak, 2017; Lyon & Owen, 2019).

The business operation of social enterprises elaborated in Section 2.5. Scholars stated small and medium social enterprises business model should not exclude profit, however more emphasis should be placed into creating social changes.

Section 2.6 state stakeholders' identification and engagement with social enterprises. Relevant stakeholders in SMSEs and their information needs is outlined in this section.

Section 2.7 elaborates on performance measurement by briefly defining PMS, describing the origin and evolution of PM; the rationale for PM; issues in measuring performance; the concept of PM for SMSEs; challenges of SMSEs regarding PM; and strengths and weaknesses of existing PM for SMSEs. Section 2.8. outlines the identified knowledge gaps in SMSEs performance measurement. This section responds to the study's first, second, third and fourth objectives by exploring the literature on performance measurement frameworks implemented in different enterprises. Section 2.9 present the conclusion of the chapter.

The next section provides the concept of social enterprises.

2.2. Concept of social enterprises

Social enterprises (SEs) primarily emerged in Europe, particularly in Italy. The phenomenon was supported by a journal launched in 1990, entitled *Impresa Sociale* (a few years earlier than it appeared in the United States) (Bengo, 2012). The concept was declared “in 1991 to entitle the pioneering initiatives where the Italian Parliament established the legal form of” (p:144) social solidarity co-operatives. In the United States, social entrepreneurs and the concept of SEs also met with a very positive response in the early 1990s. In 1993, for instance, the Harvard Business School launched the ‘Social Enterprise Initiative,’ one of the milestones of the period (Defourny & Nyssens, 2010; Davies et al., 2019). The establishment of the European Research Network EMES (1996-2000), by fifteen member states of the European Union (EU), increased the focus on the emergence of SEs through an overview of SEs in the areas of work integration, personal service, and local development (Borzaga & Defourny, 2004).

The literature reflects the heterogeneity in the definition, characteristics, and legal formality of social enterprises worldwide. Table 2.1 presents the definitions and shared understanding of social enterprises in different parts of the world to illustrate the heterogeneity of social enterprise concepts. Studies of social enterprises have been conducted in different developed and developing countries. Hence there is a need to review the theoretical literature published in peer-review journals in different countries. Germany; Belgium; Hungary; China; the UK; and South Africa have been selected to indicate the difference in the concepts and understanding of social enterprises in Europe, Asia and Africa. These countries were selected, based on their mention in the reviewed literature (Dees, 1998; Defourny & Nyssens, 2014). Scholars often mentioned these countries to indicate the geographical differences in the understanding and definition of social enterprise (Defourny & Nyssens, 2007; Defourny & Nyssens, 2008; Beisland et al., 2021). The following table (Table 2.1) presents definitions and a shared understanding of SEs to highlight their heterogeneity across geographic locations

Table 2.1: Definitions and shared understanding of social enterprises

Countries	Definition	characteristics	Sectors in which SEs are engaged (listed from most to least engagement)
Belgium	There is no legal definition of SEs in Belgium.	the focal social aim; self-creation of market income, limits on the dissemination of profits and assets; independence and inclusive governance	Business activities Construction Wholesale and retail trade Community and social service Hotels and restaurants Manufacturing Health and social work Education (Huysentruyt et al., 2013)
China	The definition of SEs depends on two features: Organizational nature – Can SEs be registered and run as NGOs, or must they be for-profit commercial businesses? Income generation – Must SEs sustain financial sustainability by trading products and services to the market, or can they join in resources from the government stakeholders and grants?		Learning and education Social services Health care Rural development and poverty alleviation Environment and water (Zhao, 2014)

Germany	<p>“Social enterprises are enterprises that are oriented towards solving social or environmental problems as a primary goal”(Scheuerle et al., 2013:48)</p> <p>“...small and medium enterprises that aim to address social challenges in Germany by taking an entrepreneurial approach and using an innovative business model” (Bundestag, 2012: 50)</p>	<p>welfare orientation: improving (environmental or social) welfare (as a primary goal in the narrow definition, a secondary objective in the broad definition);</p> <p>innovation: the combination of social and economic objectives, or development of new products or services, or marketing strategies;</p> <p>earned income</p>	<p>Education and science</p> <p>Social services</p> <p>Work integration</p> <p>Societal inclusion</p> <p>Regional development</p> <p>Alternative energy and environment</p> <p>Sports, culture, and recreation</p> <p>Health</p> <p>Advocacy and democracy</p> <p>Financing and consulting for social organizations</p> <p>Development co-operation</p> <p>Sustainability</p>
Hungary	<p>A social enterprise refers to a business that is established to respond to community problems by being financially sustainable or profitable. (Vincze et al., 2014)</p>	<p>restrictions on the dissemination of profits and assets;</p> <p>rule of voluntary participation and personal activity;</p> <p>self-government and institutionalization</p> <p>(Vincze et al., 2014)</p>	<p>Department of Health and Social Work</p> <p>Venture activities</p> <p>Education</p> <p>Community engagement</p> <p>Social and related services</p> <p>Wholesale and retail trade</p> <p>(Vincze et al., 2014)</p>

UK	<p>“Social enterprise is an autonomous, transparent and accountable organization with a clear social and environmental mission that generates a majority of its income through trading and reinvests the majority of its profits” (Social Enterprise UK: p:35).</p>	<p>The primary goal is to achieve the social or environmental objectives.</p> <p>Adopt entrepreneurial behaviour and generate organizational income through trading.</p>	<p>Community development and housing Environment Employment and training Social services Education Culture and recreation Health</p>
South Africa	<p>No legal definition of social enterprises in South Africa</p>	<p>Prioritize their social and environmental mission or strike a balance between their purpose and profits.</p>	<p>Education and training Human health and social work Accommodation and food Art, entertainment, and recreation Admin and support services Agriculture, forestry, and fishing</p>

Social enterprises play a crucial role in a country's socio-economic development (Rawhouser et al., 2019). As it is indicated in Table 2.1, social enterprises provide innovative and creative solutions where the government or the market fails (Abbas et al., 2019; Rawhouser et al., 2019). They are primarily known for their prioritization of social and environmental missions. Education and training, health and social work, and business activities are the most common sectors in which SEs are engaged (Abbas et al., 2019). However, as indicated in Table 2.1, there is no consensus regarding the legal definition of SEs in the developed and emerging economies of the world. Although there is heterogeneity and no clear definition of SEs in developed and emerging economies, scholars have tried to define SEs, based on their nature and characteristics. Barraket and Yousefpour (2013) defined SEs as organizations established to maintain a public or community advantage. SEs focus mainly on fulfilling their social mission and reinvest a considerable portion of their income to achieve their mission (Barraket & Yousefpour, 2013). SEs, while part of the third sector, combine financial and social goals in areas such as charities, co-operatives, and mutual societies; unlike the public and private sectors (Luke, 2016).

A social enterprise is an organization with an entrepreneurial nature that focuses on achieving environmental, social, and community objectives (European Commission, 2015). SEs undertake trade for social and environmental purposes (Littlewood & Holt, 2018a). A social, environmental, and broader ethical mission is the main rationale for SEs. Their existence and achievements are prioritized over profit-making (Defourny & Nyssens, 2007; Peattie & Morley, 2008; Littlewood & Khan, 2018b). Unlike traditional and commercial enterprises, SEs prioritize their social mission over economic value (Ridley-Duff & Bull, 2015). Furthermore, they are autonomous and follow participatory governance representations. In SEs, if the venture yields profits, they are reinvested, mainly in further pursuit of the social and environmental mission (European Commission, 2015, Davies et al., 2019).

The UK Government defines an SE as:

“a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximize profit for shareholders and owners”(DTI, 2002).

The legal structure of the business is often used to define SEs. However, complications exist due to international legal formats, frameworks, and terminologies (Peattie & Morley, 2008). The most commonly associated legal structures that SEs adopt include as a charity; a trust; a company limited by shares; a company limited by the community; and a community interest (Peattie & Morley, 2008)

Scholars also define SEs as organizations that accomplish a particular social objective or set of goals by selling products and services (Alegre, 2015; Jackson et al., 2018). Scholars refer to SEs differently, based on the nature of their objectives. For instance, due to both social and economic objectives, SEs are referred to as hybrid or blended value organizations (Battilana & Lee, 2014; Doherty et al., 2014; Defourny & Nyssens, 2010). Thompson and Doherty (2006) refer to SEs as ‘a triple bottom line’ because of their social, economic, and environmental value.

The definition of SEs initiates ongoing debate among both academics and practitioners. Different SE definitions in the literature reflect various legal frameworks, characteristics, and business models, across both European and non-European countries. The variety of interpretations of SEs suggests that the concept the SE phenomenon is not clear-cut.

For this study, SEs are defined as entrepreneurial business ventures with a clear social or environmental mission, assuming market-based approaches to follow a self-sustaining revenue model, and distributing substantial resources or profits to fulfil their social or environmental mission (Davies et al., 2019).

2.2.1. Common characteristics of social enterprises

Social enterprises (SEs) are known for various activities. These activities include the social and economic incorporation of the disadvantaged, excluded and low-income populations at the bottom of the pyramid. Additionally, SEs are engaged in community services; indigenous farming; horticulture; and food processing. Furthermore, SEs commonly participate in education, social and health care; training and skills development; advocacy and activism; environmentalism; and mining (Defourny & Nyssens, 2008; European_Commisison, 2015; Davies et al., 2019). SEs focus on supporting those left behind and fulfilling the needs of unserved and underserved populations that cannot purchase goods and services to satisfy their needs (Bornstein & Davis, 2010; Arogyaswamy, 2017).

Social enterprises are directly involved in producing products or rendering services to society (Peattie & Morley, 2008). Unlike traditional non-profit organizations, SEs are not usually engaged in support activities as an important goal, or the relocation of financial flows (for example, grant-giving foundations). However, they are directly involved in continually producing goods or providing services to society (Borzaga & Defourny, 2001). One of the principal aims of SEs is to assist the community or a particular group of people (Thompson & Doherty, 2006; Ridley-Duff &

Bull, 2015). Another a feature of SEs is their aspiration to stimulate a sense of social responsibility at the local level (Defourny & Nyssens, 2014). SEs develop from shared dynamics involving people belonging to a community or a group that share a particular need or aim (Dees, 2007).

Social enterprises are driven by a dual mission to create social and economic value (Peattie & Morley, 2008; Davies et al., 2019). SEs have explicit social, economic, or environmental aims such as job creation; environmental protection; food security; training; skills development; or local services (Peattie & Morley, 2008). SEs strive to maintain financial sustainability by creating social values (Defourny & Nyssens, 2014; Davies et al., 2019). They have solid social values and a sense of mission, which often includes a commitment to bettering the community (Shaw & Carter, 2007, Peattie & Morley, 2008). The social entrepreneurship literature indicates the existence of social and economic objectives in SEs. However, what is not yet clear is the connection between these two. Some scholars believe that social mission primacy is the essential characteristic of SEs, with the generation of funds to supplement the organization's social ends (Nicholls, 2006; Ebrahim et al., 2014; Littlewood & Khan, 2018b). Others have highlighted the equilibrium between social, economic, and environmental objectives (Bengo, 2012). Other authors believe in the harmonious merging of the two purposes in a single organization and use terms such as 'hybrid,' 'blended value,' or 'double bottom line'(Defourny & Nyssens, 2007; Battilana, 2018). Characterizing SEs by their objectives enables the inclusion of an environmental mission as a third objective, by using the term 'triple bottom line.'(Littlewood & Holt, 2018b)

Social enterprises are a discrete group of business ventures between profit and non-profit organizations (Battilana, 2018). SEs differ from profit-making enterprises by not prioritizing profit instead of creating social value. Unlike non-profit organizations, SEs secure their financial sustainability through entrepreneurial activities and do not solely depend on donations and charities. There is a clear distinction between commercial companies and social companies. Commercial companies/business enterprises adopt a profit maximization strategy; and other organizational goals, such as environmental safety and employee motivation, are subject to financial performance. The distinction between business enterprises and SEs lies in prioritizing the economic or social objectives of the business (Alegre, 2015). Business enterprises prioritize financial performance, even though they might focus on their activities' social impact. By contrast,

SEs emphasize their social goals and find a better way of sustaining their business financially (Alegre, 2015).

An important characteristic of SEs is the persistent engagement of internal and external stakeholders in their strategic decisions (Peattie & Morley, 2008). A participatory ethos includes representation of the persons influenced by the activity; the participation of customers; stakeholder orientation; and a democratic management style, which are all essential characteristics of SEs (Bull, 2008). SEs are accountable to their members, external stakeholders, and the broader community for their social, environmental, and economic impact (Connolly & Kelly, 2011; Costa & Goulart da Silva, 2019). The accountability of SEs to various stakeholders raises the need to configure the performance measurement and management with the outcomes. This unique feature, essentially, requires that the stakeholders of the SEs are identified and understood. Additionally, it is important to reach stakeholder agreement on the SE's main performances, i.e., the versions that genuinely represent the diverse stakeholder groups' opinions and priorities.

2.2.2. Social enterprises in South Africa

South Africa (SA) is one of the world's most unequal countries, measuring 63.4 on the Gini index (World Bank, 2009), with 16.6 % of SA's population living below the national poverty line (The World Factbook CIA, 2019). SA experiences sustainable development difficulties, such as unemployment estimated at national rate of 34.5% of which 63.9% is for those aged between 15-24 and 42.1% for those aged between 25-34 (Stats SA, 2022); skills shortages; declining global competitiveness; a high incidence of HIV/AIDS, projected at 14.02%, with around 8.5 million South Africans living with HIV (Stats SA, 2022); high crime rates; rampant corruption; and delays in necessary service provision, such as access to clean drinking water and electricity (9 million still live without electricity) (The World Factbook CIA, 2017).

Social enterprises play a vital role in an emerging economy such as SA (Littlewood & Holt, 2015; Urban & Kujinga, 2017; Mamabolo & Myres, 2019). In SA, poverty, unemployment, and low living standards affect communities (Littlewood & Holt, 2018b; Mamabolo & Myres, 2019). With globalization and development in other parts of Africa, there is an increasing awareness of social entrepreneurship and SEs in SA to address the complex challenges and problems related to sustainable development (Littlewood & Holt, 2018b). They exist in the economy to fill the gap left by the failure of the market and government. In developing countries like SA, more than ever,

there is a need for more sustainable solutions at the bottom of the pyramid (BOP). SEs are becoming more prominent as critical players in sustainable development (Daya, 2014; Panum & Hansen, 2014).

South Africa's government has identified SEs as a crucial area of support in responding to significant challenges which the country is experiencing (Littlewood & Holt, 2015; Littlewood & Holt, 2018b). Thus, the government supports SEs through broad-based black economic empowerment (BBBEE) legislation. In addition, several large corporations, such as the South African Breweries (SAB) Foundation Innovation Awards, the De Beers Fund for Development, and the Anglo-American Chairman's Fund, are actively involved in supporting SEs through their corporate social responsibility (CSR) programmes (Daya, 2014). The establishment of organizations such as the African Network of Social Entrepreneurship Scholars (ANSES) in 2017 and learning hubs for knowledge conversation (e.g., the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town - BCSIE), promotes the growth of SEs (Holt & Littlewood, 2015b). However, the Global Entrepreneurship Monitor stated that less than 2% of adults are engaged in social entrepreneurship pursuits in SA (Bosma, et al., 2015). Thus, there is an active call to strengthen the support systems SEs require to start and run their businesses in SA. There is a lack of consensus regarding the definition of SEs in SA. However, SEs share specific characteristics in most, if not all, concept formulations. For instance, the Gordon Institute of Business Science's (GIBS) 2018 report stated that South African SEs prioritize their social or environmental mission. Furthermore, SEs strive to maintain sustainability by balancing their mission and profits. In support of this, Steinman (2010:23) stated that: 'A social enterprise's primary objective is to better social problems through a financially sustainable business model.' Fury (2010) emphasized the absence of a legal definition and SE policy in SA. However, trading to maintain financial sustainability and a primary focus on social purpose are the characteristics of SEs found in SA (Daya, 2014). Additionally, the Social and Solidarity Economy (SSE) green paper development by International Labour Organization (ILO) in South Africa recommends defining SEs as:

"A social enterprise is a venture that exists to address a social or environmental problem whilst earning a significant proportion of its income through the sale of goods and services, with the

long term vision to 'solve' the problem it is set up to address. It uses its surplus to fulfil its deliberate social or environmental purpose". (ILO Study, 2021:26)

Social enterprises in SA focus on satisfying the basic needs in the education, health, and housing sectors and are local community-based entities (GIBS, 2018). Most SEs develop skills or endorsements in education and literacy (GIBS, 2018). Many SEs reach poor and underserved communities such as orphans and the youth, and people with disabilities (Moreno et al., 2017). The involvement of stakeholders (employees, suppliers, community, donors, and members) in decision-making, often through advisory boards, the board of directors, or community trusts, has been reported by the GIBS. Furthermore, the GIBS's study identified SEs in SA as generally small, generating over R1 million in income. In support to this, ILO analysis on social and solidarity economy organizations reveals that most (86%) of the SSE organizations (including cooperatives, mutual benefit societies, associations, foundations and social enterprises) emerge with a micro and small organizations characteristics having 10 or less employees (ILO, 2021). Therefore, SEs acquire most of their funds from government entities, charitable foundations, and corporate social investment funds. In SA there is no legislation on social enterprises. The ILO SSE analysis identified that most (94%) of SSE organizations are registered and take a legal form of majorly (33%) for-profit company followed by non-profit company (31%) and cooperatives (24%) (ILO Study, 2021). The ILO study identified social and solidarity organizations (6%) which are registered as more than one legal form and considered as hybrid organizations.

In South Africa, little research has systematically interrogated social issues within the sector. The area includes the context, characteristics and development of SEs (Fury, 2010; Holt & Littlewood, 2015b; Littlewood & Holt, 2015; Moreno et al., 2017; Littlewood & Holt, 2018b), the environment and SEs (Steinman, 2010; Rivera-Santos et al., 2015; Urban & Kujinga, 2017) and the evaluation and measurement of SEs (Urban, 2015; Mamabolo & Myres, 2019). Despite these efforts, there is a continued discourse regarding the definition; conceptual clarity; legislative framework; policy development; and field boundaries (Littlewood & Holt, 2018b; Mamabolo & Myres, 2019). Additionally, in both developed economies, or emerging economies, such as SA, practitioners and academics have yet to agree on how to measure the performance of SEs (Ormiston & Seymour, 2013; Abbas et al., 2019; Mamabolo & Myres, 2019; Rawhouser et al., 2019). Different methods, tools, and techniques exist to measure the impact of SEs (Banke-Thomas et al., 2015; Florman et

al., 2016; Costa & Goulart da Silva, 2019). However, no consensus has been reached regarding aspects such as conceptual framing, tools and approaches that can be used to measure the performance of SEs (Ebrahim & Rangan, 2014a; Arena et al., 2015a; Mamabolo & Myres, 2019). However, there is a call for the development of social measurement in order to address credibility and growth of the economy sector a tailored beyond GDP approach to monitor SSE organizations including SEs which align to country level reporting on sustainable development goals (ILO Study, 2021). This study addresses this issue through the development of a framework for social performance measurement for small and medium social enterprises.

2.3. The funding model for social enterprises

Social enterprises are entrepreneurial organizations that provide innovative solutions to societal problems. They include non-profit organizations and for-profit businesses, and their returns include social benefits and financial profits (Battilana, 2018). They occur in many forms; but they all grapple with the same challenge: Is the revenue generated enough to attract potential investors to cover the cost of sustaining and growing their activities? (Hung & Wang, 2021).

Some social enterprises might run their businesses with a sufficient return to finance the venture through sales. They can provide goods and services to customers willing to spend enough in return for a socially beneficial product, such as organic food (Guo & Peng, 2020). They might also render a service to poor customers for less profit. At the same time, they still survive and remain sustainable in the competitive market with other suppliers. However, many social enterprises, if not most, experience a lack of funding through sales or investment (Lyon & Owen, 2019). They cannot generate enough profit to access traditional financial markets, leading to a profit-social return gap. The social value in responding to the poor and people with disability, or disadvantaged and marginalized groups, through providing healthcare, essential food, education or a safe, clean environment, is enormous (Best, 2018). However, the cost of self-funding usually offsets the monetary return. Many social enterprises, particularly in developing economies, depend on government subsidies, grants or donor providers, and charitable organizations, or earn a lower financial return from their profit-related enterprises because of investment in social projects (Bengo & Arena, 2019). The sustainability of those enterprises in providing their products and services depends on the accessibility of capital/funding from these sources. Many social

enterprises put much effort into fundraising, which consumes time and energy that could be spent on their social missions.

The lack of funding opportunities is one of the challenges social enterprises experience (Bielefeld, 2009; Battilana, 2018; Bengo & Arena, 2019). Traditional commercial businesses and organizations can use their balance sheet and business plan to indicate their risk profile and returns to various investors such as banks; bond funds; equity investors and financial institutions (Battilana, 2018). However, for social enterprise, this is not possible. Social enterprises provide innovative solutions, with less strategic focus on the returns or the formal structure of recording their business activities, leading to poor statements and reports on their investments (Arena et al., 2015a). Furthermore, SEs focus on solving community problems and building social value, which is difficult to measure (Clifford et al., 2013). Bugg-Levine et al. (2012) suggested that social enterprises might have a bigger pool of investors than commercial firms if they can restructure their funding model by considering charitable donations as a means of capital that relies on social, not financial, returns. The social enterprise financing concept suggests that SEs approach charitable donors to expect a social benefit, rather than a monetary return, and measure the investment only by whether social benefits are created (Bugg-Levine et al., 2012). If SEs structure their funding to consider charitable donations as a means of capital that pursues social, not financial returns, the investment community, including banks, mutual funds and bond funds can provide access to financial sustainability through transferred risk and return, allowing SEs to thrive and grow (Bugg-Levine et al., 2012).

2.4. The business operation of social enterprises

Social enterprises are established to address various social challenges by implementing a social business model. For social enterprises to develop an appropriate social business model, the position of the shared value concept (Hassan, 2018a) must be established to resolve the social issues through business orientation; where social enterprises should focus on creating social value and impact rather than profits (Samsuddin et al., 2021b). Social enterprises must understand the benefits of the shared value concept and its implementation in their business operations.

The social enterprises spectrum by Gregory Dees (Figure 2.1) stated that social enterprises are organizations that falls in between purely philanthropic and purely commercial organizations. They can be explained as financially feasible organizations include co-operatives or non-profit,

that provide job opportunities for low-income population, and that generate revenue much, if not most, from production of goods and services with affordable prices for people at the bottom of the pyramid (Dees 1998).

Figure 2.1: The Social Enterprise Spectrum (Dees, 1998)

		Purely Philanthropic	←————→	Purely Commercial
Motives, methods, and goals		Appeal to goodwill Mission driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Key stakeholders	Beneficiaries	Pay nothing	Subsidized rates, or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants Market-rate capital	Below-market capital, or mix of donations and	Market rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

Source: (Ninacs & Toye, 2002)

Social enterprises operate in market- based approach, it is must for them to sell goods or services they produce at profit to obtain income that sustain the enterprise (Dees 1998). On the other hand their existence is not only to make profit, however to satisfy the social unmet needs (Ninacs, A. and Toye, M.,2002). Social enterprises operate in an environment where primarily works for the attain of social needs forgot by government and move towards the commercial spectrum to sustain and achieve their social missions.

Ninacs (2000) highlighted in the Social Economy Quadrilateral enterprises established with a definition of association-based economic initiatives founded on the values of solidarity, autonomy, and citizenship symbolized in the following principles: (a) the primary goal is to provide service to members or community rather than attaining profit ; (b) independent management (as separated from public programs); (c) democratic decision-making process; and (d) prevalence of persons and work over capital and redistribution of profits are considered as a new social economy. Therefore, social enterprises are the new social economy organizations established to provide innovatively new solutions to social problems and in doing so change the outlines of society (Hassan, 2018a). Like business enterprises, they apply creativity with pragmatic skill to translate new ideas and services into reality. Additionally, like community activists, they set a purpose of implementing their vision for a better social change persistently until it is converted to reality among the society (Ninacs,2000). Furthermore, the business operation of social enterprises can be corelated to the definition of the social enterprises. According to European Venture Philanthropy Association (EVPA) members define SEs as a trading business for social benefits acting as “a for- profit organization with a social mission and have an approach that solves social problems using business methods.” (Maretich, M. and Bolton, M., 2010). As it is indicated in the Figure 2.1, SEs operate their business in the middle spectrum of trading as a business to sustain and provide innovative solution to social problem with a pure social mission.

Lane and Casile (2011) stated that social enterprise performance must be based on a unique organizational mission, creating a link through firm survival and social impact motives, on the social change’s technical, political and cultural issues. Ebrahim and Rangan (2014a) mentioned that social enterprises should perform their activities in the context of economic-financial performance, social-effectiveness performance, and legitimacy performance. Implementing a hybrid shared principle to sustain and survive makes social enterprises different from other types of operations (Samsuddin et al., 2021a). In this regard, social enterprises apply, as a base, a multiple approach business model indicating the relationship between financial, environmental and cultural impacts and social change.

2.5. Small and medium enterprises

2.5.1. Definitions

The literature offers various definitions of small and medium enterprises (SMEs) by scholars, but there is no single and unified definition of SMEs. The definition of SMEs depends on the diversity of business in the sector.

In both developed and emerging economies, the definition of SMEs commonly depends on the number of employees, the turnover, the revenue generated, and the type of industry (Abor & Quartey, 2010; Waśniewski, 2017; Álvarez Jaramillo et al., 2019). For instance, the United Nations Industrial Development Organization (UNIDO) defines SMEs in industrialized and developing countries based on the number of employees within a firm. In industrialized countries, businesses are considered large, medium, or small if the number of workers within the firm is more than 500, between 100 and 499, and less than 99, respectively (Abor & Quartey, 2010).

In Europe, enterprise classification emerged first with the introduction in 1996 of the European Union (EU), where SMEs are defined, based on the number of employees, the turnover or balance sheet total, and ownership (European Commission, 1996).

Additionally, UNIDO classifies SMEs in developing countries as large if the number of employees within the firm exceeds 100; as medium if there are between 20 and 99 workers; as small if there are between 5 and to 19 workers; and as micro enterprises if there are fewer than five workers (Abor & Quartey, 2010). For instance, less than ten employees indicates a small-scale enterprise in Ghana. More than ten employees indicate medium and large enterprises (Ghana Statistical Service, 2010). Furthermore, micro, small, and medium enterprises (MSMEs) in Nigeria are defined based on the number of employees, turnover, and capital employed (Gbandi & Amissah, 2014; Tahir & Inuwa, 2019). In Nigeria, a MSME is a business with the number of employees and capital of less than 50 and 500,000 Naira, respectively (Oboniye, 2013; Tahir & Inuwa, 2019).

Small, medium, and micro enterprises (SMMEs) in South Africa (SA) are also referred to as small businesses and play a crucial role in the economy (Olawale & Garwe, 2010; Scheers, 2018). The SA government recognizes the importance of SMMEs in business, so it established a new ministry of small business development in early 2014 (Scheers, 2018). The department aims to facilitate the advancement and development of small businesses (Scheers, 2018). In SA, the most widely

used framework for SME definition is the National Act of Small Business 102 Of 1996, amended in 2003 and 2004. The act describes five classifications of businesses (survivalist enterprise; micro-enterprise; very small enterprise; small enterprise; and medium enterprise) (Abor & Quartey, 2010). The classification is based on the number of employees per enterprise; annual turnover; and gross asset value, excluding fixed property. The five size-classes cover all ownership and enterprise structures. Ownership includes sole proprietors; partnerships; companies; and co-operative enterprises. They also apply to formal and informal enterprises (Maduekwe & Kamala, 2016).

Below (Table 2.2) are the business category summaries defined according to the National Small Business Act of 1996.

Table 2.2: Definitions of SMMEs given in the National Small Business Act, 1996

Sector and sub-sectors following standard industrial classification	Size of class	Total full-time equivalent of paid employees <i>Less than:</i>	Total annual turnover in RSA rand <i>Less than:</i>	Total gross asset value (fixed property excluded) <i>Less than:</i>
Agriculture	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very small	10	R 0.40 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Mining and Quarrying	Medium	200	R30.00 m	R18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very small	20	R 3.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m
Manufacturing	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m

	Micro	5	R 0.15 m	R 0.10 m
Electricity, Gas and Water	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Construction	Medium	200	R20.00 m	R 4.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	20	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Retail and Motor Trade and Repair Services	Medium	100	R30.00 m	R 5.00 m
	Small	50	R15.00 m	R 2.50 m
	Very small	10	R 3.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Wholesale Trade, Commercial Agents and Allied Services	Medium	100	R50.00 m	R 8.00 m
	Small	50	R25.00 m	R 4.00 m
	Very small	10	R 5.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Catering, Accommodation and other Trades	Medium	100	R10.00 m	R 2.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	10	R 1.00 m	R 0.20 m
	Micro	5	R 0.15 m	R 0.10 m
Transport, Storage and Communications	Medium	100	R20.00 m	R 5.00 m
	Small	50	R10.00 m	R 2.50 m
	Very small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Finance and Business Services	Medium	100	R20.00 m	R 4.00 m
	Small	50	R10.00 m	R 2.00 m

	Very small	10	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Community, Social and Personal Services	Medium	100	R10.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very small	10	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m

Source: National Small Business Amendment Act 1996

As indicated in Table 2.2, the amended National Act of Small Business 102 of 1996 classified small businesses into four types: medium, small, very small, and micro. However, the classification of small businesses in the amended National Act of small Business 102 of 1996 indicate that the number of full time paid employee for mining and quarrying, manufacturing, electricity, gas and water and construction differ from other sectors (see Table 2.2). Similarly there are sectors that have different sets of total annual turnover and total gross asset value. Following other developed and developing countries in SA the small and medium enterprises are defined through the number of employees, total annual turnover and gross asset value.

2.5.2. Characteristics of small and medium social enterprises

The literature discusses different characteristics of SMSEs. Poor strategic planning and an uniformalised decision-making process are the most common characteristics of SMSEs (Langwerden, 2015; Waśniewski, 2017). The lack of specific procedures and techniques to support the control process leads to short-term alignments and a reactive approach to managing their activities (Langwerden, 2015). However, SMSEs in eastern and southeast Asian countries, known as newly industrializing countries (NICs), such as South Korea, Singapore, and Taiwan, are very efficient, productive, and have a high level of competitiveness.

Small and medium social enterprises play a critical role in developing the nation’s economy (Waśniewski, 2017). Financial insecurity and a high chance of failure are the biggest challenges for SMSEs. SMSE sustainability is affected by exposure to higher levels of risk, due to economic instability and many size-related factors (Fatoki, 2018a). These factors include access to funding; access to customers and markets; retention of knowledgeable and competent staff; influence over communities; research and development; access to technology; and the productivity and quality of their value-added outputs (Muriithi, 2017).

Scholars have identified several characteristics of SMSEs in developing countries: labour characteristics; sectors of activity; the gender of the owner; and efficiency. Fischer and Reuber (2000) highlighted some attributes of SMSEs in developing countries. SMSEs as businesses are usually owned by a single proprietor. The most significant employment category is working proprietors. More than half the SMSE workforce within developing countries includes families, who work voluntarily, for free, but are active in the enterprise; making up nearly a quarter of the staff. Hired workers and trainees make up the remainder of the workforce. Abor and Quartey (2010) stated that SMSEs are more labour-intensive, compared to large companies. More SMMEs engage in retailing, trading and manufacturing (Fischer & Reuber, 2000). In Ghana, many SMSEs are female-owned enterprises operating from home, and the government will not consider them officially in statistics (Abor & Quartey, 2010). The absence of official statistics on female-owned enterprises at home affects the chances of them obtaining access to finance. Female entrepreneurs are often the sole proprietors and, as such, may lack the necessary collateral to be eligible for loans (Abor & Quartey, 2010).

In South Africa, most SMSEs are managed by single owners whose families commonly assist. Sole ownership leads to a flexible and informal decision-making system (Ayandibu & Houghton, 2017). SMSEs operate by focusing on a narrow range of products/services and a relatively linear and straightforward management structure, with a tight risk tolerance range. SMSEs experience challenges in realising economies of scale in the acquisition of inputs. SMSEs mostly take advantage of market opportunities that require large quantities of production, consistent standards, and reliable supply. Above all, SMSEs are challenged by random decisions which are not based on accurate business information (Ayandibu & Houghton, 2017).

2.5.3. The position of SMEs and SMSEs in the economy

The Positions of SMEs

Several studies have also stated the contribution of SMEs in various developed and emerging economies. For instance, of 3.7 million businesses in the UK, 99.8% fall into this sector (Hillary, 2017). In Europe, around 90% of all enterprises are small or medium-sized (Hillary, 2017). In Pakistan, over 90% of 3.2 million business enterprises are SMEs (Zehra et al., 2019). SMEs in Pakistan contribute 30% of the GDP and 25% of exports (Zehra et al., 2019). Bouazza et al. (2015) highlighted that the number of registered SMEs in Algeria by the end of 2013 exceeded 748,000, and are 99% of all the country's enterprises. SMEs contribute to more than 50% of employment

and GDP in most African countries and comprise over 90% of private businesses (UNIDO, 1999)(Abor and Quartey, 2010). According to the Ghanaian statistical service (GSS), in Ghana, small-scale industries constitute 92% of business establishments and contribute to more than 60% of employment within the country (GSS, 2010). In addition, small-scale industries contribute 22% of Ghana's GDP, hence making the sector the heart of economic policy decisions (Essel et al., 2019).

Small and medium enterprises in the Republic of SA constitute 91% of businesses (Abor & Quartey, 2010; Nieuwenhuizen, 2019). The Global Entrepreneurship Monitor and the Banking Association of South Africa highlighted that SMEs contribute between 35% and 45% to GDP and create 50% to 60% of employment (Fatoki, 2018a; Nieuwenhuizen, 2019). SMEs in SA play a significant role, for instance, in telecoms.

Positions of SMSEs in the economy

SMSEs are the most crucial sector of the nation's economy (Choi et al., 2018; Álvarez Jaramillo et al., 2019). They create and provide jobs, especially when the government lacks them (Ayandibu & Houghton, 2017; Hillary, 2017). Since SMSEs employ the citizens in developing countries, such as SA, they reduce crime rates (Ayandibu & Houghton, 2017). SMSEs are a source of entrepreneurial and innovative spirit and exploit individual creative efforts. They create competition and are the starting point for future businesses (Lee et al., 2016; Choi et al., 2018). In short, small and medium-sized firms are essential for a healthy, dynamic market economy (Hillary, 2017).

The SMSE sector is enormous. The industry is the engine that grows the economy. SMSEs are responsible for up to 90% of the world's innovations and provide 50-60% of employment opportunities (Rodiati et al., 2019). Their contribution to the gross domestic product (GDP) varies from 16% in low-income countries to 51% in high-income countries (Nieuwenhuizen, 2019).

The SMSE sector contributes to developing innovative products, new delivery systems, and general inventions. However, no statistical data is available on the contribution of SMSEs in SA. In SA, SMSEs are creative in taking advantage of the deregulating of industries and are quicker, more motivated, and keener than large corporations. The competitive environment between small and large companies benefits the general public through a more efficient economy and productive

space (Ayandibu & Houghton, 2017). The SMSE sector is a means to accelerate South African economic growth. However, this is not occurring, partly due to an enterprise failure rate of 80% in the SMSE sector (Ayandibu & Houghton, 2017; Fatoki, 2018b; ILO, 2021). Similarly, SMSEs are identified as a catalyst to the economy of SA. However, SMSE contribution to the economy is not statistically identified in SA. Furthermore, as measured by financial performance indicators such as turnover and profitability, SMSE performance in SA is weak (Fatoki, 2018b). Considering the position of SMSEs in the economy, focus and support should be provided by the public and private sectors to sustain SMSEs in a competitive market.

2.5.4. The funding model of small and medium social enterprises

The funding model is used by SMSEs to fund their enterprises to achieve their social mission. The literature mentions various funding models for SMSEs, including grants/donations from public and private institutions; self-funding; family support; stakeholders; banks; credit; commercial business entities established by the founder of SMSE; and investment companies (Kickul & Lyons, 2015; Mikołajczak, 2017; Lyon & Owen, 2019). Funds are contributed from the commercial business activities of SMSEs, as well as from the business activities and resources of numerous entities which support their social mission (Lyon & Owen, 2019). Donors' financial and non-financial involvement within SMSEs influences the frequency and scale of their activities (Mikołajczak, 2017). Another source of funds for SMSEs is public funding from national and international sources.

The majority of SMSEs rely on grants and public funding. The business operation of their enterprises mainly depends on funding from traditional donors such as philanthropic foundations and private and government institutions (Dees, 1998) to achieve their social mission. SMSEs are heavily engaged in the community, creating strong relationships with different groups of stakeholders (Mair & Marti, 2006). These relationships can create opportunities to legitimise SMSEs (Teasdale, 2010). However, recently scholars have highlighted that a funding model that depends on grants and public funding is not convenient in the long run, for three main reasons (Chong & Kleemann, 2011; Kickul & Lyons, 2015; Bengo & Arena, 2019; Lyon & Owen, 2019). Firstly, donor and public administration spending capacity has been limited due to the debt crisis, putting SMSEs under pressure to find funding (Lyon & Owen, 2019). Secondly, traditional funding sources generally focus on specific projects with a limited budget and time horizon (Chong & Kleemann, 2011). Thus, SMSEs with innovation capacity and scaling strategies that require

more sustainable funding cannot be supported over a longer time with such grants (Bengo & Arena, 2019). Finally, the decision to depend on non-commercial financial sources can lead to a problem of ‘grant dependency’ (Bugg-Levine et al., 2012).

Scholars have called for SMSEs to diversify their funding sources to survive in a competitive business environment, to sustain their business, and to scale up (Nicholls, 2009; Arena et al., 2018). However, in spite of the call of scholars and practitioners for SMSEs to diversify their funding sources through accessing credit and other commercial finance, SMSEs rely heavily on public grants and self-funding. The lack of funding diversification by SMSEs is explained by the fact that, even when SMSEs are applying for credit, only a limited number of enterprises are accepted and granted the requested funding because banks and financial institutions are reluctant to fund these enterprises (Bengo & Arena, 2019). Furthermore, SMSEs are expected to indicate their social performance and impact within the community for the banking and investment communities to release the requested funds. However, SMSEs with few resources experience difficulty measuring their social value and impact as there are no unified measurement frameworks.

Small and medium social enterprises encounter several challenges and barriers in obtaining funds to administer and run their activities. Firstly, SMSEs share similar problems with SMEs because of certain inherent characteristics of many small-sized organizations. They generally have a low-level structure, with the lack of a formal organizational structure and inexperienced accounting, management and control systems (Bull, 2007; Costa & Pesci, 2016). They are well known for lacking financial resources (Bengo & Arena, 2019). Secondly, SMSEs lack collateral and tangible assets that financial investment communities can use to provide credit (Bengo & Arena, 2019). This problem amplifies the correlation between firm size and the probability of bankruptcy (Arena et al., 2018; Arias & Arango-Botero, 2019).

Investment communities, such as banks, have little knowledge of the characteristics of social business organizations in terms of their business model, organizational structure and governance (Choi et al., 2018; Álvarez Jaramillo et al., 2019). Since the investment communities are less aware of a business model that generates both social and financial returns, they are reluctant, and very careful, about investing in SMSEs (Arena et al., 2018). If they have decided to fund a social business organization, they require an impact evaluation, performance measurements and accountability report from the SMSE. The major priority for investors is to maintain thoroughly

standardized social metrics for measuring the relative social and environmental impact of their investments within and across the sectors and geographies that substantiate them (Chong & Kleemann, 2011). Based on the above consideration, this study aims to contribute to the current debate in two ways: Firstly, by identifying the funding and business model of SMSEs; and secondly, by developing a social performance measurement framework to respond to the call for accountability by the investment communities and other stakeholders.

2.5.5. The business operation of small and medium social enterprises

The business operation of an organization describes the reliable and integrated picture of a company, indicating how the organization creates, achieves and captures value (Yeshawanth & Kumar, 2020). The business operation must indicate the elements and relationships within the enterprises that describe how the business operates (Yun et al., 2017). Furthermore, business operations indicate where the enterprise sees its growth level, how it works to improve, and what it hopes to achieve in the future.

Small and medium social enterprises aim to address unmet social needs by creating social and economic values rather than making a profit for their stakeholders (Nicholls, 2006). They function innovatively by producing goods and services. If profit is made, it is used to achieve a social purpose (Doherty et al., 2014; Mair et al., 2015). Thus, the business operation of small and medium social enterprises should not only focus on profit generation. Rather the emphasis should be more on creating social change (Alegre & Berbegal-Mirabent, 2016).

Scholars have stressed that the business model of SMSEs should not exclude profit. However, more emphasis should be placed on generating social change (Alegre & Berbegal-Mirabent, 2016). Thus, the business operation of SMSEs is different from the traditional business model. The multi-goal characteristics of SMSEs call for the need to adjust the traditional business model (Balan-Vnuk & Balan, 2015). Yunus et al. (2010) proposed a basic framework that includes four elements: Firstly, value proposition means identifying who the customers are and the perceived value to the enterprise. Secondly, the value constellation deals with how the enterprise delivers its value to the customers. Thirdly, the economic profit equation identifies how revenues are generated and the cost structure. The fourth element is a social profit equation which elaborates on how the enterprise creates social benefits, including the risks and benefits. Márquez et al. (2010) suggested that in the value proposition and value constellation, enterprises should consider and involve other stakeholders, not only customers, in the social mission.

Small and medium social enterprises should identify their business priorities (Ayandibu & Houghton, 2017). They should know what to achieve and be able to design a new strategy innovatively to overcome the challenges they are experiencing by modifying their business operation to achieve their social mission (de Souza João-Roland & Granados, 2020). Thus, conducting a questionnaire on the business priorities through time is crucial to envision new ways of doing things. For the adoption of new mechanisms, finding the right partnership is mandatory. Creating a partnership with the right stakeholders may help to open up new business opportunities and gain access to resources needed to achieve the social mission (Bellucci & Manetti, 2018).

The primary challenge for small and medium social enterprises is maintaining a balance between the social mission and profit (Doherty et al., 2014; Littlewood & Holt, 2018a). Although SMSEs' organizational structure is based on zero dividends, they differ from charity and non-government organizations. This means that the entrepreneurial mind-set must include the main aim of serving the community, while remembering that to achieve this goal, enterprises need to recover full costs and maintain sustainability (Alegre & Berbegal-Mirabent, 2016).

For small and medium social enterprises, defining their business model is challenging due to the dual social and economic objectives (Berbegal-Mirabent et al., 2021). However, they benefit from clearly specifying their social mission to create awareness of the value they are creating for the community (Alegre & Berbegal-Mirabent, 2016). Similarly, the involvement of stakeholders is a key point. As discussed above, social business models emphasise the importance of considering not only customers, suppliers and other parties, but also any private and public shareholders and investment communities able to understand and accept the venture's social mission (Alegre & Berbegal-Mirabent, 2016). Therefore, stakeholders' integration and active involvement are crucial for the SMSEs. The next section discusses stakeholder identification and involvement within small and medium social enterprises.

2.6. Stakeholders' identification and engagement with social enterprises

Stakeholders are defined as “any group or individual who can affect or is affected by the achievement of an organization's purpose and activities.” (Evan and Freeman 1993:82). Stakeholders have a right to actively engage and participate in decisions of the organization. Social enterprises can effect social change by enriching the lives of those disregarded and excluded in communities (Ball, 2015). Social enterprises have many stakeholders; that is, various stakeholders within the enterprise. Studies in the literature have indicated the shift of stakeholder involvement

from a traditional view of stakeholders as an external body that focuses on the control of social enterprises, to a view in which stakeholders participate and are involved within the social enterprises as internal components (Campi et al., 2006). Thus, there are important reasons for identifying stakeholders involved with social enterprises to maintain their sustainability. Firstly, stakeholders can play a crucial role in managing resources, mitigating risks and increasing the efficiency of SEs. Secondly, stakeholders are accountable and responsible for SEs to report on their social and economic mission.

Additionally, stakeholder identification and engagement can be a mechanism for addressing the mission drift of SEs (Ramus & Vaccaro, 2017). Involvement and dialogue with stakeholders can successfully explain and reinstate previously abandoned social activities and missions (Zahra et al., 2009; Battilana & Lee, 2014). According to the findings of Ramus and Vaccaro (2017), following the stakeholder engagement process, that is, stakeholder identification, dialogue and project development are ways of balancing the equilibrium between the social and economic performance of social enterprises. Ramus and Vaccaro (2017) explained the importance of stakeholder identification, because identifying stakeholders helps enterprises rationalize their social priorities and objectives to target stakeholders who will benefit the organization accordingly. Dialogue with stakeholders involves communicating with the relevant stakeholders about the enterprise's objectives, missions, and strategies to create an understanding of social values and beliefs. Communicating with stakeholders enables the social enterprise to reflect on the values and motivation on which it was established and helps to avoid mission drift. Project implementation, the third step, is significant in providing credibility to the social values the organization defined at the beginning, and in transforming them into tangible activities; thus ensuring that the enterprise is pushed into a more balanced position (Ramus & Vaccaro, 2017).

The literature on third-sector organizations discusses various categories of stakeholders involved with social enterprises, including workers; members; volunteers; donors; customers/users; local communities; unions; suppliers; public organizations; private companies; education institutions; and other third-sector organizations having specific interests or relationships with the organization (Campi et al., 2006). The involvement of stakeholders in enterprises can include participation in decision-making processes, providing resources, grant or fund provision, and management and control (Campi et al., 2006). The literature views the involvement of stakeholders in two ways:

On the one hand, they can participate with social enterprises in the decision-making process, strategic development and other operational activities (Campi et al., 2006). On the other hand, they can adopt the stance of being the member and co-owner of the enterprise (Crucke & Knockaert, 2016).

2.6.1. Relevant stakeholders in SMSEs

Small and medium social enterprises are primarily established to address society's unmet needs by creating social and economic value, rather than only making a profit for their stakeholders (Nicholls, 2007). However, stakeholder identification and involvement are key factors for SMSEs. Finding and collaborating with the right stakeholders helps open up opportunities, gain access to new resources, and acquire knowledge, which may lead to further development and growth. Partnerships, co-operation and the exchange of ideas over the strategy and operation of social activities between private, public and non-profit organizations are as highly seen productive and effective, leading to risk sharing and becoming major success factors (Alegre & Berbegal-Mirabent, 2016). For SMSEs to survive and achieve their social mission, it is crucial to understand their business model regarding their customers, beneficiaries, shareholders and other partners (Alegre & Berbegal-Mirabent, 2016).

There is increasing attention from practitioners and researchers on social enterprise environmental and social issues (Bertotti et al., 2011b; Chmelik et al., 2016; Dufour, 2019). At the same time, the issue of environmental and social accountability has gained the attention of researchers. Considering the consumers' and investors' evolving expectations, enterprises have recently experienced the need to communicate to internal and external stakeholders how their business structure, strategy, social mission and activities are integrated with the concept of sustainability (Bagnoli & Megali, 2011a). Considering this growing interest, a question is raised about the real mission and objectives of SMSEs and the best way to account for, and inform, the degree to which these objectives have been maintained. The development of social and environmental measurement results in a wide range of actual improvements and achievements in society and the environment (Dufour, 2019). With that in mind, it is more crucial than ever for SMSEs to consider their stakeholders' opinions when defining their strategies and mission on the one hand; and, on the other, revealing relevant information concerning their ability to achieve their social mission

and contribute to sustainability, while giving value to all their stakeholders (Bellucci & Manetti, 2018).

The development of small and medium social enterprises in South Africa is still in its infancy (Fatoki, 2018b). Therefore, it is crucial to commit to the growth of social enterprises and reach the same level as the developed countries. The sustainable success of this sector relies on the commitment and participation of all parties, including the public and private sectors, which must play a significant role in sustaining the social enterprises' ability to create social impact and self-sustain (Fatoki, 2019). Furthermore, the sustainability of any sector depends on its ability to sustain itself independently from the government and public agencies (Samsuddin et al., 2021b). In SA, efforts are placed to provide support in terms of policy and legislation requirements through a draft of green paper for social and solidarity economy. The green paper highlighted the need for social and solidarity economy organizations (such as cooperatives, non-profit organizations, for-profit organizations and social enterprises working to provide solution for local communities) engagement with different stakeholders in order to maintain access to market and access to finance for sustainability of their organization (ILO,2021). Furthermore, the report indicated how social and solidarity organization can tackle financial insecurities and bureaucratic difficulties through good relation and involvement of the local communities, private institutions and public organisations (ILO,2021).

Identifying the stakeholders involved with SMSEs is crucial to maintaining their success and sustainability, through identifying their information and needs. An organization's sustainability is explained as an "organization's capacity to survive and to continue to represent its constituents by actively serving its customers, employees, and the society in which it functions (Samsuddin et al., 2021a:.55). In terms of social enterprises, sustainability has two features. One feature of enterprise sustainability focuses on organizational survival and financial strength over time. Another feature of enterprise sustainability depends on achieving the enterprise's social mission and aim, to maintain social change in the community in which the enterprise is established. To achieve this sustainability, internal and external stakeholders play a major role. In small and medium social enterprises, stakeholder participation may influence the strategic factors to increase and obtain capital and resources, such as support, participation, and skills (Samsuddin et al., 2021a). According to McDermott et al. (2018), stakeholder involvement could depend on the power

relationship between the social enterprises and the stakeholders. For this reason, SMSEs are expected to identify their relevant stakeholders and how they are involved within the enterprises. The literature discusses the existence of various categories of stakeholders involved with social enterprises, including workers; members; volunteers; donors; customers/users; the local community; unions; suppliers; public organizations; private companies; education institutions; and other third-sector organizations having specific interests or relationships with the organization (Campi et al., 2006). The involvement of stakeholders with enterprises can include participation in decision-making processes, providing resources, grant or fund provision and management and control (Campi et al., 2006). The involvement and influence of stakeholders will be large if the relationship with the enterprise is strong and constant, in terms of frequent sharing of information, and participation. The next subsection discusses stakeholder information and their needs.

2.6.2. Stakeholders' information and their needs

Stakeholder engagement can be used as a tool for communication and control (Bellucci & Manetti, 2018), and as a mechanism for participatory, mutual learning that can promote transformative action and social change. Additionally, stakeholder engagement “is a milestone policy in social and environmental accounting because it allows an organization to interact with its stakeholders in a two-way dialogue in which the engager and the engaged mutually learn from this co-operation and potentially revise their expectations, strategies and behaviors” (Bellucci and Manetti, 2018:115). In terms of social enterprise governance, Mason et al. (2007) stated that managers of social enterprises need to communicate with the stakeholders to understand and implement stakeholders’ interests within the available scope. Stakeholder communication can be achieved by allowing the democratic participation of stakeholders in the enterprise (Mason et al., 2007). However, social enterprises and stakeholders must be held accountable for their actions.

Providing the necessary information required for active participation by stakeholders will allow the social enterprise to achieve the ‘social purpose alliance’ from a resource-based view (Austin et al., 2012). If different organizations join their human and physical resources to operate together, they are usually creating an opportunity for innovatively providing a solution to societal problems, and have a greater capacity to generate higher social value than any organization operating alone (McDermott et al., 2018). SMSEs should encourage active stakeholder participation because it

increases the availability of resources for the enterprise to achieve its social mission and guarantees its sustainability (McDermott et al., 2018).

Furthermore, Mason et al. (2007) highlighted that stakeholder governance has an additional benefit for the social enterprise's strategic decisions and direction. Allowing the participation of stakeholders at board level is advantageous because it provides more ideas and opinions on the enterprise's strategic development (Fasan & Mio, 2017). Stakeholders can offer valuable input to the strategic decisions of SEs that ultimately affect them. Stakeholder involvement in the operation of social enterprises allows social enterprises to adopt and preserve a culture associated with the needs of the stakeholders (Mason et al., 2007). Allowing and including stakeholders in the strategic decisions and operational activities of social enterprise indicates the social enterprise's democratic and ethical characteristics (Samsuddin et al., 2021b). However, scholars stressed that the involvement and participation of stakeholders should be manageable. Each party involved in the social enterprise should be accountable and transparent in their duties (Mason et al., 2007; Laplume et al., 2008).

The literature identifies various stakeholder needs regarding the performance measurement of non-profit organizations (Costa & Pesci, 2016). For instance, donors are interested in identifying whether the funding they provide for the enterprise is properly spent. Donors are, therefore, committed to assessing whether their funds are being utilized to the purpose for which they were donated. Other stakeholders, such as managers, could be concerned about different measurements of enterprise effectiveness associated with administrative and managerial decisions. Different stakeholders require different kinds of information. In the participation and involvement of stakeholders within SMSEs, there is a need to clarify what the stakeholders require and what the social enterprise is delivering. Thus, SMSEs need to identify the needs of their stakeholders and adopt the necessary performance measurement metrics accordingly.

Social enterprises address complex societal problems by combining the efficiency and resources of the traditional business model with the sense of social mission of charity organizations (Austin et al., 2012; Smith et al., 2013). Nevertheless, sustaining these two models in determining tension and equilibrium is enormously challenging (Smith et al., 2013). Scholars have stated their concerns and uncertainties about social enterprises' effectiveness and long-term sustainability (Nicholls, 2009; Zahra et al., 2009). Social enterprises may focus on their market orientation to sustain their

business, which may endanger their commitment to achieving their social mission, leading these enterprises to mission drift, that is, favouring profit-making activities over social activities and concerns (Battilana & Lee, 2014; Mair et al., 2015). Mission drift can create internal tensions (Battilana & Dorado, 2010) and a lack of funding from critical stakeholders (Dart, 2004), putting the survival of the SEs in danger. Scholars have suggested strategies and managerial tools SEs can adopt to balance their social and economic missions and improve their effectiveness and competitiveness within the market, while achieving their social mission. For instance, Ramus and Vaccaro's (2017) findings showed that stakeholder engagement is the major instrument allowing social enterprises to resolve mission drift. Based on the stakeholders theory the participation of stakeholders helps social enterprises to reinstate the original social objectives and previously abandoned social values, as stakeholders will have authority to control and participate in the activities of social enterprises (Ramus & Vaccaro, 2017). The involvement and participation of stakeholders in SMSEs help to identify the social performance value created by SMSEs within the community. Thus, SMSEs will balance their social mission with their financial position (Battilana & Dorado, 2010). Therefore, the identification of stakeholders, and providing them with the necessary information through measurement, is important to sustain small and medium social enterprises.

2.7. Performance measurement

This section presents definitions of performance measurement (PM); performance measurement origins and evolution; the rationale for PM; issues in measuring performance; PM in SMSEs; challenges of SMSEs in PM; and a review of existing PMS frameworks to explain the study's standpoint on performance measurement.

2.7.1. Defining performance measurement systems

Performance measurement is a multidisciplinary field of research (Franco-Santos et al., 2012). Management scholars from several sub-disciplines have addressed PM. For instance, Ferreira and Otley (2009) discussed PM's design and use in operation management and management accounting. Goold and Quinn (1990) argued the use of PM as a paradox for strategic control. DeNisi and Smith (2014) proposed a PM and management model in human resource management. Townley (2002), as cited by Beer and Micheli (2018), discussed the role of competing rationalities in institutional change from an organizational behaviour perspective. Different points of view on

PM may better understand and describe trends (Beer & Micheli, 2018). However, they can also lack consensus on definitions and research motivations (Franco-Santos et al. 2007). Despite the differences, increasing attention has been given to performance management systems (PMS) since the mid-1980s (Garengo et al., 2005; Beer & Micheli, 2018). Academic scholars and practitioners have emphasized the design and application of PMS (Johnson & Kaplan, 1987; Kaplan & Norton, 1992a; Neely, 2005). Since the mid-1980s, various studies have highlighted the methods developed for measurement. Additionally, since the mid-1980s there has been increasing attention on the introduction of numerous PM frameworks, tools, and techniques (Bititci et al., 2012; Franco-Santos et al., 2012).

Evidence suggests that, despite substantial growth as a research field, PM still lacks a unified and clear definition (Bititci et al., 2012; Franco-Santos et al., 2012). For instance, some scholars equate PM with general financial and economic growth. By contrast, others discuss it mainly in connection with social objectives, or focus on related activities linked to social value creation. Another approach views PM as a regulatory system and management control (Al Shobaki et al., 2018; Bourne et al., 2018a). For instance, Franco-Santos et al. (2012) claimed that performance measurement and management systems are essential to monitor and control resources. This wide range of purposes can result in clutter in the field, through new ideas, approaches, and implementations (Hall, 2014). Building on this discussion, the different definitions of PM by scholars will be outlined.

Scholars have defined PM differently, focusing on features, roles, or processes. Some authors see PM as a 'system' based on features within the organization. For instance, Neely et al. (2002b) defined PMS as a balanced and dynamic framework that can bolster decision-making through gathering, explaining, and examining information (Garengo et al., 2005). PM is a system that converts strategies into results (Hall, 2014), merging operational, financial, and strategic measurements to determine how well companies achieve their target. Franco-Santos et al. (2012) stated that PM is used as a system to operationalize strategic objectives through financial and non-financial performance measurements.

On the other hand, some scholars define PM as a 'practice', focusing on PM's role in the organization. PM is a practice that appears when the organization needs to comprehend several economic scenarios (Severgnini et al., 2018). It creates further analysis and evaluation

perspectives, measures results, and generates support for decision-making. PM has additionally been firmly connected with ‘metrics’. Neely et al. (2005:1229) described PM as a “set of metrics used to quantify both the efficiency and effectiveness of actions implemented to achieve the strategic goals of an organization”. Cruz et al. (2011) argued that PM is a tool. PM practices are the actions and tools that strengthen the evaluation of the organization’s improvement and move toward its objective, which may be formalized after some time (Cruz et al., 2011; Hassan, 2018b). “PM can be defined as the process of quantifying the efficiency and effectiveness of action. A performance measure is a metric used to quantify the efficiency and effectiveness of action. A PMS is the set of measurements used to measure both the efficiency and effectiveness of activities” (Neely et al., 1995:80).

2.7.2. Performance measurement: origins and evolution

In the late 13th century, performance measurement emerged in double-entry bookkeeping and continued until the Industrial Revolution (Johnson, 1981; Bititci et al., 2012). The advent of mass manufacturing, for example by Henry Ford in 1922, during the Industrial Age, generated a shift from piecework payment to the implementation of wage systems (Bititci et al., 2012). In this period, the necessity to monitor the productivity of employees emerged. Additionally, Fredric Taylor introduced the concept of industrial efficiency in 1911 (Hassan, 2018b). Taylor highlighted that efficiency could be quantified and enhanced over time and through motion studies (Hassan, 2018b). Thus, PM started by observing and documenting the input-output process (Bititci et al., 2012; Hassan, 2018b).

Hassan (2018b) classified the period when PM emerged in the business world and measured the number of units produced and wages paid as an efficiency-oriented era. With ever-increasing managerial and organizational complexity, and the rise of several plants, the delegation of authority and control resulted (Bititci et al., 2012). Thus, divisional and departmental budget classification emerged (Bourne, 2001; Bititci et al., 2012).

Dupont developed an evolutionary step in developing a new PM through a scientific alternative to an arbitrary process in 1912. This period, described as a result-oriented era (the 1920s-1950s), was characterized by the invention of the return on equity (ROE) formula (Hassan, 2018b):

$$ROE = (\textit{profit margin}) \times (\textit{asset turnover}) \times (\textit{equity multiplier}) = (\textit{net profit/sales}) \times (\textit{sales/average total assets}) \times (\textit{average total assets/average equity}) = (\textit{net profit/equity})$$

The Dupont analysis focused on the output and results. The result-oriented period focused on setting the target-driven management style of organizations (Prowse & Prowse, 2010; Hassan, 2018b). However, Kaplan (2013) highlighted that the Dupont ratio result lacks an indication of future performance and provided little guide on improving.

Other studies explained the era between the 1920s and 1950s as a time of PMS development (Arena et al., 2015a; Waśniewski, 2017). However, in this era, PM's problem focusing on the production-related explicitly to cost/efficiency issue, resulted in a partial decision area (Carlyle, 2013; Arena et al., 2015a).

In the 1950s and 1960s, PMS development expanded to departmental and divisional budgets, focusing on financial and economic performance (Arena et al., 2015a). The early stage of globalization during the 1950s led to the development of more sophisticated approaches, with dimensions such as quality; time; variety reduction; flexibility; and customer satisfaction (Bititci et al., 2012; Arena et al., 2015a). Productivity improvement picked up (Bititci et al., 2012), often to the detriment of customer/employee/stakeholder satisfaction (Arena et al., 2015a), or focus on financial indicators (Neely et al., 1995, Kaplan, 2013).

Between the 1960s and 1980s, PM's focus shifted to new dimensions such as quality, time, flexibility, and customer satisfaction. This shift led to identifying a method referred to as key performance indicators (KPI) to measure companies' long-term success (Bititci et al., 2012; Arena et al., 2015c). The 1960s and 1980s also led to PM's recognition as a multidimensional domain (Kaplan & Norton, 1992a; Neely et al., 1995). As a result, more integrated and balanced PM approaches were introduced (Johnson & Kaplan, 1987; Bititci et al., 2012). In the 1980s, implementing the initial PM model and management for large companies started (Taticchi et al., 2008).

Hassan (2018b) stated that the 1960s-1990s were a quality era. Peter F. Drucker and William Edwards Deming shaped PM in the second half of the twentieth century with new concepts (Hassan, 2018b). PM in the quality era (the 1960s-1990s) was characterized mainly by goal setting for the business; linking activities with goals; identifying the source of variation; and developing KPIs (Hassan, 2018b). However, Ankrah and Mensah (2015) regarded the pre-1980s era as a time when the domination of large industrial firms' PM models concentrated on a few critical financial measurements of success. In the literature on PM (Bourne et al., 2000; Carlyle, 2013; Ankrah &

Mensah, 2015; Arena et al., 2015a), the phase of PMS in the 1980s is seen as a time when significant weaknesses related to the traditional measurement of performance within companies were recognised. These weaknesses included that the traditional performance was limited and depended on historical value. They focused only on financial measurements like profit, ROI, and productivity. They lacked the inclusion of non-financial metrics in performance and did not consider the value of intangible assets. Additionally, they did not provide adequate information for the estimation of future performance, thereby encouraging 'short-termism'. Furthermore, they were insufficient for strategic decisions and lacked strategic focus. In general, they were specifically designed for external reporting only.

In response to these challenges and fast-growing changes to the world market, in the 1990s, the introduction of new PMS approaches increased. In the 1990s, the PM literature converged with the concept of strategic control (Bititci et al., 2012). In particular, Johnson and Kaplan (1987) suggested utilizing short-term performance indicators as strategic controls associated with long-term strategic goals. As a result, during the integrated PM time, much prominence was given to measuring, and how these measurements achieved strategic alignment (Bititci et al., 2012). This work resulted in numerous PM models and frameworks that supported performance measurements. There included the performance pyramid (Lynch & Cross, 1991); strategic management and analysis reports techniques (SMART) (Cross & Lynch, 1988, Lynch & Cross, 1991); the balanced scorecard (Kaplan & Norton, 1992a); the performance prism (Neely et al., 2002a); the performance measurement questionnaire (Dixon, 1990); the ABPA (activity-based performance prism) (Meyer, 2002b); the Cambridge performance measurement framework (Neely et al., 1996); and the integrated performance measurement system (Bititci et al., 1997) (Carlyle, 2013; Ankrah & Mensah, 2015).

In the early 2000s, the focus shifted from developing a PMS to the experimental and hypothetical analysis of existing measurement systems and frameworks (Neely et al., 2005; Carlyle, 2013), particularly the balanced scorecard (BSC). Furthermore, various PMS in-depth implementations and practical applications were undertaken in the early 2000s (Hvolby, 2000; Hudson et al., 2001; Carlyle, 2013).

By its nature, performance measurement is a diverse subject (Meyer, 2002a). This diverse nature led scholars in the field to actively work on the evolution of PMS and frameworks from different

accounting; human resource management; marketing; financing; operational and economic perspectives. For instance, Kaplan and Norton (1996) and Meyer (2003) emphasized the necessity for affiliating human-resource-based PMSs with organizational PMSs. This view developed a new PM perspective: team and managerial measurement instead of individual aspects in human resource management (Bititci et al., 2012; Malesios et al., 2018). Research and development (R&D) and innovation management explore subjects such as assessing and overseeing the performance of R&D and innovation activities and procedures (Adams et al., 2006; Chiesa et al., 2009; Bititci et al., 2012). Numerous authors have suggested the incorporation of environmental management, corporate social responsibility, and green supply chain practices throughout the organization of a PMS (Székely & Knirsch, 2005; Weber, 2008; Lund-Thomsen & Pillay, 2012; Hřebíček et al., 2014).

Despite the development and advancement of particular sub-fields of PM since the 2000s, scholars have started to raise questions and criticisms about the theoretical validity of existing measurement systems and frameworks (Meyer, 2002a; McAdam & Walker, 2003; Garengo et al., 2005; Greatbanks & Tapp, 2007; Smith & Smith, 2007). Thus, it is not clear which PM methods, tools, and techniques fit social entrepreneurship and commercial enterprises.

2.7.3. The rationale for performance measurement

Measurement of performance is critical for both practitioners and academics. Yet, the literature reflected various methods, techniques, and practices, which can be confusing and inconsistent.

PM's concept as a system exists in various studies (Neely et al., 2005). Consequently, this lacks a holistic framework covering the series of activities essential to perform the measurement and provide improvement. Despite this gap, organizations (such as the private sector, public sector, and non-profit organisations) face pressure to measure their performance. The challenges organizations are experiencing through global competitiveness require updated performance information to make decisions (Ahmed, 2017). The rapidly changing business environment and stakeholder needs necessitate companies to continually improve their business (Ahmed, 2017; Bourne et al., 2018b). The PM field has advanced in response to global industrial, commercial, and social trends (Bititci et al., 2012).

In performance measurement literature, the purpose of PM is the improvement of productivity and the management of organizations (Neely, 1999; Franco-Santos et al., 2012). For instance, during

the early 1900s, PM's purpose was to increase productivity (Arena et al., 2015c). PM's role evolved with global competition and the complexity of markets towards integrated performance measurement and management, while still retaining its focus on productivity and budget control (Bititci et al., 2012; Ahmed, 2017). The increasing need for constant improvement has led many researchers to point out the support of PMS in continual improvement processes (Lynch & Cross, 1991; Neely, 1999; Neely et al., 2005; Bourne et al., 2018a; MacLean et al., 2018). In addition, PM supports the company in setting future goals and planning any compulsory improvement process (Franco-Santos et al., 2012). Furthermore, PMS endorse the learning process and arrangements for the amendments of procedures (Lynch & Cross, 1991; Kaplan & Norton, 1992a; Ahmed, 2017).

Performance measurement systems, implemented well, can deliver precise information, and support strategic, tactical, and operational objectives. Additionally, the use of performance measurement system can avoid sub-optimization; and inadequate resource utilization (Carlyle, 2013). Performance measurement identifies the logical causal interaction between activities and results. It also allows organizations to determine the relationship between business processes (Bourne, 2001; Taticchi et al., 2008; Waśniewski, 2017).

2.7.4. Rationale: from a social enterprises' perspective

Social enterprises (SEs) are experiencing pressure to measure their impact, leading to increasing demand for evaluating their activities. External stakeholders of SEs, like public and private funders or investors, must choose between many organizations requesting their support. They demand evidence of the social performance of non-profit organizations to guide their investment/ donation decisions (Nicholls, 2018). The heightened rivalry for philanthropic funding has thus made PM significant (Chmelik et al., 2016). Investment communities (investors and funders) are often hesitant to maintain their investment in SEs due to a lack of information on their efficiency. (André et al., 2018). In addition, SEs are accountable to several stakeholders with different, and sometimes competing, interests in the complexity of their missions and operations. Therefore, their accounts may be multi-directional (Bengo, 2012). Non-profit organizations, philanthropic organizations, and ad hoc SEs have long faced a debate with stakeholders, the media and politicians, concerning their impact and accountability (Karamoy et al., 2017).

Measurement of performance does not only emanate from the request of external stakeholders. Measuring the social performance of SEs is supports in the making of strategic decisions, offering evidence essential to guide SE managers with their choices. Furthermore, measuring performance boosts business operation effectiveness, efficiency, and economic and social performance (Arena & Azzone, 2005; Bertotti et al., 2011a; Arena et al., 2015b). Apart from only considering economic performance based on quantitative representation, measuring social value generates a basis for contrasts between diverse SEs within the same sectors and across industries (Bertotti et al., 2011a). PM furnishes an understanding of successful activities which might help for further growth and unsuccessful activities that can hamper success within the business. PM enables the spread of both good and bad practices across the SE sector (Bertotti et al., 2011a; Arena et al., 2015a). There is an emphasis on PM, through its perceived advantages for organizational learning (Barraket & Yousefpour, 2013; Arvidson & Lyon, 2014).

Developing a social performance measurement framework would provide more nuanced insight and understanding of past performance and would guide future decision-making (Arvidson et al., 2013; Luke, 2016).

2.7.5. Issues in measuring performance

Performance measurement is complicated and cannot be pattern-driven (Neely, 1999; Carlyle, 2013). Organizations experience difficulty deciding what to measure, when, and how often to measure. PM's complexity exists in designing, implementing, and using performance measurements (Bourne et al., 2000). The performance measurement design phase focuses on identifying an organization's objectives. Researchers (Dixon, 1990; Kaplan & Norton, 1992a; Bourne et al., 2000; Bititci et al., 2012) have noted that the organization's strategy must drive the measurements. PM's implementation phase gathers and processes the data that enable the measurements to be made consistently.

Performance measurements are divided into two main subdivisions (Bourne et al., 2000). Primarily, the first use focuses on measuring the strategy implementation's success (Kaplan & Norton, 1996; McDavid et al., 2018). Secondly, the feedback obtained creates an opportunity to test the strategy and take corrective action accordingly (Bourne et al., 2000; Smith & Bititci, 2017). Thus, scholars suggest that a performance measurement system should include a viable tool for evaluating and amending targets and standards (Bititci et al., 1997; Bourne et al., 2000; McDavid

et al., 2018). In addition, in response to changes in the competitive environment, turbulent markets, and strategic direction due to globalization, PMS should incorporate a periodical review and should re-examine the tools and indicators used for measuring (Bourne et al., 2018a; McDavid et al., 2018). PMS should be dynamic and adjusted as conditions change so that performance measurements remain significant (Lynch & Cross, 1991; Cocca & Alberti, 2010).

Stakeholders engaged in the organization influence the PMS of organizations. Stakeholder engagement is a powerful tool for the success of PM (Costa & Pesci, 2016; Bellucci & Manetti, 2018). Stakeholder engagement is how companies interactively involve their stakeholders to comprehend their critical organizational objectives and priorities (Bellucci & Manetti, 2018). Different stakeholders' needs vary regarding an organization's PM (Kanter & Summers, 1994). For instance, donors are interested in calculating the effectiveness by measuring the proper utilization of funds against the intention for which they were contributed (Costa & Pesci, 2016, McDermott et al., 2018). Other stakeholders, such as managers, could be concerned with different measurements associated with effective strategic decisions (Mason et al., 2007). Furthermore, beneficiaries might be concerned about measurements related to the organization's sustainability (Cousins et al., 2019). Thus, it is crucial to consider the nature and variety of stakeholders engaged with an organization to drive a PMS adjusted to the needs of the stakeholders involved.

2.7.6. The concept of performance measurement in SMSEs

Small and medium social enterprises strategically use performance measurement and reporting to improve performance, access resources, and build organizational legitimacy (Nicholls, 2009). Performance measurement is essential to support consistent processes in SMSEs (Maas & Grieco, 2017). PM in SMSEs also plays a vital role in supporting organizational growth (Garengo et al., 2005). Designing a performance measurement system influences an organization to plan, execute, and utilize it strategically. It emphasizes the gap between the company's performance and objectives (Garengo et al., 2005). Consequently, PM enables the company to set future goals and design any necessary improvements (Maas & Grieco, 2017).

Despite increasing attention on the performance measurement of SMSEs, there is limited empirical and theoretical research (Garengo et al., 2005; Langwerden, 2015). The study area has mainly been Europe (Hudson et al., 2001; Cocca & Alberti, 2010; Langwerden, 2015; Dobrovic et al., 2018; Nigri & Del Baldo, 2018; Majetić et al., 2019). Other studies were conducted in Australia (Barnes

et al., 1998; Barraket & Yousefpour, 2013) and Korea (Choi et al., 2018). In emerging economies, the concept of performance measurement and its application in SMSEs is in its infancy. Some of the research in this area has been undertaken in Nigeria (Odetayo & Onaolapo, 2016; Owolabi et al., 2016); South Africa (Maduekwe & Kamala, 2016; Kunaka & Moos, 2019); Ghana (Ankrah & Mensah, 2015); Bangladesh (Dzomonda & Fatoki, 2019), and Malaysia (Singh et al., 2016).

The performance measurement system is one factor that creates an enterprise's value and is mainly indicated as an essential strengthening tool for SMSEs' organizational development (Garengo et al., 2007). It supports enterprises in maintaining or improving their performance in the long-term. A performance measurement system is specific and varies in its implementation for each entity, depending on an exclusive set of subsystems and unrepeatability situations. They reflect the internal and external changes in the company's environment and allow the business strategies to be reviewed, assessed, and improved accordingly (Waśniewski, 2017).

The development of integrated PMS for SMSEs has been slow (Carlyle, 2013). The reason is that most PMS are widely used and developed around large companies' requirements (Garengo & Bititci, 2007; Smith & Smith, 2007; Waśniewski, 2017). Despite this limitation, small and medium social enterprises in a competitive business environment should link strategy with performance measurement and use performance measurement in decision-making processes (Waśniewski, 2017). Research has shown that performance measurement plays a significant role in improving management efficiency in SMSEs (Garengo et al., 2005; Taticchi et al., 2008; Ankrah & Mensah, 2015).

Current practice in performance measurement among SMSEs tends to focus on measuring only activities expressed in financial values (Maas & Grieco, 2017; Choi et al., 2018). Economic or monetary standards are established to measure and report financial performance. However, comparable standards for gauging social value creation have yet to be developed (Arena et al., 2015a; Grieco, 2015). This lack of a standard practice, methods, and framework results in companies measuring only business outcomes and financial values, even when their primary objectives are social or environmental (Ebrahim & Rangan, 2010a; Grieco et al., 2015). However, only by measuring performance outcomes in both business and society can it be verified whether SEs have achieved their anticipated goals. Through such measurements, improvements in outcomes can be strategically planned (Bengo, 2012).

2.7.7. Challenges of small and medium social enterprises in performance measurement

Small and medium social enterprise (SMSEs) challenges vary, depending on company size, geographic location, and economic activities. Despite the vital role of SMSEs in the private sector, contributing to economic development through their ability to provide jobs and innovative solutions, SMSEs experience challenges worldwide in general, and in developing countries. Several studies have indicated that the numerous and severe challenges of SMSEs could be related to an internal business environment and external stakeholder requirements (Garengo et al., 2005; Bouazza et al., 2015; Hillary, 2017). Cumbersome legal and regulatory constraints; a lack of access to external financing; low human resources capacities; a lack of management skills and training; and little technological capacity are the most critical factors affecting the growth of SMSEs in Algeria (Bouazza et al., 2015). According to Nieuwenhuizen's (2019) study on the effect of regulation and rules on SMSEs growth, maintaining government regulations and the standards imposed on the business of SMSEs is creating an environment which is hostile to business growth.

Tahir and Inuwa (2019) concluded that government policies and training are significantly and positively related to micro, small, and medium enterprises' growth and sustainability. Additionally, Nieuwenhuizen (2019) pointed out that, for countries like SA, where SMSEs play a vital role in contributing to GDP, creating jobs, economic stability, and growth, rules and regulations drastically impact SMSEs' sustainability and growth. SMMEs in SA regard the regulatory requirements as one of the main obstacles to their development (Nieuwenhuizen, 2019).

Performance measurement by SMSEs is a monitoring instrument employed to design and implement business strategy, allocate resources, and build organizational legitimacy (Barraket & Yousefpour, 2013; Ankrah & Mensah, 2015). However, several studies have identified challenges in undertaking PM (Barraket & Yousefpour, 2013; Ankrah & Mensah, 2015). These include a lack of resources (both capital and human); organizational challenges in collecting and analysing data over time; the complex nature of performance; and a lack of managerial capacity. Furthermore, the social entrepreneurs in Ormiston and Seymour's study suggest a lack of resources; conflicting information demands from funders/donors; and the challenge of operationalizing their social missions into quantitative measurements as a challenge for proper measurement (Ormiston & Seymour, 2011).

The significant constraints on SMSEs that affect the successful implementation of PMS, and just about any activity SMSEs perform, are the lack of human, time, and financial resources (Hudson et al., 2001; Garengo et al., 2005). Hybridity, which implies a combination of two institutional logics, the social and commercial, is the future for SMSEs (André et al., 2016). This hybridity requires evaluating enterprises' social and economic performance with a high financial cost, managerial capability, and time to perform a measurement (André et al., 2016). The design and implementation of PMS require management capacity with the proper knowledge and skills in evaluation. However, SMSEs have few senior managers with diversified skills, knowledge, and experience (Smith & Smith, 2007).

Small and medium social enterprises generally lack information technology infrastructure and robust data analysis to evaluate performance (Carlyle, 2013). Barnes et al.'s (1998) analysis of a new approach to performance measurement for SMSEs, emphasized the lack of sufficient understanding of operational performance measurement requirements at the design stage. In addition, Barnes et al. (1998) found that, in SMSEs, good quality data was generally unavailable, and the accuracy, reliability, and reproducibility of measurements were not continually checked. Lack of accurate data leads PMS to use internal issue resolution instead of forward-looking decision-making (Carlyle, 2013).

Arvidson et al. (2010) stated the complex nature of SMSEs in creating environmental and social value, which is difficult to measure and questions dependency on financial indicators. Bagnoli and Megali (2011b) indicated that social performance involves considering inputs, organizational processes, outcomes, and impacts.

The leader, or top management of SMSEs, often designs strategies within the business to achieve a competitive advantage and sustain the venture. However, as Okwir et al. (2018) identified, daily business activities delay the identified functional purposes and modify priorities and implementation. SMSE directors usually underrate the time investment necessary to support PMS (Carlyle, 2013). Similarly, Barraket and Yousefpour (2013) identified that time constraints and competing work commitments are challenges in conducting performance assessment and impact measurement. Staffing, which includes limited time committed by staff to PM; a lack of skill and experience in evaluation; access to qualified personnel; and the adverse effects of staff turnover

on the accomplishment of duties; are challenges identified within organizations conducting performance measurement (Barraket & Yousefpour, 2013; Maduekwe & Kamala, 2016).

The complex nature of performance measurement and evaluation is a challenge for SMSEs. These challenges include what to measure, how to measure, and when to measure. Another challenge is the diversification of output and outcome, and confusion created in measuring the immediate outcomes, which are mainly long-term in nature (Barraket & Yousefpour, 2013). Challenges in measuring performance include a lack of consistency and accuracy of organizational data, a lack/of complexity in the planning, and an overview of the evaluative process in a dynamic, organizational context (Choi et al., 2018). Furthermore, Maduekwe and Kamala (2016) identified the enterprise culture and lack of higher-level management and senior staff support as challenging when undertaking PM.

The challenges SMSEs in SA are experiencing, in general, are both internal and external. Internal factors include a lack of business planning, entrepreneurial skills and mindset, creativity and innovation; and high stress and burnout (Ayandibu & Houghton, 2017). External factors include high competition levels, difficulty accessing markets, and a lack of external finance. Both internal and external factors impact highly on the sustainability of SMSEs in the business environment. The high failure can negatively affect the ability of SMSEs to contribute to South Africa's sustainable development (Fatoki, 2018b). In addition, in SA, the lack of knowledge and ineffective management practices are the most common challenges of SMSEs in PM (Al Khajeh & Khalid, 2018).

In addition to the challenges mentioned above, the most critical one, particularly for SMSEs, is that there is no commonly recognized technique or efficient performance measurement approach. The effectiveness, or accomplishment, of an organization's performance measurement is based on a sound set of variables in different industries. Enterprises are challenged in matching and associating organizational strategies, culture, and hierarchy structures with performance measurements. Additionally, a lack of consensus exists regarding the nature and number of procedures used to balance the advantages and expenses of introducing and deploying performance measurement, so that the results are used and acted upon.

2.7.8. Performance measurement system for social enterprises

The literature points to the existence of different performance measurement systems for social enterprises. The origins and evolution of performance measurement has begun before the era of 1920s. However, the shift from considering performance measurement as an economic measurement based on quantitative data only emerged recently. The focus of organization on social and environmental measurement besides the economic valuation can be listed as a recent phenomenon which is still under investigation by scholars and practitioners (Bourne et al., 2018; Hassen, 2018; Maclean et al., 2018). However, both practitioners and scholars suggested the significant importance of social performance measurement and developed different measurements. This include the development of SROI, BSC, PM prism, Multidimensional model and PMS.

The most common and widely used performance measurements are discussed below.

2.7.8.1. Social return on investment (SROI)

The social return on investment (SROI) tool, or framework, was first developed by the Roberts Enterprise Development Fund (REDF) in the USA in the mid-1990s (Arvidson et al., 2013; Hall, 2014; Banke-Thomas et al., 2015). The SROI framework was then tested in the UK under a government-funded programme, New Economics Foundation (NEF), in 2008 (Millar & Hall, 2013). SROI is grounded in accountancy and cost-benefit analysis principles that allocate monetary values to social and environmental returns to determine a more comprehensive value (Millar & Hall, 2013). In the UK, the SROI framework is slightly different from the original approach developed by REDF and includes various stakeholders' emphasis on reviewing inputs, outputs, outcomes, and impacts made by the third sector, particularly SEs. Additionally, SROI is considered an approach to identify value created, which can be converted into monetary value through social, economic, and environmental benefits, and the cost incurred by organizations (Bengo, 2012; Arvidson et al., 2013). SROI measurement should match qualitative indications based on stakeholder analysis (Nicholls et al., 2009). Nicholls (2009) defined a 'stakeholder' as 'people or organizations that experience change, whether positive or negative, due to the breakdown of activities' (Bengo, 2012). The NEF approach states that SROI is an impact map elaborating on the cause-and-effect chains. Logic defines inputs through outputs, outcomes, and impacts, evolving a mechanism to realize how the enterprise responds to modification, thereby accomplishing its mission (Rotheroe & Richards, 2007; Arena et al., 2015a).

Social return on investment is a process for understanding, evaluating, and reporting the social, economic, and environmental value formed by a programme, intervention, policy, or organization (Banke-Thomas et al., 2015). Its main element is the SROI ratio. This ratio calculates how many dollars/euros worth of social value is created for one dollar/euro invested in a particular intervention/programme (Maier et al., 2015). For example, a ratio of 5:1 indicates that an investment of \$1 delivers \$5 of social value. The SROI measures the value of social benefits created by organizations relative to the cost of achieving those benefits, as illustrated below (Luke, 2016; Muyambi et al., 2017).

$$\text{SROI} = \frac{\text{net present value of benefits}}{\text{net present value of investment}}$$

Compared to other social impact measurement tools, such as social accounting and audit (SAA) and global reporting initiatives (GRI), SROI is the only measurement framework that captures change across the theory of change (logic) model (Banke-Thomas et al., 2015). The theory of change is a model that explains the relationship between inputs, activities, outputs, outcomes, and impacts. SROI provides a monetary value of the social, economic, and environmental ratio (Tuan, 2008; Zappalà & Lyons, 2009; Banke-Thomas et al., 2015). Like the theory-based evaluation, SROI practises the theory of change to describe what programmes achieve. Additionally, SROI explains how variations exist across the continuum of the logic model, beginning from inputs and outputs, into outcomes (Muyambi et al., 2017).

SROI focuses strongly on the involvement of stakeholders, more than cost-benefit analysis (CBA), where less emphasis is placed on stakeholder consultation (Arvidson et al., 2013). Stakeholders are a source of information (Millar & Hall, 2013). They are classified as primary and secondary stakeholders (Hall, 2014), who affect or are affected by the programme (Millar & Hall, 2013; Muyambi et al., 2017). Stakeholder engagement increases the SROI process's transparency (Hall et al., 2015). By using SROI analysis, stakeholders identify the outcomes of the intervention and the benefits related to their experience (Hall et al., 2015; Muyambi et al., 2017). SROI extends CBA by incorporating broader socio-economic and environmental outcomes (Banke-Thomas et al., 2015).

A controversial issue exists in the literature regarding the nature of SROI. Some scholars propose SROI as a tool for social accounting and PM (Millar & Hall, 2013; Arena et al., 2015a), considering it a similar management tool to a balanced scorecard (Chmelik et al., 2016). As a tool for

forecasting analysis, SROI is identical to formative evaluation. SROI is implemented during a programme's planning stages to evaluate planned outcomes that are generated if activities meet their expected results (Nicholls et al., 2009; Millar and Hall, 2013).

However, other scholars perceive SROI as a method of evaluation research (Arvidson et al., 2013; Hall, 2014; Maier et al., 2015). As a framework for evaluation, for instance, Arvidson et al. (2013) highlighted how the SROI framework is related to dimensions of evaluation and practice theories. These dimensions include questions about what the evaluation is desired for (summative, formative); multiple stakeholder involvement and variety of interests (political aspects); understanding and defining impact; and using the evaluation.

Comparable to summative or impact evaluation, evaluative SROI analysis appears at the end of programme implementation. The report is used to evaluate effectiveness and impact. Compared to impact evaluation, SROI analysis can assign value to programme outcomes to indicate cost-effectiveness (Muyambi et al., 2017).

The merits and strengths of the SROI method

Social return on investment analysis provides many benefits and contributions. One advantage SROI analysis delivers is identifying a substantial impact on society (Rauscher et al., 2012). SROI analysis informs the benefit of projects/programmes comprehensively by using the broadly accepted language of money (Rauscher et al., 2012). Other benefits include expanded accountability and transparency to funders/donors and other stakeholders (Mook et al., 2015). In addition, strengthening the legitimacy of services (Arvidson et al., 2013; Millar & Hall, 2013; Maier et al., 2015); and enhanced communication and programme stakeholders (Mook et al., 2015; Muyambi et al., 2017) are merits of SROI. Furthermore, SROI contributes to policy improvement; resource management, reporting techniques; and learning within the organization (Mook et al., 2015; Muyambi et al., 2017); enabling effective and efficient resource allocation by providing information (Maier et al., 2015; Muyambi et al., 2017). The SROI process also affords users, staff, and board members opportunities for learning that simplify the organizational mission and strategy (Arvidson et al., 2013; Mook et al., 2015). Such opportunities lead to improvements in performance management policies and data quality, supporting impact assessment and improved communication with external stakeholders regarding the impact of social economy organizations (Nicholls et al., 2009; Mook et al., 2015). In addition, "SROI can add value as a monitoring and

evaluation tool and improve organizational or intervention sustainability” (Nicholls et al., 2009:579).

Limitations and weaknesses of the SROI method

SROI mainly focuses on expressing social benefits in monetary term (Arvidson et al., 2013). SROI usually uses public funding proxies (auxiliary constructs) (Rauscher et al., 2012). SROI relies on public sector savings to present two challenges: Firstly, SROI does not include a social value, such as improving individual value, i.e., the beneficiaries’ quality of life (Arvidson et al., 2013; Arena et al., 2015a). Secondly, the extent to which these savings should relate to variable or total costs is contested (Arvidson et al., 2013). In addition, the subjectivity in monetization processes and decisions anticipated to utilize financial proxies are the other weaknesses of SROI (Watson et al., 2016). Financial indicators show that an approximation of the financial worth of the real cost has been unknown. SROI monetization follows a subjective process which depends on personal judgment. The emphasis on monetization may result in the misapplication of SROI tools. At the same time, there is a challenge in monetizing some outcomes (for instance, advanced community relationships and well-being) (Watson et al., 2016). There is a lack of clear criteria on when alternative generated costs or achieved savings are to be used as the basis for the evaluation. In addition, if the assessment is done using alternative generated costs, no standards on the amounts defined for these are available (Rauscher et al., 2012). Also, there is a risk in SROI analysis of focusing solely on the ratio, without examining its content, which would offer a richer insight into the value produced by groups (Nicholls et al., 2009).

The difficulty with comparing SROI values (Rauscher et al., 2012), and the emphasis on financial statistics, may push other social values and create a shift from what SEs work. The shift include neglecting an organization’s mission and stakeholders' objectives (Muyambi et al., 2017). It is challenging to include circumstances that have been indirectly created in the analysis. Occurring indirectly, the situation very likely to occur after an extensive delay, with a vague, broad sphere of impact, which is challenging to monetize (Rauscher et al., 2012). Furthermore, for small organizations that have not developed specific skills concerning monetary quantification, the application of SROI is challenging (McLoughlin et al., 2009). SROI provides little evidence of how and why impacts occur (McLoughlin et al., 2009). These limitations make the SROI approach an inadequate tool for assisting SE managers in decision-making (Arena et al., 2015a).

2.7.8.2. Balanced scorecard (BSC)

Considering the pitfalls of traditional PM techniques, Kaplan and Norton first developed the balanced scorecard (BSC) in 1992. BSC is a management system that supports managers with a wide-ranging framework that transforms strategic objectives into a coherent set of performance measurements (Kaplan & Norton, 1995). Organizations prefer BSC to traditional performance measurement due to its four unique characteristics (Kaplan & Norton, 1995; Mamabolo & Myres, 2019): Firstly, while conventional metrics focus on bottom-up delivery from local activities or ad-hoc processes, BSC measures a top-down replication of the company's mission and strategies (Mamabolo & Myres, 2019). BSC breaks down strategic measurements to the lowest level so that managers and employees can identify what is expected from them to achieve high-performance overall (Maduekwe & Kamala, 2016). Secondly, the traditional measurements fails to indicate how managers can proceed in the future. Rather, they focus on the preceding financial reporting period. However, BSC is a forward-looking measurement addressing the organization's existing plans.

Additionally, BSC offers executives an understanding of activities that require improvement (Kaplan & Norton, 1995; Maduekwe & Kamala, 2016; Mamabolo & Myres, 2019). BSC balances business performance measurement by using both financial and non-financial measurements. BSC enables organizations to consider current performance and monitor their progress over time (Maduekwe & Kamala, 2016). Thirdly, it balances external measurements like operating income, and internal measurements like new product development. Finally, it serves as the crucial point for the organization's efforts, defining and communicating priorities to managers, employees, investors, and even customers (Kaplan & Norton, 1995; Mamabolo & Myres, 2019).

BSC suggests that managers view an organization's performance from four perspectives: the customer perspective; the financial perspective; the internal perspective and innovation; and the learning perspective.

Financial perspective: The original Kaplan and Norton (1992) financial performance measurements are similar to the traditional and most frequently used instruments to evaluate organizational performance. The financial measurement focuses on profitability, operating income, and market value. Furthermore, the financial measurement includes various other ratios, such as return on assets, capital, investment and equity, economic value-added, and liquidity (Saidin et al., 2017).

Somer (2005) developed the social enterprise balanced scorecard (SEBC), which differs from the original balanced scorecard model. He introduced the social goals variable on top of the financial viewpoint. The financial perspective is extended to emphasize sustainability (adding environmental and social performances) (Arena et al., 2015a). Bull (2007) retitled this perspective the multi-bottom line, based on the assumption that SEs respond to different social and environmental issues that society is experiencing. For SEs, organizational profit growth and market exploitation are replaced by strategies for providing social and environmental benefits (Bull, 2007; Bengo, 2012; Arena et al., 2015a) (see Fig.2.2).

According to Mamabolo and Myres (2020:29), “the indicators associated with the financial viewpoint include social, environmental, and financial sustainability; efficacy of budgeting and expenditure management; stakeholders’ financial provisions; trade-profit performance indicators merging social and economic responsibility; and systematic approaches to enunciate social accounting” (Bull, 2007; Mamabolo & Myres, 2019).

The last section of Bull’s (2007) modified BSC highlights the significance of making the organization’s vision explicit and related to other performance perspectives. How managers are strategically engaged with business tools, such as mission and business plans, and how these plans are communicated to various stakeholders are critical issues that concern SE owners/managers (Bengo, 2012).

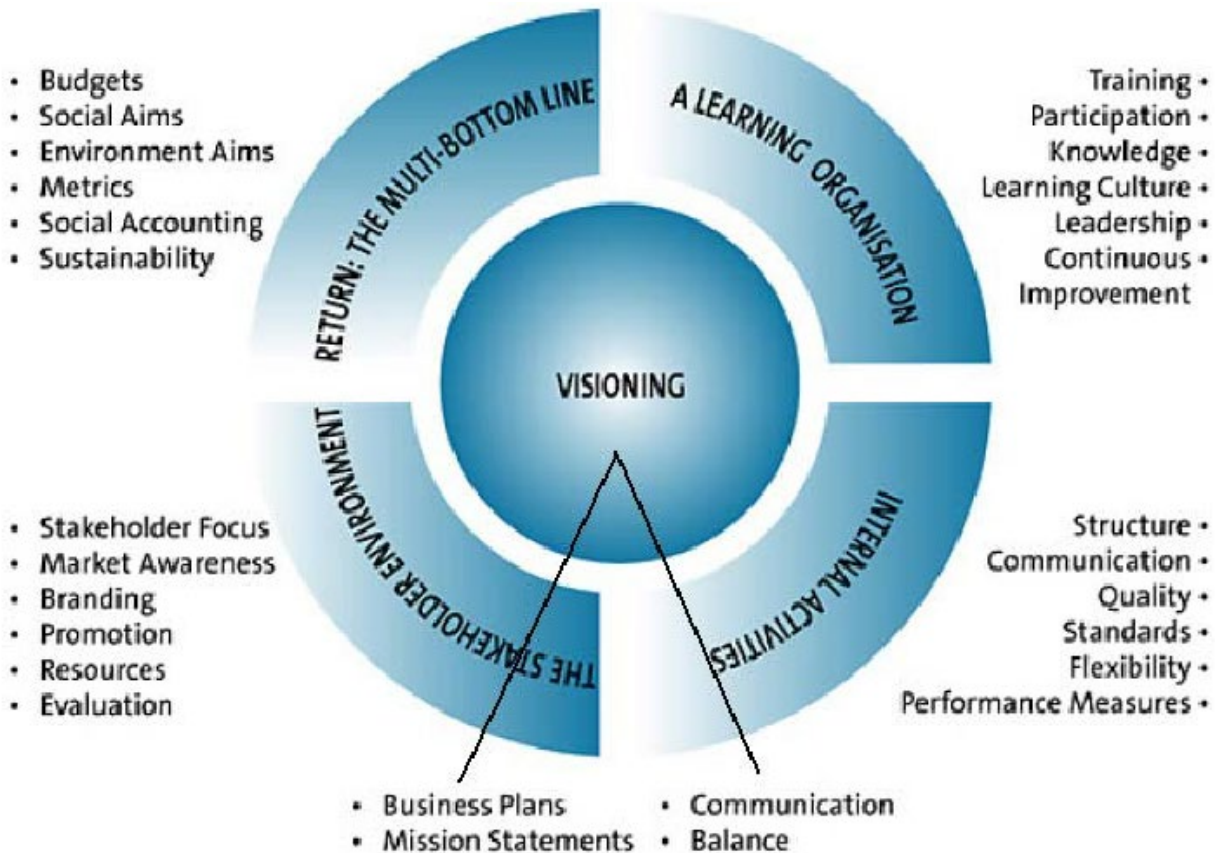


Figure 2.2: The Balance Model and Topic Areas of Bull 2007

Kaplan adapted the BSC for SEs by replacing the profit organization's financial perspective with a mission. Kaplan (2001) argued that, as opposed to a profit sector organization in which financial measurements define the accountability between the company and its owners, an SE's shareholders' accountability lies in their mission for social betterment. Thus, the financial perspective is replaced by the mission as a feature, and the highest level of its scorecard (Kaplan, 2001) (See Figure 2.3).

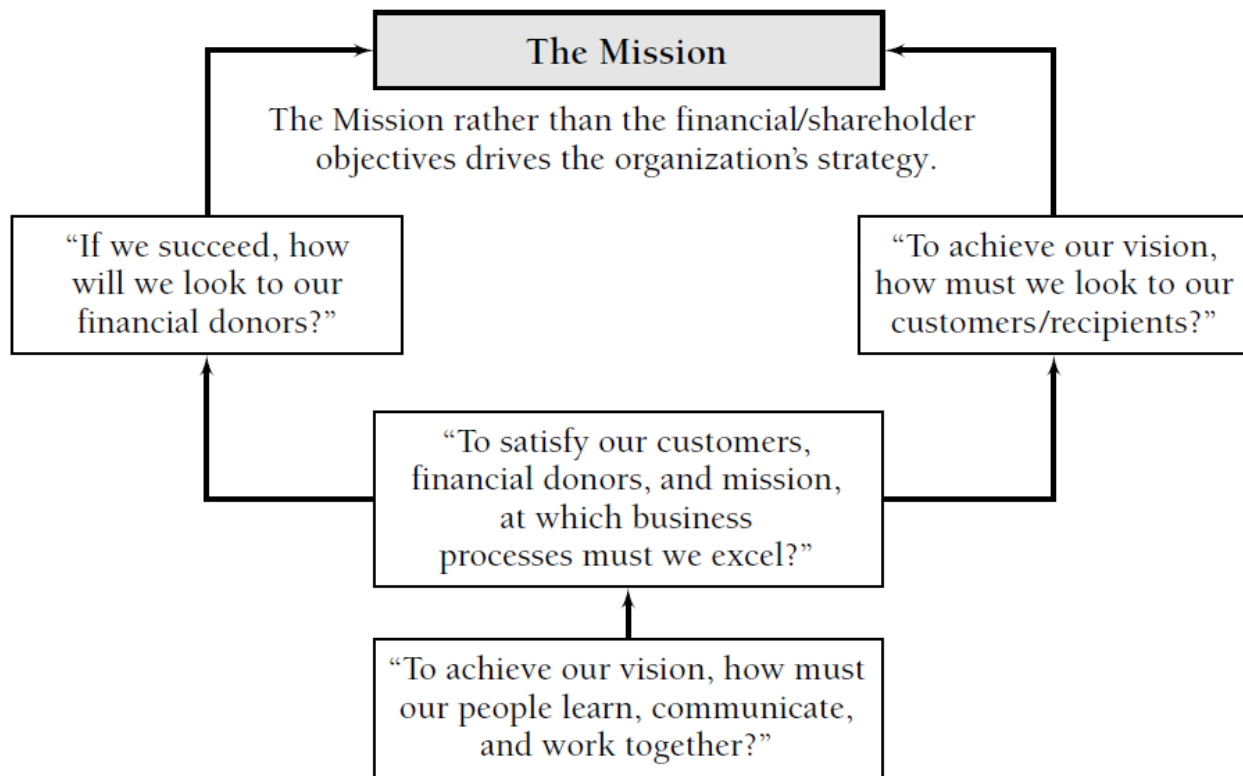


Figure 2.3: The BSC Framework adapted by Kaplan 2011

Customer perspective: In the customer perspective section, organizations measure performance by addressing the essential concerns of customers through indicators such as customer satisfaction; customer criticism; development of new products; customer retention; customer profitability; and on-time delivery (Kaplan & Norton, 1992b).

Kaplan (2001) revised the customer viewpoint measurements of the private sector for non-profit organizations by expanding the definition of the customer and prioritizing it over the financial measurements. Kaplan (2001) explained that the private sector's deals with customers affect the payment and the service delivery. Since donors give non-profit organizations, such as SEs, financial funds, the donors pay for the beneficiaries' service (Kaplan, 2001), thereby separating the customer perspective into the donor's and the recipient's perspectives (Arena et al., 2015a).

The original Kaplan and Norton balanced scorecard customer perspective as a 'stakeholder environment' was modified by Somers (2005) and Bull (2007). The modified perspective is based on the concept that SEs are accountable to numerous people, sometimes in mixed models that manage service and customer beneficiaries. Some measurement elements included cognizance of the stakeholder; recognising and being aware of competitors' representation and identity;

promotional activities; marketing budgets, and assessing the effectiveness of each of these practices (Bengo, 2012; Mamabolo & Myres, 2019). Saidin et al. (2017) highlighted a stakeholder perspective that engages donors, volunteers, or clientele, and which is found by measuring satisfaction and retention and assessing the non-profit’s market share in its position. Stakeholder involvement will enable SEs to recognize the vital, primary drivers and performance indicators (Saidin et al., 2017). This, in turn, can be used to measure performance, meet stakeholders' expectations, and provide a significant advantage for any organization (Somers, 2005).

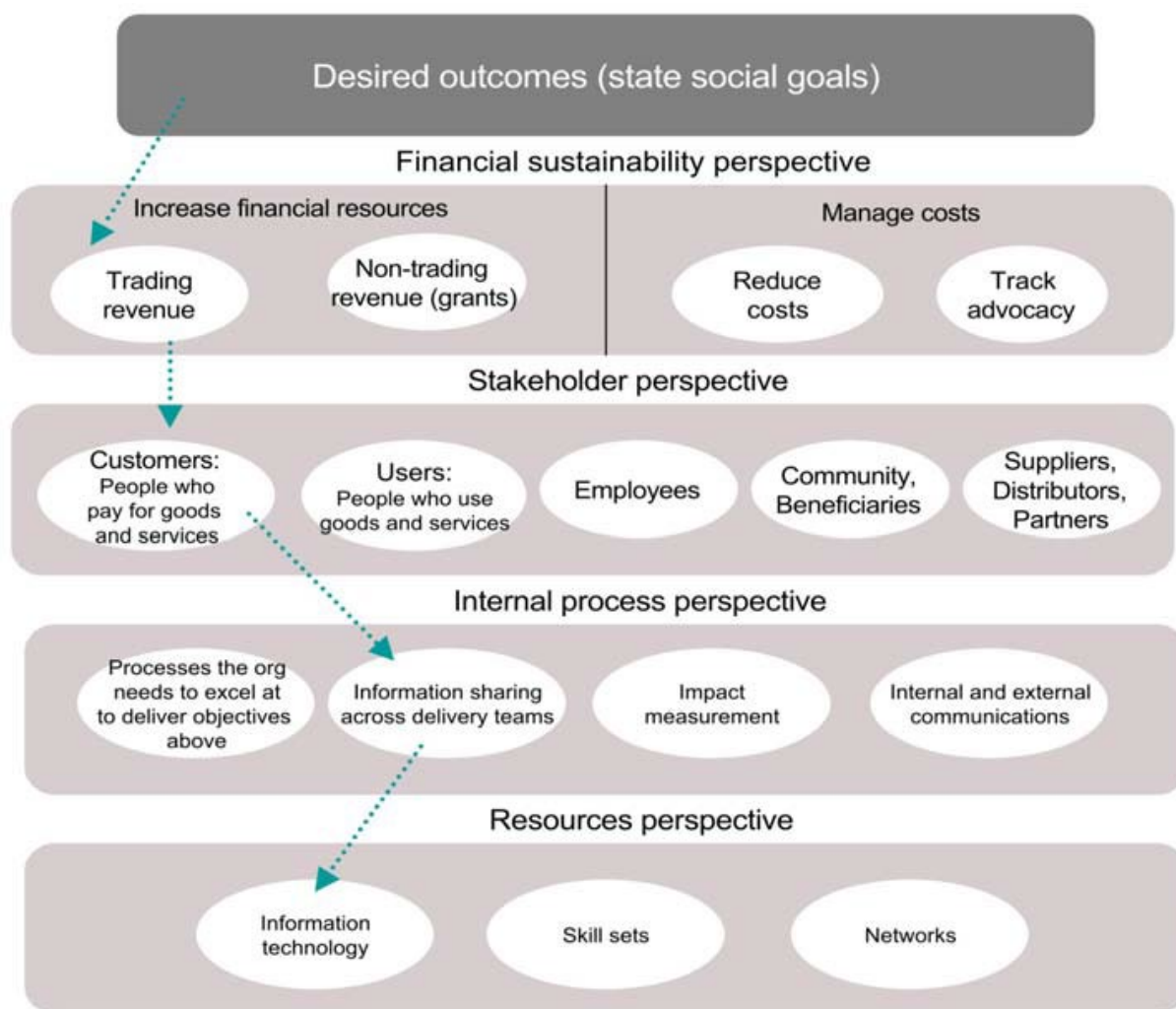


Figure 2.4: The SE balanced scorecard (SEBC) of Somers (2005)

Internal business perspective: This perspective concerns the “operating performance (cost, quality, and cycle times) of critical processes that create entirely new products and services”

(Kaplan 2001: 357). Additionally, the internal business perspective identifies and enhances crucial internal business processes that yield a competitive edge and higher customer satisfaction. The assumption is that organizational efficiency and effectiveness in what companies do must satisfy the customer and earn more financial returns. This perspective's measurements aim to produce goods and provide services that satisfy customers efficiently and effectively (Ankrah & Mensah, 2015). Bull (2007) improved the internal business perspective to place more emphasis on the internal activities that subsidize the performance of organizations. Measurements such as internal structure, organization and management of organizational communications; the quality of internal processes; improved management systems; flexibility, and adaptability, are included in this perspective (Bull, 2007). Corporate culture, organizational structure/management, and internal/external communications are other measurements considered in this perspective (Arena et al., 2015a).

This perspective measures the cost, performance, and quality of the non-profit's key operational processes (Kaplan, 2001). The operating procedures include programmes delivered, services offered, and satisfying customer needs. Focusing on the internal process allows the organization to determine the whole picture and understand how well the non-profit performs (Mamabolo & Myres, 2019). Similarly, Martello et al. (2008) emphasize that improving internal processes should emanate from the organization's overall strategy. A mechanism should relate each activity to the strategy and should measure the strategy. Additionally, Kaplan (2001) argued that cost, time, and quality-related indicators are internal processes. Hence, to measure the efficiency and effectiveness of the third sector, qualitative measurements in terms of process quality, cycle times, and participation and satisfaction, of the public or beneficiaries must be included (Saidin et al., 2017).

Organizational learning and growth perspective: In an dynamically changing environment and knowledge-driven world, innovation is the critical factor in becoming successful and sustainable. The indicators used to measure this perspective include the speed of transactions; information technology utilization; management participation; training and development; employee satisfaction; leadership and continual improvement; motivation; facilitating advances in services and new products; team working; and strategic coalitions and partnerships (Bull, 2007; Ankrah & Mensah, 2015; Mamabolo & Myres, 2019; Taufik et al., 2019). In addition, Kaplan (2001) stated that measurements such as employee motivation; retention; capabilities; alignment; and information system capabilities fall under these perspectives. An organization's innovation and

learning ability can achieve growth and increase the shareholder value of an organization through improved operating efficiency (Kaplan & Norton, 1992b).

Benefits of BSC: The foremost benefit of BSC is resolving the shortfalls of traditional financial-based performance measurement tools. Tools such as return on investment; net present value; internal rate of return; and payback period are traditional performance measurement tools that emphasize solely financial metrics. These approaches have two limitations. The first is that financial metrics concentrate on measuring historical performance, and the results are used to inform future business strategies. Moreover, traditional performance measurement tools do not consider rapidly changing business environments. Thus, emerging opportunities in the business environment are missed. Secondly, financial measurements are conducted periodically, so quarterly, semi-annually, or annually. Organizations are forced to delay assessment or development strategies that boost performance to a specific period. Periodic measurements are less effective in assessing performance, as the business environment changes from time to time. BSC overcomes these shortfalls by providing managers with past, present, and future performance metrics to evaluate performance and improve strategies (Kaplan & Norton, 1992b; Kaplan, 2001).

Many organizations in different sectors (such as health and education) use BSC as a strategic management tool. BSC provides strategic managers with in-depth information regarding the organization's overall activities (Awadallah & Allam, 2015). BSC assists managers in making an informed decision about long- and short-term goals, internal and external achievement, and financial and operational success (Martello et al., 2008). The BSC is beneficial for harmonizing many strategic management procedures, such as performance evaluation; resource allocation; setting an objective; and employee learning and development (Kaplan, 2001; Awadallah & Allam, 2015). Furthermore, BSC is commonly used in project management, assisting project managers in following the implementation of the project. This includes identifying activities behind schedule and tasks requiring more knowledge, skills, and resources to accomplish the project (Basu et al., 2009; Awadallah & Allam, 2015).

The literature discusses the benefit of the BSC to SEs, particularly small-scale organizations (Basuony, 2014; Owolabi et al., 2016; Dobrovic et al., 2018; Muda et al., 2018; Mamabolo & Myres, 2019; Taufik et al., 2019). The primary use of BSC in small-scale organizations is to

improve their chances of survival by identifying internal and external factors (Hoque, 2014). BSC supports small firms in avoiding failure by identifying internal factors such as poor management, limited financial resources, and a lack of skills by linking them to internal business procedures and learning and development viewpoints (Owolabi et al., 2016). The BSC also supports small businesses in addressing external influences by associating them with the customer, financial aspects and internal business procedures. External factors include uncertainty; complexity; rapid changes in the business environment; excessive competition; and changing macroeconomic circumstances, such as the inflation rate and recession (Muda et al., 2018). Secondly, BSC is used for constant improvement, essential to SME growth, by emphasizing long-term strategic outcomes, and not only short-term operational results (Dobrovic et al., 2018).

Additionally, BSC measurements help SMEs to follow and identify individual and collective achievements; to focus on what is essential for the organization; to align activities to goals and strategies; and to be accountable for the result (Taufik et al., 2019). However, Basuony (2014) highlighted that the implementation of BSC in small organizations is low due to a lack of knowledge about the BSC. Other implementation challenges are insufficient capital to perform BSC measurement and the scarcity of practical research findings as a guideline. Small and medium social enterprises exist to achieve social and environmental objectives, and the multi-objective nature of these enterprises creates difficulties in identifying some non-financial indicators to be used in BSC (Arena et al., 2015a; Mamabolo & Myres, 2019). The lack of tangible resources and an unclear strategy negatively influence the development of BSC measurements (Dobrovic et al., 2018).

Limitations of BSC: The BSC for measuring performance is applied in different industrial sectors and enterprises (from manufacturing to service industries and small to large organizations). Despite its extensive use and benefits, the concept and application of BSC have limitations. Evidence indicates that many organizations executing the BSC have either failed to achieve their planned goals or have faced severe glitches in implementation (Awadallah & Allam, 2015). Firstly, the concept of BSC lacks clearly defined relationships with organizational performance (Kraaijenbrink, 2012). Secondly, BSC excludes factors that contribute to the organization's performance, apart from the four perspectives of BSC (Neely et al., 2002b). In addition, Pessanha and Prochnik (2006) argued that the objective and definition of measurement in the BSC exclude

the involvement and engagement of key stakeholders, such as government, suppliers, and employees.

In the BSC, there is a lack of clarity and identification of critical success factors. These factors are necessary to identify key performance indicators (Parmenter, 2012). The four perspectives limit the organization's view (Awadallah & Allam, 2015).

In practice, the BSC initially focuses on the target set as a goal with limited resources, leading to organizations' underutilised potential. The BSC's focus on resources as a primary target also hampers invention within the organization. It recognizes that an organization has ranked structures with identified job descriptions and responsibilities, resulting in inflexibility in activities to use opportunities created in the business environment. It is a one-way, linear, cause-and-effect relationship and endorses closed improvement (Awadallah & Allam, 2015).

Despite the more inclusive view of SE performances provided by Kaplan, Somers, and Bull's models, BSC has some practical limitations (McLoughlin et al., 2009; Bengo, 2012; Arena et al., 2015a; Mamabolo & Myres, 2019). For instance, Kaplan's (2001) model of BSC does not consider strategy and the different and noncumulative set of procedures and initiatives. The tool lacks a possible set of indicators that can measure performance (McLoughlin et al.; 2009, Bengo, 2012). Additionally, the model does not consider SEs as enterprises with multiple social and financial objectives (Somers, 2005). The tensions created between creating social value and sustaining the business through economic profit in SEs are not considered in the model (Mamabolo & Myres, 2019). Furthermore, the model does not incorporate the complexity deriving from the hybrid nature of SEs and assesses the social impact of SE activities in relation to the private sector emergence of the BSC (McLoughlin et al., 2009; Arena et al., 2015a).

Bengo (2012) pointed out that Somer's 2005 social enterprise balanced scorecard (SBSC) model still disregards the social enterprise performance's complex and dynamic nature, although the model better reflects the final goal of an SE. Firstly, SBSC is a stable framework that does not consider how the relevant performances alter through its life cycle (Arena et al., 2015a). Secondly, the expansion of the customer viewpoint seems to only partially answer the information needs of various stakeholders. SEs are accountable to a wide range of stakeholders who might have an interest in SE results and information, compared to other organizations (Bourne et al., 2000). The SEBC does not incorporate clear needs and wants (which are understandable but challenging to apply) of different stakeholders engaged in each stage of the SE lifecycle (Bengo, 2012).

2.7.8.3. A multidimensional model

Bagnoli and Megali (2011) focused on the management control of an organization in a performance measurement system model. As illustrated in Figure 2.5, the model outlines the design and implementation of three maximum dimensions and instruments to measure the value creation of SEs. The dimensions are social effectiveness, economic and financial performance, and institutional legitimacy. Social effectiveness measures the quantity and quality of work performed. It also measures the ability of organizations to achieve their social mission, together with recognising its impact on the proposed beneficiaries and the community at large (Bagnoli & Megali, 2011b; Shafie et al., 2018). The economic and financial performance dimension measures the efficiency and profitability of the organization. This dimension applies general performance indicators, such as profit and value-added, and analytic results such as production-cost services, to measure performance. Lastly, institutional legitimacy measures the organization's compliance with a mission statement and national and international laws.

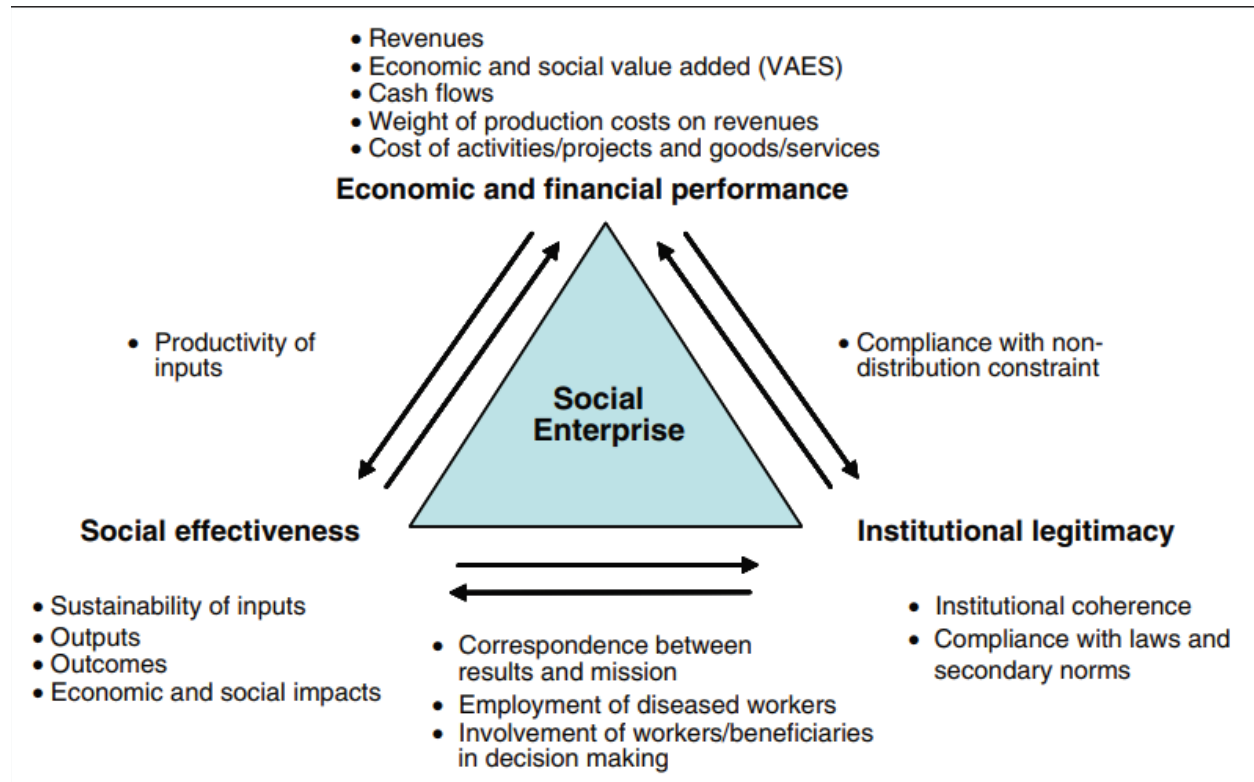


Figure 2.5: The multidimensional controlling model of Bagnoli and Megali (2011)

Bagnoli and Megali's (2011) model (Figure 2.5) incorporates social effectiveness in assessing an SE's success. Social effectiveness is utilizing resources in a socially responsible way to achieve

organizational goals and implementing strategies. The social effectiveness dimension includes the assessment of the sustainability of resources and production procedures. The estimate is for social and environmental impacts and outputs in terms of 'physical' consequences (for instance, the number of services provided, or actions taken). Additionally, it includes the outcome indicators based on tangible actions, external standards, and economic and social impact valuation.

The income statement indicates economic balance as breakeven, economic, and social value-added for the economic-financial assessment. It considers the fair compensation of stakeholders engaged in the programme, the cash flow created, and the ability of the SE to achieve a financial equilibrium well-suited to its place in the marketplace, and with its specific investment and expansion strategies. The assessment of production costs on revenue, compared with other organizations in the market, such as for-profit, public, or non-profit organizations, is also measured in the economic and financial dimensions of the model. Lastly, the cost of activities/programmes and goods/services, offering quantitative data based on a fixed price and offers for public calls, are analysed. In the legitimacy dimension, factors such as the coherence of activities with the stated mission of SEs, and compliance with general and particular laws, as well as secondary norms related to the specific culture in which SEs are working, must be considered for performance measurement.

Limitations: Even though the multidimensional model provides dimensions not included in the previous PM approaches, the model overlooks the involvement of different stakeholders and their information requirements in the measurement (Defourny & Nyssens, 2008; Arena et al., 2015a).

2.7.8.4. The Performance Measurement System (PMS) model

Measuring SE performance (Arena et al., 2015a) consists of measuring input, outcome, and outcomes. Arena et al. (2015a) defined input as the number of resources utilized to execute a specific activity. The transformation process results in the output. In contrast, the outcome is the long-term result obtained in the external environment. Impact measures the effect on root causes, sustaining a significant change.

Three performance dimensions, namely, efficiency, effectiveness and impact, have been highlighted in the model: Efficiency is the proportion of output to input. Effectiveness is related to output characteristics, and impact describes the long-term results of the output on the specified community (Arena et al., 2015a).

The model further (Figure 2.6) incorporates three sub-dimensions: fairness, involvement, and communication and transparency. While fairness is the ability to confirm access to products and services, involvement is the capability to ensure the participation of relevant stakeholders in the decision-making process). Communication and transparency can inform stakeholders about SE's actions. The three sub-dimensions are based on the diverse features of social enterprises and the importance of social efficacy to their goals. In addition, considering that the priority of SEs is achieving social objectives, consistency between the social mission and the results must be measured (Kaplan, 2001; Bagnoli & Megali, 2011b). Hence, the PMS model introduced three dimensions: resource value, product value, and result value. Resource value measures the consistency of resources utilized. Product value measures the viscosity of products produced. Result value measures the impact of the product/service created so that the SE can fulfil its mission.

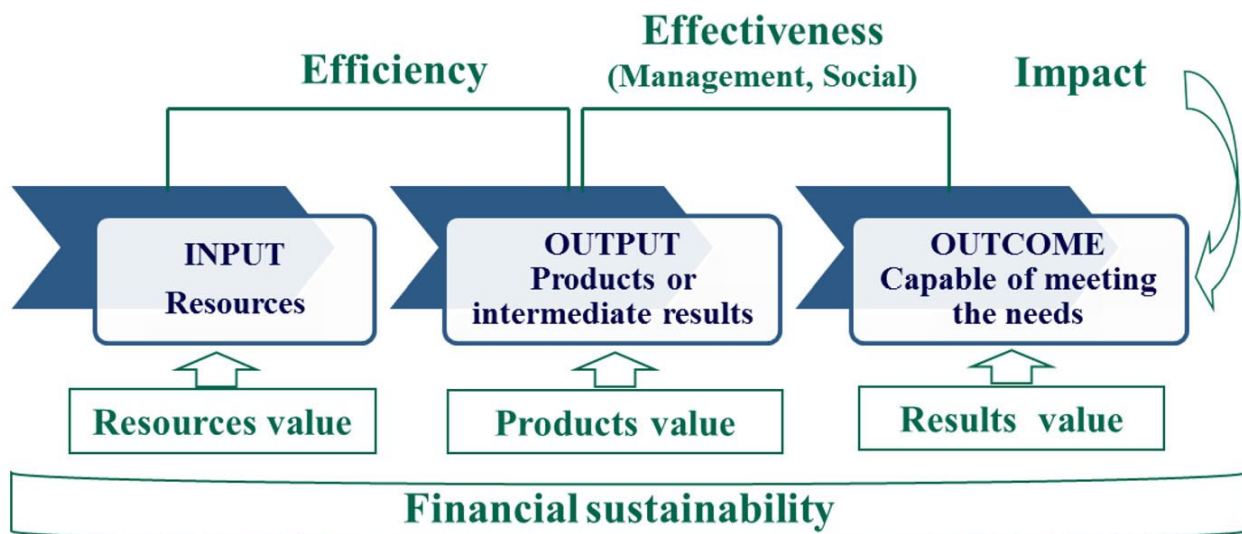


Figure 2.6: PMS model by Arena et al. (2015a)

Arena et al. (2015a) proposed six steps, in support of other literature (Fletcher et al., 2003; Ebrahim & Rangan, 2010a; Bagnoli & Megali, 2011b). SE should follow the steps to develop the PMS model by depending on the approaches developed to select the key performance indicators. Figure 2.7 presents the sequential steps of PMS.

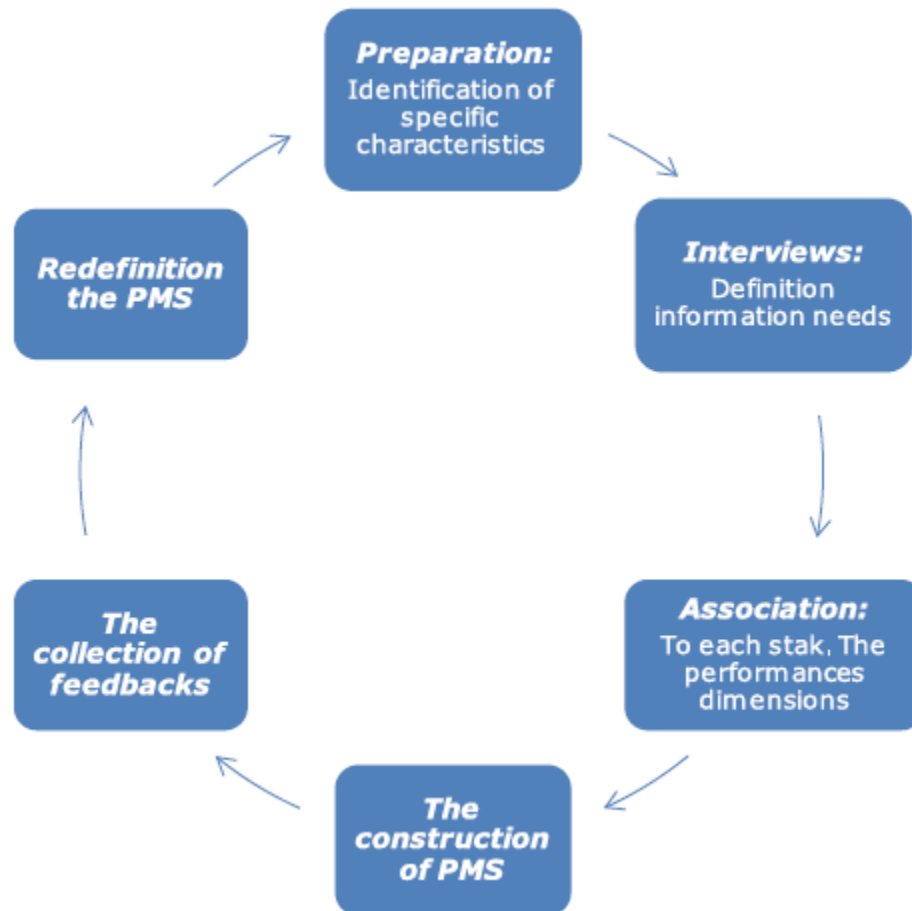


Figure 2.7: The six steps to build PMS by Arena et al. (2015a).

Limitations: Stakeholders' actual participation and involvement determine the PMS model to assess the development of indicators to measure performance. Hence, the definition KPI depends on the excellence of the players engaged in building the PMS at the organizational level. SES transparency and accountability in the selection and qualification of stakeholders might affect the results in the model. However, SEs experience difficulty with transparency and accountability, due to the multi-stakeholder nature of their organizations. Having various stakeholders involved might require the development of too many KPIs, which are challenging to apply in measuring social value.

This approach guides the PM through the various steps to tailor indicator design, which are relevant and practical for SE managers to implement. However, the model requires more resources,

knowledge, and skill, which seems to be the greatest challenge for SEs, particularly in the emerging economies.

2.8. Social performance measurement

Social performance is the measurement of how well the organization's social mission is implemented on to ground with the action of organization-integrated activities (Pierce, A. 2022). However, it also includes internal factors, reflecting how the organization operates. In this regard, stakeholders obtain a general view of "social" in social enterprise organizations (Pierce, A. 2022). Furthermore, (Beisland et al., 2021) highlighted that social performance is the extent to which the organization's stated social goals are in match with established social values. The social values of social enterprises may include improving the quality and efficiency of services, providing pure water to the local communities, consultancy and training on technological farming, providing healthcare for women and children affected by HIV, and increasing job opportunities for excluded and disabled people (Barraket et al., 2017, Bidet and Defourny, 2019). On the other hand, the social value of organizations extends to responsibilities to the staff, the community, and the environment (Beisland et al., 2021). However, whether these values are considered in the measurement has so far not been studied academically (Beisland et al., 2021).

Pierce, (2022) highlighted the universal standard for social performance management based on the importance of social performance measurement finding impact and also identifying and improving low performing areas of organizational activities (See Figure 2.8). As indicated in Figure 2.8 social performance measurement focus on the criteria of defining and monitoring social goal. SEs provide innovative solutions to community problems by assigning social goals (Cheah, J., Amran, A. & Yahya, S. 2019). Creating social value is a primary mission of SEs with the production of goods and services necessary to sustain the financial capability of the enterprise (Littlewood, D. & Holt, D. 2018). The involvement of internal and external stakeholders plays a significant role for the achievement of the social goal (Bellucci, M. & Manetti, G. 2018). Thus, the social performance measurement must adhere to the commitment of the board, employee and management to the social goal set by the enterprises.



Figure 2.8: The social performance assessment (Pierce, 2022)

The determination of social performance measurement continues after the identification of the social goal to set of social indicators for each goal. Indeed, to determine any level of social performance, it is necessary to establish indicators to measure that performance. The indicators to be used for measurement should be directly related to the social goal and helpful for internal decision making. A convenient starting point for any social enterprises in verifying indicators is its Theory of Change (TOC) (Pierce, 2022).

Theory of Change is a standard or a measure for planning, participation, adaptive management, and evaluation that is utilized in companies, philanthropy, not-for-profit, international development, research, and government sectors to promote social change (Bacq, 2017:589). Theory of change of social enterprises consist of five components⁹ (Bacq, 2017; Ragozino, 2018). (See Figure 2.9).

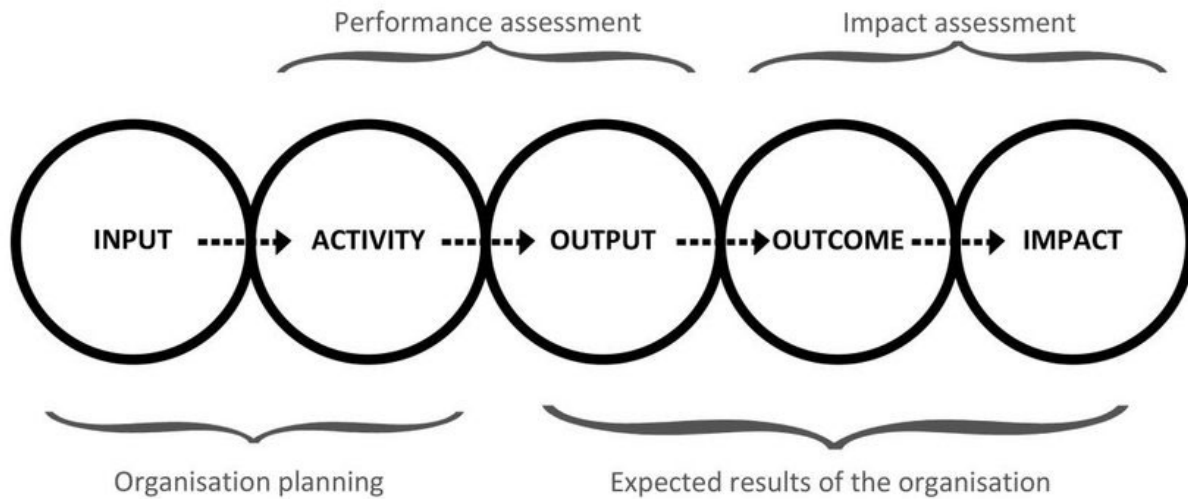


Figure 2.9: Theory of change of social enterprises (Ragozino, 2018:138).

According to Arena et al., 2015 the components in theory of change is defined as:

“Input refers to the amount of resources used in performing a certain activity; output refers to the result of a transformation process; outcome refers to the long-term impact of the output on the external environment and impact that measure the effects on root causes, sustaining a significant change”. (Arena et al., 2015:81)

Social enterprises need to define the amount of resources and their activities used in performing a certain activity as input in the process of performance measurement (Bacq, 2017). The amount of resource can be both tangible (funding, office equipment) and intangible (human resource, skill, knowledge, contacts, reputation) required to attain the activities of the SEs solution. The wide range of SEs activities include the social and economic assimilation of the disadvantaged, excluded, and low-income population; and providing education, health and social care for low price; as well as in community engagement and services; business and financing; ethical and technological agriculture, horticulture and food processing; advocacy and activism; consultancy and training; and environmentalism (Defourny and Nyssens, 2008, European Commission, 2015, Davies et al., 2019). For instance, a consultancy and training SEs can engage in activities of providing training for the local community and can list as input in the theory of change: the cost involved in delivering the award (see Figure 2.10).

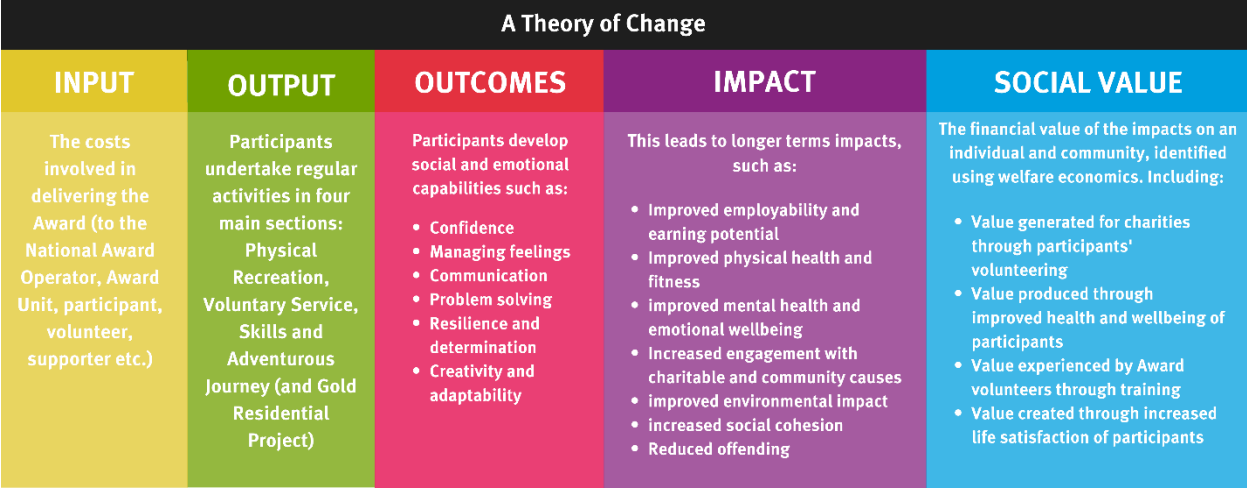


Figure 2.10: Consultancy and Training social value creation through theory of change

Output in theory of change elaborate the result obtained from the transitional process of the activities to action. Considering the same SEs as an example (see Figure 2.10) the output of the consultancy and training SEs can be defined as participants undertake regular activities in four main sections: physical recreation, voluntary service, skills and adventurous journey etc. that can take either tangible or intangible form. This indicated how the input that are listed with the resource of the SEs activities are transferred into output. The outcome considers the long-term impact of the output which in the above example states outcomes as participants develop social and emotional capabilities such as confidence, problem solving, creativity and adaptability. Impact in theory of change highlight the measurement of the effect on the root causes which leads to sustaining a significant change. In our case example the SEs set improved employment and earning potential, improved social cohesions, and improved physical health and fitness as impact from the lists etc. (see Figure 2.10). The achievement of sustainable change within the participants of SEs activities creates a social value. Social value can be defined in terms of non-financial metrics but a significant change in the lives of the participant (Arena et al.,2018; Luke G. B., 2016). For instance, the consultancy and training SEs set out social value as value generated for charities through participants' volunteering, value produced through improved health and wealth of participants' etc. (see Figure 2.10).

2.9. Knowledge gaps in SMSEs performance measurement

The literature review identified the following knowledge gaps in measuring small and medium enterprises' performance.

Lack of research into SMSE performance measurement: The literature indicated limited empirical and theoretical research on PM in SMEs. (Garengo et al., 2005; Langwerden, 2015). Furthermore, a study on the impact of management accounting practice on the performance of SMSEs highlighted a lack of knowledge in the research about PM in SMSEs (Al Khajeh & Khalid, 2018). Barraket and Yousefpour (2013) noted that there is a growing popular discourse about utilizing several essentials to measure their impact on SEs. New markets can be accessed through such measurements. Still, there is limited scholarly research on whether, and how, social enterprises conduct measurement. Additionally, Hudson et al. (2001) emphasized the existence of much research carried out into the needs and use of PM in large organizations; but this is not reflected in the SMSE sector, where there is a distinct lack of published research on these issues.

Performance measurement tools in SEs, particularly for SMSEs, are often adapted from the commercial sector and large organizations. They are primarily designed from a profit-based perspective. Such measurement methods are inclined to be quantitative, which can easily be understood for traditional business logic. However, they can be made complicated and complex by adding social value (Chmelik et al., 2016).

The small amount of research on the PM of SMSEs has assessed the experience of SEs, primarily without the inclusion of their stakeholders (Barraket & Yousefpour, 2013). In support of this, Choi et al. (2018) highlighted that several researchers and stakeholders had paid little attention to the PM of SMSEs. Several reasons are given in the literature for why researchers have paid little attention to SMSEs and their PM. Firstly, SMSEs lack the resources to perform PM and lack accessibility to PM activities. Secondly, there is a shortage of research methodology pertinent to SMSEs, and SMSEs lack the ability to attract researchers' attention. According to Lepoutre et al. (2013), the diversity of SMSEs hampers scholars from developing a unified theory. The diversified nature of SMEs and the lack of theoretical or empirical studies may have discouraged researchers' interest in SMEs, particularly in their PM (Choi et al., 2018).

Inconsistency in the area of performance measurement: Given the inconsistencies in the conceptualization of social ventures, the literature identifies differences in their PM (Chmelik et al., 2016; Costa & Pesci, 2016). Although research indicates the importance of PM as a means of understanding the social impact of SEs, particularly of SMSEs, and that it requires more consistent methods of measuring performance, existing studies show clear inconsistency in how performance is measured; the characteristics of the measurement; and which methods are best suited for SMSEs to adapt. The considerable differences in how SEs measure performance makes comparisons across SEs difficult and limits the ability to understand what makes SMSEs successful or measure their impact on society (Chmelik et al., 2016).

Lack of a recognized framework for performance measurement: Even though it is agreed that the development and implementation of PM mechanisms are of specific interest to SEs, there are limited methodologies on its practical usefulness for a wide range of SEs.

The literature identifies two factors related to the difference in methods and frameworks ascribed to PM in SEs. Firstly, SEs differ in magnitude, activities, goals, and appropriate stakeholders. Consequently, it is not easy to develop a suitable framework for existing SEs. Secondly, PM can serve diverse purposes. PM can have an internal and an external purpose. Internally, managers use the PM framework as a management tool, allowing companies to measure their performance and assist internal decision-making. PM frameworks with an external intention are utilized for external reporting and have a primary goal of responding to stakeholders.

A diverse purpose indicates the need for a diverse PMS design (Grieco, 2015). Nevertheless, it has also been noticed that there is harmony between some features of this diversity in organizations and PMS. The first consensus is that organizational performance is multi-dimensional (Crucke & Decramer, 2016).

As explained earlier, there is a difference between financial and non-financial performance. The impact of the performance of the enterprise on the local community, the environment, and internal and external stakeholders working with the enterprise, makes the non-financial performance multi-dimensional as well (Arena et al., 2015c; Grieco, 2015). There is agreement that performance is not only related to instantaneous results. Many frameworks implement a 'results chain' or 'logic model' (Ebrahim & Rangan, 2014b) by also taking into consideration processes (i.e., resources used) and activities within the enterprises (Bagnoli & Megali, 2011b; Arena et al., 2015c). There

is an agreement that companies should measure and report on inputs, activities, and outputs (Andrews et al., 2010). However, Ebrahim & Rangan (2014b), were unsure whether SEs should also measure outcomes and impact. Their main dispute was that the fundamental relationship between outputs and outcomes is not explicit. They believed that social enterprises lack the resource control to measure the outcomes and impacts of their enterprise. Some researchers have claimed that enterprises could be demotivated and overwhelmed and stop measuring their performance (Bertotti et al., 2011b; Ebrahim & Rangan, 2014b; Arena et al., 2015c; Zheng et al., 2019).

Based on these identified gaps, this study aims to develop a social performance measurement framework for SMSEs. More specifically, the study wants to develop a framework suitable for a broad range of SMSEs, and based primarily on identifying the social mission, stakeholders and possible social metrics related to the social activities of the enterprises. Considering PM's internal and external purposes, the study aims to offer SMSEs a social performance measurement framework built on consistent, effective, and standardized organizational social performance valuation. In developing this framework, the researcher builds on the perception that performance is multi-dimensional. When measuring performance, social mission, stakeholders, social activities, and metrics must be considered.

2.10. Conclusion

This chapter looked at the concept and characteristics of social enterprises. It was seen that there was no consensus on the definition of a social enterprise. However, the study has adopted a definition of social enterprise as entrepreneurial business ventures with a clear social or environmental mission, which assumes market-based approaches to follow a self-sustaining revenue model and distributes substantial resources or profits to fulfil its social or environmental mission. It was also found that social enterprises had been viewed at from different perspectives, based on geographic location; but some common characteristics exist.

Small and medium enterprises were also discussed in this chapter. It was identified that, even though small and medium social enterprises play a crucial role in the economy of a country, financial insecurity and a high chance of failure are the common characteristics.

This chapter also looked at the definition of performance measurement; performance measurement origins and evolution; performance measurement characteristics; the rationale for performance measurement; issues in measuring performance; and the existing performance measurement frameworks for social enterprises. The literature review explored the merits and limitations of existing frameworks in order to incorporate the positive features in the proposed framework and avoid the limitations. It was identified that performance measurement and frameworks for measurement are broad subjects. They have been explained in different accounting disciplines; human resource management; marketing; financing; operations; and economics. It has been discovered that, despite the development and advance of more particular sub-fields of performance measurement, it is not usually clear which performance measurement methods, tools, and techniques suit small and medium social enterprises. The chapter also identified the knowledge gaps in measuring small and medium social enterprises' performance. The literature review identified which concepts and indicators can be used to develop the proposed framework. The next chapter discusses the research methodology for this study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter outlines the research design to achieve the research objectives and answer the questions satisfactorily. The study's objective includes investigating the funding model of SMSEs; identifying the business operation of SMSEs; describing the SMSEs' relevant stakeholders and their information needs; exploring the existing performance measurement frameworks used by different enterprises; and developing a social performance measurement framework for SMSEs. The research method in this study is a qualitative research approach. The chapter presents an overview of the research methodology and the essence of the research problem. Section 3.2 of the chapter discusses the research design. Section 3.3. elaborates the research onion process. Under this section, the research philosophy; research approach; research strategy; research choice; time horizon and research process; techniques and procedures, are discussed in detail. This section also describes the research design and the characteristics of qualitative research. The case study approach, and the criticisms of, and motivation for, the case study approach are presented. The justification for using a case study approach is elaborated in this section. The research process; the sources of data employed; the study population; the research sample's selection; the strengths and limitations of the research tools/data sources; and the data analysis are further explained. Section 3.4 outlines the reliability and validity of the study. Finally, the ethical considerations in conducting the research are covered in Section 3.5, followed by the conclusion of the chapter in Section 3.6.

3.2. Research design

The research design is chosen to answer the research questions and objectives. The research design is a general plan of how the researcher will respond to the research questions. It elaborates briefly on the objectives of the study derived from the research questions; stipulates the method of data collection; determines how to collect and analyse the data; and discusses the ethical considerations and the limitations that might be encountered in accessing data, or in the (un)willingness of the participants, for example.

Saunders et al. (2012) highlighted four kinds of research designs: descriptive, hypothesis, explanatory and exploratory. Descriptive research is used to obtain a reliable numerical profile of the phenomenon, the situation or the event. A hypothesis is formulated to establish causal relationships within the variables involved in the study and find the difference in the study's targeted population of the research. Explanatory research emphasizes studying the phenomenon, situation, or problem to explain and elaborate the relationship between the variables in the study. Exploratory research is used when we want to understand the problem by asking open questions to explore what is happening and obtain in-depth insights about the study problems or issues when the extent of the problem is not precisely identified (Saunders et al., 2012). Flexibility and adaptability to the changing situation are merits of exploratory research. This study followed exploratory research procedures, based on the identified gap and set objectives. Yin (2009) suggested that the case study approach is the most appropriate if the researcher wants to understand the situation in-depth. This is a qualitative research method study, this is discussed in detail in the research approach section

3.3. Research process onion

The research methodology is the overall research strategy that outlines how research should be conducted. It incorporates a system of beliefs and philosophical assumptions that hold and shape the understanding of the research questions and underpin research methods. Research methodology is the part of the research's structure that ensures consistency between the identified problem and the chosen tools, techniques, and fundamental philosophy. The research methodology can be elaborated by referring to the various layers of the 'research onion' (Figure 3.1), proposed by Saunders et al. (2016). The research onion describes the core layers implemented to formulate an effective methodology. The research methodology starts with defining the research philosophy, and selecting approaches, methods and strategies within the time horizons in which the research is undertaken. Furthermore, the onion elaborates on the techniques and procedures for data collection and analysis (Figure 3.1).

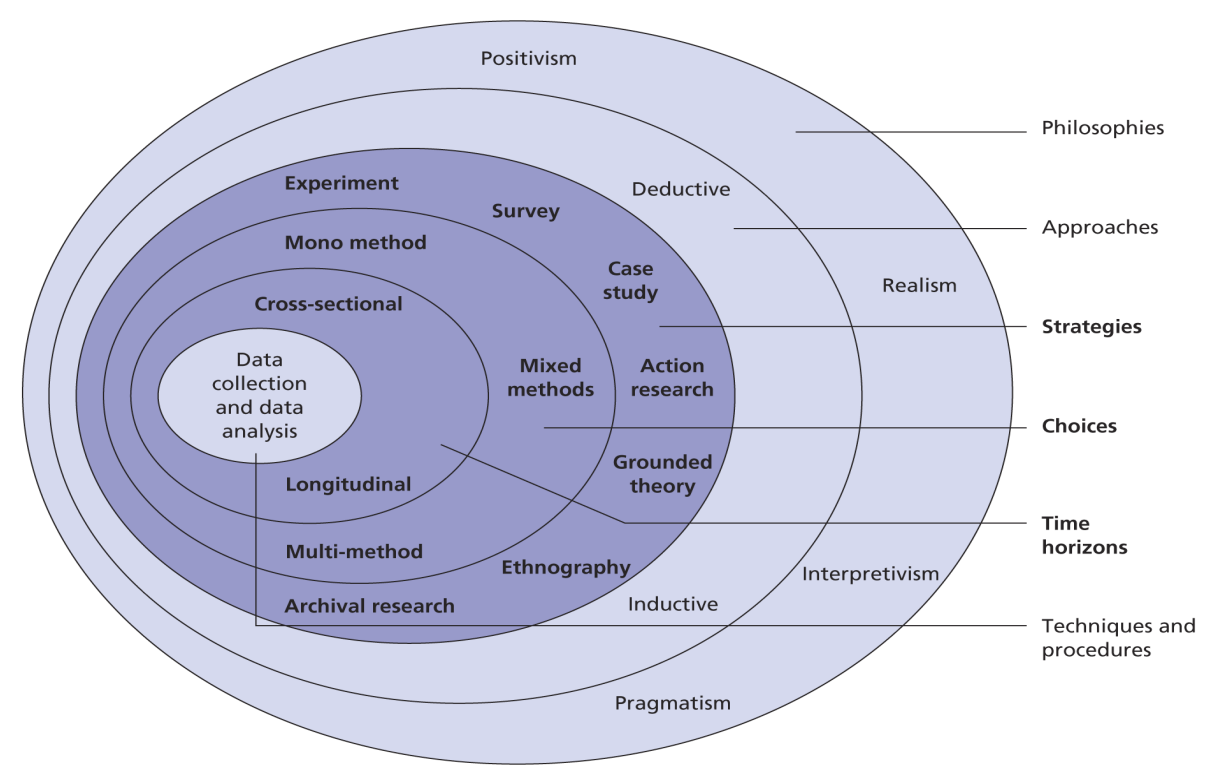


Figure 3.1: The research onion

Source: Adapted from Saunders et al. (2012)

3.3.1. The research philosophy

Researchers often fail to explain their academic discipline's dominant paradigm and how this has shaped the research approach. A lack of understanding of the research paradigm has led to criticism of the research methodology chosen (Denzin & Lincoln, 2011). The literature on scientific research states that a researcher must have a clear understanding of paradigms or ‘worldviews’, which provide the researcher with a philosophical, theoretical, instrumental, and methodological foundation (Žukauskas et al., 2018).

As first conceptualized by Kuhn (1962), the word paradigm means a physiological way of thinking. Kuhn called a paradigm scientific knowledge, generally accepted within the scientific world, which provides scientists with problem identification and solving mechanisms (Žukauskas et al., 2018). ‘Worldview’ is a synonym for paradigm (Lincoln, 1990; Patton, 2002; Creswell & Plano Clark, 2011). ‘World-view’ is described as “a way of thinking about and making sense of the complexities of the real world” (Patton, 2002:69). Bagdonas (2007) defined a paradigm as regulations for theory and methodology. Scientific scholars implement and apply rules at a certain

level of scientific development. For instance, the process of building scientific knowledge uses the standards of scientific research, explanation, valuation, and assumptions to understand and solve research problems.

A research paradigm fundamentally reflects the researcher's opinions about the world that s/he lives in and wants to live in (Lather, 1991). It is an approach to thinking and doing scientific research (Antwi & Hamza, 2015). Gliner et al. (2011) described the scientific research paradigm as the approach to the study, the accomplishing process, and its implementation method. It is not a methodology, but rather a philosophy, that guides the process of carrying out research, i.e., it directs research in a particular direction.

A paradigm establishes the beliefs and principles that define how researchers observe, understand, and act within the world (Arghode, 2012). It is an abstract mechanism through which researchers scrutinize the methodological features of their research project. The paradigm helps determine the research methods implemented and the data analysis. Moreover, a paradigm is a view or mechanism for interpreting or explaining a phenomenon according to prior understanding (Arghode, 2012). According to Cohen (2007), in Žukauskas et al. (2018), the scientific research paradigm is broad, and includes perception; beliefs; and mindfulness of various theories and practices used to conduct scientific research. Similarly, in social research, the term 'paradigm' refers to the philosophical assumptions or basic beliefs that guide the activities and describe the researcher's worldview (Lincoln et al., 2011).

Guba and Lincoln (1994:15) defined a paradigm as 'a basic set of beliefs or worldview that guides research action or an investigation'. In addition, Denzin and Lincoln (2000:17) defined paradigms as "human constructions, which deal with first principles or ultimate, indicating where the researcher is coming from to construct meaning embedded in data". Paradigms are perspectives or ways of looking at reality. They are "the frames of references we use to organize our observations and reasoning" (Babbie, 2007:31).

Several studies have indicated the importance of paradigms in research. The paradigm explains the beliefs of the researcher in a particular discipline. The paradigm influences researchers to respond to what should be studied, and to review and interpret the study's results (Kivunja & Kuyini, 2017b). The researcher's philosophical thinking has a significant implication for every decision made in the research process, including methodology and methods. Additionally, the

paradigm explains how to construct meaning from the data gathered. Philosophy in research shapes how to formulate research problems and questions (Creswell, 2013). Moreover, identifying the research paradigm helps collect information to answer the research questions.

A paradigm contains four elements: epistemology, ontology, methodology and methods (Lincoln & Guba, 1985; Creswell & Creswell, 2017b; Kivunja & Kuyini, 2017b). Guba and Lincoln (1988) stated that a research investigation is based on ontology, epistemology, and methodology. They explained that ontology as the mechanism the inquirer uses to define the truth and reality. Epistemology is the process in which the investigator strives to know the truth and reality; and methodology is the method utilized in conducting the investigation.

In the literature, various researchers have presented different interpretations of epistemology. For instance, according to Kivunja and Kuyini (2017b), epistemology describes how we come to know something and begin to see the truth or reality. In support of this, Cooksey and McDonald (2011) explain epistemology as what amounts to knowledge. It focuses on the nature and form of experience and how to learn and describe it to other human beings. Epistemology emphasizes the nature of human knowledge and understanding that researchers can obtain to encompass, expand, and deepen understanding in their research (Kivunja & Kuyini, 2017b). Epistemology is how researchers identify the truth and reality (Kamal, 2018).

Similarly, Walker and Evers (1988) described epistemology as how the researcher can obtain knowledge about the situation that interests them. Wiersma (1985) described epistemology as research that explains how to clarify the boundaries; the source; the structure; approaches; and justice, and how this knowledge can be achieved, used, and adjusted. Epistemology, according to Schwandt (2001:87), is: “the study of the nature of knowledge and justification” (as cited in Arghode (2012)). The interpretivism paradigm’s epistemology is: “empathetic; observer intersubjectivity” (Gough, 2002:5). Thus, through epistemology, researchers concentrate on knowing the phenomena and their rationale (Arghode, 2012).

In general, epistemology focuses on what counts as knowledge. The list of questions raised by epistemology researchers includes:

1. How do people create knowledge? (Hatch, 2006)
2. What is the nature of knowledge? (Schwandt, 1997)
3. What is the relationship between the inquirer/researcher and the know? (Denzin, 2008:31)

4. How to represent the evidence of the studied social reality, and what counts as evidence? (Mason, 2017)
5. What can be known as knowledge? (Guba & Lincoln, 1994)
6. What are the standards used to differentiate knowledge as good and bad? (Hatch, 2006)
7. How should reality be represented or described? (Hatch, 2006)
8. Is knowledge something which can be acquired on the one hand, or is it something which has to be personally experienced? (Kivunja and Kuyini, 2017a:17)
9. How do we know what we know? (Guba, 1990)

Various researchers have provided a detailed discussion on ontology as a paradigm element. According to Schwandt (2001:190), ontology “is concerned with understanding the kind of things that constitute the world”. Hitchcock et al. (1995) stated that ontology is the ‘theory of existence, interested in what exists’, based on declarations of a specific paradigm about reality and truth. Other authors (Guba, 1990; Hatch, 2006; Creswell & Creswell, 2009) have identified ontology as a theory about reality's nature. It explains the form and nature of reality (Antwi & Hamza, 2015). Guba (1990) stated that ontology is the basic thoughts about the nature of what is known, or reality. Ontology is the assumption formed to observe and understand society’s real nature (Easterby-Smith, 2008; Žukauskas et al., 2018). Ontology refers to “what we think reality looks like and how we view the world”. Ontology is assumptions about reality’s nature (Creswell & Creswell, 2009; Lincoln et al., 2011). Ontology is a theory of what exists (Kalof et al., 2008); it reveals a worldview or reality peculiar to a specific view or paradigm (Creswell & Creswell, 2009).

The list of questions researchers ask in ontology includes the following:

1. “What are the things in reality?” and “How do they happen?” (Denzin & Lincoln, 1998:58)
2. “What is there that can be known?” or “What is the nature of reality?” (Lincoln & Guba, 2013:39)

The questions raised in ontology differ from those in epistemology (knowledge about reality). While questions asked in ontology usually connect with the existence and operation of matter, epistemological questions establish the relationship between the respondent and the researcher (Žukauskas et al., 2018).

However, epistemological questions are answered, based on assumptions created through the ontological assumptions about the nature of reality. The assumptions shape the methodology by focusing on the research methods and procedures (Denzin et al., 2006, Cohen, 2007). In other

words, the epistemological description is limited by the ontological definition of research. The epistemological and ontological research descriptions further define the methodological explanation (Lincoln & Guba, 2013).

The methodology is a combination of methods used by the researcher to collect the necessary information (Pandey & Pandey, 2021). Methodology is a mechanism for acquiring knowledge about expertise and for collecting data. It is a framework used to determine the known reality. It indicates how to achieve knowledge of the fact; the research questions; the research process to follow; and techniques to be applied (Denzin, 2008; Fazlıoğulları, 2012). The methodology is about studying knowledge and how to write about it (Creswell & Creswell, 2017b). The methodology is a common understanding of the best means of acquiring knowledge about the world (Creswell & Creswell, 2009; Lincoln et al., 2011; Melnikovas, 2018). The most common question of methodology is, “How does one go about acquiring knowledge?” (Lincoln & Guba, 2013:39).

Somekh and Lewin (2005:17) defined methodology as a set of methods and rules on which the research is based and carried out and “the principles, theories, and values underlying certain approaches to research”. In Walter's 2006 view, a methodology supports the research structure, influenced by the paradigm in which our theoretical perspective ‘lives’ or develops. Mackenzie and Knipe (2006) stated that methodology is a general approach to research within the paradigm or theoretical framework. It includes the systematic procedures employed to collect and analyse data.

Various researchers have proposed several paradigms. Positivism; post-positivism; critical theory; realism; pragmatism; and interpretivism/phenomenology are the most common (Kivunja & Kuyini, 2017b; Rahi, 2017; Ryan, 2018).

3.3.3.1. The positivist paradigm

The French philosopher August Comte proposed the positivism paradigm. According to Comte, observation and reason are the best means of understanding human behaviour. Furthermore, actual knowledge is based on the experience of the senses and can be obtained by observation and experiment (Antwi & Hamza, 2015). Positivist researchers recognize reality as lawful and logical (Shah et al., 2018). In the positivism paradigm, it is possible to describe, control, and predict phenomena by applying systematic observation and precise scientific methods (Shah et al., 2018).

Positivism focuses on the objective measurement of social inquiry. The particular view of social science researchers as analysts or interpreters of their subject matter promotes the scientific mechanism on social issues to offer the finest possible and most precise knowledge (Cohen et al., 2011). In positivism, the assumption is that reality involves facts. The researchers can observe and measure validity objectively, with no researcher influence on the data collection (Cohen et al., 2011).

Table 3.1: The positivism research philosophy

Ontology (nature of reality or being)	Epistemology (what constitutes acceptable knowledge)	Axiology (role of values)	Typical methods
Accurate, external, independent. One true reality (universalism). Granular (things) ordered.	Scientific method. Observable and measurable facts. Law-like generalizations. Numbers . Causal explanation and prediction as a contribution.	Value-free research. The researcher is detached, neutral, and independent of what is researched. The researcher maintains an objective stance.	Typically deductive, highly structured, large samples, measurement, naturally quantitative methods of analysis, but a range of data can be analysed.

Source: Saunders et al. (2009)

Table 3.1 clarifies positivism in ontology, epistemology, axiology, and research methods.

The positivism paradigm’s ontological assumptions assume that reality is objective and measurable using properties independent of the researcher and instruments (Antwi & Hamza, 2015). Reality is “hard, real, and external” (Cohen et al., 2000:218). Additionally, the reality is external and independent of social construction. In the positivist paradigm, knowledge is objective and quantifiable. Positivistic thinkers believe research should follow a scientific investigation (Kivunja & Kuyini, 2017b). Positivism claims that reality must be examined by utilizing a “rigorous scientific inquiry process” (Guba, 1990:20).

The positivism paradigm reflects that “truth is possible to discover” (Mukherji & Albon, 2015:24). Kamal (2018) noted that “Human behaviour is predictable, caused and subject to both internal

pressures and external forces (for positivistic sociologists)” (Hitchcock et al., 1995:22). The positivism paradigm believes that knowledge directly reflects the empirical world (Kamal, 2018). In positivism, in studying the phenomena, the experimental design method discovers the causal inferences between an independent variable and one or more dependent variables (Cohen et al., 2000).

The paradigm uses a quantitative methodological approach to generalizing the world and recording accurate measurement (Kamal, 2018). The realist/objectivist ontology and empiricist epistemology in the positivist paradigm involves a research methodology that is objective or detached from investigators (Cohen et al., 2000). The emphasis is on measuring variables and testing hypotheses linked to general causal descriptions (Tuli, 2010). The positivism paradigm uses surveys and experiments (Cohen et al., 2000). The positivist paradigm is a basis for a quantitative research approach (Arghode, 2012; Pham, 2018). The purpose is to predict, control, and generalize the findings through surveys, questionnaires, or experimental methods (Kamal, 2018). Positivist researchers assume a causal factor for phenomena and search for the effects of those factors logically (Arghode, 2012). This paradigm helps positivist researchers understand the objects through practical tests and techniques such as sampling, measurement, questionnaires, and focus group discussion (Pham, 2018). Thus, positivist research results may have high validity and reliability (Cohen, 2007) and represent and replicate the larger population (Pham, 2018).

There is a concern about adopting the positivism paradigm in social science research. It is impossible to measure phenomena related to human intentions, thoughts, beliefs, and attitudes (Hammersley, 2012). These concepts may not be observed or measured logically or without evidence (Hammersley, 2012; Pham, 2018). Although the results of social science studies created by statistical measurement are more likely to be reliable and relatively objective, they may be indifferent to individual differences (Shah et al., 2018). Thus, the generalizability of findings, as outcomes drawn in the positivism paradigm, may be made to many populations. It challenges researchers to directly apply their understanding of the phenomena in particular local contexts (Johnson & Onwuegbuzie, 2004).

Furthermore, positivism assumes that human behavior is passive. It is determined, controlled, and oversees intention, individualism, and freedom (Cohen et al., 2011; Alharahsheh & Pius, 2020). Thus, the findings drawn from the positivist approach are more insignificant and less relevant to

participants' consequences (Cohen et al., 2011; Shah et al., 2018). Positivism might lead to the misuse of statistical tests, leading to misinterpretation in research, due to incorrect statistical tests (Alharahsheh & Pius, 2020). Additionally, positivism relies on statistics and generalizations, leading to universal laws and findings (Alharahsheh & Pius, 2020). Therefore, it is challenging for researchers to understand the in-depth issues considered part of their research (Alharahsheh & Pius, 2020). The primary purpose of this study is to develop a social performance measurement framework. The framework will help evaluate both internal efficiencies and respond to the requirements expected from external stakeholders. For this study, a positivist paradigm is inappropriate. It would not have discovered the complexity and breadth of the data required.

3.3.1.2. The post-positivism paradigm

The post-positivism paradigm states that research outcomes include estimating the truth, in contrast to absolute truth, as in the positivism paradigm (Denzin & Lincoln, 2011; Creswell & Poth, 2016). In contrast with the positivist researcher, who believes in the whole truth, the post-positivist researcher attempts to scientifically explore the phenomenon, focusing on the fact that it is nowhere to be found (Guba & Lincoln, 1994; Panhwar et al., 2017). The paradigm has an element of “being logical, emphasizing empirical data collection, cause and effect-oriented and deterministic based on prior theories” (Creswell & Poth, 2016:36).

Table 3.2: Post-positivism research philosophies

Ontology	Epistemology	Methodology
Critical realism - real reality but only imperfectly and probabilistically understandable.	Modified dualistic/objectivistic; critical tradition/community; findings probably true.	Modified experimental manipulative; critical multiple; falsification of hypothesis; may include qualitative data

Source: Guba and Lincoln (1994)

As shown in Table 3.2, above, the post-positivism theoretical perspective is a flexible research perspective. It allows a researcher to use multiple/pluralistic methods to conduct the research based on the nature of the research problem (Panhwar et al., 2017). Post-positivism reacts against the limitation of the positivism paradigm (Creswell & Poth, 2016). Ontologically, the paradigm

assumes understanding reality from the background that reality is possibly imperfect understanding (Kelly et al., 2018).

Post-positivism focuses on multi-processes and multi-methods through the triangulation of qualitative and quantitative methods that discover the diversity of realities researchable through several kinds of investigation (Panhwar et al., 2017). According to Panhwar et al. (2017), “post-positivism, unlike positivism, stands challenging the finding of the absolute truth and denies accurate claims of knowledge when studying human behavior and actions” Panhwar et al. (2017:36) stated that: “for post-positivist research, truth is probabilistic and provisional”.

Post-positivists strive for context-dependent generalizations, which emanate from researchers trying to perform similar things in similar situations and create reliably identical results. However, “they do not assume that their methods ensure certainty and universally generalizable results” (Cooper, 1997:559). Individuals involved in the research, including the researchers in the post-positivism paradigm, are subject to bias, unpredictability, and lack of representation (Cooper, 1997).

Another limitation of post-positivist research is that ‘holism’ is neglected. Post-positivism is a limited attempt to address the criticisms of the positivist paradigm (Mertens, 2012). Additionally, both positivism and post-positivism are criticized for more alignment using a quantitative data collection method and analysis (Guba, 1990; Denzin & Lincoln, 2011). Furthermore, post-positivists disregard political and philosophical effects on knowledge and social reality (Patton, 2002)

3.3.1.3. Pragmatism

Pragmatism philosophies focus on the implementation of ideas into practical action. For the pragmatist, the research finding is only important if it has a practical consequence. Pragmatists identify different mechanisms for interpreting the world and conducting research. The paradigm stresses that no single point of view can capture the entire situation and believes in the existence of multiple realities. The researcher’s view, in pragmatist philosophies about knowledge, is that either or both of the observable phenomena and the subjective construction of the phenomenon can provide knowledge, depending on the research questions. In the pragmatism philosophy, research is conducted in a value-free way, and the researcher is independent of the data and maintains an objective nature. However, value plays a crucial role in interpreting the data. The

researcher can adopt objective or subjective point of view. The pragmatism paradigm uses a method that can collect credible, well-founded, reliable and relevant data that improves the research. Both qualitative and quantitative research methods can be used to collect data. This approach will be inappropriate for this study as the problem statement identified cannot be resolved through applied research.

Table 3.3: The pragmatism philosophies

Ontology	Epistemology	Methodology
External, multiple, view chosen to best enable answering of research question.	Either or both observable phenomena and subjective meanings can provide acceptable knowledge, depending upon the research question. Focus on practical applied research, integrating different perspectives to help interpret the data.	Mixed or multiple method designs, quantitative and qualitative

Source: Saunders et al. (2016)

3.3.1.4. Realism

Realism philosophy focuses on what we sense is real; that an object has a presence that is independent of the human mind. The realism philosophy holds that reality is relatively independent of the mind. The epistemology of realism philosophy is similar to positivism, which assumes a scientific approach to knowledge development. This assumption defines the methodology approach to collecting data and understanding that data. In the realism philosophy, the researcher views the nature of reality as objective. Reality exists independently of human thoughts and beliefs or knowledge of its existence; however, it is interpreted through social conditioning. Realism researchers believe that knowledge is constructed through observable phenomena which provide credible data or facts. The realist views the role of value in research as laden: the researcher is biased by world views, cultural experiences and upbringing.

There are two types of realism, direct realism and critical realism. Direct realism articulates, ‘what you see is what you get’. Direct realism says the experiences obtained through our senses depict the world accurately. The direct realist viewpoint proposes that the world is relatively unchanging and operates, in the business context, at only the individual, group, or organizational levels. Critical realism believes that what we experience is our imagination of the things existing in the world, not the things directly. What we see in critical realism are sensations, illustrating what is

real. Table 3.4 discuss the realism philosophies from ontology, epistemology and methodology aspects.

Table 3.4: The realism philosophies

Ontology	Epistemology	Methodology
Reality is objective. Exists independently of human thoughts and beliefs or knowledge of their existence (realist), but is interpreted through social conditioning (critical realist).	Observable phenomena provide credible data and facts. Insufficient data means inaccuracies in sensations (direct realism). Alternatively, phenomena create sensations open to misinterpretation (critical realism). Focus on explaining within a context or contexts.	Quantitative or qualitative

Source: Saunders et al. (2016)

As indicated in Table 3.4 the epistemology of critical realist philosophies argues that understanding the real social world can only occur if we understand the social structure of the phenomena we strive to understand. Critical realism understands the knowledge of reality from the social conditioning point of view. That is, reality cannot be understood autonomously by the social actors involved in the processing of knowledge. Reality in realism is part of the social conditioning of the knowledge process. In critical realism, the world operates at multiple levels in organizations, individuals or groups. The researcher’s understanding of the world and the reality of what is being studied may change at each level. The critical realist believes that the social world is constantly changing, as well as the researcher’s understanding. The researcher can use both quantitative and qualitative methods.

3.3.1.5. The critical theory paradigm

Critical theory research focuses on critiquing and transforming social, economic, political, cultural, ethnical, and gender values. The critical theory paradigm strives for more informed, sophisticated, and historically dependent constructions, rather than generalization. Generalization in critical theory is a matter of noting similarities across situations that share significant “social, political, cultural, economic, ethnic, and gender circumstances”, and “one important mechanism for the

transfer of knowledge from one setting to another is the provision of vicarious experience” (Guba, 1990:114).

Table 3.5: Critical theory research philosophies

Ontology	Epistemology	Methodology
Historical realism - a virtual reality shaped by social, political, cultural, economic, ethnical, and gender values; crystallized over time.	Transactional/subjectivist; value mediates findings.	Dialogic/dialectical

Source: (Guba and Lincoln, 1994)

According to critical theorists (see Table 3.5), researchers should look at long-term historical and ethnographic studies of organizational processes and structures (Cooper, 1997; Creswell & Poth, 2016; Chimhundu, 2018). Marxists, feminists, and action researchers are examples of critical theorists. The assumptions of critical theory are subjective to the investigator. The investigated objects link interactively with the researcher’s values, inevitably influencing the analysis (Guba & Lincoln, 1994).

The critical theory paradigm creates an opportunity to examine phenomena experienced by research participants (Guba, 1990). The critical theory paradigm is considered unsuitable for this study. By contrast, the interpretative paradigm can clearly and interpretively describe how the phenomenon has impacted the research participants’ ‘lived experiences’(Alharahsheh & Pius, 2020).

3.3.1.6. Interpretivism paradigm

The Interpretivism paradigm is a scientific philosophy that displays a subjective approach to reality (Starnawska, 2016; Packard, 2017). In this paradigm, individual actors, such as the researcher and the study’s research participants, create the reality (Starnawska, 2016). Therefore, the real basis is the description and explanation of how individuals construct the world around themselves in everyday exercises (Creswell & Creswell, 2017b). A social world creation and social reality are interlinked, and actors share meanings (Starnawska, 2016). Therefore, interpretivists adopt a relativist ontology. A single phenomenon may have multiple explanations rather than one truth

resulting from objective measurement (Starnawska, 2016). As the ontology of the interpretivism paradigm is the ‘experienced world’ (Habermas, 1972, Lather, 1991), the researchers reflect the life experiences of the participants as a vital part of their research (Arghode, 2012). In the Interpretivism paradigm, researchers are inclined to understand the phenomenon and its complexity in its unique framework rather than to generalize the whole population’s result (Creswell & Creswell, 2009). In contrast to the positivism paradigm, an interpretivist observes phenomena from various and diversified views of reality (Guba & Lincoln, 1994).

Interpretivism is different to positivism. It focuses on gathering deep insights rather than providing a definite and universal law that is generalizable and applicable to everyone (Saunders et al., 2009; Alharahsheh & Pius, 2020). Interpretivist researchers can describe objects, events, or humans through objective measurement and understand them well in a social context (Starnawska, 2016; Pham, 2018). In contrast with positivist researchers, who should remain detached, objective, and value-free, interpretivist researchers engage in depth when studying participants’ views (Bonache, 2019).

Table 3.6: Interpretivism research philosophy

Ontology (nature of reality or being)	Epistemology (what constitutes acceptable knowledge)	Axiology (role of values)	Typical methods
Complex, rich. Socially constructed through culture and language. Multiple meanings, interpretations, and realities. A flux of processes, experiences, practices.	Theories and concepts too simplistic. Focus on narratives, stories, perceptions, and interpretations. New understanding and worldviews as a contribution.	Value-bound research. Researchers are part of what is researched, subjective. Researcher interpretations are key to the contribution. Researcher reactive.	Typically, inductive. Small samples, in-depth investigations, and qualitative methods of analysis, but a range of data can be interpreted.

Source: Saunders et al. (2009)

As indicated in Table 3.6 above, the epistemology of the Interpretivism paradigm is “empathetic; observer inter-subjectivity” (Gough, 2002:5). The Interpretivism paradigm’s ontology is “multiple truths” (Habermas, 1972; Lather, 1991). Thus, researchers attempt to find more than one description of the phenomenon under investigation. The researchers in this paradigm seek multiple explanations of the phenomena rather than one solution (Arghode, 2012). As mentioned in Table 3.6 above, the Interpretivism paradigm assumes that reality is subjective and can vary, reflecting different individuals (Alharahsheh & Pius, 2020).

The research methodology is the “theory of how the inquiry should proceed. It involves an analysis of the assumptions, principles, and procedures in a particular approach to inquiry” (Schwandt, 2001:193). It is the logic of conducting research (Arghode, 2012). Furthermore, Tuli (2010) explained methodology as a research strategy that interprets ontological and epistemological principles into guidelines. According to Lather (1991) and Habermas (1972), as cited by (Arghode, 2012), the methodology of the Interpretivism paradigm is “participant observation”. Interpretivist researchers employ data-gathering methods that are refine to context (Creswell, 2016). Interpretivism enables the gathering of a rich and detailed, or intense, description of social phenomena by inspiring participants to participate freely. Interpretivism allows the participant to understand the investigator’s pursuit of in-depth understanding of the phenomenon (Tuli, 2010). Researchers can conduct a study using critical methodologies such as grounded theory, ethnography, case studies, or life history. This methodology helps gather insider insights into research objects (Tuli, 2010) and provides more reliable information linked to the object of study (Pham, 2018). Researchers in the Interpretivism paradigm employ non-numeric data analysis techniques. By contrast, researchers using positivism paradigms use questionnaires, tests, inventories, and checklists to collect and analyse numerical data (Tuli, 2010).

Interpretive research may critique as it rejects knowledge created as a foundation shared as a universal law (Alharahsheh & Pius, 2020). Additionally, the validity of interpretive research is questionable. Furthermore, since data mainly depends on a specific context, viewpoint and values, adopting the interpretivist paradigm is less likely to lead to generalization of the data gathered and analysed (Saunders et al., 2009). However, the interpretive paradigm’s implementation can provide an in-depth understanding of particular contexts by collecting and interpreting qualitative data, leading to in-depth perceptions and conclusions that may differ from others (Saunders et al.,

2009; Myers, 2019). Triangulation involves exploring the phenomenon from different perspectives (Yin, 2013). The evaluation of interpretive research's validity should not be by its ability to reveal a specific, converging explanation. Instead, it should indicate how similarly a phenomenon is experienced and viewed from a plurality and perspectives and viewpoints (Bonache, 2019). The adoption of the interpretivism paradigm leads to the generation of high-level, valid data based on personal contributions considering different variables (Myers, 2019).

Based on the nature of the problem identified and the study's research objective, this study follows the interpretivism paradigm to use the experiences of small and medium social enterprises to develop the social performance framework. The interpretivism philosophy allows the researcher to consider the knowledge and use of small and medium social enterprises of performance measurement (Collis & Hussey, 2013). Exploring the meaning attributed to the participants' experience ties interpretivism to qualitative research. Based on the discussion provided on this research's philosophical worldview, the following discussion focuses on qualitative research as a suitable research design.

3.3.2. Research approach

A research approach can be deductive or inductive. The deductive approach is a theory-testing process that begins with a created theory or generalization and tries to prove if the theory applies to specific circumstances (Benitez-Correa et al., 2019). Deductive reasoning occurs when a conclusion is drawn from a set of arguments; the conclusion is real when all the arguments are true. In the deductive approach, theories are confirmed rather than made. In the deductive approach, the researcher tests the data's consistency against the assumptions, theories or hypotheses set before the data collection (Thomas, 2006). In the deductive approach, the researcher generalizes from the general to the specific (Saunders et al., 2016). The data collected in the deductive approach is used to evaluate the hypotheses related to an existing theory. In the deductive approach, theories are verified or falsified.

The inductive approach is a process of building theory, beginning with the observation of specific circumstances and looking for generalizations about the issue under examination (Hyde, 2000). The inductive approach is a systematic technique for analysing qualitative data (Bingham & Witkowsky, 2021). Particular assessment objectives undertake the analysis. In the inductive approach, the researcher mainly implements excessive reading of raw data to construct concepts,

themes or a model through interpretations developed from the raw data (Thomas, 2006). In the inductive approach, the researcher starts with the study area and allows the theory to emerge from the collected raw data. Thus, an inductive approach focuses on theory generation and building (Saunders et al., 2016).

An inductive approach was adopted for this study. The inductive approach was implemented to design the social performance measurement framework, based on the literature review and the empirical findings of the existing performance measurement practices of SMSEs. In the inductive approach, after comprehensive readings of the raw data, the researcher creates and interprets concepts, themes, or a model (Thomas, 2006). In the inductive approach, research findings emerge from the frequent, main, or important themes in the raw data. It helps develop a model or theory about the raw data's fundamental structure of experiences or processes. Even though the social performance measurement framework designed might not be a theory, a similar inductive approach as employed during constructing a theory was adopted to develop the social performance measurement framework for SMSEs.

3.3.4. Research strategy

A research strategy is a plan designed to respond to the research questions. It is a methodology bridge between the research philosophy and the following research methods to collect and analyse data. The literature discusses different research strategies. The most common include experiment; surveys; archival research; ethnography; action research; grounded theory; narrative inquiry and case study.

An experimental research strategy focuses on experimenting to determine the probable chance of the independent variable causing a change in another dependent variable. In this strategy, hypotheses are developed, rather than research questions. An experimental strategy is usually implemented for quantitative research. Survey research is the most common research strategy that responds to the 'what,' 'who,' 'how much,' 'where,' and 'how' many questions. Exploratory and descriptive research often use surveys to collect standardized data from a large population, permitting easy comparisons. A survey strategy allows the collection of quantitative data which can be analysed quantitatively by descriptive and inferential statistics, which enable the researcher to understand and explain the relationships between the variables in the study. Using a survey provides an opportunity to control the research process as a researcher. The sample techniques will

allow the generalizability of the findings to the whole population. However, the survey strategy has the limitation of depending on others to respond to the research questions. There might be resistance and time constraint issues from the study participants. Furthermore, the data collection in the survey strategy unlike other research strategies might result in similarity of response without the deep understanding of the questions in the survey. Therefore, for this study, a survey is an inappropriate research strategy based on the research questions and objectives.

An archival research strategy uses administrative records and documents as the primary data source. Archival research is a strategy to research questions about past phenomena or changes over time. However, the nature of the administrative records and documents restricts the ability to respond to the research questions. Even where a record exists, it may not incorporate the necessary information to answer the research question(s) or achieve the research objective. Furthermore, some data may be missing, or the researcher can be refused access due to confidentiality issues.

An ethnographical strategy is used to study groups. The study of a specific group or phenomenon through ethnography lacks representation of the problem and puts the generalizability of the findings under doubt. Action research is an emerging and iterative study process constructed to provide solutions to real organizational problems through a participative and collaborative methodology. It uses various forms of knowledge and will have implications for participants and organizations beyond the research study. Promoting organizational learning to provide practical solutions through identifying problems, planning action, taking action and evaluating action is the major purpose of an action research strategy. There are concerns in the action research strategy related to the steps followed in processing and implementing the action; with participants' willingness within the organization; and with facilitator capability.

A case study strategy is used if there is a need to gain a rich understanding of the research context. A case study strategy responds to 'what', 'why', and 'how' research questions. Based on the study research questions and objectives, this study used a case study strategy. There are many case study strategies. In many case studies, in-depth interviews have been used to collect data. They targeted the founder or managers, or directors of SMSEs. The following sections discuss case study development and definitions; philosophical orientations; types of case studies; critics and advocates of case study strategy; and justification for using a case study strategy.

3.3.4.1. The case study development and definitions

The case study approach is popular and has a long, distinguished history in social science research, and is familiar in various academic disciplines such as anthropology (Burawoy et al., 1991); sociology (Feagin et al., 1991; Hamel, 1992); psychology (Campbell, 1975, Bromley & Dennis Basil, 1986); and political science (Gerring, 2004; George & Bennett, 2005). Currently, researchers/writers have various texts and approaches from which to choose. Yin (2017), for instance, elaborated on both quantitative and qualitative methods for case study development and examined explanatory, exploratory, and descriptive qualitative case studies. Furthermore, Merriam (1998) described a general approach to qualitative case studies in education. Stake (1995) explained the systematic approach to the case study.

A case study is an empirical method that explores a current event (the case) in depth and within its real-world situation (Yin, 2009; Yin, 2017). Case study research is a qualitative approach that leads to in-depth insight (Yin, 1992). It allows the researcher or investigator to explore a bounded system (a case) or multiple bounded systems (cases) over time (Creswell & Poth, 2016). The process involves in-depth data collection involving multiple sources of information (such as interviews, observations, documents, and reports), and describing the case and case-based themes (Creswell & Poth, 2016; Vickers et al., 2017).

Various definitions and descriptions of case studies exist in the literature. The most common ones comes from Stake (1995), Merriam and Tisdell (2009), and Yin (2014).

For Stake (1995:40), case study research is “the study of the particularity and complexity of a single case”, coming to an understanding of the research when defining case study as: “... an in-depth description and analysis of a bounded system”. Merriam and Tisdell (2009:41) include what is studied and the research products when defining a case study as: “... an in-depth description and analysis of a bounded system”.

Yin (2009:36) defined case study research as: “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomena and context is not evident.”

In case studies, there will be many more variables of interest than data points that deal with the technically typical situation (Yin, 2009). Case studies triangulate data by collecting data from

various sources (Chimhundu, 2018). Additionally, they benefit from developing theoretical propositions to direct data collection and analysis (Yin, 2009; Chimhundu, 2018). The different definitions of a case study emerge from researchers' different approaches to developing a case study methodology. They often reflect the elements they emphasize as central to their designs. The diversity of approaches subsequently adds a variety of definitions and descriptions.

3.3.4.2.Philosophical orientation

In guiding the research process, various methodologies in specific research are undertaken with specific philosophical positions. The case study, however, has practical flexibility in its approach, where it is not assigned to a fixed ontological, epistemological or methodological position (Harrison et al., 2017). The philosophical orientation of case study research can be from a realist or positivist perspective. In the positivist perspective, the researcher believes that one reality is independent of the individual and can be comprehended, studied, and measured. A relativist or interpretivist perspective assumes that multiple facts and meanings exist, in which the researcher is an instrument (Lincoln et al., 2011; Yin, 2014). The philosophical flexibility in case study research allows the researcher to decide on the methodological orientation (Yin, 2014; Harrison et al., 2017).

Case studies can be oriented either as qualitative, or quantitative and qualitative, or quantitative aims and methods (Merriam & Tisdell, 2009; Yin, 2014; Creswell & Poth, 2016). Creswell and Poth (2016) highlighted the qualitative essence of a case study, while recognizing its evolution and differentiation from other qualitative methods in accommodating different ontologies, epistemologies, methodologies, and methods. This ability to encompass a range of philosophical positions is an advantage, and a case study enables researchers to design research specifically to respond to the research problem's complexity (Stake, 2006; Merriam & Tisdell, 2009; Yin, 2014; Creswell & Poth, 2016; Harrison et al., 2017).

The literature describes case study research as qualitative inquiry (Stake, 2006; Merriam & Tisdell, 2009; Denzin & Lincoln, 2011; Creswell & Creswell, 2017b; Chimhundu, 2018). Qualitative paradigms broadly encompass exploratory, explanatory, interpretive, or descriptive aims (Harrison et al., 2017). Furthermore, narrative research, grounded theory, ethnography, and phenomenology are included (Denzin & Lincoln, 2011; Creswell & Poth, 2016). Each methodology is different, based on its ontological and epistemological stance. However, qualitative inquiries aim to explore,

seek understanding, and establish the meaning of experiences of those involved (Harrison et al., 2017). Specifically, case study research aims to undertake an in-depth analysis of an issue within its situation, including understanding the matter from the participants' view (Merriam & Tisdell, 2009; Yin, 2017). In a case study, the research will explore, understand and present participants' perspectives and get close to them in their natural setting (Creswell, 2013). The researcher creates a high level of interaction with the study participants to generate data. Because of this, the interpretivist paradigm commonly infuses the implementation of case study research. Observations, interviews, focus groups, documents, and artefact analysis are the most common methods used to collect data in the case study approach (Stake, 1995; Yin, 2014; Creswell & Creswell, 2017b; Chimhundu, 2018). A case study approach has a subjective and interpretive orientation, because the researcher's understanding and interpretations become part of the research (Creswell, 2013).

3.3.4.3. Types of case studies

The size of the bounded case can be the basis for classifying qualitative case studies. The case's size refers to whether the case involves one individual, several individuals, a group, an entire activity, or a programme (Creswell & Poth, 2016). Furthermore, case studies can be classified, based on the intention of the case analysis. According to Creswell and Poth (2016), based on the purpose of the case, three variations exist in single instrumental case study: the collective or multiple case study, and the intrinsic case study. In a single instrumental case study (Stake, 1995), the researcher focuses on an issue or concern and then chooses one bounded case to exemplify this issue. The researcher selects one issue or concern in a collective case study (multiple case studies) (Creswell & Poth, 2016). However, the inquirer chooses multiple case studies to explain the problem. Researchers might choose several programmes from various research sites or programmes in a single area, based on the study problem. Researchers applying multiple case studies select multiple cases purposefully to indicate different perspectives on the issue. In multiple case studies, researchers use replication logic, meaning the inquirer duplicates each case's procedures (Yin, 2009). Generally, qualitative researchers are hesitant to generalize from one case to another due to differences in cases (Creswell & Poth, 2016). However, the researcher must choose representative cases for inclusion in the qualitative study to generalize best (Creswell & Poth, 2016).

The third type of case study design is an intrinsic case study, in which the focus is the case itself. For instance, monitoring a programme or researching a student with difficulties (Stake, 1995). In an intrinsic case study, the case presents an unusual or unique situation (Creswell & Poth, 2016). This study aims to develop a social performance measurement framework for small and medium social enterprises in KZN. The nature of the PM of SMSEs in KZN differs from one SMSE to another. For this study, the researcher selected a multiple case study design to respond to the research questions and achieve the study's objective. Multiple case studies helped the researcher reflect on diverse perspectives and tools for the PM of SMSEs in KZN.

3.3.4.4. Critics and advocates of the case study strategy

The literature mentions different challenges and criticisms in applying case study research design. They include lack of rigour and lack of generalization. The following section describes the most common challenges and criticisms of case study design and possible suggestions to overcome those challenges.

Lack of rigour: According to Yin (2017), the most common concern in case study research is that researchers fail to follow a scientific procedure in conducting the research. They may display negligent behaviour or allow ambiguous evidence to impact the direction of findings and conclusions (Stake, 1995; Yin, 2017). Researchers in case studies are expected to avoid such actions. The critical point in conducting case study research is the importance of thorough preparation and planning, merged with the development of an organized implementation structure (Stake, 2006; Merriam & Tisdell, 2009; Yin, 2014; Harrison et al., 2017). Aligning the philosophy and methodology with the research purpose and methods employed underpins a rigorous research process (Surmiak, 2018). In alignment, clarity is crucial to ensure research reliability and depends on the design developed. In the research process, researchers are encouraged to “logically justify their philosophical position, research design and include a coherent argument for the inclusion of varying research methods”(Luck et al., 2006:107).

Lack of generalization: The most common criticism of case study research is that the findings are not generalizable. However, various authors and researchers try to explain the issue of generalization in case study research. For instance, Yin (2014) contended that analytic generalization is the appropriate method for generating theory from the case study. He meant that a previously developed theory is used as a template to compare the case study's empirical results.

If two or more cases are shown to support the same theory, replication may be claimed' (Yin, 2014:31). Furthermore, Stake (2006) highlighted that, in doing case study research, the goal of the researcher will be to expand and generalize theories (analytical generalization) and not to extrapolate probabilities (statistical inferences).

Additionally, Stake elaborated on naturalistic generalization. Case study research can contribute to the resources available for natural generalization by providing a vicarious experience. Lincoln and Guba (1990) explained natural, and transferability generalization as the readers of case study research must determine whether the findings apply to cases other than those the researchers select to study. However, researchers are responsible for describing the case(s) reviewed so that it is sufficiently 'thick' to allow users to assess the degree of similarity between the case(s) investigated and those to which the findings are to be applied (Guba & Lincoln, 1989: 241). Ticehurst and Veal (2000:23-24) defined validity as "the extent to which the data collected truly reflect the phenomenon being studied." Reliability is "the extent to which research findings would be the same if the research were to be repeated at a later date, or with a different sample of subjects". Generalisability (which is part of validity) is "the probability that the results of the research findings apply to other subjects, other groups, and other conditions". The criteria for validity and reliability also apply to qualitative research, including case study research (Yin, 2003). In this study, the framework includes constructing internal and external validity and reliability. However, Guba and Lincoln (1988) highlighted different terms for determining qualitative research credibility (for internal validity), transferability (for external validity), dependability (for reliability), and confirmability. To ensure the transferability of qualitative case study research, researchers must apply purposive sampling and replication logic in multiple case studies seeking analytical generalization. Additionally, in data analysis, researchers must compare evidence with the existing literature to reveal commonalities and conflict areas, and then promote generalization across cases (Yin, 2003; Chimhundu, 2018).

3.3.4.5. Justification for the use of the case study strategy

A case study will be more relevant if more researcher's questions investigate and explain some current circumstances (e.g., 'how' and 'why' some social phenomenon works) (Yin, 2017). This study aimed to develop a social performance measurement framework for small and medium social enterprises (SMSEs). A case study approach is appropriate for this study for several reasons.

Firstly, it helps develop a framework with in-depth and rich descriptions, explorations, and an understanding of the PM tools currently used by SMSEs. To review this process intensely, three research questions using ‘how’ and ‘what’ were proposed. Secondly, a case study can tackle ‘how’ and ‘what’ questions (Yin, 2013). These questions helped the researcher provide a descriptive and exploratory interpretation of the phenomena through social interactions, experiences, and the actions of SMSEs and how they gave meaning to social PMs. To this extent, it required the researcher to pay attention to the situations in which these elements occurred. Furthermore, a case study allowed the researcher to obtain deep and detailed qualitative data by getting closer to the phenomenon.

From the interpretivism perspective, various methodologies exist to study human experiences of phenomena. The case study approach seems appropriate to guide and create techniques and procedures for the research. The case study approach is relevant because the study of social PM in SMSEs in KZN is a contemporary phenomenon which cannot be separated from its context. The case study approach is considered an ideal approach when the researcher desires to understand holistically “a contemporary phenomenon (e.g., a 'case'), set within its real-world context – especially when the boundaries between phenomenon and context are not evident” (Yin, 2009:18). In a case study, the context and phenomenon are inseparable. The context provides an intermediary to understand the case or the contemporary phenomenon profoundly and better (Yin, 2009). The aim of investigating these interrelated elements in their natural setting produces a deep understanding and appreciation of the cases.

3.3.5. Research choice

The research choice is the research structure and the glue that holds all the research study elements together. An organized study stems from systematically investigating a subject to discover facts and establish or revise a theory. Developing a plan of action based on the facts found is what a research design seeks to achieve. Research can be conducted using a qualitative, quantitative, or mixed design.

Quantitative research studies the relationship between variables, which are collected numerically and analysed by a variety of statistical techniques. Quantitative research is associated with numerical data collection and follows a positivism philosophy. Methodologically, quantitative research uses probability sampling techniques to maintain generalizability of the findings.

Quantitative research chooses experimental and survey research strategies. Quantitative research is deductive and based on hypotheses/questions of existing knowledge and theory (Creswell & Creswell, 2017b). The number of participants in quantitative analysis is significant (Alase, 2017; Creswell & Creswell, 2017b). Researchers are independent of the research instruments. Quantitative researchers test theories using rigorous methods.

Qualitative research studies participants' meanings and the relationships between them. It applies various data collection methods and analytical procedures to develop a conceptual framework. Methodologically, qualitative research uses non-standardized data collection so that questions and procedures may modify, change and emerge during the research process. It is likely to implement non-probability sampling techniques. Researchers are dependent on the research instruments in order to gain physical access to participants and build relationship with the participants to obtain access to their data. Qualitative research can choose a variety of research strategies, such as action research; the case study; ethnography; ground theory; and narrative research. Most qualitative research adopts an inductive approach, where naturalistic and emergent research design is implemented to develop a new theoretical perspective not already existing in the literature. However, some qualitative research may use a deductive approach to test existing theories. Qualitative research is associated with an interpretive research philosophy.

A multiple method research design uses a variety of research methodologies in collecting and analysing data. There are two forms of multiple method research namely: multiple method and mixed method. In multiple method design more than one data collection method is used and data are analysed with different procedures, but this is restricted to either a quantitative or a qualitative design. There is no mix of quantitative and qualitative design in multiple method research. In mixed method research, both qualitative and quantitative research are combined in the research design. Multiple method research adopts either an inductive or a deductive, or both research approaches. Multiple research method research design can follow either a critical realistic or pragmatism research philosophy.

This study aimed to develop a social performance measurement framework through an in-depth and detailed description, exploration, and understanding of performance measurement in small and medium social enterprises in Kwa-Zulu Natal. Qualitative research seeks meaning and knowledge about processes and phenomena, focusing on narratives, personal experiences, and language

(Coyle & Tickoo, 2007). The researcher chose a qualitative research design, based on the study's purpose and the nature of the research questions. The following section describes and explains the rationale for the preferred research design.

3.3.5.1. The characteristics of qualitative research

Qualitative research is a multi-method in focus, involving an interpretive, naturalistic approach to its subject matter (Denzin & Lincoln, 2005). Qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena by considering the meanings people bring to them (Denzin et al., 2006). Qualitative research has an investigative capacity to explore, analyse and understand problematic issues (Creswell, 2013). A qualitative researcher has a role in investigating and exploring the research subject matter's impact on the participants' lived experiences (Coyle & Tickoo, 2007; Creswell, 2013; Alase, 2017). It is a research model that occurs in a natural setting. It enables the researcher to advance a level of detail from deep engagement in the actual experiences (Creswell & Creswell, 2009; Mohajan, 2018). It explores local knowledge and understanding of a given programme; people's encounters; implications and relationships; social processes; and relevant components that marginalize a group of people (Mohajan, 2018). It is exploratory and pursues an understanding of why certain social phenomena or programmes function in a particular context. Qualitative research is a social action method that expresses how people interpret and make sense of their experiences to understand individual social realities (Mohajan, 2018). Based on the aim and objectives of the study qualitative research is appropriate for this study.

Interpretivism aims to interpret and understand complex social phenomena by developing theories or patterns. It investigates the meanings ascribed to individuals' experiences, which bonds interpretivism to qualitative research (Heiska et al., 2017). Qualitative research provides a detailed understanding of human behaviour, attitudes, emotions, and experiences. Furthermore, qualitative research aims to discover significance, not in numbers, but rather in themes that arise from descriptions of ordinary human experiences. Thus, qualitative researchers collect textual data where participants engage with the study's problem or phenomena. Interviews; observations; focus groups; documentary analysis; and case studies are the most common qualitative research techniques (Coyle & Tickoo, 2007).

Quantitative research is deductive and based on hypotheses/questions of existing knowledge and theory (Creswell & Creswell, 2017b). The number of participants in a quantitative analysis is significant (Alase, 2017; Creswell & Creswell, 2017b). Researchers are independent of the research instruments. Quantitative researchers test theories using rigorous methods. In contrast, qualitative research is inductive (constructing patterns, categories, and themes from the bottom). It uses flexible methods (Creswell & Poth, 2016). Qualitative researchers develop theories and are considered research instruments. The qualitative analysis focuses on a small number of participants (e.g., 5-30) selected purposefully (Coyle & Tickoo, 2007). Determining the participants in qualitative research is problematic since various scholars have conceived it in their way. (Tracy, 2020). Qualitative research begins with questions such as ‘how,’ ‘what,’ ‘who,’ and ‘why’. The type of questions can be descriptive: ‘what happened?’; interpretative, ‘what is the meaning?’ and theoretical, ‘why this happens?’ (Coyle & Tickoo, 2007:35).

As previously discussed, the interpretivism paradigm assumes a relativist ontology (multiple meanings of phenomena and subjective approach to reality); a subjectivist epistemology (socially constructed knowledge); and participant observation (typically inductive, in-depth investigation) methodology. The following sections discuss the implications of ontology, epistemology, and methodological approaches within qualitative research.

3.3.5.2. Ontological assumption of qualitative research

According to Willis (1995), interpretivists are anti-foundationalists who believe there is no single correct route or particular method to gain knowledge. Qualitative research follows multiple open values (Xuehong, 2002; Creswell & Poth, 2016). It highlights the uniqueness, the creation of reality, and shared meanings by the researchers, the research participants, and the reader. The researcher is responsible for actively reporting multiple realities (Creswell & Creswell, 2009). The researcher seeks meaning and understanding of real phenomena using narratives, personal experience, and research participants. Researchers must use persuasive writing so that readers experience ‘being there’ (Creswell, 2013). The study represents research participants' realities through their voices, and interpretations through “extensive quotes” (Creswell & Poth, 2016:76) from the data.

According to Creswell & Poth (2016), researchers must frame the study in order to evolve the design and present realities as an instrument of data collection, and with a focus on participants' views. The participants' realities helped clarify the researcher's realities, which enabled the

researcher to understand the phenomenon being studied. The researcher's understanding of the context of small and medium social enterprises assisted in interpreting the data, gaining more knowledge/insight into the participants' worlds, and modifying the reality of the phenomena under study. The qualitative inquiry follows an inductive process "where concrete, context-specific evidence are collected, then patterns and commonalities are identified to build abstract ideas and the theories" (Hong & Cross Francis, 2020, p. 2).

3.3.5.3. Epistemological assumptions of qualitative research

Epistemology is a mechanism for understanding and explaining how we know what we know. The interpretive paradigm's epistemological assumptions necessitate qualitative research to acknowledge that knowledge is not separated from human beings; instead, it incorporates the social context in which knowledge is co-created (Gaus, 2017). The researcher and the research participants are assumed to be interactively related in obtaining the research findings (Guba & Lincoln, 1994). The subjectivist epistemology assumption means that researchers create meanings from data through insightful processing of data, informed through their relationships with the study participants. Xuehong (2002) stated that qualitative research highlights that a researcher is a tool of investigation. The researchers participate in the research process (Creswell & Poth, 2016). Through an extensive and in-depth relationship with the subject, the researcher gains the participants' understanding and support in the research. The researcher is strongly committed to understanding the social phenomena from the research participant's point of view (Xuehong, 2002).

In this study, given the researcher's limited understanding of the study phenomenon, the researcher initiated in-depth contact with the research participants to understand and learn their views and attitudes on the research issues. Qualitative research aims to understand a specific case with in-depth exploratory studies to find quality responses throughout the study (Creswell & Poth, 2016). Hence, a qualitative research approach was appropriate for this study. It allowed for exploring the phenomena and produced an understanding of the research issues, as well as explanations with little information. Peer reviewer and member checks minimized bias due to the close interaction of the researcher and research participants.

3.3.5.4. The methodological approach in qualitative research

Qualitative research incorporates a range of methods and practices with some common characteristics. Qualitative research is inductive and develops theories (Coyle & Tickoo, 2007; Mohajan, 2018). Qualitative research methods are flexible, and analysis is not dependent on statistical procedures (Antwi & Hamza, 2015; Creswell & Poth, 2016). Qualitative research considers the researcher as a research instrument (Anderson, 2017).

Qualitative research includes various methods, namely case studies; ethnography; phenomenology; action research; and ground theory (Mohajan, 2018). The case study method emerged as the most appropriate method. It aligned with the study's purpose of developing a social performance measurement framework for small and medium social enterprises in KwaZulu-Natal. The case study approach provided in-depth and rich descriptions, explorations, and understandings of social performance measurement of small and medium social enterprises.

3.3.6. Time horizon

The time horizon is the time needed to conduct the research and respond to the research questions. There are two-time horizons in which research is undertaken, namely: cross-sectional and longitudinal. Cross-sectional studies study a particular phenomenon at a particular time. Longitudinal studies are studies over a long period of time, studying change and development. This study is cross-sectional. Data were collected from founders, managers, or directors of the SMSEs at one point in time, rather than over a long period.

3.3.7. Research process, techniques, and procedures

This chapter outlines the description of, and justification for, this study's research design. This section outlines the research process, including the techniques and procedures applied.

3.3.7.1. Description of participants

In South Africa (SA), the development and crucial role of SMSEs within the economy are recognized (Littlewood & Holt, 2015; Mamabolo & Myres, 2019). Social enterprises in SA focus on satisfying the basic needs in the education, health, and housing sectors and are local community-based entities chronologically (GIBS, 2018). Most SEs develop skills or endorsements in education and literacy (GIBS, 2018). Furthermore, ILO study highlighted that social and solidarity organizations including social enterprises are developmental in their approach working across sector that range from education to healthcare (ILO, 2021). The majority (55%) of ILO study

participant responded that their organization focus on delivering community services in the education of skill and training sector in SA. However, there is no data or information specifically about SMSEs delivering community services in the skills and training sectors in SA, specifically in KZN. Therefore, it was impossible to determine the industry's size. The researchers purposively focused on SMSEs identified and registered for the Local Economic Development's (LED) programme for UKZN by the eThekweni Municipality's LED department. Purposive sampling allowed the researcher to choose cases that exemplified the features or procedures the research is concerned about (Chimhundu, 2018). This type of sampling suits a qualitative case study because it allows the researchers to pursue categories where "the process being studied is most likely to occur" (Denzin & Lincoln, 1998:202). Selecting cases purposively makes the research "a piece of information- a rich case study to explore" specified research issues (Saunders et al., 2009:142). The number of cases in multiple case studies varies in the literature. It ranges from ideas that only provide criteria without signifying a specific number (Lincoln & Guba, 1985; Patton, 1990) to those that suggest the approximate number of cases (Miles & Huberman, 1994; Yin, 2003). Based on those authors, the recommended case range falls between two and four cases as the minimum, and ten to fifteen cases as the maximum (Perry, 1998). Furthermore, according to (Perry, 1998:19), "the rigorously analytical method of case study research [is] usually based on many interviews within four to fourteen cases", following the interview protocol. Additionally, Eisenhardt (1989:545) highlighted that, "with fewer than four cases, it is often difficult to generate theory with much complexity, and its empirical ground is likely to be unconvincing." Initially, 54 SMSEs that undertook the Champion Programme of the LED of UKZN from 2015 to 2019 were approached. Factors such as nature and scope of the study (Morse, 2015), purpose and research question of the study (Mason, 2010; Patton, 2015), methodology chosen and type of data collected (Creswell, 2016), and data saturation (Guest, 2006; Guest, 2020; Hennik & Kaiser, 2022) determine the sampling plan and size. Based on the recommended range and the inclusion and exclusion criteria set for this study (Chapter 1) and purpose of the study, out of 54 SMSEs, 10 were selected. It is crucial to choose people or sites that help understand the central phenomenon (Creswell, 2013). A small sample size in qualitative research allows the researcher to be focused on the in-depth understanding in a particular social and cultural context (Subedi, 2021:6). Following this, the founders/managers/executive directors of selected SMSES were invited by email to participate in the study, beginning in August 2019. Ten SMSEs were contacted and agreed

to participate in follow-up emails and by phone. The number of participant (the size and composition of the sample) in qualitative research depends on the problem under study (Patton, 2015; Subedi, 2021). In qualitative study, the researcher needs, and judgment play a major role in constituting how many samples are required and who can participate as a sample in particular study (Creswell, 2016; Patton, 2015; Subedi, 2021). Therefore, Stakeholders are not included in the study as a sample because the researcher beliefs relevant information needs, their involvement and influence of the stakeholders was briefly elaborated by the SMSEs. The sample was homogenous in terms of the enterprises' scale and the way of performing the measurement. Creswell (2013:155) stated: "it is essential that all participants have [similar lived] experience of the phenomenon being studied". However, the selected SMSEs perform various community services and have different legal forms of registration, based on South African business registration. Prior thematic saturation and the inductive thematic saturation point was reached after seven SMSEs.

Saturation refers to "the point in data collection when no additional issues or insights are identified and data begin to repeat so that further data collection is redundant, significantly that an adequate sample size is obtained" (Hennink & Kaiser, 2022: 116). In qualitative research, saturation has become a important component that helps make data collection robust and valid. Furthermore, saturation is "the most frequently touted guarantee of qualitative rigor offered by authors to reviewers and readers" (Morse, 2015:587). Guest et al. (2006:60) refer to the saturation as "the gold standard by which purposive sample sizes are determined in health science research. Different scholars refer to saturation as a 'point' (Hennink & Kaiser, 2022), as a 'rule' (Denny 2009; Sparkes et al. 2011), or an 'edict' (Morse 1995), of qualitative research, and it features in a number of generic quality criteria for qualitative methods (Leininger 1994; Morse et al. 2002).

Following this, this study adopted a simple method to assess and report saturation in qualitative research developed by Guest et al., (2020) (see Figure 3.2). The method consists of three elements: the base size, the run length, and the relative amount of incoming new information, or the new information threshold (Guest et al., 2020). This method can be applied to either a prior thematic saturation (where it relates to the degree to which identified codes or themes are exemplified in the data in sampling or inductive thematic saturation (where it relates to the emergence of new codes or themes in the data analysis) (Saunders et al., 2018). The base size refers to how the research define the body of information already identified in the dataset to consequently use as a

denominator (Guest et al., 2020). Base size defines the minimum number of data collection event (interviews) researchers should review/analyse to calculate the amount of information already obtained (Guest et al., 2020). The base sizes used as a denominator in the saturation ratio. The run length is the number of interviews within which the researcher looks for and calculate new information (Guest et.al., 2020). The number of new themes found in the run defines the numerator in the saturation ratio. According to Guest et al., (2020) new information threshold is a point where we accept as a new information is obtained. It is subjective decision for the researcher in determining whether the collected information is new or similar to the existing information.

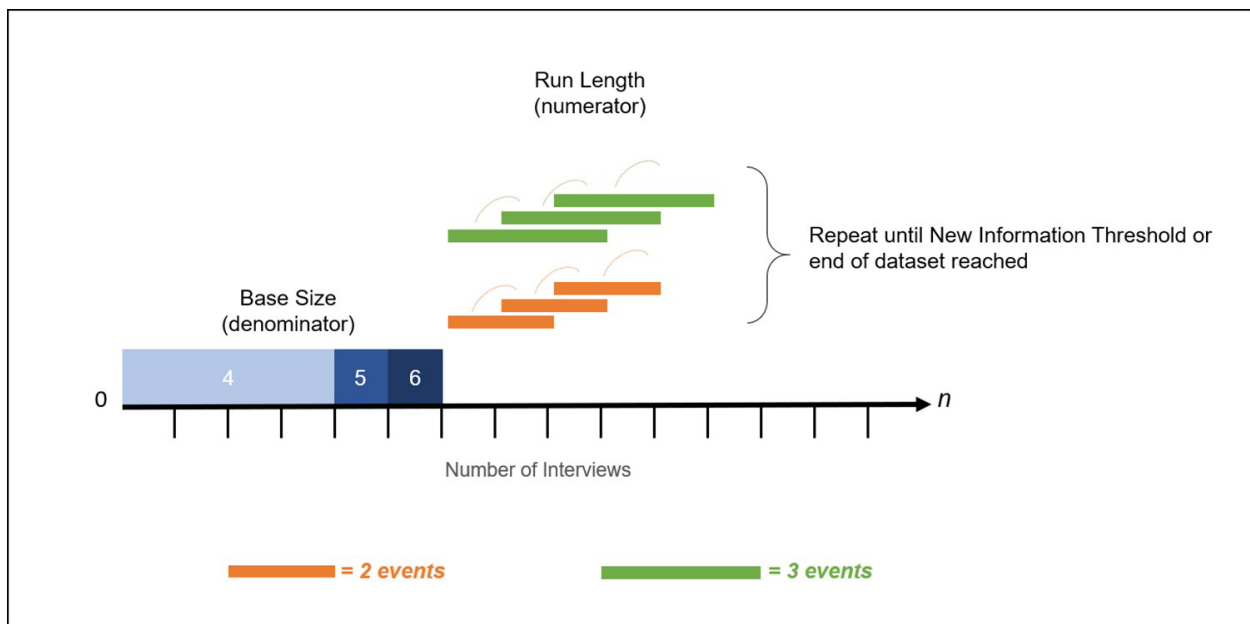


Figure 3.2: Summary of process, base line and run length options (Guest et al., 2020)

Previous studies in qualitative research (Morgan, 2002; Guest et al., 2006; Guest et al., 2017) indicated that in qualitative dataset, new information is generated early and generally follows an asymptotic curve, with a relatively sharp decline in new information occurring after just a small number of data collection/analysis events (Guest et al., 2020:1899). Depending on this reason, this study chosen to test 2, 3 and 4 interviews as base sizes from which to calculate the total number of unique themes to be used in the denominator of the saturation ratio. Based on the conclusion of Guest et al., (2020) the unit of analysis for base size is the data collection event; the items of analysis are unique codes representing themes.

Base line	2 data collection events	3 data collection events	4 data collection events
Run length	2 data collection events	3 data collection events	N data collection events
New information threshold	< n% new information	< 5% new information	No new information

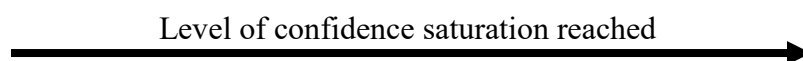


Figure 3.3: Saturation assessment parameters and level of confidence saturation reached.

Figure 3.3 indicate the base line, run length and new information threshold parameters used to obtain the saturation ration with the level of confidence saturation reached being < 5% of new information. The steps used to calculate the saturation ration is explained in the next section.

Interview number	2	3	4
New themes per interview	28	8	4
Number of base themes			40

Step 1: Find the number of unique themes for the base: Start by looking at the firs three interviews conducted and summing the number of unique themes identified within this group. The resulting sum, 40, is the denominator in our equation.

Interview number	4	5
New themes per interview	4	2
New themes in run		6

STEP 2—Find the number of unique themes for the first run. The study is using a run length of two, so include data for the next two interviews after the base set—i.e., interviews 4 and 5. After reviewing those interviews, the study identified four new themes in interview 4 and three new themes in interview 5. The number of new themes in this first run is six.

Step 3: Calculate the saturation ratio

$$\text{Saturation ratio} = \frac{\text{the number of new themes in run}}{\text{number of base themes}}$$

$$= 6/40$$

= 15%

The quotation indicates 15% new information, which is not < 5%, thus the process will continue.

STEP 4 –Find the number of new unique themes for the next run in the series. For the next run the study add the new themes for the next two interviews, 5 and 6 (note the overlap of interview 5), resulting in a sum of three.

Interview number	5	6
New themes per interview	2	1
New themes in run		3

STEP 5—Update saturation ratio. the number of new themes in the latest run (three) and divide by the number of themes in the base set (40). This renders a quotient of 7%, still not below our <5% threshold. The process will continue to the next run.

STEP 6 –Find the number of new unique themes for the next run in the series. For this third run add the number of new themes identified within interviews 6 and 7.

Interview number	6	7
New themes per interview	1	0
New themes in run		1

STEP 7—Update saturation ratio. the number of new themes in the latest run (one) divided by the number of themes in the base set (40) equals.

Updated Saturation ratio = 1/40

= 3%. At this point the proportion of new information added by the last run is below <5% threshold was established, so the data collection stop here after the 7th interview is conducted and the amount of new information is minimizing to the level where it can be concluded as saturation has been reached.

3.3.7.2. Research question and the process of inquiry

The research method must be suitable to answer the research questions (Chimhundu, 2018). Case study research methodology can tackle ‘how’ and ‘why’ research questions (Creswell & Creswell,

2017b; Yin, 2017). This study aims to develop a social performance measurement framework for SMSEs in KZN. The study's primary aim can be specified as follows:

- to investigate the funding model of small and medium social enterprises (SMSEs);
- to explain the business operations of small and medium social enterprises (SMSEs);
- to analyze the SMSEs' relevant stakeholders and their information needs;
- to explore the performance measurement framework used by different enterprises; and
- to develop a social performance measurement framework for SMSEs.

The research question is an engine that drives the inquiry train (Bassey, 1999). The design of research questions should that set an immediate response to the research problems. It enables data to be collected (Bassey, 1999; Creswell & Poth, 2016). The design of this study's research question uses 'how', 'what', and 'why' to respond to the study's aim. Appendix 1 shows the initial research questions for SMSEs. The researcher included various unplanned questions to clarify and elaborate on the study issues as the interview progressed. Case study research questions guide investigation of the study's problem (Creswell & Creswell, 2009), rather than using a standardized list posed to all interviewees (Yin, 2009).

Following the curfew of the Covid 19 regulations in SA, individual interviews took place via virtual meetings using the Zoom Meeting application. Participants provided the time and date they would be available for an online video interview. The researcher set the zoom meeting accordingly. The researcher undertook virtual meetings to observe their body language. They were conducted between October 2020 and February 2021. Additionally, the researcher requested participants' secondary documents to obtain more data. The following section explains the data collection procedures.

3.3.7.3. Data collection

Case study research has no unique data collection or analysis methods as a method of inquiry (Bassey, 1999). However, various research in the literature suggests using multiple strategies. In-depth interviews; observation; focus groups; archival records; and documents are the standard data collection methods for qualitative case study research (Yin, 2003; Stake, 2006; Creswell & Poth, 2016; Yin, 2017). Selecting an appropriate data collection method depends on the issue or phenomenon the researcher wants to investigate. The researcher chose in-depth interviews and

documentation because of their combined capability to fully understand this study's evidence requirements. Therefore, multiple-case research combined various data collection methods (Eisenhardt, 1989). The researcher triangulated the methods (Yin, 2003; Yin, 2013) to achieve a more reliable and better understanding of the 'what's, how's, and why's' of social performance measurement of SMSEs in KZN in.

The in-depth interviews for this study enables the researcher to gather "a rich set of data" (Saunders et al., 2009:215) on the social PM of SMSEs in KZN. The interview created an opportunity to fully understand the stakeholders' involvement and information requests regarding PM and the reasons for the decisions taken (Saunders et al., 2009) by the SMSEs managers/founders/executive directors, and the enterprise reactions to PM and its impact on their business. Thus there was no need of including stakeholders as participant of the study since all the information required about the stakeholders involvement and their information needs obtained through the in-depth interview with SMSEs participant was good enough to respond to the research question. Furthermore, the interview method allowed flexible and responsive interaction between the interviewer and interviewees. It enabled more probing questions to be posed to the participants, meaning probed, and looked at items from a different perspective (Chimhundu, 2018). The semi-structured, in-depth interviews accommodated the theory.

Participants provided documentation as secondary data for and the in-depth interviews. It helped to avoid the everyday challenges of "bias, poor recall, and poor or inaccurate articulation" that researchers experience with the interview data collection method (Yin, 2003:92). Triangulating interview data with other sources is essential, enabling reliability and external validity in qualitative case research (Yin, 2017). The researcher did not use a reference frame to ask questions and interpret them to avoid interview bias (Stake, 2006). As Yin (2013) suggested, the researcher implemented probing techniques such as primary probes; explanatory probes; focused probes; and silent probes as necessary. In addition, the researcher offered ideas/suggestions, mirrors/reflections, and definition explanations to the interview participants to avoid vague understanding.

Before entering the field, the researcher organized the case study by telephoning briefly to explain the research and establish the right contact. The participants of the study signed a consent form. A follow-up set the times and dates of the interview. A better understanding of preparation for,

opening, and conducting interviews, was based on a literature checklist for collecting primary data (Saunders et al., 2009).

The interviews varied in length for each participant. The longest took an hour and fifteen minutes; most lasted fifty to fifty-five minutes. Furthermore, the interviews were recorded with permission from the participants. Recording interview is quite common (Chimhundu, 2018) in qualitative case study research. The researcher used the recording to collect more detailed research interview data and provide relevant, accurate quotations for this study. The researcher compiled the interview record immediately after each interview (Saunders et al., 2009; Chimhundu, 2018). If the researcher fails to perform this, “the exact nature of explanations provided may be lost and general points of value” (Saunders et al., 2009:224). Transcribing the record into notes helps the researcher consider relevant points in the following interview. Furthermore, it allows the researcher to reflect and analyse data collection continually.

As the data collection technique for the interview, the study used an interview protocol/checklist. The list of points for discussion in the checklist was based on the specific research issues and subsequent data needs (Adhabi & Anozie, 2017). The interview protocol included topics for discussion, rather than a set of questions. In this study, the interview protocol acted as a guide. All interview items were appropriate for the founders, managers, or/or executive directors of the SMSEs, so developing multiple interview protocols was not necessary.

3.3.7.4. Data analysis

NVivo software was used to analyse the data. Initially, the research questions were imported to NVivo for easy reference. Summaries were written after careful reading of each transcript. A research journal was created to write up the key issues from the interviews. Responses from the interviews were coded from the research journal and were related to the study research questions. The qualitative data was analysed through thematic analysis method. Thematic analysis is a method for systematically determining, organizing, and presenting insight into patterns of meaning (themes) across a data set (Braun & Clarke, 2012). Thematic analysis permits the researcher to see and make sense of collective or shared meanings and experience among the participants of the research (Swain, 2018). Thematic analysis method focuses on identifying what is shared and mutual to the topic being discussed and making sense of those mutual understandings (Swain, 2018). In this study the thematic analysis allows the researcher to draw a patterns of meaning that are important in relation to the social performance

measurement of SMSEs and the research question being explored. The analysis produces the answer to the research questions. The use of thematic analysis in this study creates a flexibility. The inductive approach to data coding and analysis allows a bottom-up approach and is determined by what is in the collected data (Braun & Clarke, 2012). The study choose an inductive approach that codes and themes originates from the content of the data themselves, in turn what is mapped by the researcher in time of analysing the data closely relates to the content of the data. The qualitative data was analysed by revealing themes using numerous coding procedures to extract relevant meanings and themes from the abundant text. The researcher started with open coding to determine major categories that guided further exploration. The advantage of qualitative data is that it allowed the researchers to explore themes, patterns, and interrelationships within the data and understand the phenomenon of performance measurement.

3.4. Reliability and validity

The literature indicates that terms such as credibility; applicability or transferability; trustworthiness; neutrality or confirmability; and consistency or dependability, are used to indicate validity and reliability in qualitative research (Guba & Lincoln, 1994; Bashir et al., 2008).

Scholars have suggested different strategies for ensuring the reliability of qualitative research. For instance, Guba and Lincoln (1981) stressed methodological strategies such as audit trails; member checks when coding; categorizing or confirming results with participants; peer debriefing; negative case analysis; structural corroboration; and referential material adequacy, adding prolonged engagement and persistent observation as strategies to achieve qualitative rigour. Additionally, investigators must be responsive and adaptable to changing circumstances; be all-inclusive; and have professional closeness, sensitivity and the ability to clarify and summarise.

In qualitative research, validity concerns description and explanation, and whether or not the given explanation fits a given description. The validity of a study can be ensured through continual refinement of the sampling and data collection techniques throughout the data collection process.

Scholars generally apply various verification strategies that ensure both reliability and validity of qualitative research (Morse et al., 2002). These include methodological consistency; sampling consistency; sampling adequacy; evolving a dynamic relationship between sampling, data collection and analysis; theoretical thinking; and theory development.

This study achieved validity through a comprehensive literature review on social enterprise and performance measurement, focusing mainly on the definition; characteristics; issues; rationale; and domain of existing performance measurement. After completing the literature review, an interview guide was developed. The items in the interview guide were subjected to item judgment by experts. The experts consulted were the researcher's supervisor at the University of KwaZulu-Natal and lecturers and scholars in the African Network of Social Entrepreneurship Scholars (ANSES). A panel of experts or fellow researchers can evaluate the clarity and purpose of a research instrument, thereby ensuring its validity (Creswell, 2013).

Applying multiple methods, such as observation, interviews and recordings, will lead to more valid and reliable, and a varied construction of, reality (Golafshani, 2003; Bashir et al., 2008). Patton (2002:205) recommended triangulation, stating, "Triangulation strengthens a study by combining methods". This study used triangulation in the data collection and analysis to ensure reliability.

3.5. Ethical considerations

According to Saunders et al. (2009:105), ethics in research refers to "the appropriateness of the researcher's behaviour concerning the rights of people (and organizations) who become the subject of the researcher's work or are affected by the research in one way or another". It is essential to follow research ethics because unethical behaviour can affect participants, researchers, and research findings (Patton, 1990). In a qualitative research study, it is crucial to consider and apply the rights and privacy of research participants (Alase, 2017). The researcher is expected to ensure voluntary participation and no risk to the participants.

This study addressed ethics in the design and initial access stage; the data collection stage; and the data analysis and reporting stages. In general, the critical ethical issues included:

A) ensuring voluntary participation and informed consent. According to Arifin (2018), the process of gaining consent includes: consent should be given freely (voluntarily), participant subjects should have an understanding of what is being asked of them, and involved person must be knowledgeable to consent. The research participants were adequately informed about the research, understand the information and given option to decide whether to participate or decline. The participant agreement by signing the informed consent to participation in this study was obtained only after a detailed explanation of the research process.

- B) an honest explanation of why it was necessary to conduct the research and the benefits participants would obtain. Literature indicates that participant should be given full explanation about the research purpose and the methodology to be followed. Furthermore, they should be aware of the rights to withdraw from the research any time (Ketefian, 2015; Arifin, 2018). Similarly in this study, participants were given detail explanation as to why it was crucial to conduct the research, the purpose of the study and data collection process. They were provided with an appropriate time (12 hours up to ten days) to read the information consent form, raise questions and speak to any concerns and make a decision whether to participate or not. It was honestly explained that as their participation is voluntary, they have the right to refuse to participate or withdraw from study while the study is in progress.
- C) Data protection. Data were stored in password protected devices. The data storage on the university computer, personal computer or laptop, external hard disc and memory sticks were protected by applying password that were only held by researcher. Hard copies or written materials of the data such as interview transcript were kept in a secured cabinet to guarantee to legal requirements and ethical guidelines. Electronic and written data for this study will be stored for five years based on the ethical regulation of the university. However, the interview recordings will be disposed once they are no longer needed.
- D) an explanation of the use of the collected data. An explanation was clearly given to potential participants about the use of the collected data only for the purpose of the study. Data protection is
- E) respecting research participants' rights to privacy and ensuring the anonymity of the participants. In qualitative research the anonymity and confidentiality of the participants is main part of ethical requirements (Ketefian, 2015; Arifin, 2018). For this study, the anonymity and confidentiality of the participants was conserved by not mentioning their names and identity in the data collection, analysis and reporting of the study findings. Privacy and confidentiality of the interview environment were managed carefully during Zoom meetings for interview session, data analysis and dissemination of the findings.
- F) maintaining objectivity in data collection, analysis, and presenting the results. The data collected for this study is mainly from the study participant themselves. The researcher make sure in avoiding personal subjectivity during data collection, analysis and presenting the result

G) considering linguistic barriers. To avoid time limitations of the research it is crucial for researchers to be fully aware of the challenges in their research and plan for preventive mechanisms. Since the beginning of this study, the researcher is aware of there will be a mother tongue language barrier between the researcher and participants, as the participants are from South Africa and the researcher is an Ethiopian. Given the fact that English is the formal language in South Africa, the researcher assumed that most of the SMSEs founders or directors were able to converse and express their ideas using English language. The researcher includes the ability to understand English as inclusion criteria for selection of the participants.

The University of KwaZulu-Natal's (UKZN) code of ethics for conducting research was used by the researcher to compile an application for ethical approval. The College of Humanities Ethical Committee granted the ethics approval for this research.

3.6. Conclusion

This chapter discussed the research design and methodology used to answer the research questions. In order to respond to the research problem, the researcher selected and justified the interpretive paradigm. The researcher provided a detailed explanation of qualitative research and the case study method. Furthermore, this chapter presented the justification for selecting a case study methodology, with the criticisms of various authors. The strengths of qualitative research include descriptions of rich, detailed information about the phenomenon from the participants' lived experiences. With this in mind, the researcher has explained in-depth interviews as the data collection method and triangulation of data to overcome the limitations of using the in-depth interview. This chapter also discussed the data analysis and ethical considerations for this research.

The next chapter discusses the results of the interviews with the founders/managers/executive directors of SMSEs about social performance measurement.

CHAPTER FOUR: RESULTS

4.1. Introduction

The previous chapter explained the methodology used for this study. The research approach, research paradigm, and philosophy were also explained. Furthermore, the previous chapter framed the mechanism to collect and analyse the data. This chapter presents the results that were gathered for this study. As briefly explained in the previous chapter, the study used open-ended interviews in which participants were permitted to provide detailed information about each question. Participants were also permitted to express their perceptions and any information they thought was relevant to the study. The study implemented thematic data analysis. Thematic data analysis involved reading the transcripts to identify the common emerging themes (nodes) and sub-themes (child nodes). The study research questions guided the entire process. In the writing process, further refinements included the merging of some of the themes or sub-themes which were ideas under separate themes or sub-themes, but were similar or closely related. This was important to avoid unnecessary repetitions. Direct participant quotations were used to give voice to the participant's responses. Tables and graphs were also used to present the data.

The following research objectives underpinned the study:

- to investigate the funding model of small and medium social enterprises (SMSEs);
- to explain the business operations of small and medium social enterprises (SMSEs);
- to analyze the SMSEs' relevant stakeholders and their information needs;
- to explore the performance measurement framework used by different enterprises; and
- to develop a social performance measurement framework for SMSEs.

The chapter has seven sections. Section 4.2 presents further background details of the participant social enterprises, including the firmographics and demographic details of interview participants and the enterprises' main activities and objectives. A table summarizing the participating social enterprises' location; year of creation; vision; mission; number of staff; and number of members is provided. Additionally, a table summarizing the enterprises' objectives and main activities is presented. Since the study aims to develop a social performance measurement framework for small

and medium social enterprises, the study objectives focused on the funding model and business operation of SMSEs; stakeholders identification and involvement; and performance measurement metrics of SMSEs.

Section 4.3. discusses the funding model of small and medium social enterprises. The primary and initial sources of funding and revenue generation activities of the participating social enterprises are further explained. Self-funding; personal savings; family support; and members' contributions are identified as the initial sources of funding. The profit-making organizations created and administrated by the owners of the social enterprises are identified as the primary source of funding in sustaining the social enterprises.

Section 4.4 highlights the business operation of the participating social enterprises. Their perceptions of the business development phases; the current priorities of SMSEs; and the resource allocation necessary for further business development are reported. Tables provide the business development phases and the business priorities.

Section 4.5 presents the participant social enterprises' stakeholders involved in their operations. Identified categories of stakeholders; the level of stakeholders' involvement; communication with stakeholders; and the nature of information shared with stakeholders are reported in this section. Tables show the categories of stakeholders; stakeholders' contributions and influences; and information on the enterprises' operations.

Section 4.6 presents the responses of participating social enterprises regarding performance measurement, including the rationale; starting point; frequency; perceived benefits of performance measurements, and factors affecting performance measurements; as well as the performance measurement tools or indicators perceived as essential for small and medium social enterprises, and shifts experienced in performance measurements. Results for these responses are presented in the form of a table. The chapter is summarised in the conclusion in Section 4.7.

The next section provides the background of participant social enterprises.

4.2. Background of participant social enterprises

This section presents the firmographics of participating social enterprises; the demographic details of interviewees; the enterprise objectives; and their main activities.

4.2.1. Firmographics

The firmographic details of the participant enterprises, including their respective locations; year of establishment; vision and mission statements; number of staff; and affiliated members, are presented in Table 4.1.

Table 4.1: Participant enterprise firmographics

Enterprise	Location	Year of creation	Vision	Mission	Number of Staff		No of members
					Overall	Full-time	
Social Enterprise 1	Umlazi Durban (KZN)	2019	To expand to other provinces and continue activities performed in KZN.	Equipping people with better planting practices and cultivating environment-friendly and self-creating businesses and better income.	-	-	2
Social Enterprise 2	Umzimkhulu (KZN)	2017	To see young people realizing their dream, be drug and substance abuse free, and have a bright future.	To assist young children coming from rural, disadvantaged backgrounds by empowering them with education.	4	-	-
Social Enterprise 3	Based in Pinetown (KZN), with 10 offices in other provinces	2014	The enterprise does not have a specific vision; it makes the client's vision its own until the client's project is completed.	To help corporates in designing and implementing their vision.	60 (+ 20 Interns)	40	-
Social Enterprise 4	Newlands West and Verulam (Durban, KZN) and Mpumalanga	2016	To help the excluded, such as ex-offenders, substance abusers, people with disabilities, refugees, victims of gender-based violence, etc., sustain themselves and become independent.	To train ex-offenders and substance abusers on finding a job, returning to school, and help establish businesses to live a better life.	7	7	-
Social Enterprise 5	Primarily KZN and moved to	2019	To establish a lifestyle brand that will be able to		6	-	20

	Mpumalanga		promote and create, and facilitate the creation of jobs	To promote tourism for the area through culture.			
Social Enterprise 6	KZN	2015	To become a key business development provider for co-operative entities in the next five years	To develop co-operatives as business entities	-	-	4
Social Enterprise 7	Howick and Impindle (KZN)	2013	To own farms that can be transferred into a distance training centre and to train nationally and globally.	To produce crops, educate interns about crop production, and provide skills training on crop production for community members and students from different universities.	8	-	-

Table 4.1. shows that most enterprises are located in KwaZulu-Natal province, South Africa. However, some of them have branches in other provinces. For instance, Social Enterprise 3 has ten offices in provinces other than KZN. Most of the social enterprises are young (average age of six years), with the oldest being about nine years old (created in 2013) and the youngest about three years old (created in 2019). Most enterprises' visions and missions are focused on business development and job creation for levels of society. According to the Social Enterprise 1 interviewee, their most recent vision statement is *"to grow and expand to other provinces and insist on continuing activities performing in KZN"*. Additionally, Social Enterprise 6 interviewees stated the vision of the enterprise was: *"to become a key business development provider for co-operative entities in the next five years"*. Another participating social enterprise stated their vision as: *"to help individuals from a problematic background, such as refugees, women experiencing gender-based violence, to defend themselves economically"* (Social Enterprise 4 interview respondent).

Most enterprises prioritized non-profit missions but operated as social enterprises, focusing on social and environmental impact. For instance, the orientation of two of the enterprises was in the promotion of farming (Social Enterprise 1 and Social Enterprise 7), and two envisioned assisting vulnerable members of society, including disadvantaged youth (Social Enterprise 2), and ex-offenders and substance abusers (Social Enterprise 4). Two aimed to assist businesses by

developing co-operatives (Social Enterprise 6) or in the design and implementation of corporate vision (Social Enterprise 3). The rest aimed to promote culture through tourism (Social Enterprise 5).

The participant social enterprises' interventions mostly focused on consultancy, training, and skills transfer (Social Enterprise 1, Social enterprise 4, and Social Enterprise 7), followed by job creation (Social Enterprise 5 and Social Enterprise 6). Social Enterprise 5 interviewees stated that the profit-making enterprise had a vision *“to establish an enterprise in rural areas that creates employment and minimize resource shift from rural to urban areas. Thus, to benefit the rural communities with rural jobs. Furthermore, the enterprise envisions developing a value chain and sustaining cultural leather production. To avoid hazardous machinery production is also our vision”*.

The Social Enterprise 1 interview respondent indicated that the enterprise mainly focused on *“helping twelve subsistent farmers who receive a social grant from the government. We help by showing how to cultivate on a skill basis with much more environmentally-friendly based resources and how to hake crops and yield them to sell or home use”*. The Social Enterprise 4 interviewee indicated that the enterprise mainly engaged in *“reintegration programme that helps substance abusers and ex-offenders reintegrate back into society after leaving the rehab. As it is known, a lot of people coming out of jail or who come from drugs struggle very much to find employment and to be able to restart after this institution. So our enterprise helps these people in finding jobs and able to sustain the livelihood”*.

The number of people employed by the enterprise ranges between 60 and four staff members. Only three of the enterprises gave the size of their membership, with the largest membership being 20 people, and the smallest two members.

4.2.2 Demography of participant

The demographics of the enterprise representatives who were interviewed, regarding their age, sex, and positions are presented in Table 4.2. It shows that the average age of the interviewees was 37 years, with the oldest aged 59 years and the youngest 27 years. Most of them were males and occupied important positions as either founders or directors in their enterprises.

Table 4.2: Interviewed participant enterprise representatives

Enterprise	Age	Sex	Position in the Enterprise
Social Enterprise 1	27	Male	Founder and Director
Social Enterprise 2	30	Female	Founder and Director
Social Enterprise 3	42	Male	Managing Director
Social Enterprise 4	29	Male	Founder
Social Enterprise 5	36	Female	Deputy Chairperson and Co-founder
Social Enterprise 6	59	Male	Founder and Executive Director
Social Enterprise 7	37	Male	Founder and Manager

4.2.3 Enterprise objectives and main activities

Each participant's social enterprise's social objectives and main activities is presented in Table 4.3. It shows that the participant enterprises implement various social and business activities to achieve their social objectives of helping people, especially the disadvantaged members of communities.

Table 4.3: Enterprise Objectives and Main Activities

Enterprise	Purpose/Objectives	Main Activities
Social Enterprise 1	To equip people for better, environment-friendly practices of planting and cultivating and for self-employment and income generation	<ul style="list-style-type: none"> - Consultancy - Cultivation (on personal land) - Training and skills development for better agricultural results and development - Technology (develop hydroponic systems to sell as a subscription model to clients and any business) - Create a product that assists farmers in saving resources and being eco-friendly - Conservation of resources and development of hydroponics.
Social Enterprise 2	To assist young children with the community, government, and other stakeholders' support to build a drug-free generation	<ul style="list-style-type: none"> - Assist young kids in high school in preparing application forms for further studies, assist in the identification of courses provided by the universities and opportunities for studying certain courses - Assist kids who drop out of school due to reasons such as financial. However, they have unique skills and talents like woodwork. An electrician with a CITA credited organization uses their talent and converts it into a business where they can make money for themselves.
Social Enterprise 3	Skills development, black youth empowerment, social and enterprise development	<ul style="list-style-type: none"> -To train and place unemployed youth into a job. -To provide enterprise support to hundreds of small business entities' development annually, mainly funded by NPC cement company for the community around KZN. -To help facilitate big property developers' engagement with local stakeholders. - To train hundreds of people for a driving license to work with Uber Eat. - To provide support in tourism projects: the foundation helps tourism companies struggling due to COVID-19 by providing support and advice on overcoming the COVID-19 struggle.
Social Enterprise 4	To help substance abusers and ex-offenders reintegrate into society after leaving rehab. To help them in finding jobs and sustaining the livelihood	<ul style="list-style-type: none"> - To train substance abusers - To hire substance abusers once they leave the rehab in terms of engaging in manufacturing our products or selling items/products - To launch their business activities, follow-ups and monitor their behaviours
Social Enterprise 5	To promote rural art brands and facilitate market access	<ul style="list-style-type: none"> - To promote collaboration between artists and crafters - Facilitate markets and platforms for product placements - To assist with product development of craft products. - Promote culture through lifestyle.
Social Enterprise 6	To develop four co-operative entities (poultry, aquaculture production, hydroponic and skills	-To provide infrastructure, such as one training room for poultry, aquaculture, hydroponic, and training facilities

	development, and training) in the first year of the business incubator centre	-To provide infrastructure for member co-operatives when the training is undertaken. Take the form of an incubator.
Social Enterprise 7	<ul style="list-style-type: none"> - To produce crops and vegetables - To train and teach community members about crop and vegetable production and marketing strategies and assist the community in farming - To provide consultation on soil tests, crop production, and water conservation. 	<ul style="list-style-type: none"> - Co-ordinating agricultural activities training for students coming from universities and colleges - Facilitating a farming learnership programme - Provide training and consultation on agricultural activities - Production of crops and vegetables such as broccoli, cauliflower, cabbages, ginger, etc.

As the interview participant stated:

"We help the areas nearby big lands holding and property development and integrating people from the communities into opportunities of development and other kinds of opportunities. They had side offices in townships like North Durban, Waterloo, Blackburn, and Tongaat." (Social Enterprise 3 interview respondent).

Social Enterprise 4 interview respondent stated:

"We have a business company (Welding Service) established to generate revenue for our social activities. Our welding service company engaged with the production and sales of gates, burglar guards, food trailers, camping stoves, braai stands, and products that deal with metals."

Enterprises conduct national and international business activities to support social objectives. For instance, Social Enterprise 5 sells leather products online and in exhibitions, nationally and internationally, to reduce leather waste and offcuts in the environment; to recycle and upcycle materials; and to create revenue for the rural communities.

The activities implemented by the enterprises, depending on their respective areas of expertise, include consulting; capacity building (education and skills development); technological advancement; infrastructure development; nature conservation; cultural promotion; business support; and providing access to markets. For instance, Social Enterprise 3 co-ordinated a project to place and train interns in an internship programme for clients.

"We have trained and set with Mr. Price's 6000-7000 unemployed youth project. Additionally, in the internship programme, one thousand and fifty (1050) interns are placed with ABSA Bank

around the country. Also, the internship programme with Spar Client set four hundred unemployed youth with one year project. We provide enterprise support to hundred small business entities development every year, mainly funded by NPC cement company for the community around KZN. The enterprise has a satellite office with Tongaat Hulett's company. We help the areas nearby highlands holding and property development and integrating people from the communities into opportunities of development and other kinds of opportunities. They had side offices in townships such as North Durban, Waterloo, Blackburn, and Tongaat.” (Social Enterprise 3 interview respondent).

The Social Enterprise 7 interviewee stated:

“Currently, we are helping twelve subsistent farmers who receive a social grant from the government. The enterprise allows farmers to cultivate on a skill basis with much more environmentally friendly resources and hake crops and yield them for sale or home use. Create a product that assists farmers in conserving resources and being eco-friendly”.

The Social Enterprise 4 interview respondent explained that the enterprise’s main activities have three pillars:

“One is to train substance abusers. The second is to hire once the substance abusers leave the rehab in terms of engaging help in manufacturing our products or selling items/products; and third is to launch their business activities, follow-ups and monitor their behaviours.”

4.3. Objective One: to investigate the funding model of small and medium social enterprises

Research Objective one (1) of the study was to investigate the funding model of small and medium social enterprises. During in-depth interviews, interview respondents from participating social enterprises were asked to explain their enterprises' funding models which enabled them to operate. The funding models explained how the small and medium social enterprises (SMSEs) fund their enterprises – initially and later. Identifying the funding model of SMSEs helped in understanding how SMSEs establish their businesses, differentiate their businesses from other enterprises, and overcome the challenges they encounter regarding the sustainability of their enterprises. The funding models and the initial and primary sources of funding are explained in the following sub-sections.

The funding models of the participating social enterprises, regarding the sources of their initial funding, primary funding, and income-generating activities, are summarized in Tables 4.4 and 4.5.

Table 4.4: Funding Model of Social Enterprises

Enterprise	Initial Source of Funding	Primary Source of Funding
Social Enterprise 1	Self-funded	Self-funded through services to big businesses
Social Enterprise 2	Personal savings and family support	20% from Profit Mankho Events (a profit organization created by the same founder two years before creating BFL) is injected into BFL annually. Sponsorship from different companies like Engen Garage; Siawe Service Station, and the Sunflower Foundation, etc.
Social Enterprise 3	Self-funding, personal savings, and support from family in the USA; a friend who was in business in South Africa	Self-funded through Catalyx Consulting (a profit-making initiative by the same founder), consulting companies such as Mr. Price; Spar; ABSA; NPC; Tongaat-Hulett's; Capitec; and government entities, such as NYDA, local municipalities, etc.
Social Enterprise 4	The founder won the competition for young and start-up businesses and used the money as initial funding to start the business.	Revenues from Iziko Stove (a business branch of Social Enterprise 4 created during the same year by the same founder).
Social Enterprise 5	Contributions from members.	Biko Land Enterprise (a profit-making business created by the same founder) funds Siyabusa Art and Lifestyle Foundation as its social responsibility, with 20% of the revenues generated from the business. External fundraising (they managed to secure relief from the Department of Arts and Culture in Mpumalanga in 2019).
Social Enterprise 6	Funding from the annual revenues of TN Pty. Ltd.; a public grant (from a municipality); and member contributions. (Initially, a member contributed R200 to Asikule SE, for the establishment of the enterprise).	Funding from TN Pty. Ltd (a commercial company which injects 40% (R50 000) of its revenues into Asikule SE annually.
Social Enterprise 7	Self-funding	Self-funding

4.3.1. Initial source of funding

Participating social enterprises were asked to describe their initial source of funding. Table 4.4 shows that the initial funding (start-up capital) for most of the enterprises emanated from self-financing or “self-funding,” in the words of interviewees, from the personal savings of the

founder(s), family support, member contributions, or other forms of income, such as rewards. For example, the founder of one of the enterprises (Social Enterprise 4) reported that the initial funding of the enterprise came from the reward obtained by winning a start-up business competition. The founder used the prize money to start the enterprise. For another enterprise, the initial funding used to establish the enterprise originated from more than one source: Social Enterprise 6 was initially funded from two sources, with financial injections from the revenues (40%) of a commercial venture called TN Development Project Management and Training (TN Pty. Ltd.) that the same founder had established, and from a public entity (the Municipality of eThekweni's Maritime Cluster), which provided a grant of R70 000.

Furthermore, member contributions added to the funding mix as each member had contributed R200 toward the initial funding of the enterprise. According to an interviewee, the member contribution policy is *"to show others that a business must start by investing yourself in it before someone else invests."* It is worth noting that the funding from TN Pty Ltd (40% of its annual revenues) was maintained as an annual source of funding for Social Enterprise 6 as its social branch. This funding model, wherein a profit-making enterprise is the initial source, or becomes the primary source, of funding for the social enterprise (of NPO spectrum), and is initiated by the same founder(s), is common among the participating social enterprises in this study.

4.3.2. Primary source of funding

There is a unique self-funding model where, as seen in Table 4.4, the social enterprises are funded through the profit-making SMEs linked to them; through income-generating activities; or from membership fees. Four of the seven participant social enterprises are connected to profit-oriented small business ventures created by the same founder(s), which became the primary source of funding. The profit-making enterprises inject a considerable percentage of their annual revenue into their respective non-profit social enterprises. For example, 20% of the profit generated by Mankho Events is injected annually to sponsor its social enterprise (Social Enterprise 2). Similarly, Social Enterprise 6 obtains 40% (R50 000 in 2020) of the annual revenues generated by TN Pty. Ltd.

In some cases, there was no clear delineation between the non-profit and profit-making enterprises connected to it in terms of funding. For example, the primary funding source for Social Enterprise

3 is a profit-making company named CC Pty. Ltd. The latter generates its revenues through consulting services to:

“companies such as Mr. Price; Spar; ABSA; NPC; Tongaat’s Hulett’s; Capitec; and government entities, such as NYDA, local municipalities, etc.” (Social Enterprise 3 interview respondent).

It is unclear what percentage of the revenue is injected into Social Enterprise 3. The same applies to Social Enterprise 4, whose primary funding source is revenue generated from its profit-making entity known as IS Pty. Ltd.

Some social enterprises reported additional funding sources, such as external fundraising. For example, Social Enterprise 5 secured a relief fund from the Department of Arts and Culture in Mpumalanga in 2019 and collected membership fees. Similarly, in addition to revenue injected from its profit-making organization, Social Enterprise 6 obtained a grant of R70 000 from the Municipality of eThekweni’s Maritime Cluster to implement an aquaculture project.

In addition, income-generating activities such as consulting services rendered to other organizations, and sales, constitute an important primary funding source. This, for example, is the case for Social Enterprise 1, whose only funding is obtained through providing consulting services to other organizations. Currently, the enterprise has signed a lease agreement with traditional authorities to provide land to plant and cultivate crops such as cauliflower, lettuce, spinach, and beetroots.

4.3.3 Revenue generation activities

The revenue generation activities reported by each participating social enterprise are summarized in Table 4.5. Social enterprises have different income-generating activities. However, in most cases, there was no clear separation between the income-generating activities of the social enterprises and their non-profit-making branches. This is because the former, as indicated earlier, constitute an important primary source of funding for the latter.

Table 4.5: Revenue Generation Activities

Enterprise	Revenue Generation Activities
Social Enterprise 1	Consultancy: revenue from offers of farming services rendered to clients. Sales: the anticipated generation of sufficient income through the sales of crop fields, shortly.
Social Enterprise 2	Consultancy: revenue from services rendered to clients.
Social Enterprise 3	Consultancy: revenue generation from different projects with different stakeholders.
Social Enterprise 4	Sales: revenue generation from manufactured welded products, such as food trailers; gates; burglar bars, camping stoves, etc.,
Social Enterprise 5	Sales: revenue generation from the sale of art products and services
Social Enterprise 6	Consultancy: revenue generation from services rendered to clients through a skills development project implemented by NT Pty. Ltd. to support Asikule SE. Each project keeps generating revenues through the business they undertake.
Social Enterprise 7	Sales: revenue generation from crop and vegetable sales

Consultancy is the predominant income-generating activity. At least four enterprises offer consultancy services to clients in their respective domains. For example, CC Pty. Ltd, the profit-making entity of Social Enterprise 3, offers consulting services to various clients, including commercial ventures (Mr. Price, ABSA, etc.) and government entities. Other enterprises, by contrast, rely on the production and sales of goods and services as their income-making activities. This is the case for Social Enterprise 4, whose profit-making entity manufactures and sells welded products, such as food trailers, gates, burglar bars, camping stoves, etc.

4.4 Objective Two: to explain the business operation of small and medium social enterprises

Research Objective Two of the study was to identify the business operations of small and medium social enterprises. Study participants were asked to share their experiences of the business operation of their social enterprises. These included business development phases, priorities, and the resource allocation necessary for further business development. Participating social enterprises explained where their enterprises are placed within the enterprises' business life cycle.

4.4.1. Business development phases

Business development consists of three distinct phases: start-up, growth stage, and maturity.

Table 4.6: Business Development Phases

Enterprise	Business Development Phases
Social Enterprise 1	Start-up
Social Enterprise 2	Start-up
Social Enterprise 3	Growth-phase, moving toward the maturity phase
Social Enterprise 4	Early growth phase
Social Enterprise 5	Start-up
Social Enterprise 6	Start-up phase
Social Enterprise 7	Growth

Most (N=4) of the participants' enterprises were in the start-up phase; two were in the growth phase; and none had reached the maturity phase. However, Social Enterprise 3 reported that they were in the phase of “second growth, moving to maturity of the business cycle” as presented in Table 4.6, above. However, the participant also indicated that “*for each project within the enterprise, the cycle of the projects might be different.*” (Social Enterprise 3 Interview Respondent). For example, one of the projects they were implementing for Mr. Price had reached the maturity stage, while another project (the scooter) was still in its start-up phase at the time of the interview.

For some enterprises, the start-up phase consists of “*translating business ideas into ground business, planning and setting targets.*” For instance:

“*Social Enterprise 6 is currently in its start-up phase of the business cycle. In the coming six months, it is planning toward growth that is the yield of all projects to the next stage within six months.*” (Social Enterprise 6 Interview Respondent).

However, no clear indication was given of the activities which were focused on during the growth phase.

4.4.2. Business priorities

The participating social enterprises reported different priorities, depending on their respective social and business orientations. Their key priorities included sustainable income generation; growth and expansion; adjustment to the changing market demand; improved services; and community empowerment.

Table 4.7: Business priorities

Enterprise	Business Priorities
Social Enterprise 1	Income sustainability; technological development; skills development and knowledge transfer; consultancy services to farmers; creating partnerships; marketing and promotion
Social Enterprise 2	Income sustainability and nationwide expansion.
Social Enterprise 3	Income sustainability, adjustment to changing markets
Social Enterprise 4	Generating high income, adjusting to the changing market demand
Social Enterprise 5	Income generation; creating partnerships; marketing, and promotion
Social Enterprise 6	Growth and success of all projects; creation of an NPO; becoming community-based co-operative analyst
Social Enterprise 7	Better crop growth; higher profits; market expansion; increase in consultancy and training,

Table 4.7 shows that income sustainability was the most mentioned priority (6/7), followed by market expansion (3/7) and adjustment to the changing market demands (2/7). Although Social Enterprise 3 and Social Enterprise 4 did not have the same main activities, their revenue-generating activities were affected by the Covid-19 pandemic; as a result, they included adjustment to the changing market demand in their business priorities. This led one of the participating enterprises to change its business model:

“Due to Covid, the demand for braai stands and stoves has become low. Thus, the enterprise plans the production and supply of sanitizers” (Social Enterprise 4 Interview Respondent).

Another need to accommodate Covid-19 regulations, as highlighted by a participant:

“We are trying to leverage what we have now to grow further. In the next phase, the enterprise will create new norms through a hybrid mechanism of what we had before and a new way of doing things. Currently, due to Covid 19, all offices are not operating. However, we will have a board room or hot desks in a hybrid approach application. In general, we are moving to a growth stage again” (Social Enterprise 3 Interview Respondent).

4.4.3. Allocation of resources

The participating enterprises allocate their resources to different investments, particularly in technological solutions and skills development. For example, Social Enterprises 3 and 7 reported allocating resources to these investments. On the one hand, in response to the Covid-19 pandemic, Social Enterprise 3 adjusted the allocation of their resources to invest in *“things that could help ... to conduct different analyses, including technological solutions, data analytics, artificial intelligence, without spending much time and energy as [was the case] in the past.”*

On the other hand, Social Enterprise 7 reported allocating their funding from partners and stakeholders to invest in skills development as a technological farming enterprise.

4.5. Objective Three: to analyze the SMSEs’ relevant stakeholders and their information needs

Research Objective Three of the study was to describe the small and medium social enterprises' relevant stakeholders and their information needs. Participant social enterprises were asked to describe their stakeholders; their involvement; forms of communication with them; and the type

and nature of information they shared with their stakeholders. The participating social enterprises have different stakeholders involved in their operations. This section responds to the third objective of the study. It focuses on identifying and describing the categories of stakeholders; the level of stakeholder involvement; communication with the stakeholders; and the nature of information shared with stakeholders.

4.5.1. Categories of stakeholders

Participating social enterprises have different categories of stakeholders, as shown in Table 4.8, below. They comprise beneficiaries (ex-offenders; substance abusers; unemployed youth; co-operative members; etc.); consumers; local communities; community leaders; schools (principals and teachers); small business owners; non-profit organizations; academic institutions; and government entities. It is worth noting that the distinction between the stakeholders of the social enterprises and those of the commercial entities associated with them is not clear-cut in many cases.

Table 4.8: Categories of stakeholders

Enterprise	Categories of Stakeholders
Social Enterprise 1	Clients (farming organizations and individuals); suppliers (piping manufacturers); consumers (buyers of farming products); small businesses (spaza shops); banking institutions; government (eThekweni Municipality); traditional authorities; and the local community.
Social Enterprise 2	The community; chiefs and counsellors; local businesspeople; and local schools (principal and teachers)
Social Enterprise 3	Beneficiaries (unemployed youth); client organizations (Mr. Price; ABSA; Spar; Tongaat Hulett); small business owners; community leadership structures; political figures (such as counsellors, chiefs); and NPOs.
Social Enterprise 4	NPOs (rehab centres); customers (who buy from Iziko Stove, the commercial arm of Social Enterprise 4); suppliers (of metal, etc.); and beneficiaries (ex-offenders and substance abusers).
Social Enterprise 5	Communities; traditional authorities; and government (the Department of Arts and Culture; the municipality; and local authorities)
Social Enterprise 6	Beneficiaries (co-operative members); UKZN Enactus; eThekweni Maritime Cluster; directors of TN Development Company (the commercial entity linked to Asikule).
Social Enterprise 7	Buyers; suppliers (of seed, fertilizers, and chemicals); government entities (the Department of Agriculture, Local Economic Development programme in eThekweni municipality); and UKZN.

All the participating social enterprises reported having various stakeholders, with government entities featuring in nearly all social enterprises, as indicated in Table 4.8. For instance, Social Enterprise’s 6 interviewee indicated that:

“eThekweni Maritime Cluster (EMC) is a government entity that has a programme called ‘The Enterprise Supplier Development Programme’. EMC is an organization that creates a programme to develop small business in maritime sectors. The programme facilitated to develop maritime business, and that is how the establishment of aquaculture project emanates. EMC facilitated the work in the ground of fish production in a lake than the ocean for the aquaculture project. EMC is the enterprise that helped in the nomination of my enterprise to join the UKZN LED Champion Programme.” (Social Enterprise 6 interview respondent)

Furthermore, according to Social Enterprise 3’s interviewee, government institutions, such as *“the Department of Labour, the National Youth Development Agency (NYDA), Social Development Agency”* are stakeholders involved in the enterprise’s activities.

According to Social Enterprise 7: *“I consider the department of agriculture as once-off stakeholder because it grants the enterprise with R16,000”*.

Four of the seven enterprises also mentioned the local communities as stakeholders. It is not clear whether the other three enterprises do not work with the local community where they are located, or do not regard the community as a primary stakeholder. Beneficiaries, clients and suppliers are critical stakeholders for most of the participating enterprises.

The type of beneficiaries depends on the social enterprises’ respective mandates, or those of their commercial entities. For example, in the case of Social Enterprise 3, the beneficiaries are the youth who benefit from the enterprise’s employment generation endeavours. Similarly, beneficiaries of Social Enterprise 4 are ex-offenders and substance abusers who get employment through the enterprise. The beneficiaries of Social Enterprise 6 include the co-operative members and directors of the profit-making enterprise.

According to the Social Enterprise 6 interview respondent:

“The co-operative members are the beneficiaries of the social enterprise and provide the necessary land, assets, and infrastructure for the co-operative members to run their projects. Additionally the directors of the profit-making enterprise are considered as beneficiaries and stakeholders who contributed financial through a donation of more than R50,000 for the social enterprises.”

On the other hand, clients are organizations or individuals who consume/buy services or products from enterprises. For Social Enterprise 3, for example, organizations, mostly businesses, such as Mr. Price; ABSA Bank; Spar; and Tongaat Hulett's, use the consultancy services rendered by the enterprise and are considered clients. Similarly, Social Enterprise 1's clients are farming organizations and individuals who consult with the enterprise on farming issues.

Suppliers are organizations or individuals from whom the enterprises source the services or products they require to conduct their activities. For example, Social Enterprise 4 is connected to IS Pty. Ltd., and their critical stakeholders are metal and panel suppliers (for stove making). Similarly, Social Enterprise 1 regarded piping manufacturers who supply the plumbing materials the enterprise uses for its hydroponics project as critical stakeholders.

Educational institutions were among the least common stakeholders identified by the participant enterprises, except for Social Enterprise 6 and Social Enterprise 7, who mentioned the University of KwaZulu-Natal's Enactus as a stakeholder which has provided resources, technical support, and capacity building.

As indicated by the Social Enterprise 6 interviewee:

“University of KwaZulu-Natal (UKZN) Enactus are crucial stakeholders. UKZN was involved with the enterprise by working together on the project. The founder and executive director were chosen for the Champion Programme in 2019. UKZN enactors engaged with the enterprise as the UKZN students visit project sites monthly. They provide advice on agricultural aspects. Additionally, they run a workshop. The last activity was offered basic farming-accredited training for twenty-eight co-operative members for thirty days. The accredited training was 70% practice and 30% theory”.

Additionally the Social Enterprise 3 interview respondent stated that educational institutions, such as *“UKZN provide for my enterprise, either financial (obtained grant from a competition) or non-financial (training, skill development from LED Champion Programme) support for the enterprise”.*

4.5.2. Level of stakeholders' involvement

The level of stakeholders' involvement is underpinned by their respective interests, contributions, and influence in the social enterprises.

4.5.2.1. Stakeholder interests

Stakeholders' interests are determined by their needs and preferences regarding the activities and outcomes of the social enterprises' projects.

For instance, the involvement of a traditional authority in Social Enterprise 1 is driven by their need and preference for the “*creation of jobs, development of the area*”, by assisting the community to become sustainable. Similarly, eThekweni Municipality’s involvement in this enterprise is underpinned by government’s interest in environmental sustainability. The enterprise’s mandate is aligned with this interest. One of its mandates is to promote “*innovative and water-saving techniques*”; environmental welfare in terms of sustainable carbon reduction; and food production, consistent with eThekweni Municipality’s interest in meeting sustainable development goals (SDGs). The municipality is also involved in Social Enterprise 6 because of its interest in developing “*small business in the maritime sector,*” which can create employment, a top government priority in South Africa.

4.5.2.2. Stakeholder contribution and influence

Participating social enterprises explained that the contributions their enterprises receive from their stakeholders generally revolves around critical issues such as the provision of land and venues; technological development; project funding; project implementation; monitoring and evaluation; financial sustainability; assistance with networking; and a nomination for participation in a small business development programme. For instance,

“We deal with eThekweni Maritime Cluster (EMC), based on the training provided or finance, market, and technical matters of the project and possible outcomes resulting from the project” (Social Enterprise 6 Interview Respondent).

In a word, social enterprises deal differently with stakeholders in public and private markets. Table 4.9 summarises stakeholder involvement by considering their role or contribution, and level of influence, in each enterprise. The contribution of stakeholders determines their level of influence in the enterprises.

Table 4.9: Stakeholder Contribution and Influence

Enterprise	Stakeholder contribution	Stakeholder Influence
Social Enterprise 1	Provide farming land, help to achieve social objectives, and help to develop technology to build hydroponics systems.	High
Social Enterprise 2	Assist in getting venues to provide training and host events and inform the community about the activities.	High
Social Enterprise 3	Funders of each project deliver project guidelines, provide feedback, and influence the selection of areas and candidates.	High
Social Enterprise 4	Assist in providing venues for training and manufacturing, assist in making the enterprise financially sustainable, supply quality materials for production.	High
Social Enterprise 5	Have been supportive and facilitated business (like assisting in networks, assisting in local markets).	High
Social Enterprise 6	Assist in the development, monitoring, and implementation of the operational plan, nominate the enterprise for the small business programme	High
Social Enterprise 7	Low level of involvement with the enterprise.	Low

Table 4.9 shows that most participants indicated that stakeholders exercise considerable influence in their enterprises.

“The corporate clients are quite influential because they fund our projects. For instance, Mr. Price has three or four people involved in the project on a day-to-day basis. On the other hand, other stakeholders are very hands-off (not mainly engaged) but, remarkably, guidelines when delivering what we do.” (Social Enterprise 3 Interview Respondent)

“Financial and non-financial stakeholders play a significant role and involvement with our enterprise. For instance, we wouldn’t have a place to train and manufacture our products without the rehab centre. Additionally, companies that provide donations also play a crucial role in sustainability and running enterprises. Furthermore, our suppliers involve our enterprise by supplying quality materials to produce our products.” (Social Enterprise 4 Interview Respondent)

The above quotations highlight that participant social enterprises are aware of the high level of involvement in, and influence over, their enterprises by stakeholders.

One social enterprise participant stated that the stakeholders' operational influence affects the enterprise's success and sustainability.

“The suppliers are too far, so it’s the cost to acquire the raw material required to manufacture products and pieces of equipment. Additionally, the government influences our pricing and production of the amount and quantity. Furthermore, the lack of accreditation from the government to perform workshops for craft skills and training influences the value of enterprise activity and how the members felt begging and requesting than running an SE. Government accreditation cost around R250,000, which is very expensive for the enterprise.” (Social Enterprise 5 Interview Respondent)

One enterprise (Social Enterprise 5) further indicated that the low contribution of stakeholders to the operation of the enterprise resulted in less support and assistance than had been expected.

“The government lacks an understanding of what we are doing. It does not consider preserving cultural production of leather for the future generation on how things started and how people used to do in the past without hazardous production is crucial. This creates a massive gap in the type of establishment we would like for a leather cultural tuning process and the number of jobs that can be made.” (Social Enterprise 5 Interview Respondent)

Only one enterprise (Social Enterprise 7) indicated that their stakeholders’ involvement in supporting the enterprise’s operations was low, as was their influence in the enterprise. The enterprise believes that, due to low support and involvement by stakeholders, it has not yet reached its full potential to *“become a professional commercial farmer.”* Instead, the enterprise sees itself as *“ten times”* less efficient than it could be.

Therefore, the perceived influence of stakeholders is in line with their perceived contribution to the enterprises. However, it is axiomatic to believe that all stakeholders associated with a given enterprise may not necessarily have the same level of influence in that enterprise. There is insufficient evidence for whether this is indeed the case. For example, funders may not have the same level of influence as suppliers and non-paying beneficiaries. However, it is obvious that each enterprise that reported receiving significant support from their stakeholders also indicated that the stakeholders had a significant influence on their operations.

4.5.3. Communication with stakeholders

The participants pointed to the various modes of communication they use to maintain regular contact with their stakeholders to keep enterprise operations going. The modes of communication include emails; surveys; reports; phone calls; social media (WhatsApp); and face-to-face interaction. Participating social enterprises identified the different modes of communication they used with stakeholders involved in the enterprise.

“For the unemployed youth, we have a database system that uses an online system. There is a whole follow-up team, and there is a process of contacting people. Post programme we do surveys with them. We do many people, over 50,000 people; mainly from the many years ago we don’t keep in touch. Still, we make contact over the two-to-three years period. For corporate clients, we do periodic reports.” (Social Enterprise 3 Interview Respondent)

Face-to-face interaction was the most-used mode of communication (6/7); followed by phone calls (4/7); emails and reports (each 3/7); surveys (2/7); and WhatsApp (1/7). Only two of the participating social enterprises indicated that they use three modes of communication; all others used only one.

It was further reported that face-to-face communication with stakeholders occurs in different ways. For instance, enterprises communicate face-to-face through annual general meetings; annual activities for school-going children (e.g., career day); drug awareness and social abuse programmes; and sports tournaments. Some of these face-to-face interactions were more frequent. A participant reported that a meeting was held once every week, or every two weeks, or once a month. General meetings and board meetings occurred quarterly.

“Corporate clients are much more involved and engaged daily in our enterprise. Thus, we provide quarterly reports for clients, especially corporates. But we do have a meeting every week or every two weeks or in a month” (Social Enterprise 3 Interview Respondent)

Quarterly reports were also used to communicate with stakeholders on operational issues. Similarly, surveys helped enterprises to communicate with stakeholders. A participant highlighted that an online database was used as an online system for unemployed youth. In addition, enterprises share their performance measurement information with stakeholders through surveys.

4.5.4. The nature of information shared with stakeholders

Research Objective Three of the study was to describe the nature of information shared with stakeholders. The participating enterprises indicated that their stakeholders were interested in getting information about to the different aspects of the enterprises’ mandates and operations. Such information concerns the enterprises’ objectives; activities; sponsorship feedback; progress reports; performance measurement; demographics and social reintegration of beneficiaries; and stakeholders’ involvement. Table 4.10 presents the nature of information each enterprise conveys to its stakeholders, in general.

Table 4.10: Information on Enterprise Operations

Enterprise	Nature of Information
Social Enterprise 1	Information about the objective of the enterprise, benefits to the community
Social Enterprise 2	Progress report, feedback on sponsorship
Social Enterprise 3	Information about the progress of the enterprises
Social Enterprise 4	Information on the progress of beneficiaries after leaving the rehab centre, beneficiaries’ demographics, performance measurements every year
Social Enterprise 5	Feedback on sponsorship
Social Enterprise 6	Activities of the enterprise, progress report, stakeholders’ involvement report, follow-ups, monitoring of project
Social Enterprise 7	Progress report (such as the number of crops and vegetables planted and produced)

Table 4.10 shows that information on the operation of the enterprises (including beneficiaries) is mainly shared with the stakeholders. In this context, stakeholders need information about how the enterprise benefits the community and creates employment, and to assess the relationship between the enterprise and the community. For example, the stakeholders of Social Enterprise 3 request “qualitative information” on unemployed youth in terms of their participation in, and benefits from, specific activities of the enterprise:

“How many people attended this session; how many people got a job; what kind of job they get; where did they try to get it from?” (Social Enterprise 3 Interview Respondent)

“Our financial and non-financial stakeholders require impact information yearly on how many beneficiaries we have assisted, the type of beneficiaries, physical demographics of the beneficiaries.” (Social Enterprise 4 Interview Respondent)

“The rehab centre requires precise financial information in a monthly report form. They would like to be informed on issues such as: how the trained people are behaving and doing after they left the rehab centre; the number of beneficiaries the enterprise helped; demographic backgrounds such as race, age, and livelihoods of the beneficiaries, etc.” (Social Enterprise 4 Interview Respondent)

The above quotations indicate that, while the information requested by stakeholders differs, the participating social enterprises generally believe their stakeholders require financial and non-financial information to identify their outcomes and impact within the community.

Further information on beneficiaries, especially that required by sponsors, includes their demographics, such as age, gender, race, and culture and their impact on the enterprise’s operations.

Only two enterprises shared information about the funding (feedback on sponsorship) with their stakeholders. The feedback report was either submitted at the sponsor’s request, or was initiated by the recipient enterprise. In the case of Social Enterprise 2, it was reported that *“stakeholders require submitting the report of operations and what was done with the relief fund received”*. (Social Enterprise 2 Interview Respondent)

"For instance, in aquaculture projects, stakeholder checks whether we establish the site or acquired the land when the land was cleared, and the work has been done". (Social Enterprise 6 Interview Respondent)

Although only one participating enterprise mentioned the request for information on the objectives of the social enterprise, it was essential for some stakeholders, particularly traditional authorities. The participants revealed that, initially, stakeholders, mainly traditional authorities, requested information about the objectives and goals of the enterprises; justification for the resources needed (e.g., why the land was needed); and the possible value of the enterprise. This, for example, was the case of Social Enterprise 1, where stakeholders asked: *"What the enterprise wants to do? How long will the enterprise do it? and Who is its founder?"* (Social Enterprise 1 Interview Respondent)

The above result highlight that while there were mixed explanations of the information shared with stakeholders, participants generally agreed that stakeholders are very interested in obtaining information regarding different aspects of the SMSEs.

The next section focuses on what participating social enterprises understood by performance measurement.

4.6. Objective Four: to explore performance measurement frameworks used by different enterprises

Research Objective Four of the study explored the performance measurement frameworks used by different enterprises. This section discusses the responses of participating social enterprises regarding how small and medium social enterprises approach the question of performance measurement, by considering the rationale; starting point; frequency; perceived benefits of performance measurements, and factors affecting performance measurements; as well as the performance measurement tools or indicators perceived as essential for small and medium social enterprises; and shifts experienced in performance measurements. This section addresses the fourth objective of the study.

4.6.1. The rationale for conducting performance measurements

Depending on the challenges being encountered, social enterprises decide to conduct performance measurements. The participating social enterprises mentioned several reasons for performance measurement, such as measuring growth; identifying what works and what does not

in terms of the enterprises' activities and objectives; future planning; stakeholder demand; making better strategic decisions on job creation, poverty alleviation and improving living conditions; and market expansion and business sustainability.

Table 4.11: Rationale for conducting performance measurement

Enterprise	The rationale for performance measurement
Social Enterprise 1	Make better strategic decisions, measure growth.
Social Enterprise 2	Measure growth and for future planning.
Social Enterprise 3	Measure growth.
Social Enterprise 4	Measure growth based on stakeholders' demands. Identify what works and what does not in terms of enterprise's activities and objectives.
Social Enterprise 5	Make better strategic decisions, measure growth.
Social Enterprise 6	Make better strategic decisions on job creation, improving living standards, and alleviating poverty
Social Enterprise 7	Develop more, grow and expand markets and business, sustain the business, continue the good practices and improve the bad ones.

Measuring growth was the most important reason given for performance measurement (6/7), as indicated in Table 4.11. Participating enterprises reported that performance measurement was conducted to assess how the enterprise had grown. This was highlighted by a participant, quoted as saying: *"Stakeholders require statistics and sample for verification of statistics about the progress made by enterprises"* (Social Enterprise 3 Interview Respondent). The information obtained through the measurements is crucial, since it shows how the enterprise is working and helps plan for the future. 'Making better decisions' was the second-most mentioned benefit of performance measurement (3/7). In addition, the performance measurements were undertaken due to stakeholders' demands or initiatives. For instance, they believed that the enterprise information was under-presented and requested a framework that indicated its performance.

4.6.2. Starting point and frequency of conducting performance measurements

The participating social enterprises measured to see where and how they were, regarding their enterprise performance. Table 4.12 shows discrepancies among the participant social enterprises regarding when they started, and how often they continued conducting, performance measurements after the establishment of their enterprises.

Table 4.12: Starting point and frequency of PM

Enterprise	Starting Point of PM	Frequency of PM
Social Enterprise 1	No available answer	No available answer
Social Enterprise 2	Three years after establishment	Every year
Social Enterprise 3	It varies	Depending on the client and project
Social Enterprise 4	Three years after establishment	Every year
Social Enterprise 5	No available answer	No available answer
Social Enterprise 6	One year after establishment	Every year
Social Enterprise 7	No available answer	Every six months

While most of the participating enterprises (4/7) indicated that they had conducted performance measurements, only three (Social Enterprise 2, Social Enterprise 4, and Social Enterprise 6) were certain about when they had carried out this exercise for the first time: from one to three years after the establishment of the enterprise. For the enterprises, the first and second years were a learning curve. Two of the participant enterprises were uncertain about the time, while one enterprise (Social Enterprise 7) was unaware of the starting time for performance measurement, however, the enterprise undertakes measurement every six months after three years of establishment. The other enterprise (Social Enterprise 3) indicated that the starting point “varies”, depending on each project implemented by the enterprise. In this regard, the interviewed representative of the enterprise explained that: *“Setting a timeframe is difficult, since the projects performed by enterprises vary both from time-to-time and from company-to-company; [while some] projects take a year or more at a time, while others will be continuous on a year-to-year basis.”* This contrasted with other enterprises which had not conducted performance measurements within the five years after their

establishment (Social Enterprise 1, Social Enterprise 5). Social Enterprise 1 and Social Enterprise 5 did not conduct performance measurements because it was too challenging.

“However, considering the hybrid nature of SEs, measuring the social value of SEs is challenging. “How do I start measuring the social value for the beneficiary of the enterprise?” is the question that always arises.” (Social Enterprise 1 Interview Respondent)

Table 4.12 further shows that most social enterprises do not conduct performance measurements regularly (due to lack of resources, as illustrated in Table 4.14), with only four reporting regular performance measurement exercises. For example, Social Enterprise 3 reported that the frequency of their performance measurement varies, depending on each client and project. By contrast, Social Enterprise 2 and Social Enterprise 4 conduct their performance measurement annually because their activities usually for a year. Thus, information is collected and analysed *“at the end of the year to measure the enterprise performance”*.

4.6.3. Mode of performance measurements

This section presents how each social enterprise conducts its performance measurements and responds to the third objective of the study. Table 4.13 shows that only two of the participants alluded to how they conducted performance measurements. Three referred to what they measure, rather than how they measure it. The rest of the participants indicated that they do not conduct performance measurements, including one who said, *“I only take pictures of their farming products”* (Social Enterprise 1 Interview Respondent). Furthermore, another participating enterprise explained: *“I only keep a diary (notebook), starting from 2013. The information saved on the journal includes: the number, amount and quality of crops and vegetables bought and planted and customer feedback”*. (Social Enterprise 7 Interview Respondent)

Table 4.13: How performance measurement is conducted

Enterprise	How performance measurement is conducted
Social Enterprise 1	No performance measurement, only pictures of our products
Social Enterprise 2	Measure the number of referrals, the reviews provided by clients and stakeholders, and measure children’s performance, the number of graduates and skills acquired.
Social Enterprise 3	Lots of statistics, tracking, and reporting session attendance, online registration, number of contacted people
Social Enterprise 4	How many of the trainees find a job, how many of the trainees start a business, and how many of the trainees go back to school
Social Enterprise 5	No unified performance measurement
Social Enterprise 6	Each project has different indicators drawn up to measure performance.
Social Enterprise 7	The enterprise measures production rate, amount of training and consultation provided

Social enterprises conduct their performance measurements, depending on the type of activities, clients, and projects within each enterprise. For example, Social Enterprise 3 serves large corporations, including banks, chain stores, and government entities. Hence, they seem more knowledgeable about what performance measurement entails. For them, it is more about collecting and analysing quantitative data (“lots of statistics”) to track the enterprise’s performance. The enterprise emphasizes the statistical aspect of its projects, including the analysis of advanced spreadsheets to determine the impact of the projects. Their performance measurement is more quantitative than qualitative. It *“cannot be narrowed down to a story about one person getting a job.”* Instead, performance measurement in this enterprise (Social Enterprise 3) *“is about what happens with tens of thousands of people and about keeping their tracks.”* Therefore, Social Enterprise 3’s performance is measured based on the number of beneficiary skills development and employment generation activities. Depending on the type of client the organization has, performance measurement may seek to answer different questions, such as “With how many people did we initially make contact? How many people attended the initial sessions? How many people registered for online For information sessions?”

Another enterprise that seemed knowledgeable about performance measurement is Social Enterprise 6, which indicated that they draw up different indicators for each project in conducting performance measurement.

Although other participants did not indicate how they conduct performance measurement, their reference to what they measure can indicate either articulation problems or limited understanding of performance measurement. Social Enterprise 4, which provides ex-offenders and substance abusers with skills development and employment generation, indicated that the enterprise's performance measurement aims to assess the ability of beneficiaries to find a job, start a business or return to school after jail. The participant admitted that it is challenging to measure these outcomes because of relapses, where the relapse period can differ between individuals. The enterprise's performance measurement also focuses on changes in the quality of life or living standards. For example, the enterprise may want to know whether a homeless beneficiary (living on the street) is self-supporting by owning a house and providing food and clothes.

4.6.4. Factors affecting performance measurements

Participating social enterprises reported multiple factors affecting performance measurement. Table 4.14 provides insights into the reported factors that affect performance measurement in the social enterprises. The many factors affecting performance measurements include a lack of resources; the lack of skills and experiences; and the difficulty of 'measuring social values' inherent in services rendered by at least one of the enterprises.

Table 4.14: Factors Affecting Performance Measurements

Enterprise	Factors affecting performance measurement
Social Enterprise 1	Difficulties in measuring social value
Social Enterprise 2	Lack of skills, experience, and resources
Social Enterprise 3	Lack of resources
Social Enterprise 4	Lack of resources and skills
Social Enterprise 5	No available answer
Social Enterprise 6	Lack of skill, experience
Social Enterprise 7	Lack of resources renders the enterprise unable to conduct performance measurement. The difficulty of measuring social value.

The lack of resources was the most common factor the participating enterprises identified (4/7), followed by the lack of skills (3/7), and the difficulty of measuring social value (2/7). The lack of resources meant that most participants could not conduct performance measurements. They indicated that their enterprises had the neither necessary skills nor the financial resources to hire qualified people to assist them with performance measurement. Resource constraints affect some enterprises that reported conducting performance measurements. For instance, according to Social Enterprise 3: *"Some projects have a minimal capacity to perform a detailed analysis because it runs on a meager budget since we do not have the necessary resources to do lots of measurements."*

Another constraining factor is inherent in the social services the enterprise renders. One of the enterprises (Social Enterprise 1), for instance, expressed their lack of knowledge on how to measure social values to gauge the performance of the enterprise. In this context, the interviewee asked: *"How do I start measuring the social value for the beneficiary of the enterprise?"* He indicated that this is the question that always arises when it comes to the issue of performance measurement for social enterprises. The participant admitted that his knowledge of performance measurement for social enterprises was limited to focusing on achieving the social objectives set by the enterprise.

4.6.5. Perceived benefits of conducting performance measurement

There were mixed views regarding the benefits of performance measurement. As indicated in Table 4.15, the benefits include gauging the impact of enterprises; identifying better activities; achieving better resource management and improving the decision-making process; and the quality and sustainability of products for market delivery.

Table 4.15: Benefits of performance measurement

Enterprise	Perceived benefits of using performance measurements
Social Enterprise 1	Measuring the impact of the enterprise on the lives of beneficiaries (e.g., the independence of a beneficiary from social grants and financial support)
Social Enterprise 2	Identifying better (good and important) activities for the enterprise
Social Enterprise 3	“Know if you are making the right impact or not” and limit the waste of resources
Social Enterprise 4	Better decision-making and improved business (through accurate and reliable information), identify profit and loss, what is working and what is not working, etc.
Social Enterprise 5	No available answer
Social Enterprise 6	No available answer
Social Enterprise 7	Improving the decision-making, measuring the quality of products (crops) and sustainability of market delivery, and devising better achievements

As seen in Table 4.15, there are few benefits of performance management, as perceived by the participants, except for improved decision-making (alluded to by two enterprises) and impact assessment (alluded to by at least three enterprises). Two of the seven participants did not respond when asked what they perceived as the benefits of performance measurement. Nevertheless, the benefits as perceived by most of the participants suggest that performance measurements are regarded as essential for social enterprises to achieve their mandates. As the representative of Social Enterprise 3 suggested, *“If you measure the right thing, it is essential for what you do” because “many SEs [social enterprises] do a lot of work” and waste resources “because they are*

not getting into measuring performance and seeing what they have impacted.” He recommends that SEs should rather spend “a lot of energy to know if [they] are making the right impact or not.”

4.6.6. Essential performance measurements for small and medium social enterprises

The study also gathered data on essential performance measurements for SMSEs. Identifying what SMSEs believe as essential to measure helped the researcher to identify the possible performance measurement indicators. Table 4.16 outlines essential performance measurements, as perceived by the participants, for small and medium social enterprises (SMSEs). These include risk measurement; environmental impact; skills development; social measurement; impact; and performance of activities.

Table 4.16: Performance measurements perceived as essential for SMSEs

Enterprise	Perceived essential measurements for SMSEs
Social Enterprise 1	Measuring social value is challenging because of the hybrid nature of social enterprises.
Social Enterprise 2	Risk measurement, environmental impact, skills development, job creation
Social Enterprise 3	Measuring key indicators to see what works and how to make it better for a start-up project
Social Enterprise 4	Environmental impact, social measurement
Social Enterprise 5	No available answer
Social Enterprise 6	Performance of activities, environmental impact
Social Enterprise 7	The enterprise lacks focus on performance measurement

In this table, environmental impact is the most common performance measurement perceived as essential for SMSEs (alluded to by three of the seven enterprises). The other essential performance measurement for SMSEs, depending on the nature or mandate of each enterprise, comprises a social impact assessment (referred to as ‘social measurement’), which includes the ‘performance of activities’; for example, related to skills development and job creation, and risk assessment (referred to as ‘risk measurement’). However, one of the participant enterprises did not share its

perceptions on the essential performance measurements for SMSEs because they did not focus on the subject. One of them indicated that the nature of social enterprises is ‘hybrid’; and hence it is challenging to measure their ‘social value’.

4.6.7. Shifts in performance measurements

It is unclear how the participant enterprises who conduct performance measurements have experienced or applied this practice. However, at least one enterprise indicated that they had experienced a shift in conducting performance measurements. This is Social Enterprise 4, which revealed that the practice of performance measurement had helped the enterprise “*understand what we need to maintain and what we need to improve and stop unnecessary activities.*” As a result, “*performance measurement has changed since we started our programmes.*”

4.7 Conclusion

The chapter presented the results of the study. The study found that participating social enterprises have different categories of stakeholders which require various kinds of information. However, it was generally agreed that the involvement and influence of stakeholders within social enterprises is high. The participating social enterprises reported a variety of modes of communication with stakeholders involved with the enterprise. These included face-to-face meetings; phone calls; emails; and reports. Participants also indicated that their stakeholders were interested in getting information related to the enterprises’ objectives; activities; sponsorship feedback; progress reports; performance measurement; demographics and social reintegration of beneficiaries; and stakeholder involvement. Participating social enterprises highlighted several reasons for performance measurement, such as measuring growth; identifying what works and what does not, in terms of the enterprise’s activities and objectives; future planning; stakeholder demands; making better strategic decisions on job creation, poverty alleviation and the improvement of living conditions; and market expansion and business sustainability. Additionally, the social enterprises stressed a lack of resources, the lack of skills and experiences, and difficulty measuring social values as factors affecting performance measurement.

The next chapter provides a discussion of the results.

CHAPTER FIVE: DISCUSSION

5.1 Introduction

The previous chapter (Chapter 4) described the study's findings on the funding and business operations of a sample of small and medium social enterprises (SMSEs) in KwaZulu-Natal, South Africa. The chapter also explored the SMSEs' relevant stakeholders and their information needs. Furthermore, the chapter elaborated on the rationale for performance measurement for SMSEs; the factors affecting performance measurements; the tools or indicators perceived as essential for small and medium social enterprises; and shifts experienced in performance measurements. This chapter presents the discussion on the results identified in the previous chapter. In this chapter, the researcher discusses the core themes in the identified results, together with the relevant literature, based on the research objectives/questions of the study. This discussion is organized according to the objectives of the study to indicate how much of these objectives are addressed.

Section 5.2 presents the background of the participating social enterprises. The firmographics and demographics of participant social enterprises are discussed with the existing literature.

Section 5.3 presents a discussion on the first objective: the funding model of SMSEs. The primary and initial sources of funding and revenue generation activities of the participating social enterprises are further explained with the findings of various literature. There is a consistency with the existing literature that self-funding and family support are the initial source to fund SMSEs.

Section 5.4 discuss the second objective, by investigating the business operations of SMSEs. SMSEs perception on business development phases; the current priorities of SMSEs; and the resource allocation necessary for further business development is discussed with the existing literature.

Section 5.5 presents a discussion on stakeholders' identification, which is the third objective of the study. Identified categories of stakeholders; the level of stakeholders' involvement; communication with stakeholders; and the nature of information shared with stakeholders compared and analysed with the existing literature are presented in this section.

The performance measurement discussion, using the results, addresses the fourth objective, and is presented in Section 5.6. The results obtained on the rationale; starting point; frequency; perceived

benefits of performance measurements, and factors affecting performance measurements; as well as the performance measurement tools or indicators perceived as essential for small and medium social enterprises, and shifts experienced in performance measurements are discussed with literature in detail in this section. The chapter is concluded in Section 5.7.

The next section provides discussion on the background of participant social enterprises.

5.2. Background of participant social enterprises

This section discusses the firmographic and demographic details of participant social enterprises, together with the literature.

5.2.1. Firmographics and demographics of participant social enterprises

As indicated in the results chapter, most of the social enterprises which participated in the study were located in KwaZulu-Natal province, South Africa. Most participant social enterprises focus on social impact which is consistent with the literature (Arvidson & Lyon, 2014; Arias & Arango-Botero, 2019; Ormiston, 2019). However, six of the interviewed social enterprises were ‘hybrid’, trying to balance their social and economic impact (Battilana & Lee, 2014). These social enterprises use the profit obtained from their business ventures to support and achieve their social activities as hybrid enterprises. Therefore, small and medium social enterprises in an emerging market, with limited access to funding, can implement a hybrid model to guarantee that they generate income to implement their social mission. There were more young social enterprises (average age of six years), with the oldest being about nine years old (established in 2013) and the youngest about three years old (established in 2019). The literature suggests that assessing small and medium social enterprise performance measurement tools should be based on the organization’s outcomes or impact (Bourne et al., 2018a; Agboton, 2019). This requires that an organization must be operating for more than three years to identify the output and outcomes of its activities.

In terms of age, the study found that the average age of the interviewees was 37 years, with the oldest aged 59 years and the youngest 27 years. Entrepreneurs emerge from all age groups in the population (Mair & Marti, 2006).

The study found that the number of people employed by the enterprises ranged between four and 60 staff members. Enterprises with fewer than 250 employees are considered small and medium

enterprises (Ayandibu & Houghton, 2017). In South Africa, organizations are classified as small, medium, and large based on the number of employees and turnover (Ayandibu & Houghton, 2017). According to the National Act of Small Business, 102 of 1996, amended in 2003 and 2004, small enterprises have from one to 49 employees, with a turnover of R13 million. Medium enterprises have from 51 to 200 employees, with a maximum of turnover R51 million (Ayandibu & Houghton, 2017; Mamabolo & Myres, 2019). Therefore, the social enterprises that participated in this study are small and medium sized. According to the African Social Entrepreneurs Network (ASEN), social enterprises in South Africa are defined as:

"The organizations' social entrepreneurs have established to put their innovations into practice. In its broadest sense, social enterprise can refer to small community enterprises, co-operatives, NGOs using income-generating strategies to become more sustainable, social businesses or companies are driven by their desire to bring social or environmental change" (ASEN 2014).

Significantly, in this definition, social enterprises are considered either an organization or an activity that has emerged to achieve positive social and environmental changes with a specific emphasis on the most disadvantaged, for the betterment of the community.

The data in Table 4.1 shows that the participating enterprises implement various social and business activities to achieve their social objective of helping people, especially the disadvantaged members of communities. This result is consistent with existing literature (Doherty et al., 2014; Ebrahim et al.; 2014, Alegre, 2015). Furthermore, according to the GIBS report of 2018, social enterprises in South Africa prioritize satisfying basic needs in the education, health, and housing sectors and are local community-based entities.

Social enterprises' main objective is to deliver social value to the beneficiaries of their social mission (Doherty et al., 2014). Enterprises rely on social and business activities, instead of donations or grants, to achieve their social mission (Alegre, 2015). For such organizations, business activities are a means to a social end. However, the hybrid nature of social enterprises creates tension when enterprises are challenged to balance between following commercial and social objectives (Bull, 2008; Doherty et al., 2014). Social enterprises face the challenge of managing trade-offs between their social and commercial activities (Ebrahim et al., 2014). It can be argued that the nature of social enterprises in South Africa is reflected in the enterprises in the

case study, where all the enterprises merge social and business activities to achieve the social objectives of their enterprises.

5.3 Objective One: to investigate the funding model of small and medium social enterprises

This section discusses the findings of the funding models of the participating social enterprises, regarding the sources of their initial funding, primary funding, and income-generating activities. This section addresses the first objective of the study.

5.3.1. Initial source of funding

The findings of the study reflected that the majority of the participants mentioned different initial sources of funding that allowed the enterprises to be established and run. There was a general agreement among participating social enterprises that the initial source for their enterprises was self-funding. Most of the social enterprises initially established their enterprises from savings, family support, and contributions. The literature states the social enterprises, which function between non-profit organizations and commercial enterprises, experience challenges in obtaining repayable finance from the investment community and can seem less attractive to investors as they try to balance and achieve both their social mission and business objectives (Doherty et al., 2014; Lyon and Owen, 2019). Thus, most of the initial funding for social enterprises comes from their savings or family support. However, Mikołajczak's (2017) research found that social enterprises focus on attracting private and institutional grants or donations to finance their activities. Two participant social enterprises (see Table 4.4) received grants from government institutions.

Furthermore, the participating enterprises used revenue generated from their own commercial businesses (see Table 4.4). The literature supports this finding (Ormiston & Seymour, 2013; Doherty et al., 2014; Lyon & Owen, 2019). Social enterprises strategize to generate revenue and sustain their organization from commercial activities (Ebrahim et al., 2011; Guo and Peng, 2020). Through the sale of goods and services, social enterprises strive to achieve their social missions.

Social enterprises may generally rely on unearned income and commercial revenue or depend fully on business income to achieve their social objectives. However, most small and medium social enterprises, especially in an emerging economy, experience challenges in obtaining initial funding

from commercial activity or grants from government institutions due to several reasons. Firstly, social enterprises encounter a unique governance challenge: balancing the trade-offs between their social and commercial activities to generate enough revenue, without losing sight of their social purpose (Ebrahim et al., 2014). Secondly, when social enterprises obtain a grant or donation from private and government institutions, they become accountable to their stakeholders for achieving their mission (Erin et al., 2018). Therefore, small and medium social enterprises in an emerging economy, with limited funding sources, can adopt either a merged model of obtaining funds from different sources, or consider social investment, which is important to finance their enterprise's continual growth and development and respond to the social performance measurement request of stakeholders involved.

5.3.2 Primary source of funding

Participating social enterprises agreed that they had to identify funding sources to secure the sustainability of their social enterprises. They considered using multiple sources, such as their savings and the profit-making SMSEs linked to them; income-generating activities; or membership fees as a funding source. The participating social enterprises were connected to profit-making small business ventures created by the same founder(s), which become the primary funding source. The profit-making enterprises inject a considerable percentage of their annual revenues into their respective non-profit social enterprises. The views of participants concerning the primary source of funding highlighted that obtaining an initial funding source is more than just for starting enterprise activities and implementing of their entrepreneur strategy. Rather, there is a focus on their capacity to ensure the sustainability of their enterprises and respond to the challenges in achieving their social missions. This view of the participants is consistent with the reviewed literature where scholars, such as Lyon and Owen (2019), view multiple sources of funding as crucial for sustaining the growth and development of social enterprises. Reilly (2016) considered multiple funding sources for social enterprises to respond to sustainability challenges. Providing solutions to basic social problems entails sustainable investment that grants/donors and government cannot provide (Reilly, 2016).

The participating social enterprises saw no clear delineation between the non-profit and profit-making enterprises connected to them in terms of funding. Scholars support this view: “social enterprises are for-profit or non-profit businesses whose products and services address major

unmet needs of society”(Reilly, 2016:297). Social enterprises’ operations range from selling goods and services; to sustaining the charitable activities of non-profits (Defourny & Nyssens, 2014); to creating new ventures that combine the for- and non-for-profit businesses into a hybrid form (Grieco, 2015; Lall, 2017). These social enterprises develop a business model by generating sustainable revenue. Adopting this model allows more independence from donors’ decisions. Scholars have highlighted that social enterprises, in conducting business activities, increase their independence from public administration and philanthropic organizations (Dees, 1998); while on the other hand, it provides the opportunity to obtain resources from social investors (Manetti, 2014) Even though the adoption of the hybrid model provides benefits to social enterprises, clear risks also exist. For example, two participating social enterprises were challenged to identify what percentage of the revenues generated were injected into the non-profit organization. The literature reflects the challenge in finding a balance between developing a clear social enterprise with a social mission, and creating an organization with a purely profit-making purpose, masked as a social enterprise (Reilly, 2016; Al Shobaki et al., 2018; Abbas et al., 2019).

The participating social enterprises identified external fundraising as another source of funding. This finding is consistent with the literature. Researchers have emphasized that other revenue sources for social enterprises are national and international funds obtained from public and private sources (Mikołajczak, 2017). In addition to their business activities, social enterprises try to attract the attention of private and public institutions to access grants or donations to finance their social priorities. However, some researchers are critical of this. Alexander et al. (2010) emphasized the accountability of social enterprises for the donation or grant obtained. Responding to the stakeholders' expectations is crucial to maintaining trust. Thus, social enterprises stress return on investment rather than achieving social value. Furthermore, social enterprises experience difficulty in satisfying all the stakeholders' needs and expectations and providing them with formal accountability (Karamoy et al., 2017). The participating social enterprises acknowledged the possible challenges that follow the involvement of stakeholders in their enterprises' activities, these will be discussed in the stakeholder section.

5.3.3 Revenue generation activities

“Social enterprises are entrepreneurial organizations that innovate to solve societal problems”(Bugg-Levine et al., 2012:122). Scholars (Battilana & Lee, 2014; André et al., 2016; Davies et al., 2019) have stated that they combine for-profit and non-profit businesses. Their return balances social benefits and financial income. They exist in different forms, but all ask a crucial question: “Can they generate enough revenue and attract enough investment to cover their costs and grow their activities?” (Bugg-Levine et al., 2012:130). Similarly, there were mixed views regarding revenue-generating activities among the participants. While some believed that revenue-generating activities were essential to sustain the enterprise, others believed that if there was constant support from national and international, private and public institutions, rather than focusing on revenue-generating activities, the focus could be on activities directly related to providing a solution to societal problems. However, all the participating social enterprises adopted revenue-generating activities. The views of participants are consistent with those of Bugg-Levine et al. (2012), who argued that social enterprises can make a profit that is sufficient to run the enterprise.

In most cases, all the participating social enterprises saw no clear separation between the income-generating activities and their non-profit-making branches. This finding is consistent with the literature. Researchers (Campi et al., 2006) have highlighted that one characteristic of social enterprises is that social and economic objectives are related to social and income-generating activities. Furthermore, Campi et al. (2006) stated that social enterprises’ social mission is connected to particular community benefits. The economic goal is related to the entrepreneurial nature of producing goods and services to achieve financial sustainability in the long term. However, what is not clear yet is the connection between these two. Some scholars believe that social mission primacy is the essential characteristic of SEs, with the injection of funds to supplement the organization’s social ends (Nicholls, 2006; Ebrahim et al., 2014; Littlewood & Khan, 2018b).

Others have highlighted the equilibrium between social, economic, and environmental objectives (Bengo, 2012). Likewise, some authors believe in the harmonious merging of the two purposes into a single organization and use terms such as ‘hybrid,’ ‘blended value,’ or ‘double bottom

line’(Defourny & Nyssens, 2007; Battilana, 2018). The literature describes blurred boundaries between social enterprises' social, economic, and environmental goals.

Most of the participating social enterprises are engaged in consulting as an income-generating activity. The literature has noted that social enterprises are known for performing different activities. SEs commonly participate in education, social and healthcare; training and skills development; consulting; advocacy and activism; environmentalism; and mining (Defourny & Nyssens, 2008; European_Commisison, 2015; Davies et al., 2019). Specifically, social enterprises in South Africa develop skills or endorsements for education and literacy through consultation (GIBS, 2018). The production of goods and services was the second-most important income-generating activity mentioned by the participating social enterprises.

The above discussion indicates that participants were aware of the challenge in distinguishing revenue-generating activities from their non-profit activities. However, they did not recommend practical solutions for how the organization could deal with this situation. This may, thus, warrant future research.

5.4 Objective Two: to explain the business operation of small and medium social enterprises

Participants reported their experiences of the business operations of their social enterprises. These included business development phases, priority, and resource allocation necessary for further business development. This section responds to the study's second objective of identifying the business operation of SMSEs. In this section, some of the findings linking business operation and performance measurement are briefly reviewed to understand the business operation of participating small and medium social enterprises.

5.4.1 Business development phases

‘Start-up, growth, and maturity’ are business development phases. Most participating social enterprises placed their enterprises in the start-up stage. This finding is consistent with the literature. The GIBS study identified social enterprises in South Africa as generally small, generating over R1 million in income and operating as start-up businesses (GIBS, 2018). Small and medium social enterprises in developed and developing countries play a crucial role in the

economy. In South Africa, small and medium social enterprises are identified as a catalyst for the economy's development through innovative solutions to societal problems (Olawale & Garwe, 2010). However, the participating social enterprises did not indicate activities to focus on in the growth phase. This finding is similar to Ayandibu and Houghton's (2017). They indicated that small and medium social enterprises experience complexities in achieving economies of scale in acquiring inputs. Some participating social enterprises mentioned that their enterprises could be classified as in the growth phase. None had reached maturity, although one was moving into the mature business phase (see Table 4.6).

5.4.2. Business priorities

The participating social enterprises mentioned different priorities based on their respective social and business orientations (see Table 4.7). The literature indicates that social enterprises use a set of business approaches to achieve their social mission (Galera & Borzaga, 2009; Doherty et al., 2014; Jackson et al., 2018). The identification of a business approach that help to achieve the social mission create a mechanism of measuring social performance. Sustainable income generation; growth and expansion; adjustment to the changing market demands; improved services; and community empowerment are the key priorities mentioned by the participant social enterprises. This finding matches those in the literature. For instance, Jilenga (2017) argued that social enterprises adopt entrepreneurial strategies to guarantee their continued survival and satisfy the social and economic interests of the society in which they operate. Furthermore, unlike traditional non-profit organizations that often depend on grants or donations from public and private institutions, social enterprises engage in investment and sales to grow and expand (Ridley-Duff, 2008; Kadir et al., 2016; Littlewood & Holt, 2018a). Social enterprises must generate income through their trade (Jilenga, 2017). However, small social enterprises might experience challenges in generating income during the first few years; most SMSEs depend on grants or donations to start and grow.

The participating social enterprises mentioned adjusting their business priorities due to the Covid pandemic to meet the market demand (see Table 4.7). Participants also explained that providing better services and transferring knowledge and skills to the community were their enterprises' priorities. Scholars suggest that the primary goal of social enterprises is to assist the community or particular group of people through the production and provision of better services (Borzaga &

Defourny, 2001; Thompson & Doherty, 2006; Ridley-Duff & Bull, 2015). Maintaining a partnership with different stakeholders was one of the participating social enterprises' priorities. This finding is consistent with literature, as Peattie and Morley (2008) stated that the involvement of internal and external stakeholders is a vital characteristic of social enterprises.

This study indicates that the business priorities of social enterprises might differ, based on their activities. However, since the end goal of the social enterprises is to achieve their social mission through trade, most of the participating social enterprises mentioned sustainability as a major priority. However, they experience challenges in breaking into the market and competing with big businesses. Additionally, they face a challenge related to achieving both social and economic missions. The participants mentioned the dilemma when sustaining their businesses through trade without losing interest in solving community problems. The literature has reflected the tension created between social and economic objectives (Alegre, 2015). However, some researchers (Doherty et al., 2014; Alegre, 2015) have argued that financial performance is essential for social enterprises to sustain themselves long-term, but is insufficient to meet their organizational mission. Unlike commercial businesses, which prioritize financial performance, social enterprises' ultimate goal is to achieve the social mission.

The next subsection focuses on allocating resources to maintain enterprises' priorities.

5.4.3 Allocation of resources

The study revealed that small and medium social enterprises allocate their resources to different investments, specifically technological solutions, and skills development. Two participating social enterprises focused on advancing technology and skills, and training development, for different beneficiaries. Other social enterprises indicated that they allocated their resources to respond to current situations, such as the pandemic, to meet the market demand and community needs.

The evidence in this study indicates that small and medium social enterprises are not lacking in strategic planning or allocating their resources using advanced procedures and techniques to respond to variations in the market. This finding is consistent with the study conducted in east and southeast Asian countries, known as the Newly Industrializing Countries (NICs), such as South Korea, Singapore, and Taiwan, where SMSEs are very efficient and productive, and are very competitive (Prakash and Tan, 2014; Chng, 2019).

The next section discusses the study's third objective, which is the identification of stakeholders and their information needs.

5.5. Objective Three: to analyze the SMSEs' relevant stakeholders and their information needs

The identification of major categories of stakeholders and their involvement are briefly reviewed to understand social performance measurement from the participating social enterprises' perspective. The majority of the participating social enterprises were aware of their stakeholders and their involvement. There was general agreement that the stakeholders were involved in the enterprises' activities. This section addresses the study's third objective: to describe SMSEs' relevant stakeholders and their information needs.

5.5.1. Categories of stakeholders

The participating social enterprises identified their stakeholders as groups or individuals who were interested in, and engaged with, the activities of their social enterprises. The literature supports this understanding of stakeholders as: “any identifiable group or individual who can affect the achievement of an organization’s objectives, or who is affected by the achievement of an organization’s objectives” (Freeman & Reed, 1983:91).

In third sector literature, the traditional view of stakeholders as external subjects (usually creating costs for the organization) is modified to a new one that focuses on the involvement and participation of these subjects as internal components (Campi et al., 2006). Various categories of stakeholders have been identified in the literature: workers; managers; customers or users; suppliers; volunteers; donors; public authorities; the local community; unions; private firms, or any other categories having a specific interest in, or relation with, the social enterprise (Campi et al., 2006; Borzaga & Sacchetti, 2015). The literature points to social enterprises as multi-stakeholder structures with various categories of stakeholders (Campi et al., 2006; Arena et al., 2015a; Borzaga & Sacchetti, 2015).

Beneficiaries (e.g., ex-offenders; substance abusers; unemployed youth; co-operative members; etc.); consumers; local communities; community leaders; schools (principals and teachers); small business owners; non-profit organizations; academic institutions; and government entities were all

identified as different categories of stakeholders involved with participant social enterprises. This finding is consistent with recent research (Crucke & Knockaert, 2016; Bellucci & Manetti, 2018) that acknowledged the importance of identifying the stakeholders involved. This exercise forces the enterprises to explain their social priorities and objectives to select stakeholders (Ramus & Vaccaro, 2017).

The majority of the participating social enterprises mentioned local communities as stakeholders. The local communities where the participating social enterprises are located are the primary stakeholders of most of the participating social enterprises. However, some of the social enterprises (see Table 4.8), even those operating within the community, did not mention the local communities as primary stakeholders. This finding is inconsistent with the existing literature (Galera & Borzaga, 2009; Costa & Pesci, 2016), which states that SMSEs strive to produce goods and services in the general interest of local communities in different sectors.

Furthermore, SEs are ventures that respond to the community rather than to shareholders (Pearce, 2003; Bagnoli & Megali, 2011b). Social enterprises are formed by people closely linked with the community they intend to serve (Mason et al., 2007). Therefore, this finding needs to be investigated in future research.

Most participating social enterprises also mentioned beneficiaries, clients, and suppliers as their stakeholders. However, the type of beneficiaries depends on the social enterprises' mandates or their commercial entities. For instance, one participating social enterprise explained that the youth benefit from the enterprise's employment generation endeavours. Similarly, other social enterprises referred to their clients as organizations or individuals who consume/buy services or products from their enterprises. Furthermore, the participating social enterprises have understood suppliers as organizations or individuals from whom the enterprises source the services or products they require to conduct their activities.

Educational institutions were among the least common stakeholders identified by the participating enterprises. For instance, two participating social enterprises mentioned UKZN as an educational stakeholder which has provided resources, technical support, and capacity building.

5.5.2. Level of stakeholders' involvement

Participating social enterprises mentioned three perspectives of stakeholder involvement: stakeholders' interests, contribution, and influence in the social enterprises (see Section 4.5.2.).

5.5.2.1. Stakeholder interests

In the interview, participating social enterprises highlighted that stakeholders' interests are determined by their needs and preferences regarding the activities and outcomes of the social enterprises' projects. Various approaches exist in the literature regarding the interest and nature of the involvement of stakeholders. It is useful to highlight two distinct perspectives:

On the one hand, Galera and Borzaga (2009) highlighted the involvement of stakeholders in the organizational decision-making process and control. Here stakeholders have ownership and a right to control. They are formal members of the enterprises' board with full control over strategic decision-making. Scholars have noted that the involvement of stakeholders in governance and control may create management problems within the enterprise. Additionally, enterprises are expected to develop transparent and open mechanisms for the involvement and management of stakeholders at board level (Arena et al., 2015a). When stakeholders' presence and poor management complicate the governance process, the effectiveness and legitimacy of the entire process is open to question (McDermott et al., 2018).

On the other hand, McDermott et al. (2018) stressed the involvement of stakeholders in voluntary and democratic participation. Here, stakeholders are involved voluntarily within the social enterprise to facilitate the various activities and priorities which social enterprises determine. The participating social enterprises stated that stakeholder involvement is driven by their needs and preference for achieving different social goals. For instance, the involvement of traditional authorities in Social Enterprise 1 is driven by their need and preference for the “*creation of jobs, development of the area*”, to assist the community in becoming sustainable (see Section 4.5.2.1). In permitting stakeholders' direct involvement in various activities, the social enterprises adopt and preserve a culture affiliated with that group's needs. Involvement and recognition of stakeholders in social enterprises imitate “the democratic and ethical tenets upon which they are founded” (Mason et al., 2007:290).

The next subsection explains stakeholders' contribution and influence on participating social enterprises.

5.5.2.2. Stakeholders' contribution and influence

The participant social enterprises revealed that stakeholders contribute to their enterprises, with significant consequences (see Table 4.9). The participants stated that stakeholders contributed to the main activities and objectives their enterprises want to achieve. This finding is consistent with the literature, which acknowledged stakeholders' contributions in implementing social enterprises' strategies and their ability to positively impact the community as change agents (Zahra et al., 2009; Battilana & Lee, 2014). Ramus and Vaccaro (2017) highlighted that stakeholder engagement and contributions, as internal social enterprise actors, explain and represent formerly abandoned pro-social values. Furthermore, Ramus and Vaccaro (2017:308) agreed that social enterprises' strategies, without the engagement and contribution of stakeholders, would be unsuccessful in balancing the social and economic missions, as “ *they fail to activate the necessary process of internal re-introduction and operationalization of pro-social values and objectives*”. Participating social enterprises stressed that the contributions included the provision of land and venues; technological development; project funding; project implementation; monitoring and evaluation; financial sustainability; assistance with networking; and a nomination for participation in a small business development programme. This finding indicates that stakeholders contributed to, and engaged with, the participating social enterprises in the most important aspects of creating their social values. The literature has indicated the important role of stakeholders' engagement and contribution in value creation (Parmar et al., 2010; Phillips et al., 2019).

In this study, participating social enterprises deal differently with stakeholders in public and private markets. Thus, the contribution of stakeholders determines their level of influence in the enterprises. Most participants indicated that stakeholders exercise significant influence in their enterprises. They were aware of the high level of involvement in, and influence stakeholders have over, their enterprises. Most participating social enterprises stated that the stakeholders' operational influence affects the enterprise's success and sustainability. This finding is consistent with literature which has identified two stakeholder engagement models: the control model and the collaboration model. The control model is focused on managing risk and guaranteeing the organization's survival.

In contrast, the collaboration model involves partnering with stakeholders to contribute to the organization's strength and sustainability (Dacanay, 2012). Recent research has highlighted the necessity to shift models of stakeholder engagement from control to collaboration (Sloan, 2009). Sen and Cowley (2013) stated that, in 2002, Freeman proposed that SEs should redistribute benefits and considerable decision-making power to all stakeholders, according to their involvement. According to Perrini and Tencati (2006), enterprise sustainability is the capacity of the venture to continue operating over a long period, based on the sustainability of its stakeholder relationship. Furthermore, for SEs as hybrids, a strong bond with stakeholders is crucial. Their integration into the value chain permits them to contribute substantially to the enterprise's operation and strategy (Granados & Rosli, 2020a).

Only one participating social enterprise revealed that their stakeholders' involvement in supporting the enterprise's operations was low, as was their influence on the enterprise (see Table 4.9). Therefore, the perceived influence of stakeholders correlates with their perceived contribution to the enterprise. However, it is axiomatic to believe that all stakeholders associated with a given enterprise may not have the same level of influence in that enterprise; details are scarce on whether this is indeed the case, and the relationship needs to be investigated further.

5.5.2.3. Communication with stakeholders

Participant social enterprises revealed various communication modes to maintain regular contact with stakeholders to keep enterprise operations going (see section 4.5.3). Communicating with stakeholders is essential for SMSEs. It allows stakeholders to integrate into SMSEs activities and participate and contribute to the operation and strategy of the enterprises (Granados and Rosli, 2020a). Stakeholders' communication is important in explaining the social agenda of action and constructing a mutual understanding of social values and beliefs with stakeholders that can benefit SMSEs to achieve mission drift (Ramus and Vaccaro, 2017). The literature argues that communicating with stakeholders about enterprise activities, objectives, and strategies creates opportunities for “reflection about the social values and motivations that should be at the core of a social enterprise's mission”(Ramus and Vaccaro, 2017, p.320).

Most of the responses from participating social enterprises highlighted the most common modes of communication: emails, surveys, reports, phone calls, social media (WhatsApp), and face-to-

face interactions. The participating social enterprises stressed that face-to-face interaction is used the most to communicate with stakeholders, and it happens in several ways. One participant explained the enterprises communicates face-to-face through annual general meetings; annual activities for school-going children (e.g., career day); drug awareness and social abuse campaigns; and sports tournaments. It was also mentioned that a meeting is held once every week or two, a monthly. General meetings and board meetings would take place quarterly. Participants once again reiterated the importance of reports and surveys. Thus, it is important to explore what communication with stakeholders is more effective in improving and increasing the sustainability of SMSEs.

5.5.2.4. The nature of information shared with stakeholders

Participating social enterprises generally agreed that stakeholders are highly interested in obtaining information regarding different aspects of the SMSEs (see Table 4.10). Such information is related to the enterprises' objectives; activities; sponsorship feedback; progress reports; performance measurement; demographics and the social reintegration of beneficiaries; and stakeholders' involvement. Researchers have suggested that the more companies reveal their objectives, values, and activities, the more likely they will be to attract crucial stakeholders (Bellucci & Manetti, 2018). Other studies, however, have asked: "If a company focuses too attentively on communicating with stakeholders, is it possible that some stakeholders may believe that the company might be trying to hide something?" (Brown & Dillard, 2014:91).

The literature notes that SMSEs must consider, on the one hand, their stakeholders' opinions when deciding on their strategies. On the other hand, they should reveal material and relevant information regarding their ability to contribute to sustainability, while achieving value for all their stakeholders (Morsing & Schultz, 2006; Borzaga & Sacchetti, 2015). It is agreed that enterprises have a responsibility to share and report on their financial performance and social and environmental outcomes (Bellucci & Manetti, 2018). In this study, the participating social enterprises stated that stakeholders require information on how the enterprise benefits the community, creates employment and measures the relationship between the enterprise and the community. Furthermore, participating social enterprises revealed that they generally believe their stakeholders require financial and non-financial information to identify their outcomes and impact within the community.

5.6. Objective Four: to explore the performance measurement frameworks used by different enterprises

This section focuses on the performance measurements of the participating social enterprises, as gathered during data collection. The section addresses the fourth objective of the study, which sought to explore the performance measurement framework used by different enterprises. The major findings concerned the rationale for conducting performance measurements; the starting point and frequency of conducting performance measurement; the mode of performance measurement; factors affecting performance measurements; the perceived benefits of performance measurement, essential performance measurements for SMSEs; and shifts in performance measurements. They are briefly reviewed in this section.

5.6.1. The rationale for conducting performance measurements

Despite the challenges small and medium social enterprises experience in conducting social value measurement, the current study suggests, based on the respondents' views, that measuring performance is critical for their social enterprises. Most of the participating social enterprises mentioned that measuring growth is the primary rationale for performance measurement (see Table 4.11). This finding is consistent with the literature, as scholars have stressed that performance measurement is challenging and broad (Bagnoli & Megali, 2011b; Battilana, 2018; Abbas et al., 2019). SEs are enterprises established to achieve a social purpose within the community, other than profit (Arena et al., 2015a). Bagnoli and Megali (2011b) explained SEs as mission-driven organizations that trade goods and services for social purposes. Therefore, the performance measurement system necessarily assumes multiple profiles. Therefore, SEs should clearly define their core activities to identify and measure their growth (Bagnoli & Megali, 2011b). Additionally, SEs should identify the number of variables to be included in the measurement to ensure short-term survival and long-term growth to avoid being overwhelmed in rapidly changing industries (Arogyaswamy, 2017).

Social enterprises develop a business plan that explains their goals and strategies, even though there is no funding provided from external stakeholders to periodically calculate the growth of their enterprises (Arena et al., 2015a; Arogyaswamy, 2017). SMSEs need to start measuring their performance systematically to measure their growth. A better understanding of the activities and

purposes of social enterprises would result in more effective identification and measurement of growth. Performance measurement is the main assurance for social enterprises in addressing social effectiveness through measuring their growth (Bagnoli & Megali, 2011b).

Participating social enterprises mentioned better decision making as the second rationale for measuring performance (see Table 4.11). Social enterprises are established with a spirit of activism and the ability to identify opportunities to create social value; while also recognising the need to establish viable and self-sustaining organizations (Arogyaswamy, 2017). Scholars highlighted that performance measurement helps social enterprises identify where they are and where they would like to be in the future, in terms of their strategic goals and making better decisions to sustain their organizations (Arena et al., 2015a; Crucke & Decramer, 2016; Battilana, 2018; Dufour, 2019). Social enterprises create social value through innovation (Dees, 2007) and through the marketing strategies of selling goods and services to generate income (Defourny & Nyssens, 2007; Defourny & Nyssens, 2014). Therefore, the design of a strategic plan and goal ensures the effectiveness and sustainability of the organization. SEs can achieve their strategic plan and goals by measuring their performance and making better decisions about what is best and what needs improvement (Dufour, 2019).

Participating social enterprises highlighted stakeholders' demands and initiatives as a rationale for performance measurement (see Table 4.11). This finding is consistent with the literature, which highlights a growing demand from internal and external stakeholders, such as funders; government; customers; suppliers; and the local community, to indicate what values are created by the social enterprises (Ebrahim & Rangan, 2010b; Bagnoli & Megali, 2011b; Dufour, 2019). SEs need to systematically measure their performance to ensure their accountability to their stakeholders (Arena et al., 2015a). However, there is no consistency among researchers and practitioners regarding the frameworks and tools for measuring social enterprise performance. Additionally, some researchers and practitioners believe the result of performance measurements were not all positive. For instance, according to Ebrahim and Rangan (2014a:68), "A significant number of agencies reported that implementing outcome measurement has led to a focus on measurable outcomes at the expense of other important results (46%), has overloaded the organization's record-keeping capacity (55%), and that there has remained uncertainty regarding

how to make programme changes based on identified strengths and weaknesses (42%)” (United Way of America, 2000:115).

5.6.2. Starting point and frequency of conducting performance measurements

Four of seven participating social enterprises mentioned their implementation of performance measurement (see Table 4.12). However, only three enterprises were certain about when they had carried out this exercise for the first time: between one and three years after establishing the enterprise. The reason for the enterprise measuring the performance after the third year, was because, as the participants explained, the first and second years were a learning curve. This finding is consistent with the literature on business performance (Bull, 2007; Carlyle, 2013) and social value measurement (Ebrahim & Rangan, 2014a; Epstein & Yuthas, 2017).

There are two distinct views on when performance measurement should be initiated, according to the literature. On the one hand, enterprises conduct performance measurement after they think the activities in their strategic plans have been implemented. The amount of time an organization spends learning and identifying what works and does not work will take three-to-four years. Not all organizations are obliged to measure their long-term impact. Rather, some organizations, especially small and medium enterprises, should focus on short-term outputs or individual outcomes (Ebrahim & Rangan, 2014a). Scholars agree that social enterprises should measure and report on their activities and outputs (Crucke & Decramer, 2016; Dufour, 2019). On the other hand, some researchers are of the opinion that it is unclear when an SE should start performance measurement and scale up into the domain of outcomes and impacts (Ebrahim & Rangan, 2014a). In this vein, two of the participating social enterprises mentioned that they were uncertain about the exact point in time, while one of them (see Table 4.12) indicated that the starting point “varies” depending on each project implemented by the enterprise.

The participating social enterprises revealed variations in the frequency of performance measurement within their enterprises. Most social enterprise participants mentioned that they do not conduct performance measurements regularly (due to a lack of resources), with only three reporting regular performance measurement. Two participating social enterprises conduct their performance measurement annually because their activities usually run for a year. The literature indicates that, because of the size and diversity of the social sectors, the frequency of conducting

performance measurements can be different, based on the different needs, plans, and objectives of the social enterprises (Bagnoli & Megali, 2011b; Bertotti et al., 2011b; Grieco et al., 2015).

5.6.3. Mode of performance measurements

The performance measurements which social enterprises implement may depend on the type of activities, clients, and projects within each enterprise. The knowledge of the participating social enterprises about how to conduct performance measurement varied from one enterprise to another (see Section 4.6.3). While some were more knowledgeable about what performance measurement entails, emphasizing the statistical aspect of their projects, which included the analysis of advanced spreadsheets to determine the impact of the projects, other participants did not indicate how they conducted performance measurement. Their comments about what they measured indicated either articulation problems or a limited understanding of performance measurement. In general, the participating social enterprises emphasized the challenges in performance measurement. Even though some participants believed they had the knowledge to conduct performance measurements, their focus was more quantitative than qualitative, omitting the measurement of their enterprises' social value. The participating social enterprise emphasized the lack of resources and knowledge to measure the social performance of their enterprises (see Table 4.14).

Additionally, the difficulty of defining the outcomes of their enterprises hindered the process of performance measurement for some of the participating social enterprises. They emphasized the immediate outputs of their activities. For instance, Social Enterprise 2 measured the number of referrals; the reviews provided by clients and stakeholders; measurements of the children's performance; and the number of graduates and skills acquired. This finding is consistent with the literature, as scholars and practitioners mentioned that SEs focus on the outputs and experience difficulty measuring the outcomes of non-financial activities (Ebrahim & Rangan, 2014a; Crucke & Decramer, 2016). Social enterprises, as hybrid organizations, are expected to achieve a dual mission of creating social value and sustaining the enterprise. Thus, both financial and non-financial performance is at the core of social enterprises. However, researchers and practitioners have highlighted the challenge of a hybrid environment and the lack of understanding of the practical usefulness of the methods and tools for non-financial performance measurement (Crucke & Decramer, 2016). The next subsection explains the factors affecting performance measurement for small and medium social enterprises.

5.6.4. Factors affecting performance measurement

There was a general agreement among the participating social enterprises that different factors affect performance measurement (see Table 4.14). The most common factors affecting performance measurement, identified by the participating social enterprises, included the lack of resources; the lack of skills and experience; and the difficulty of measuring social values. In the view of the participating social enterprises, performance measurement is more than just count their successes; rather, it is a strategic operation that can ensure the effectiveness and sustainability of their enterprise. It requires both human and financial resources to pursue the process.

Three participating social enterprises indicated that existing members of their enterprises were not qualified or knowledgeable to conduct performance measurement (see Section 4.6.4). Even if some participants believed they had the ability, they cited the lack of time to conduct performance measurements as they were busy running the day-to-day activities of the enterprise. Additionally, they commented that hiring specialized and qualified people in performance measurement is costly. This view of the participating social enterprises is consistent with the views of scholars in the literature. For example, Bengo (2012) highlighted that developing a consistent and comprehensive performance measurement system is expensive, both in gathering data and staff time. Social enterprises have financial and human resource constraints in initiating, examining, and implementing performance measurement (Arena et al., 2015a). Time constraints are also mentioned in the busy schedules of managers running the enterprises if they are to collect data and perform measurements (Crucke & Decramer, 2016). Ankrah and Mensah (2015) indicated that a lack of human and financial resources, the misunderstanding of performance measurement, and the lack of managerial capacity all affect the performance of SMSEs.

The participating social enterprises stressed the difficulty of measuring social value as a factor affecting performance. They viewed their establishments as hybrid organization that exist to provide a solution to community problems through business-generated revenue that supports the social mission. However, the participants stressed the difficulty of quantifying the social value. This finding is consistent with the literature. Researchers and practitioners indicate that SMSEs experience difficulty examining and measuring social value (Ebrahim & Rangan, 2014a; Arogyaswamy, 2017; Battilana, 2018).

5.6.5. Perceived benefits of conducting performance measurement

There were mixed views regarding the perceived benefits of conducting performance measurements by the participating social enterprises (see section 4.6.5). While some believed that performance measurement helps them make better decisions and allows them to assess their impact, others believed it assisted their enterprises to identify better activities; achieve better resource management; and improve the quality and sustainability of products for market delivery. Both beliefs are quoted in the reviewed literature, as some scholars mentioned that measuring the performance of enterprises helps in making better decisions (Arena et al., 2015a); assessing impact (Bertotti et al., 2011b; Ebrahim & Rangan, 2014a); identifying better activities (Dufour, 2019); and achieving better resource management. Furthermore Bertotti et al. (2011b) explained that measuring the economic, social, and environmental impact of social enterprises will assist in developing better insights into what works and what does not. This could allow the implementation of good practices and the restriction of bad practices within the enterprises. Performance measurement helps SMSEs overcome the challenge of adapting to ever-changing environments by implementing a proper strategic plan and analysis to achieve ongoing sustainability (Bull, 2007).

The literature shows that measuring performance would also benefit social enterprises by enhancing their accountability and transparency to stakeholders (Chmelik et al., 2016). Furthermore, identifying the social enterprises' social, economic, and environmental performance will provide a basis for comparison across diverse social enterprises within the same sector and across sectors, by measuring and focusing on more than just economic performance (Bertotti et al., 2011b). Performance measurement enables stakeholders, such as the government and investment community, to compare social enterprises and private sector enterprises. This allows stakeholders, such as funding organizations and the government, to decide on financial and other support to reward excellence in the sector. However, the participating social enterprises did not mention the benefits of conducting performance measurements from the point of view of external bodies involved within the environment of their enterprises. Thus, this needs further research. According to Bull (2007), practitioners' reports indicate that social enterprises see performance measurement as a burden rather than a strategic tool and source of competitive advantage. Similarly, the participating social enterprises viewed performance measurement as onerous, even though they saw the benefits of performance measurement.

5.6.6. Essential performance measurements for small and medium social enterprises

The study also gathered data on essential performance measurements for SMSEs. However, because of the factors affecting performance measurement, explained in Subsection 5.6.4, the participating social enterprises failed to explain the possible indicators that are essential for performance measurement. Although though there was a failure to clearly state the indicators, the participating social enterprises mentioned risk measurement; environmental impact; skills development; social measurement; impact; and the performance of activities as essential performance measurements for SMSEs (see Table 4.16). Additionally, the participating social enterprises stressed that, although they do not have a performance measurement framework, they would like to measure their performance on issues related directly to their enterprises. For instance, Social Enterprises 4 said:

“We are interested in the measure of how many of the trainees find a job, how many of the trainees start a business, how many of the trainees go back to school, how many of our beneficiaries change their lives and become independent.” (Social Enterprise 4 interview respondent).

The participating social enterprises indicated that their enterprises would like to focus on measurements that are related to the goal of satisfying their stakeholders: customers; beneficiaries; the government; and funding institutions.

5.6.7. Shifts in performance measurements

The study aimed to gather data on performance measurements implemented by the participating social enterprises (see Section 4.6.7). However, it is unclear how the participating enterprises that conduct performance measurements have experienced or affected this practice. However, at least one enterprise indicated that they had experienced a shift in conducting performance measurements.

Researchers in some of the reviewed literature also explained the lack of written and documented social performance measurement of SMSEs (Bull, 2007; Bertotti et al., 2011b; Grieco, 2015). For many SMSEs, “performance measurement and quantification are either economic indicators or unexpressed social values that are often intangible and difficult to quantify” (Dees & Anderson, 2003:23). It is thus important to investigate how SMSEs operate and develop a social performance measurement framework.

5.7. Conclusion

This chapter discussed the results of the study presented in Chapter Four. The study used open-ended interviews in which participants were permitted to provide detailed information about each question. Participants were also permitted to express their perceptions of any information they thought was relevant to the study. The study implemented thematic data analysis. Thematic data analysis involves reading the transcripts to identify the common emerging themes (nodes) and sub-themes (child nodes). The study research questions guide the entire process. This discussion was guided by the objectives of the study to clearly show how much these objectives were addressed by the exercise.

The current study's aim was to develop a social performance measurement framework for small and medium social enterprises in KZN, South Africa. The study objectives focused on identifying the funding model; business operation; stakeholders' involvement; and existing performance measurement of SMSEs. The first section provided the background of participating social enterprises. The second section presented the first objective of the study which was investigating the funding model of the SMSEs. In this section, the study identified self-funding as the initial source of funding for the participating social enterprises. They optimize their social enterprises through funds generated from multiple sources, including other profit-making businesses established in line with their social enterprises. This finding is consistent with findings in the literature regarding social enterprises' many funding sources to achieve sustainability (Defourny & Nyssens, 2014; Reilly, 2016; Majetić et al., 2019).

The second section presented the second objective of the study, which was to identify the business operation of SMSEs. The current study revealed that most participating social enterprises positioned their enterprises at the start-up stage. Even though the business priorities of the participating social enterprises differ based on their activities, they identified sustainable income generation; growth, and expansion; adjustment to the changing market demands; improved services; and community empowerment as key priorities.

The third section presented the third objective of the study: to describe the SMSEs' relevant stakeholders and their information needs. The participating social enterprises generally agreed on the involvement of stakeholders in their activities. The study identified beneficiaries (e.g. ex-offenders; substance abusers; unemployed youth; co-operative members); consumers; local

communities; community leaders; schools (principals and teachers); small business owners; non-profit organizations; academic institutions; and government entities as relevant stakeholders of their enterprises. The Information related to the enterprises' objectives; activities; sponsorship feedback; progress reports; performance measurement; demographics and social reintegration of beneficiaries; and stakeholders' involvement was shared with the stakeholders.

The fourth section of this chapter also presented the results and a discussion on the fourth objective of exploring the performance measurement framework used by different enterprises. The current study indicates that the participating social enterprises believed performance measurement helps them to make better decisions and assess impact. Others believed it enabled their enterprises to identify better activities, achieve better resource management, and improve the quality and sustainability of products for market delivery. However, SMSEs experience challenges in conducting social performance measurements. The participant social enterprises did not indicate how and when they implement performance measurement. The lack of financial and human resources, and a lack of the knowledge and skills to conduct performance measurements, were identified by both the participating social enterprises and in the literature. The identification of, and focus on, their social mission and activities were identified as a factor in performance measurement. The next chapter discusses how to develop performance measurements for SMSEs.

CHAPTER SIX: PROPOSED FRAMEWORK

6.1. Introduction

The previous chapter discussed the funding models and the business operations of the participating small and medium social enterprises in KwaZulu-Natal. The chapter also explored the stakeholders involved, their information needs, and the extent of performance measurement. The study is aiming to develop a social performance measurement framework for small and medium social enterprises in KwaZulu-Natal, South Africa. The fifth objective of the study, to develop a social performance measurement framework for SMSEs, is addressed in this chapter. This chapter outlines a guide to developing a social performance measurement framework for SMSEs, with the study's focus on SMSEs in KwaZulu-Natal, South Africa. This approach is based on the data gathered during the study of the characteristics of the social enterprises and performance measurement, as well as the results of the literature analysis. The framework provides a guideline for performance measurements that SMSEs should emphasize in responding to stakeholders' requirements and improving their growth and survival.

6.2. Objective Five: proposed social performance measurement framework for small and medium social enterprises

The social performance measurement framework was developed, based on the findings from the interview responses of participating social enterprises, and the literature review, and are presented in Figure 6.1. The purpose of the proposed framework is enable social enterprises to select appropriate performance measurement tools in different circumstances. The proposed framework considers a multi-layered process of value creation. A dominant perspective underpinning the proposed framework is the mechanism through which SMSEs design and emphasise their social mission and activities as a preliminary to social value creation. How social enterprises formulate and communicate their mission defines the social value that social enterprises are set to create (Ormiston & Seymour, 2013). This mission is then implemented through a strategy of developing each activity in the enterprise, which is evaluated through performance measurement. When choosing a performance measurement tool, social enterprises, particularly SMSEs, must first identify their key stakeholders and information requirements (Silva et al., 2019). Thus, the

proposed framework considers the identification of stakeholders as one element of performance measurement.

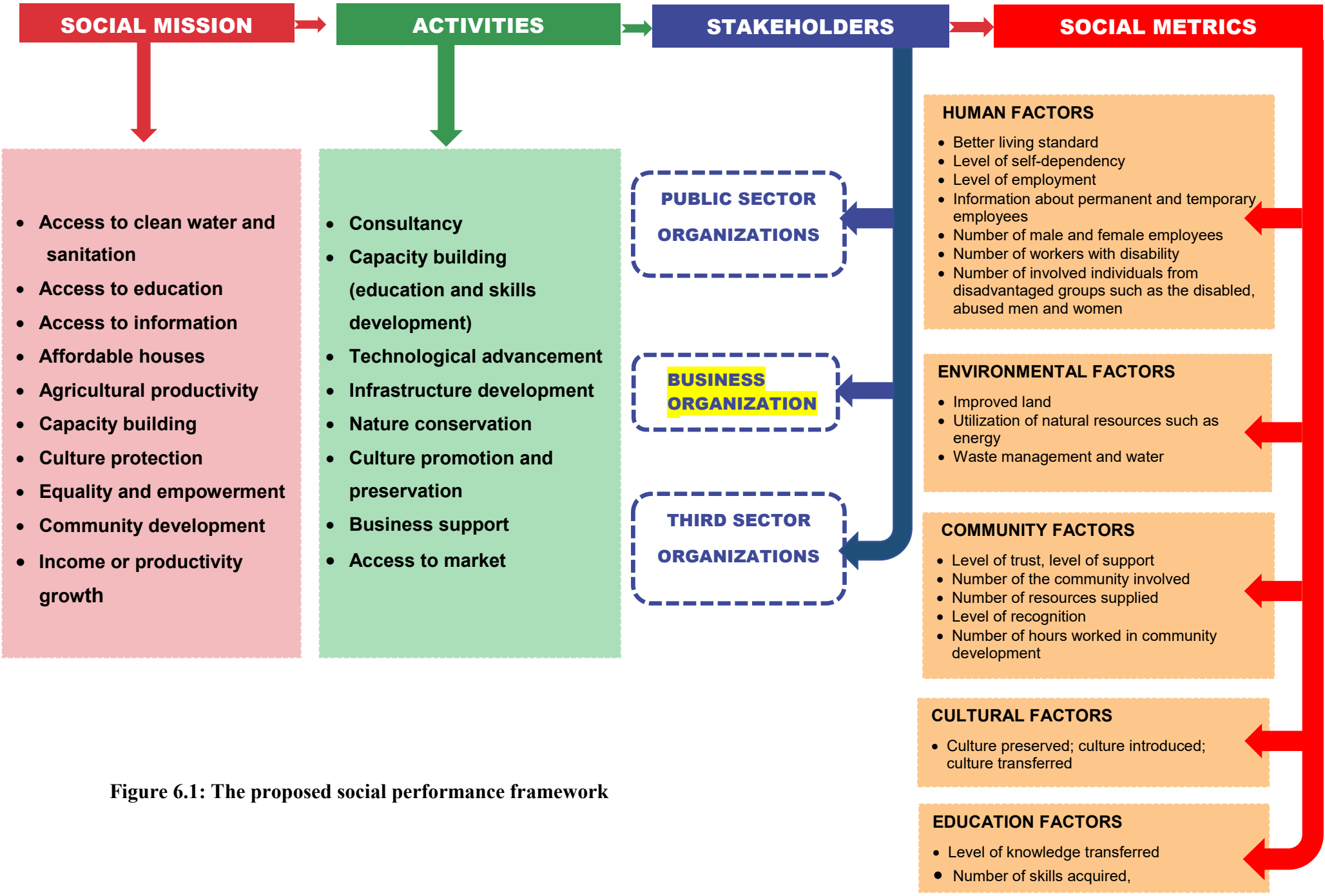


Figure 6.1: The proposed social performance framework

6.2.1. Social mission

A social enterprise is created when a founding individual or group has an explicit and well-defined social goal and thrives in translating it into an organizational structure with unique characteristics (Galera & Borzaga, 2009). They tackle community problems overlooked and forgotten by the government or other institutions in fields such as welfare; health; education; employment; and housing; in an innovative and entrepreneurial way. The goals of the social enterprise are of social and general community interest. However, to achieve their social goals, social enterprises might be engaged in commercial activities in order to sustain the organization. The activity performed would have to be managed in an entrepreneurial way. A continual balance between the social and economic dimensions must be preserved (Galera & Borzaga, 2009).

A social enterprise is an organization that strives to achieve social, environmental, or community objectives (European Commission, 2015). Furthermore, they produce goods and services in innovative and entrepreneurial ways to sustain their organization and benefit the community (Defourny & Nyssens, 2008; Davies et al., 2019). If profits are generated from trading, it is reinvested in the pursuit of the social and environmental mission. Thus, social enterprises, particularly small and medium enterprises, are working on dual economic and social missions to create social value. SMSEs can tackle an extensive range of social and environmental matters and function in all economic sectors (Defourny & Nyssens, 2008). SMSEs pursue the social mission through business ventures (Smith et al., 2013). To achieve their objectives, small and medium social enterprises are expected to formulate a social mission. The social mission must address the community interest's needs by implementing innovative solutions. However, small and medium social enterprises combine these needs with business to sustain their enterprises. These conflicting objectives are major challenges for SMSEs. While they are expected to make sure that they do not risk their mission of social value creation, as a result of 'mission drift', they have to maintain the hybrid nature of their business (Ebrahim et al., 2014).

The response of most participating social enterprises suggested that understanding, clearly defining, and setting the social mission of their enterprises played a crucial role in the enterprise performance. This finding is consistent with literature which indicates that the formulation of the social mission and how it is communicated define the social value that the social enterprise is targeted to create (Ormiston & Seymour, 2013). This mission is then implemented through

the social entrepreneur's strategy and monitored and regulated through performance measurement.

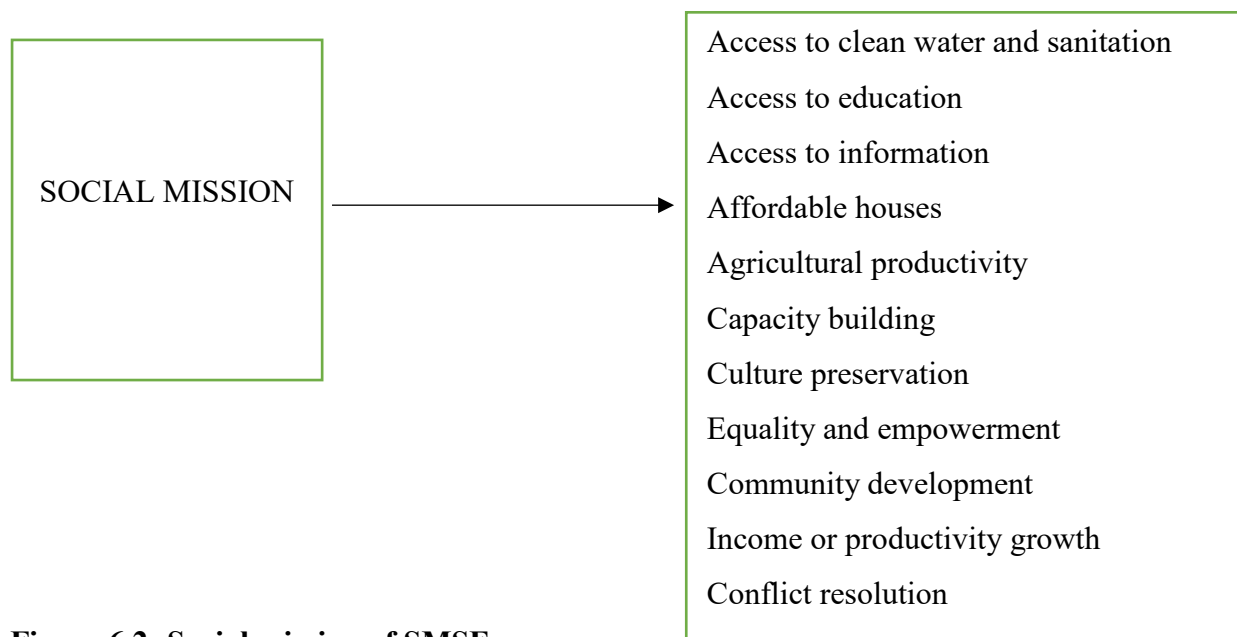


Figure 6.2: Social mission of SMSEs

The participating social enterprises, SE1, SE3, SE4 and SE6, noted that identifying a social mission and working towards achieving the social mission help improve performance. However, the respondent stressed that there was no written document on the plan to achieve this social mission. This state of affairs was also mentioned by Garengo et al. (2005). Their study showed that SMSEs have poor strategic planning and informal decision-making. The participating social enterprises have set employment generation and income or productivity growth as their social mission. As indicated in Figure 6.2, SMSEs can strive to achieve a social mission, such as improved agriculture productivity; culture preservation; community development (Eversole et al., 2014); employment generation (Bansal et al., 2019); access to clean water and sanitation (Gordon et al., 2018); capacity building (Paramanandam & Packirisamy, 2015); environmental protection (Asante Boadi et al., 2019); and income and productivity growth (Bull & Crompton, 2006; Erin et al., 2018).

Most of the participating social enterprises stressed the challenges of achieving and balancing the social mission with the commercial objectives of their enterprises. The tension in balancing the social and commercial missions is mentioned in the literature (Ebrahim & Rangan, 2014a; Battilana et al., 2015; Battilana, 2018; Nielsen et al., 2019).

In small and medium social enterprises, various logics result in inconsistent objectives and requirements that complicate performance measurement, resulting in performing tensions

(Smith et al., 2013). Performing tensions arise because of difficulties in setting and agreeing on missions, objectives, and performance measurement (Nielsen et al., 2019). There are complications in explicitly identifying the social and commercial mission because various evaluation principles increase performing tensions (Bull, 2008; Nielsen et al., 2019). In social enterprises, a correlation exists between performing tension and lack of appropriate performance measurement, which results in problems managing enterprise logic. The lack of an appropriate performance measurement system can lead to mission drift (the expansion of the commercial mission over the social mission) (Nielsen et al., 2019). Therefore, social enterprises, as hybrid organizations whose objectives are to achieve a social mission through commercial activities, must simultaneously set, manage, and prioritize their social mission with its activities, objectives, and stakeholders' expectations. Table 6.1 indicates the social mission items used for the social performance measurement of SMSEs. As indicated in the table, defining and monitoring a social mission can be measured by identifying whether the enterprise has a clear social mission and a strategy to achieve the social mission. SMSEs identifying their social mission and setting strategies to achieve it eliminate the possibility of mission drift (Ormiston & Seymour, 2013; Smith et al., 2013; Ebrahim et al., 2014).

Table 6.1 indicates the need to evaluate the engagement, commitment, and monitoring of employees, founders, directors, and managers of SMSEs in aligning the social mission. Based on their mission, SMSEs can decide whether to focus on measuring their impact on targeted beneficiaries, or can adopt a more comprehensive viewpoint that considers the social responsibility of all the enterprise's activities (Hertel et al., 2020). Thus, SMSEs must define and monitor their social mission to respond to the social performance call from internal and external stakeholders.

Table 6.1: Social mission items included in the framework

Social mission items	
<p><i>Define and monitor social mission</i></p> <ul style="list-style-type: none"> ✓ The enterprise has a clear social mission. ✓ The enterprise has a strategy to achieve the social mission. ✓ The enterprise has a resource to achieve its social mission. ✓ The enterprise collects, reports, and confirms the accuracy of data specific to the enterprise’s social goals. 	
<p><i>Ensure board, management, and employee commitment to social goals</i></p> <ul style="list-style-type: none"> ✓ Members of the board of directors and employees are committed to the enterprise’s social mission. ✓ Members of the board of directors and employees hold the enterprise accountable to its social mission and goals. ✓ Directors/founders/senior management assigns and manage the implementation of the enterprise’s strategy for achieving its social goals. ✓ Employees are recruited, evaluated, and recognized based on social and financial performance criteria. 	

Source: Adapted with researcher modification from Beisland et al. (2021)

The next section discusses the activities of small and medium social enterprises related to the social mission, to set a social performance measurement.

6.2.2. Activities

The participating social enterprises indicated the accomplishment of various social and business activities to achieve their social missions, which included helping the disadvantaged members of the community and excluded and low-income populations, in matters of education; health, and social care; improved agriculture; culture preservation; and environment protection. The literature refers to social enterprises accomplishing a wide range of activities, including the social and economic incorporation of the disadvantaged, excluded, and low-income population; and providing education, health and social care; as well as in community engagement and services; ethical agriculture, horticulture and food processing; advocacy and activism; and environmentalism (Defourny & Nyssens, 2008; European_Commisison, 2015; Davies et al., 2019). Battilana and Dorado (2010) found that the best approach to improve

performance is to differentiate and separate social and commercial activities, but develop a “space of negotiation,” which they explain as an “arena of interaction that allow all staff members to discuss and agree on how to handle the daily trades of that face across social and economic activities” (Battilana & Dorado, 2010:139). Therefore, SMSEs must simultaneously manage diverse activities, objectives, missions, and stakeholder expectations. Furthermore, it is not easy for SMSEs to plan for the future (Bagnoli & Megali, 2011a). The reasons for their considerable lack of skill in forward-thinking and multiannual planning and budgeting include their dependence on public and private donations for funding to pursue social aims; and sometimes also the challenge of access to markets, combined with weak capital structures due to their small size. This increases the importance of tracking, recording, and analysing SMSE activities.

Table 6.2: Activity identification items included in the framework

Activities item	
<p><i>Define social activities</i></p> <p><i>The enterprise defines its social activities</i></p> <ul style="list-style-type: none"> ✓ Identifying disadvantaged members of the community ✓ Involving excluded and low-income population <p><i>Identify social activity sectors</i></p> <p><i>The enterprises have identified the sectors in which the social activities are implemented</i></p> <ul style="list-style-type: none"> ✓ Capacity building ✓ Skills and training development ✓ Improvement and advancement in agriculture ✓ Technology development ✓ Health and social care ✓ Culture preservation and promotion ✓ Education ✓ Environmental protection <p><i>Differentiate the commercial activities</i></p> <ul style="list-style-type: none"> ✓ The enterprise has identified the commercial activities ✓ The enterprise has identified which commercial activities support the social activities 	

<ul style="list-style-type: none"> ✓ The enterprise knows the percentage of revenue generated through commercial activities ✓ The enterprises know the percentage of revenue generated from commercial activities which is injected into social activities. 	
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Source: Researcher

The activities to be measured in the proposed framework are listed in Table 6.2. SMSEs must identify their social and commercial activities to measure their performance. The literature indicates that the choice of metrics and indicators is supported by social enterprise theory of change, which indicates not only the social mission, but also expectations of how the mission can be achieved (Arvidson et al., 2013), and from which social performance indicators and metrics can flow accordingly (Hertel et al., 2020). The performance measurement system must be developed and implemented following the organization’s strategy, linked to the enterprise’s and activities, to achieve the objectives. One of the limitations of the traditional model of performance measurement is the lack of connection between performance measurement and organizational strategy and activities to achieve objectives (Kaplan & Norton, 1992b; Bourne et al., 2000; Neely et al., 2002b). Thus, for SMSEs to measure their social performance, they have to identify and focus on the activities to perform, relating to the social mission. Based on their social mission and activities, SMSEs can also decide who can be their relevant stakeholders and what their involvement and influence are.

6.2.3. Stakeholders

Scholars agree that the core element in social performance measurement is the multiplicity of stakeholders, representing the community, the enterprise, and regimes of support categories, who combine forces to bring social change (Arvidson & Lyon, 2014; Arena et al., 2015a; Hall et al., 2015; Hertel et al., 2020). End-user stakeholders, such as clients and beneficiaries, though they have less power and control, play an important role in ensuring the necessity for performance measurement (Ebrahim, 2013). This gives rise to decisions about why to measure, when to measure and how to measure it, after identifying activities (Arvidson & Lyon, 2014). The decision-making process requires that SMSEs identify their relevant stakeholders and their needs. Scholars have stated that the primary purpose of social performance measurement is “not to be accountable to everyone for everything, but to prioritize among competing accountability demands” and develop measurement mechanisms accordingly (Ebrahim, 2019:25). The involvement of stakeholders in the measurement process has proven to be an

effective means of developing measurement systems that satisfy stakeholder demand (Hall et al., 2015; Hertel et al., 2020).

The participating social enterprises were asked if stakeholders' involvement and influence were critical for performance measurement. Most of the social enterprises interviewed indicated that identifying their stakeholders' information needs and involvement helped them to prioritize in measuring performance. Several studies have highlighted that social enterprises, particularly SMSEs, deal with multiple information needs and the involvement of various stakeholders (Arena et al., 2015a; Ramus & Vaccaro, 2017; Bellucci & Manetti, 2018). Stakeholders' constant involvement in SMSEs' strategic choices is a common characteristic of SMSEs, which leads to the need to configure the performance management. This includes the dynamic issue of understanding the key stakeholders of SMSEs and how to maintain stakeholder agreement on the key performance of the SMSEs. SMSEs must develop a performance measurement representing the opinion and priorities of various stakeholder groups involved within the enterprise (Crucke & Knockaert, 2016; Ramus & Vaccaro, 2017).

The need to identify stakeholders involved with the enterprise was identified by all participating social enterprises. The interviewees from all the social enterprises indicated that they always identify their stakeholders as entities who have provided resources, technical support, and capacity building. Four participating social enterprises ranked the local communities as their major stakeholders, followed by beneficiaries, clients, and suppliers (see Table 4.8). Various studies have highlighted that stakeholders involved with SMSEs could be from either public sector organizations, such as municipalities and government institutions; or business organizations, such as investment companies. Involved stakeholders require SMSEs to evaluate and measure their performance. However, unlike other organizations, SMSEs are expected to trigger social change by engaging in social and environmental initiatives through innovation (Ramus & Vaccaro, 2017). For SMSEs as hybrids, developing strong relationships with stakeholders is crucial because of their incorporation into the value chain, allowing them to contribute and participate significantly in enterprises operation and strategy, targeting a mutually beneficial relationship (Granados & Rosli, 2020b). This raises the matter of identifying and prioritizing stakeholder group, so SMSEs must be clear to whom their managers and directors are to be held accountable to maximize social benefit (Mason et al., 2007). Under such circumstances, performance measurement has been considered essential for enterprises, and the entire sector, considering their relationship with stakeholders (Granados & Rosli, 2020b). Yet, different stakeholders have diverse demands, and achieving those diverse demands can be extremely challenging (Nicholls, 2010; Ebrahim, 2019) and require multiple

indicators and metrics. Considering the resource constraints, values, and dependence of SMSEs, SMSEs must develop systems that include the needs of the stakeholders they select to prioritize and then measure various things in separate processes (Ebrahim, 2019)

The participating social enterprises stressed the importance of identifying the needs and preferences of stakeholders against the activities and outcomes of the social enterprises' projects. This finding is consistent with the literature. Mason et al. (2007) highlighted the need for a clear link between the normative base of the social enterprise's stakeholders and empirical evidence of the activity delivering benefit to that group (Bryde & Robinson, 2005). SMSEs must have identified the interests and needs of multiple stakeholders involved with the enterprise to define performance measurements. In allowing stakeholders direct involvement in operations, SMSEs assume and preserve a culture affiliated with the needs of that group. The identification and recognition of stakeholders in the SMSEs indicate the democratic and ethical doctrines upon which they are founded and governed (Brown & Dillard, 2014).

Most participating social enterprises indicated a high level of stakeholder involvement and influence within their enterprises. Stakeholders' contributions to the SMSEs generally revolved around the provision of land and venues; technological development; project funding; project implementation, monitoring and evaluation; financial sustainability; assistance with networking; and a nomination for participation in a small business development programme. From this, one can understand that stakeholders engaged with the SMSEs have a constant involvement with, and influence on, the internal and external strategic choices, essentially leading to the need to configure the performance management as a 'negotiated outcome'. As stated by Arena et al. (2015a), these unique characteristics of SEs demand a clear understanding who the stakeholders of the SMSEs are, and how to reach agreement with stakeholders on the key performance measurements of the SMSEs; that is, identification of which performance indicators represent the need and priorities of different stakeholder groups.

Table 6.3. Items for stakeholder identification and involvement in the framework

Stakeholders' identification items	
Stakeholders' categories	
Beneficiaries	Local communities Unemployed youth Substance abusers
Customers	Buyers of products Small businesses (spaza shops) Local businesspeople Chain stores (Mr. Price, Spar, Tongaat Hulett)
Suppliers	Piping manufacturers Metal and panel providers Fertilizer and chemical suppliers Seed suppliers Other raw materials
Funders	Members Banks UKZN enactors, eThekweni Maritime Cluster Directors of TN Development Company
Community	Local community and other municipalities Community leadership structures Political figures such as counsellors, chiefs
Government	Local government authorities Traditional authorities Municipalities
Educational institutions	Universities Local schools
Stakeholders Involvement	
Our enterprise engages stakeholders in a high decision such as strategies, goals, and mission of the enterprise	
Our enterprise values stakeholder engagement within the enterprise	

Our enterprise is aware and recognizes that one sector cannot solve the issue on their own	
There exists notable partner willing to participate with the enterprise	
There is a strong and good relationship with our stakeholders, allowing them to contribute and participate considerably in the enterprise's operation and strategy	
There is a measurement of the level of stakeholders' involvement	
The mutual benefit of stakeholders the enterprise is working together is identified	
There is a collaborative approach than a combative or controlling approach	
Stakeholder Communication	
Our enterprise communicates actively with the stakeholders	
The need and preferences of our stakeholders are identified well through active communication	
We can level the communication period either weekly, monthly, quarterly or annually	
Our enterprise communicates to the stakeholders about strategic decisions, social mission, and goals of the enterprise	
Stakeholders are informed about the day-to-day activities of our enterprises	
Our enterprise believes in creating awareness and advocacy among stakeholders	
Stakeholders require information about the performance of our enterprise	
Our enterprise has created a method of assigning ownership and accountability to its stakeholders	
Our enterprise uses partners' core capabilities for the development of growth of the enterprise	

Source: Researcher

As indicated in Table 6.3, the participating social enterprises identified beneficiaries; suppliers; customers; funders; the community; government; and educational institutions as their relevant stakeholders. The participating social enterprises highlighted mostly the strong influence and involvement of stakeholders. This finding is consistent with the literature, which agreed that stakeholders greatly influence the strategic decision of SMSEs (Arena et al., 2015a; Bellucci & Manetti, 2018). Based on the level and number of stakeholders involved, the goal pursued, and the type of services and goods supplied, SMSEs can ensure success and survival by utilizing a range of resources (monetary and non-monetary, as well as economic and non-economic), in addition to the income generated through commercial activities and funding (Galera & Borzaga, 2009). This configuration requires that SMSEs pay attention to the stakeholders' needs and the preferences of the stakeholders involved, and understand how to increase it by building a co-operative and collaborative relationship with the stakeholders.

Considering the contribution and involvement of the stakeholders, the participating social enterprises pointed to various means of communication. These included emails; surveys; reports; phone calls; social media (WhatsApp), and face-to-face interactions. Furthermore, the participating social enterprises indicated that enterprises share performance measurement information with their stakeholders through surveys. The literature has highlighted that facilitating communication and co-ordination increases the participation of various stakeholders in expressing their preferences and needs (Galera & Borzaga, 2009; Irene et al., 2016). The decision to be involved with SMSEs as stakeholders is based on the information collected and the transparency of the SMSEs in providing the necessary information regarding their performance. Communicating with stakeholders is crucial to explain the social activities of SMSEs; why they were established; what they are working towards; and how they are planning to achieve their social mission through consideration of their accountability to their stakeholders in the performance measurement results (Ramus & Vaccaro, 2017). The contribution and involvement of stakeholders is based on the amount of information shared. Thus, identifying the relevant stakeholders and their information needs helps SMSEs focus on designing a strategy that will satisfy the needs of their stakeholders and improve their performance.

6.2.4. Social metrics

This section focuses on the metrics for social performance measurement to be included in the proposed framework; drawn from the responses of the interviewed participants and the

literature review. The participant social enterprises identified human; environmental; educational; community; cultural; and business factors as major metrics for social performance measurement. This finding is consistent with the literature, which indicated that small and medium social enterprises can use metrics and indicators of human, environmental, cultural, and community factors to evaluate their performance (Reeder et al., 2015; Irene et al., 2016; Mary et al., 2018). Given the peculiar characteristics of SMSEs and the relevance of stakeholders involved within their enterprises concerning their social mission and objectives, social metrics focus on measuring SMSEs' social value. Figure 6.1 summarizes the proposed framework with the social metrics and possible indicators of each metric. The framework should be understood as a scoreboard, where SMSEs can link the metrics to their characteristics and choose which indicators suit their enterprises, based on their sectors. Table 6.4 lists the identified social metrics and key indicators to measure the social performance of SMSEs.

Table 6.4: Social metrics

Social Metrics	Indicators	
Human Factors	Better living standard Level of self-sufficiency Level of employment Information about permanent and temporary employees Number of male and female employees Number of workers with disability Number of involved individuals from disadvantaged groups such, as disabled and abused men and women	
Environmental Factors	Improved land Utilization of natural resources such as energy Waste management and water Unpolluted air Amount of energy saved Access to energy Resource recovery	
Community Factors	Level of trust, level of support, Number in the community involved	

	Number of resources supplied Level of recognition Number of hours worked for community development Female ownership and participation	
Education Factors	Level of knowledge transferred Number of skills acquired Technology adopted Innovation maintained	

6.2.4.1. Human factors

For SMSEs, the measurement of human factors certainly plays a significant role in achieving their social value and addressing the social needs by pursuing their social missions. For a profit-driven enterprise, performance measurement can be performed by calculating income statements and benchmarking quantitative data such as profits or return on investment, compared to competitors (Bagnoli & Megali, 2011a). In contrast, while financial data are significant for SMSEs, measuring non-financial values, such as social performance, becomes fundamental if the enterprises are to achieve their missions. On the one hand, in performance measurement, assessment should try to measure what has been achieved due to the SMSEs' activity. On the other hand, it is also crucial to consider to what extent that activity has contributed to the well-being of the intended beneficiaries and other human factors, such as better living standards, level of employment, and self-sufficiency. In other words, suitable social performance measurement of SMSEs could incorporate many key indicators under the human factors (see Figure 6.3).

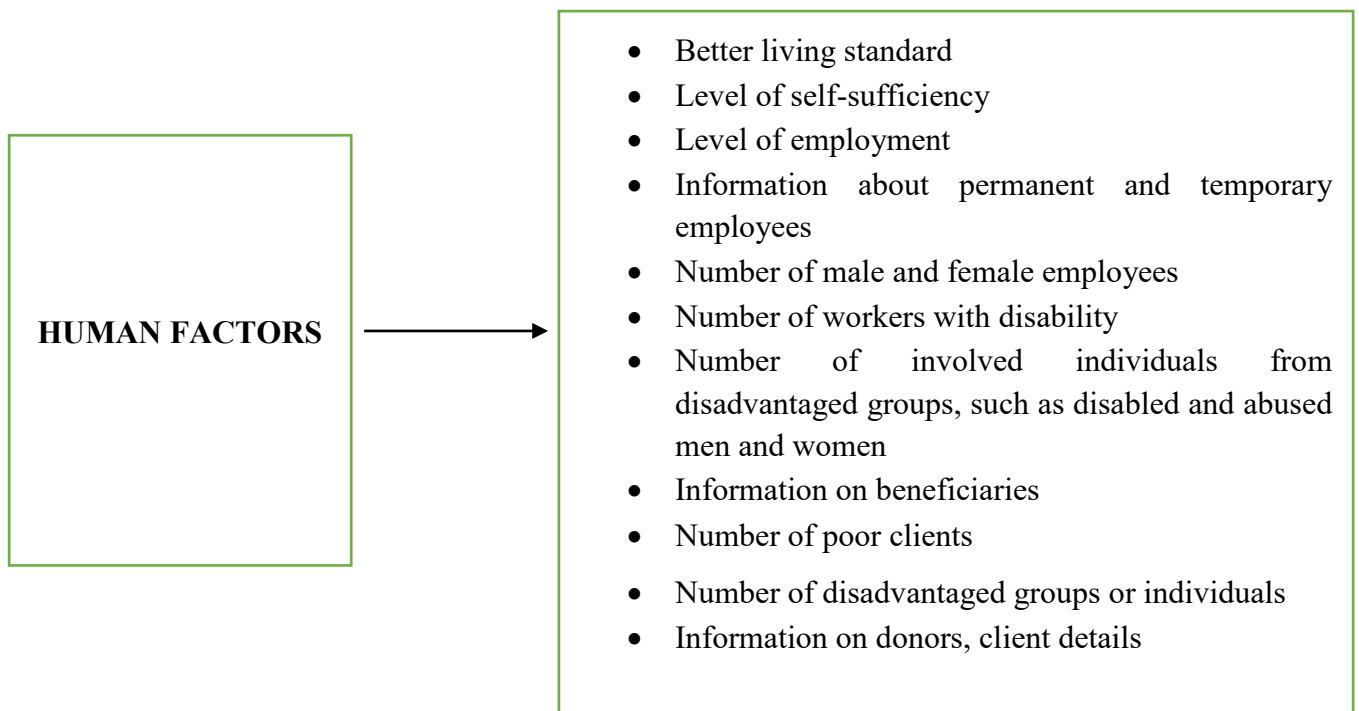


Figure 6.3: Human Factors

Regarding better living standards, the participating social enterprise mentioned that measuring the changes and improvements made regarding the stakeholders, such as beneficiaries, local communities, and employees, in their life through the measurement of human factors helps the enterprise identify what social value they have created among the community. Furthermore, the participating social enterprises stated that, even though measuring social performance using the human factors indicated is difficult to quantify, the enterprises keep a record of the number of workers with disability; the number of beneficiaries who have recovered from substance abuse; improved quality of life after intervention by the social enterprise; and level of employment. Individual quality of life can be ascertained through three socio-environmental components. Firstly, individual status can be measured through improvement in individual capabilities, better opportunities for individual choice, and improved opportunities for self-sufficiency. Secondly, individual equality can be measured by minimal economic discrimination against religion, race, and gender. Thirdly, individual social, economic, and environmental living conditions can be measured through the improvement in the physical environment, through better infrastructure, housing, and public spaces. The level of employment can be captured by metrics that include the number of employment opportunities for people with disability; the amount of employment for people with substance abuse; the number of jobs for women and for youth, with and without education, and the number of employment opportunities for people with special skills.

Table 6.5: Human factors: indicators and items

1.	Better living standard
	Our enterprise has made changes and improvements to our beneficiaries
	Our clients' lives have improved after our enterprise intervention
	The number of people our enterprise has intervened to change has increased by ----- %.
	Improved individual status <ul style="list-style-type: none"> ✓ increased development of individual capabilities ✓ better opportunities for individual choice ✓ improved opportunities for self-sufficiency
	Individual equality <ul style="list-style-type: none"> ✓ minimal economic discrimination against religion, race, and gender
	The individual's living conditions: <ul style="list-style-type: none"> ✓ improved social, economic, and environmental living conditions ✓ improving physical environments, such as infrastructure, housing, and public spaces
2.	Level of employment
	<ul style="list-style-type: none"> ✓ the number of jobs for people with disability ✓ number of jobs for people with substance abuse ✓ number of jobs for women ✓ number of jobs for youth, with and without education ✓ the number of jobs for people with special skills
3.	Information about permanent and temporary employees
	Our enterprise values communicating with its employees
	Our enterprise believes in motivating its employees
	Our enterprise engages its employees in measuring performance
	The control and management of our employees depend on the information obtained
4	Information on the beneficiaries
	The number of clients is identified
	Our enterprise records information on donors/funders/stakeholders
	Our enterprise keeps a record of clients/suppliers/customers/ and donors/funding institutions detail

Source: Researcher

The measurement of social performance through human factors as a social metric allows SMSEs to obtain access to resources from stakeholders, such as investment communities; foundations; government programmes; and private investors, all of which want to confirm that their donations and investments are being spent well within the community (Hertel et al., 2020). The social performance measurement, obtained through the measurement of human factors, allows both the SMSEs and their stakeholders to make better decisions (Arvidson & Lyon, 2014). Additionally, it allows SMSEs to identify where they are, what they need to improve, and which strategy to implement to achieve their social mission and activities. Unlike profit-driven and large organizations, which can compete on growth and rate of return, SMSEs must compete for funding from impact-focused sources such as banks, private investors, and government support schemes, through indicating their social performance based on indicators such as life improvements; resources utilized; jobs created, etc. (Hertel et al., 2020).

Participating social enterprises mentioned that the information obtained from temporary and permanent employees helps them measure their social performance. This finding is consistent with literature which indicated that social performance measurement can be helpful as a tool for communicating with employees (Hertel et al., 2020). It also motivates employees and facilitates control and management of employees (Arvidson & Lyon, 2014). Additionally, from an employee perspective, it allows employees to choose their employers depending on social performance dimensions, or their motivation to change the organization to achieve its social mission and community empowerment (Wang'oe, 2018). By allowing employees in SMSEs participatory processes, social performance measurement develop an empowerment tool that provides non-funding stakeholders with the power to participate in decision-making (Nicholls, 2018).

Some findings suggest that SMSE employees identify strongly with the values and visions of the enterprise; so mission drift can make employees feel alienated from the enterprise (Pan, 2018). Furthermore, the imposition of measurement and accountability by the managers at the same time, can result lack of employees' support and commitment towards the enterprise's mission as a threats in the enterprise (Hertel et al., 2020). Additionally, the need to measure the performance, and account to external stakeholders, may be perceived by employees as a means of control and can lead to questioning the autonomy of the enterprise (Arvidson & Lyon, 2014). Yet, scholars also indicate that if measurement is communicated openly and developed in collaboration, initial challenges can be changed into an advantage and can become a successful element of organizational culture. Thus, social performance measurement is a crucial exercise to raise awareness about the positive and negative effects of SMSE operations in the

community. As a result, SMSEs must include human factors in measuring social performance to maintain good strategy and operation internally, and achieve the accountability expected from stakeholders externally.

6.2.4.2. Environmental factors

Small and medium social enterprises are enterprises working on societal or environmental problems that the government fails to address, through selling goods and services, so the profit, if generated, can be used to achieve their social and environmental goals. The ultimate goal of SMSEs is to address the social and environmental issues in the communities (Cheah et al., 2019) and bring changes to societies (Lumpkin et al., 2018). SEs respond to different social and environmental issues that society is experiencing. Social enterprise activities focus on a combination of environmental and social benefits, particularly positioned around job creation and work experience creation targeted at disadvantaged groups and communities (Vickers, 2010). Thus, they are under pressure to indicate what environmental change they bring to the communities.

The literature has indicated that the environmental activities of SMSEs include nature conservation; proper utilization of resources; community-based renewable energy; sustainable housing; transport; food production and distribution; local currencies; and environmental education and awareness-raising (Vickers, 2010). The environmental performance of SMSEs focuses on the enterprises' ability to protect nature. However, Bosma et al. (2015), in a survey done in 2009 in 54 countries, identified a significant difference in environmental performance between countries, based on economic development. Thus, in less developed, emerging economies, SEs focus on basic and persistent needs, which may be local environment-related issues such as access to water and sanitation, basic health care provisions, or agricultural activities in rural areas. In the more developed economies, SEs focus on the most dominant activities, such as waste recycling and nature protection. Based on a literature review and focus group discussion among academics and practitioners in Flanders, Belgium, Crucke and Decramer (2016) identified the use of renewable energy; the transportation of materials and goods; the transportation of the organization's workforce; waste reduction; the use of sustainable materials; and environmental policy, as indicators of the environmental performance of SEs.

The participating social enterprises mentioned the enterprises' work in environmental activities, such as nature conservation; recycling and upcycling materials; the reuse of waste materials; the reduction of leather waste and off-cuts; and the development of agricultural

products that help conserve resources and are eco-friendly (see Table 4.3). Furthermore, most participating social enterprises believed that environmental impact is the most common performance measurement, perceived as essential for SMSEs (alluded to by three of the seven enterprises, see Table 4.16). Thus, based on the literature and the responses from participating social enterprises, the environmental indicators for measuring performance are listed in Figure 6.4.

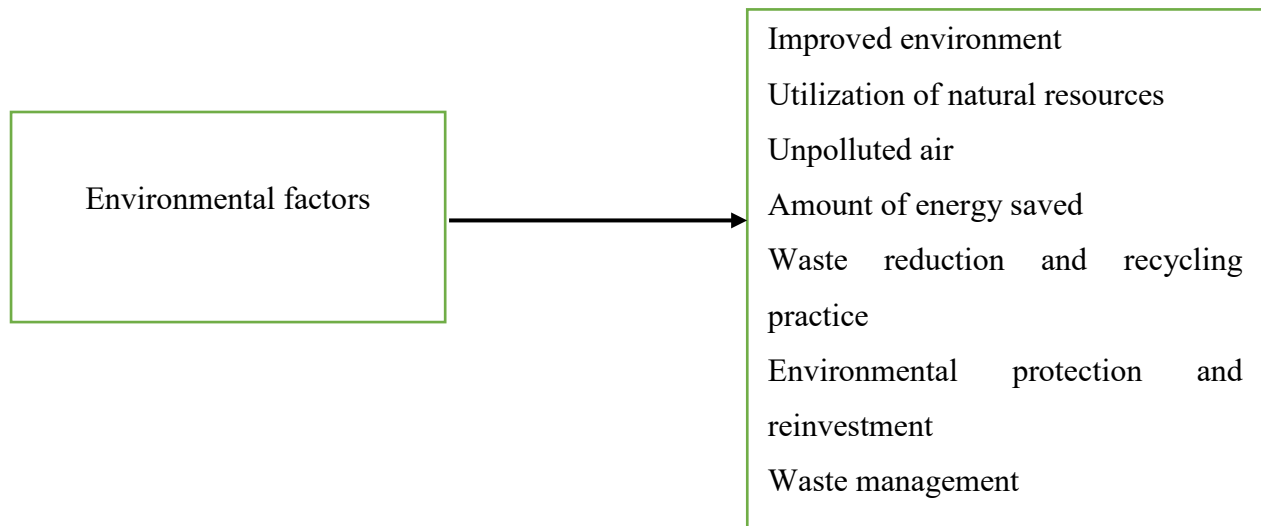


Figure 6.4: Environmental factors

Based on the indicators in Figure 6.4, Table 6.6 gives an overview of the indicators, items, and scales used to measure environmental performance.

Table 6.6: Environmental factors: an overview of indicators and items

1	Improved environment
	Our enterprise deliberately works for the improvement of the environment, such as land, water, air
2	Utilization of natural resources
	Our enterprise encourages proper utilization of natural resources such as energy, water
	Our enterprise adopts initiatives to use environmental-friendly natural resources
3	Unpolluted air
	Our enterprise products and services are produced and rendered without polluting the air
	Our enterprise has a preference for green products in acquiring
4	Amount of saved energy
	Our enterprise has increased the amount of saved energy
	Our enterprise saved -----an area of land sustainably
5	Waste reduction and recycling practice
	Our enterprise has reduced the amount of waste in recent years
	Our enterprise has implemented recycling practices in recent years
	Our enterprise used recycled input materials
6	Environment protection and reinvestment
	Our enterprises adopt environment protection policies
	Our enterprises follow reinvestment policies on environmental protection
7	Waste management
	Our enterprise deliberately reduces waste and follows the waste management

Source: Adapted from (Beisland et al., 2021) with researcher’s modifications

6.2.4.3. Community factors

Community factors are performance measurement factors related to how enterprises deal with their responsibilities in the communities. Seven indicators were selected after reviewing the literature and the results from the interviews with participating social enterprises. Table 6.6 provides an overview of the indicators and items used to measure the community factors in social performance.

Table 6.7: Community factors: indicators and items

1	Involvement of disadvantaged people
	Our enterprise hires low-skilled people
	Our enterprise hires people with disability
2	Local community participation
	Our enterprises involve the community in their activities
	Our enterprise informs the local community through presentations, organization visits
	Our enterprise motivates female participation
3	Hours of work for community development
	Our enterprise spent -----hours of work daily/weekly/monthly/yearly for community development
4	Addressing unsolved problems in the society
	Our enterprise provides a solution to societal problems
5	Supply of products/services for vulnerable people
	Our enterprise supplies products/services for vulnerable people
6	Local business community support
	Our enterprise chooses to have local suppliers
	Our enterprise mainly employees from the local communities
	Our enterprise recognizes the community support
7	Development of voluntary community programmes
	Our enterprise offers traineeship for students
	Our enterprise offers traineeship for women
	Our enterprise offers traineeship for local authorities
	Our enterprises transfer skills and training for a local small business such as Spaza

Source: Researcher

As indicated in Table 6.7, the community factors include measuring the disadvantaged people involved within the enterprise. Social enterprises are, in general, engaged in delivering social services and work integration services for disadvantaged groups and communities (Wronka, 2013). The literature indicates that the percentage of community members who find temporary or permanent jobs improving the community’s ability to include previously excluded groups of people, such as those with a disability, is a social measurement for SMSEs (Battilana et al., 2015; Hertel et al., 2020). Local community participation in the enterprises’ activities and governance is a measurement for social performance (Beer & Micheli, 2018). Social

enterprises are the result of citizens' initiatives, including people belonging to a community with particular needs (Wronka, 2013). Thus, measuring the participation of the community within the enterprise leads to the identification of the value created by the enterprise.

SMSEs focus on supporting those left behind and fulfilling the needs of unserved and underserved populations that cannot purchase goods and services to satisfy their needs (Bornstein & Davis, 2010; Arogyaswamy, 2017). One of the aims of SMSEs is to assist the community or a particular group of people (Thompson & Doherty, 2006; Ridley-Duff & Bull, 2015). Similarly, a feature of SMSEs is their aspiration to stimulate a sense of social responsibility at the local level (Defourny & Nyssens, 2014). SMSEs result from shared dynamics involving people belonging to a community or a group that share a particular need or aim (Dees, 2007).

The literature indicates that SMSEs in SA focus on satisfying basic needs in the education, health and housing sectors, and are local community-based entities (GIBS, 2018). Most SEs develop skills or endorsements in education and literacy (GIBS, 2018). Many SEs reach poor and underserved communities, such as orphans and the youth, and people with disabilities (Navarrete Moreno et al., 2017). Furthermore, the participating social enterprises stressed the implementation of various social and business activities to achieve their social objectives of helping people, especially the disadvantaged members of communities. Thus, the hours of work spent in community development and addressing unsolved societal problems are a measurement of the social performance of SMSEs.

Most of the participating social enterprises mentioned the engagement of local businesses with their enterprise activities. They indicated that their enterprises chose to engage in business and support local businesses, such as suppliers, beneficiaries, and clients. For instance, the beneficiaries in Social Enterprise 3 are the youth who benefit from the enterprise's employment generation endeavours. Similarly, the beneficiaries of Social Enterprise 4 are ex-offenders and substance abusers who get employment through the enterprise.

On the other hand, clients are organizations or individuals who consume/buy services or products from enterprises. For Social Enterprise 3, for example, organizations, mostly businesses, such as Mr. Price, ABSA Bank, Spar, and Tongaat Hulett's use the consultancy services rendered by the enterprise and are considered clients. Similarly, Social Enterprise 1's clients are farming organizations and individuals who consult with the enterprise on farming issues. Suppliers are organizations or individuals from whom the enterprises source the services or products they require to conduct their activities. For example, Social Enterprise 4 is

connected to IS Pty Ltd, whom they identified as a critical stakeholder, supplying them with metal and panel (for making stoves). Similarly, Social Enterprise 1 regarded piping manufacturers who supply the plumbing materials (e.g. pipes) the enterprise uses for its hydroponics project as critical stakeholders. Therefore, local business community support can be an indicator to measure the social performance of SMSEs.

The major aim of SMSEs, particularly in developing countries, is to provide voluntary community support for individuals or groups with unmet needs. SMSEs are established to serve society. In the literature, the performance measurement system is one factor that creates an enterprise's value and is mainly seen as an essential strengthening tool for SMSEs' organizational development (Garengo et al., 2007). It supports enterprises in maintaining or improving their performance in the long term. For instance, Wu et al.'s (2018) study indicated that most SEs in Taiwan promote the integration of disadvantaged groups into the community by providing work opportunities and vocational training. Therefore, the social performance measurement of SMSEs should encompass the measurement of voluntary support, such as internships and vocational training provided for the community to ensure that the SMSEs' values and organizational development goals are met.

6.2.4.4. Cultural factors

Social enterprises are defined by their characteristics, social influence, and operations (Battilana, 2018; Wu et al., 2018). Thus, SMSEs focus on social issues that correlate to their founding principles (e.g. job creation; environmental preservation and protection' involvement with, and care for, disadvantaged groups; and culture preservation) (Wu et al., 2018). Cultural factors focus on culture preserved, culture transferred, and culture introduced by SMSEs in the community. The literature indicates that SMSEs are engaged in culture and recreation as one of the sectors. Consistent with this, the participating social enterprises also mentioned the involvement of their enterprises in the preservation and protection of culture. As indicated in Figure 6.1, cultural factors are one of the social metrics set to measure the social performance of SMSEs whose activities are related to culture and recreation.

Table 6.8: Cultural factors: indicators and items

1. Culture preserved
Our enterprises deliberately work for the preservation of local culture
Our enterprise encourages the local community to keep their culture
Our enterprise keeps in record culture preserved
2. Culture transferred
Our enterprise provides training to individuals in cultural activities
Our enterprise provides internships to students regarding culture
3. Culture introduced
Our enterprise works towards the introduction of good practice as a culture

Source: Researcher

Table 6.8 lists the possible indicators that can be used for measuring cultural factors. One participating social enterprise (see Table 4.3), working in the tourism and culture sectors, explained the necessity of measuring performance in preserving and introducing culture within the community. The enterprise mentioned that activities such as promoting and sustaining culture, and establishing a new culture of protecting the environment through waste and off-cut reduction, need to be evaluated as performance. Furthermore, the Social Enterprise 4 interviewee stressed that their enterprise played a crucial role in introducing a new culture of being self-sufficient to ex-convicts and substance abusers through training. This finding is consistent with the literature. SMSEs working for the betterment of the community by providing innovative solutions introduce a new culture of working together and maintaining good practices in societies (Bagnoli & Megali, 2011a; Bacq & Eddleston, 2018).

6.4.2.5. Education factors

Many social enterprises work to give disadvantaged people the opportunity for employment, and they are involved in business activities supported by a social mission (Kilpatrick et al., 2020). They are engaged in providing training in life- and work-skills to increase capability, meaning the ability to achieve. They focus on promoting social inclusion and well-being, in addition to the development of social and economic capabilities. As in the literature, most participating social enterprises emphasized capacity building through skills development and training.

Table 6.9: Education factors: indicators and metrics

1.	Knowledge transferred and acquired
	Our enterprises offer training to transfer knowledge to unemployed youth
	Our enterprise offers training to transfer knowledge to substance users
	Our enterprise has a strong ability to learn and acquire knowledge
	Our enterprise maintains a basic value of learning as a key improvement
2.	Skills transferred and acquired
	Our enterprise constantly works to transfer skills to our beneficiaries
	The opportunity to acquire different skills is considered a value of the enterprise
	Our enterprise has a strong ability to transfer and acquire different skills
3.	The technology adopted and transferred
	Our enterprise adopted new or improved technology
	Our enterprise believes in adopting new technology
	Our enterprise design strategy to transfer and adopt technology
4.	Literacy rate
	Our employees know what our business is and our social mission
	Our members know what our goals are and the activities to achieve our goals
	Our enterprise always provides an opportunity to train and improve the literacy level of our staff
5.	Innovation maintained
	Our enterprise believes in innovation to provide a solution to societal problems
	Innovative behaviour among our members and staff is motivated within our enterprise

Source: Researcher

As indicated in Table 6.9, the social performance measurement of SMSEs is vast and complex and includes education factors. Most SMSEs are engaged in skills and knowledge transfer, especially in the emerging economies. The social performance measurement of SMSEs should include how, when, and to what extent, skills and knowledge are transferred. The literature indicates that SMSEs have established innovative and creative approaches to overcome different challenges to survive in the market. SMSEs engaged in education sectors offer affordable skills and knowledge transfer through training for the community. As discussed in the literature, the participating social enterprises provide knowledge solutions by offering training to the vulnerable and those in need in the community. For instance, the Social

Enterprise 4 interviewee indicated that the enterprise trains substance abusers once they leave rehabilitation to manufacture or sell items/products such as stoves, burglar guards and braai stands. The Social Enterprise 7 interviewee mentioned that the enterprise co-ordinates agricultural training for students from universities and colleges, facilitates farming learnership programmes and provides training and consultation on agricultural activities for rural communities. Additionally, the Social Enterprise 3 interviewee stressed that the enterprise is engaged in activities such as training and placing unemployed youth into a job, and training hundreds of people with a driving license to work for Uber Eats.

SMSEs adopt technology to provide more practical solutions and generate greater impact (Zahra et al., 2009). Leveraging technology is crucial as a core innovative solution to serving a population with low income (Urban & Gaffurini, 2018). For example, Social Enterprise 6 adopted aquaponics technology to produce fish and vegetables. Thus, the technology adopted can be one of the indicators to measure the social performance of SMSEs. Beyond the challenges related to the measurement of innovation and creativity, the literature indicates the importance of measurement and benchmarking of innovation and creativity (Urban & Gaffurini, 2018). However, most performance measurement research concerning innovation appears to focus on traditional, centralized structures with little focus on how to measure knowledge and intellectual property. Research indicates that social innovation is interrelated with enterprise learning, knowledge development, and capabilities, especially in emerging economies (Urban & Gaffurini, 2018). Social enterprises attempt to achieve social value creation, which entails innovation, being pro-active, and risk management behaviour (Nicholls, 2007). This behaviour is determined by the need to achieve the social mission and preserve the enterprise's sustainability. Thus, the framework includes innovation as an indicator of the education factor in measuring the social performance of SMSEs.

6.3. Conclusion

The proposed social performance framework focuses on the measurement of those factors presumed to impact the performance of SMSEs. The identified factors are first related to defining and setting the social mission of SMSEs, leading to the activities they perform to survive and achieve those missions with the involvement of stakeholders. Measuring social performance as a process requires costly resources (Grieco, 2018). SMSEs should confirm that the benefit outweighs the cost (Ebrahim, 2019). The capability of the enterprise determines the measurement system to be applied. Thus SMSEs need to identify what they would like to achieve as their social mission and the resources available to achieve those missions. The

choice of metrics and indicators for social performance measurement is supported by a social enterprise's theory of change that indicates, not only the social mission, but also expectations about how the mission can be achieved (Arvidson et al., 2013), from which social performance indicators and metrics can flow (Hertel et al., 2020). The performance measurement system must be developed and implemented in accordance with the organization's strategy, to link the strategy to the enterprise objectives, and activities to achieve the objectives. The developed framework has identified the social mission, activities, and stakeholders as the main factors supporting the set of social metrics which includes factors that are presumed to impact the performance of the enterprises. These factors include human factors; environmental factors; cultural factors; community factors; and education factors. Each possible indicator for the identified factors is also included in the framework.

The next chapter summarizes the major findings. It offers recommendations and concludes the study.

CHAPTER SEVEN: SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

7.1. Introduction

The previous chapter discussed the guide to develop a social performance measurement for SMSEs. Further the chapter set out and discuss the proposed social performance measurement framework for SMSEs. Based on the analysis and interpretation of the data gathered in the in-depth interviews, and the literature findings, a summary of major findings, conclusions and recommendations is presented in this chapter. This study aimed to close the existing gap in the knowledge, limited literature and practice, by developing a framework that measures the social performance of small and medium social enterprises in Kwa-Zulu Natal, South Africa. The major findings on the funding models and the business operations of SMSEs are briefly reviewed to understand how the SMSEs undertake their performance measurement. The findings from both the literature and the in-depth interviews on the involvement of stakeholders in performance measurement are briefly reviewed, indicating a way forward for the development of the social performance framework, and suggesting social mission, activities and stakeholders as driving the measurement and identification of the social metrics to be used by small and medium social enterprises to measure their performance. Below is the summary of the findings, conclusions and recommendations related to the research objectives or questions.

The next section provides the summary of findings.

7.2. Summary of findings

This section presents the summary of the current study's results, which came from the data and are based on the study objectives and research questions. The study's main findings centered on the funding model of small and medium social enterprises; the business operation of small and medium social enterprises; stakeholder identification and their information needs; the existing performance measurement; and finally, the development of a social performance measurement framework with its social metrics. The current research study led to developing a process to undertake social performance measurement for small and medium social enterprises in Kwa-Zulu Natal, South Africa.

Most participating social enterprises' visions and missions are focused on business development and job creation for different levels of society. Most enterprises prioritize for-profit missions but operate as social enterprises, focusing on social and environmental impact.

The participating social enterprises' interventions mostly focus on consultancy, training, and skills transfer, followed by job creation. The activities of the sampled enterprises, depending on their respective areas of expertise, included consultancy; capacity building (education and skills development); technological advancement; infrastructure development; nature conservation; cultural promotion; business support; and access to markets.

Based on the research objectives/question, the findings are summarized below.

7.2.1. Objective One: The funding model of small and medium social enterprises

This section briefly reviews the summary of the major findings on the funding model of small and medium social enterprises. A summary of the participating social enterprises' views suggests that the funding model of their enterprises can be explained as the initial funding and primary funding source, in order to understand how they establish their businesses; differentiate their businesses from other enterprises; and overcome the challenges they encounter regarding the sustainability of their enterprise.

Most of the participating social enterprises mentioned that initial sources of funding included auto-financing or self-funding, from the personal savings of the founder(s); family support; member contribution; or other forms of income, such as rewards. A significant number of participants in this study also mentioned that the revenue from the other profit-making enterprises they had established primarily funded their social enterprise. Most participating social enterprises are connected to profit-oriented small business ventures created by the same founder(s), which become the primary funding source. The profit-making enterprises inject a considerable percentage of annual revenues into their respective non-profit social enterprises. Some participating social enterprises mentioned the use of external funding from donors and grants from public and private institutions as their funding model.

Most of the participating social enterprises in this study mentioned the existence of revenue-generating activities linked to their social enterprises. The participants said that the involvement of revenue-generating activities had played a crucial role in funding the social mission of their social enterprises. Consultancy, and the production and sale of different products and services were the main income-generating activities mentioned by most participating social enterprises.

7.2.2. Objective Two: Business operation of small and medium social enterprises

This section presents the major findings on the business operation of SMSEs, including business development phases, priorities, and resource allocation necessary for further business development. The summary is based on the current study's respondents' views and suggest that most of the SMSEs are at the start-up phase in their business development.

The majority of the respondents said that, overall, the key business priorities of their enterprises included sustainable income generation; growth and expansion; adjustment to changing market demands; improved services; and community empowerment. The in-depth interviews with participants indicated their intention to allocate enterprise resources to different investments, particularly technological solutions and skills development. The study's findings reflect that participating SMSEs focus on generating a sustainable income to survive in the competitive market and meet the changing market demands to meet the needs of their stakeholders through different technology and skills development.

7.2.3. Objective Three: Relevant stakeholders' identification and their information needs

In this section, the major findings on the categories of stakeholders; the level of stakeholder involvement; communication with stakeholders; and the nature of information shared with stakeholders, are briefly reviewed. The findings, based on the respondents' views, suggest that stakeholders are a group or individuals who are interested in, and engaged with, the activities of their social enterprises and influence their performance measurement.

Most of the participating social enterprises identified beneficiaries (e.g. ex-offenders; substance abusers; unemployed youth; co-operative members); consumers; local communities; community leaders; schools (principals and teachers); small business owners; non-profit organizations; academic institutions; and government entities as the stakeholders involved in their social enterprises.

The majority of the participating social enterprises mentioned local communities as stakeholders. The local communities where the participating social enterprise are located are the primary stakeholders in most of the social enterprises. Additionally, most participating social enterprises also mentioned beneficiaries, clients and suppliers as their stakeholders. However, the type of beneficiary depends on the social enterprise's mandates or its commercial entities. Educational institutions were among the least common stakeholders identified by the participating enterprises.

Findings from the current study suggest that, based on the respondents' views, stakeholders' interests are determined by their needs and preferences regarding the activities and outcomes of the social enterprises' projects. The majority of the participating social enterprises referred to the contributions their enterprises received from their stakeholders; in general, around the provision of land and venues; technological development; project funding; project implementation, monitoring and evaluation; financial sustainability; assistance with

networking; and a nomination for participation in a small business development programme. The contribution of stakeholders determines their level of influence in the enterprises.

Most participating social enterprises mentioned that the level of stakeholders' influence depends on the amount and level of their contributions. The finding, based on the views of the study's respondents regarding their stakeholders' influence, indicated that most of the respondents believed there is significant stakeholder influence on the operational and strategic activities of their social enterprises.

The findings of this current study reflect that social enterprises communicate with their stakeholders through various modes of communication to maintain regular contact and to keep their enterprises operations going. The modes of communication include emails; surveys; reports; phone calls; social media (WhatsApp); and face-to-face interactions. Face-to-face interaction was the most-used communication (6/7); followed by phone calls (4/7); emails and reports (each 3/7); surveys (2/7), and WhatsApp (1/7). However, only two of the participating social enterprises indicated that they use three modes of communication; all the others used only one. The respondents in the current study further explained that face-to-face interactions occur between the social enterprises and the stakeholders either annually, quarterly, or weekly. The participating social enterprises stressed that the enterprises share their performance measurement information with stakeholders through surveys.

The majority of participating enterprises indicated that their stakeholders were interested in getting information related to the different aspects of the enterprises' mandates and operations. Such information is related to the enterprises' objectives; activities; sponsorship feedback; progress reports; performance measurement; demographics and social reintegration of beneficiaries; and stakeholders' involvement. In summary, stakeholders require information on how the enterprise benefits the community; creates employment and measures the relationship between the enterprise and the community; how the enterprise is progressing in meeting the social value/mission it is expected to achieve; and the impact on the communities.

The findings of this current study reflect that the majority of the participants said that, even if the type and kind of information required by stakeholders differs, all the stakeholders are very interested in obtaining information regarding different aspects of the SMSEs, specifically on the results and performance of SMSEs within the community.

7.2.4. Objective Four: Exploring existing performance measurement frameworks of different enterprises

In this section, the major findings on the rationale for conducting performance measurements; the starting point and frequency of conducting performance measurement; the mode of performance measurement; factors affecting performance measurements; the perceived benefits of performance measurement; essential performance measurement for SMSEs; and shifts in performance measurements are briefly reviewed.

7.2.4.1. The rationale for conducting performance measurements

Based on the respondents' views, the overall reasons for conducting performance measurement include measuring growth; identifying what works and what does not, in terms of enterprises' activities and objectives; future planning; stakeholders' demands; making better strategic decisions on job creation, poverty alleviation and improvement of living conditions; as well as market expansion and business sustainability.

Most respondents in the current study indicated that measuring growth is the most important reason for performance measurement, followed by better decision-making. In summary, the participating social enterprises stressed that measurement also takes place due to stakeholders' demands or initiatives. However, the respondents suggested that performance measurements were under-represented and requested a framework to indicate performance.

7.2.4.2. Starting point and frequency of conducting performance measurements

In this sub-section, the major findings on when the SMSEs started measuring their performance, and how often they continue conducting performance measurements, indicate discrepancies among the participating social enterprises. Even if the sampled social enterprises indicated that they measure their enterprise performance, there is a lack of clear data on when they started measuring their performance and how they continue conducting the measurement. Only three enterprises were certain about when they had carried out this exercise for the first time: between one and three years after the establishment of the social enterprise. This finding indicates that enterprises that did not begin to conduct performance measurements, as mentioned by the interviewee, because it is challenging to conduct the measurement.

Most participating social enterprises indicated that they did not conduct performance measurements regularly due to a lack of resources; the lack of unified measurement framework, and other constraints. Only three of the participating social enterprises mentioned conducting performance measurements every year. This justifies the need to develop a performance measurement framework for SMSEs.

7.2.4.3. Mode of performance measurements

In this sub-section, the major findings on the performance measurement the SMSEs had conducted indicated that most SMSEs have not adopted a measurement framework, tool, or techniques for performing the measurement. However, some of the participating social enterprises undertake a simple measurement of their activities – knowing what they are doing and what is improving through documented notes and picture galleries. This indicated that most of the SMSEs, even though believing that they have measured their performance, referred to what they measured, rather than how they measured it.

The participating social enterprises suggested that the way social enterprises measure their performance may depend on the type of activities, clients, and projects within each enterprise. For those enterprises where the stakeholders are more knowledgeable about performance measurement, the enterprise emphasizes the statistical aspect of its projects, including the analysis of advanced spreadsheets to determine the impact of the projects. Their performance measurement is more quantitative than qualitative.

Some participating social enterprises stated that performance is measured, based on the number of skills development and employment generation activities. For example, depending on the type of client organization, performance measurement may seek to answer different questions, such as: ‘With how many people do we initially make contact? How many people attended the initial sessions? For information sessions, how many people register online?’ Furthermore, some enterprises indicated that measuring indicators, including changes in the quality of life or living standards; self-sufficiency; improvement in personal behavior; and the number of jobs created, are used for measuring the SMSEs' performance.

7.2.4.4. Factors affecting performance measurements

The respondents' views suggest that the factors affecting performance measurement include the lack of resources; the lack of skills and experience; and the difficulty of measuring social values. The findings reflect that the majority of the participating social enterprises saw lack of resources as a major factor affecting performance measurement, followed by lack of skills and knowledge of PMS, and difficulty in measuring their social value with specific indicators.

7.2.4.5. Perceived benefits of performance measurement

The findings of the current study, based on the respondents' views, suggest that the overall perceived benefits of performance measurement include gauging the impact of enterprises; identifying better activities; achieving better resource management and improving the decision-making process; and the quality and sustainability of products for market delivery. The findings

of this study reflect that the perceived benefits of performance management are widespread across the participants, except improved decision-making (alluded to by two enterprises) and impact assessment (alluded to by at least three enterprises). Even though the participating social enterprises believe that conducting performance measurement benefits them, the perceived benefits differ among the participants, depending each social enterprise's expectations and knowledge of performance measurement. Nevertheless, the benefits perceived by most participants suggest that performance measurements are essential for social enterprises to achieve their mandates.

7.2.4.6. Essential performance measurement for small and medium social enterprises

This sub-section reviews the major findings on the essence of performance measurement for SMSEs, to understand and identify the possible performance measurement indicators. The findings, based on the respondents' views, suggest that SMSEs believe that measurement of risk; the environment; skills development; social improvement; the impact and performance of SMSEs activities; and achievement of the social mission are the essential performance measurements. However, some participating social enterprises stressed that they lack the knowledge to identify what is essential to a social performance measurement, due to the challenge of measuring social impacts, and a lack of resources.

7.2.4.7. Shift in performance measurement

The findings of the current study, based on the respondents' views, suggest that it is unclear how the participating enterprises which conduct performance measurements have experienced or affected this practice. This suggests that SMSEs are currently unaware of how to develop the use of performance measurement and overcome the challenges from their stakeholders regarding their ability to achieve their social mission and benefit the community; as well as their accountability for the funding they acquire.

7.2.5. Objective Five: Developing a social performance measurement framework for SMSEs

In this section, the major findings on the funding models; the business operations; stakeholders' identification and their relevant information needs; and the existing performance measurement frameworks used by SMSEs were briefly reviewed, paving the way for the development of a social performance measurement framework to be used by SMSEs. The key contribution of this study is a comprehensive framework for measuring the social performance of SMSEs using social mission, activities, stakeholder identification and different social metrics. The proposed framework will provide individual SMSEs with the data essential to manage their decisions

and improve the effectiveness and efficiency of business operations and their economic and social performance. Additionally, the framework will help corporate investment groups to check whether the environment in which SMSEs are working is improving, or not. Furthermore, it will help to determine whether SMSEs are contributing to an efficient economy. The proposed framework model will bring a new theoretical approach to performance measurement. The model will provide a different view of social structures than existing models, which are grounded in economic metrics.

Below (Figure 7.1) is the suggested social performance measurement framework, developed to evaluate and measure the performance of SMSEs using social mission; measurement of activities; stakeholders' identification; and social metrics as performance measurements. The framework can be used for better decision-making by all stakeholders. The investor needs to evaluate the advantages of the impact achieved, against the risks of investing; and the developed indicators and tools will assist in assessing the performance. The investment community (such as banks) will benefit from the developed framework by using the tools to broaden the evaluation lens to look at SMSEs, and to provide funds.

Overall, the results suggested a mechanism through which SMSEs design and emphasize their social mission and activities as a preliminary to social value creation. This mission is then implemented through a strategy of developing each activity the enterprise will work on, which is evaluated through performance measurement. SMSEs identify their key stakeholders and information requirements regarding what, and to whom to report, and also define performance measurements. Finally, the development of the social metrics through identified human; environmental; cultural; community; and educational factors as indicators is illustrated in the framework. This relationship between social mission; activities; stakeholders; and the five social metrics is illustrated in the social performance framework depicted below (Figure 7.1).

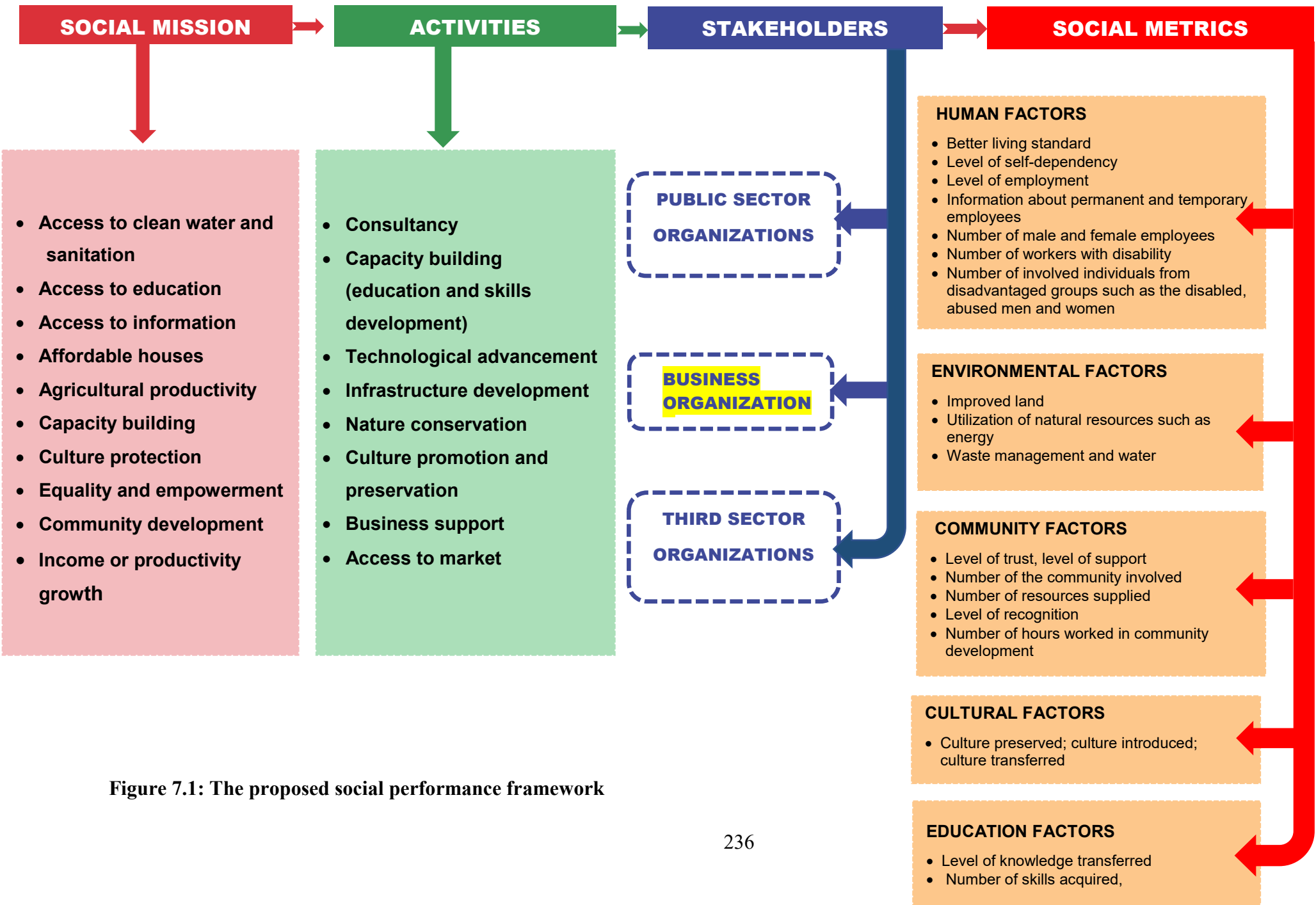


Figure 7.1: The proposed social performance framework

7.3. Conclusions

The conclusions provided are based on the research objectives and questions of the study. The conclusions are based on the research objectives and questions of the study. The conclusions are based on the developed framework to evaluate and measure the social performance measurement of small and medium social enterprises using the identification of social mission; enterprise activities; stakeholders; and the social metrics underpinning the performance measurement.

The conclusions, based on the study's findings, indicate that the participating enterprises implement various social and business activities to achieve their social objectives of helping people, especially the disadvantaged members of communities. To achieve their social mission, SMSEs are expected to diversify their funding source. Identifying the funding model of SMSEs helps the enterprises to manage the funding sources accordingly and show accountability, so that the public or private funding institutions continue the funding. Private and public funding institutions require reports on how well their funding is spent. Thus, identifying the funding sources gives SMSEs an exact performance measurement tool to enable them to be accountable, and inform stakeholders on the amount of funding required to sustain the enterprises, and how well the funds are spent. The overall conclusion of this study reflects that, for the majority of the participating social enterprises, the initial funding source for their enterprises was self-funding. Most participating social enterprises initially established their enterprises from savings, family support, and contributions. In addition, as the enterprises continue to operate, most participating social enterprises indicated that they diversify their funding to include revenue generated from the commercial businesses established by the same owners. Therefore, small and medium social enterprises in an emerging economy with limited funding sources can adopt either a merged model of funding from different sources or considering the social investment, which is crucial to finance and maintain sustainability and development.

Regarding the primary funding source, the majority of participant social enterprises of the current study concluded that Participant social enterprises are connected to profit-oriented small business ventures created by the same founder(s), which become the primary funding source. The profit-making enterprises inject a considerable percentage of annual revenues into their respective non-profit social enterprise. The views of participants concerning the primary source of funding highlight that obtaining an initial funding source is just more than a start of

enterprises activities and implementation of their entrepreneur behaviour. But this is rather the focus of their capacity to ensure the sustainability of their enterprise and respond to the challenges to achieve their social missions.

The current study's findings indicated that all participating social enterprises adopted revenue-generating activities. However, the respondents stressed that there was no clear separation between the income-generating activities and their non-profit-making branches. While some believed revenue-generating activities were essential to sustain the enterprise, others believed that if there was consistent support from national and international, private and public institutions, rather than revenue-generating activity, their focus could be on activities directly related to providing a solution to societal problems. The participating social enterprises alluded to the challenges they experienced with mission drift between their profit-making and non-profit enterprises.

Regarding the business operation of SMSEs, the participants indicated that their enterprises were in the start-up phase. Sustainable income generation; growth and expansion; adjustment to the changing market demands; improved services; and community empowerment were the key priorities of the participating social enterprises. The research concluded that start-up SMSEs focus on sustaining their enterprises through the diversification of their activities to achieve their social mission, along with the business activities of producing goods and services.

The study's findings indicate that small and medium social enterprises are not bad at strategic planning and allocating their resources, with advanced procedures and techniques, to respond to the changing market, even though SMSEs lack the resources and skills to fulfil their high expectations.

Conclusions, based on the respondents' views, suggest that the categories of stakeholders involved in their enterprises included beneficiaries (e.g. ex-offenders; substance abusers; unemployed youth; co-operative members); consumers; local communities; community leaders; schools (principals and teachers); small business owners; non-profit organizations; academic institutions; and government entities. Most participating social enterprises mentioned local communities as stakeholders. Educational institutions were the least mentioned stakeholders by the participating social enterprises. This study concluded that SMSEs must identify their stakeholders to identify their contribution, influence, and requirements regarding the performance measurement.

The participating social enterprises highlighted that stakeholders' interests are determined by their needs and preferences regarding the activities and outcomes of the social enterprises'

projects. This current study reflects that most participating social enterprises mentioned that stakeholders' involvement is driven by their needs and preference for achieving different social goals. The majority of the participating social enterprises explained that the contributions their enterprises received from their stakeholders, in general, revolved around the provision of land and venues; technological development; project funding; project implementation; monitoring and evaluation; financial sustainability; assistance with networking; and a nomination for participation in a small business development programme. The contribution of stakeholders determines their level of influence in the enterprise. This study concluded that stakeholders' participation, interest and involvement are based on their needs and preferences in achieving the social mission SMSEs. Furthermore, the current study concludes that, based on the respondents' views, stakeholders' involvement, and influence in the SMSEs can be important in making major operational and strategic decisions.

Based on the respondents' views, the study concluded that, overall, stakeholders were interested in getting information relating to how the enterprise benefits the community; creates employment and measures the relationship between the enterprise and the community; how the enterprise is progressing in meeting the social value mission it is expected to achieve; and the impact on the communities.

Regarding the existing performance measurements of SMSEs, the respondents in this study suggested that the primary reasons for conducting performance measurement include measuring growth; identifying what works and what does not, in terms of enterprises' activities and objectives; future planning; stakeholders' demands; making better strategic decisions on job creation, poverty alleviation, improvement of living conditions; as well as market expansion and business sustainability. However, there was a lack of clear data on when the participating social enterprises started measuring their performance and how they continued conducting the measurement. Furthermore, the respondents indicated that factors such as the lack of resources; the lack of skills and experience; and the difficulty of measuring social value hinders the social performance measurement process. This study concludes that, even though performance measurement is perceived as a process that helps gauge the impact of enterprises; identifies better activities; achieves better resource management; and improves the decision-making process, and the quality and sustainability of products for market delivery, SMSEs experience challenges in adopting and performing social performance measurement.

The current study's findings suggest that, based on the respondents' views regarding essential social performance measurements, SMSEs should include the measurement of risk; the

environment; skills development; social improvement; the impact and performance of SMSE activities; and the achievement of the social mission.

The study developed a framework for the social performance measurement of SMSEs using social mission; activities; stakeholders' identification and involvement; human factors; cultural factors; environmental factors; community factors; and education factors as social metrics to set specific indicators.

As previously indicated, the contribution of the current research is in providing a solid framework for evaluating the social performance of SMSEs in KwaZulu-Natal, South Africa. The research conclusions led to the development of a social performance framework.

7.4. Recommendations

The major recommendations drawn from the conclusions and results on the funding model; the business operation of SMSEs; existing performance measurement; and the development of the social performance measurement framework. The conclusions are based on the research objectives and questions in the current research. Chapter Five elaborated on the findings and discussions aligned with the research objectives and questions. Chapter Six discussed the development of a social performance measurement framework with identified social metrics. Chapter Seven has presented issues relating to the findings, and the main conclusions based on the findings; paving the way for recommendations to small and medium social enterprises in KwaZulu-Natal, South Africa, for adopting the social performance measurement framework to measure their performance, improve their enterprises and maintain sustainability.

Below are the major recommendations related to the study:

It is recommended that SMSEs in an emerging economy, with limited funding sources, can adopt either a merged model to obtaining funds from different sources, or consider the social investment, which is important in financing their enterprise's and maintain sustainability and development. Diversifying funding will help SMSEs avoid the challenge of sustainability and will enable them to focus on improving their activities towards achieving their social mission. SMSEs can diversify the funding source, to include grant provider institutions; investment communities such as banks, public and private institutions; national and international social entrepreneurship fund providers; and any institutions willing to participate in social entrepreneurship. Any organization interested in funding SMSEs will want to evaluate the performance of the SMSE and can use the developed social performance framework to learn about the SMSEs' social mission; what the SMSEs would like to achieve; through which

activities the mission will be achieved; how the stakeholders can contribute; and the results of the SMSEs performance measurement, as measured using the social metrics.

Small and medium social enterprise managers/founders/directors should know the funding possibilities based on the social mission and activities needed to achieve it. SMSEs using the developed social performance framework may be able to meet the requirements of different stakeholders, specifically the investment community, when requesting further funding. SMSEs may benefit from diversified funding sources to achieve their social mission and avoid the challenge of sustainability. The use of diversified funding sources further helps the SMSEs to move up in their business development phase.

Overall, the results indicated that their enterprises are at the start-up level. Small and medium social enterprises experience complexities in achieving economies of scale in acquiring inputs. In line with this overall conclusion, it is recommended that SMSEs adopt the social performance measurement framework with the key indicators fitting the enterprises' social mission and activities. On the one hand, the implementation of the framework will identify where the SMSEs are failing to achieve their social mission. On the other hand, it will help them in making better decisions; in the effective and efficient utilization of resources; and in increasing the participation of stakeholders, which in turn helps in the development and growth of the enterprises. Therefore, before deciding to upgrade the business operation in the future, the adoption and implementation of the framework, with selected social indicators, should be considered.

Small and medium social enterprises should prioritize business activities such as sustainable income generation; growth, and expansion; adjustment to the changing market demands; improved services; and community empowerment. Another notable area of prioritization should focus on participating with different stakeholders. The challenges experienced by most SMSEs indicate the confusion between sustaining their business through trade, without losing focus on solving community problems. SMSEs can reduce this dilemma by prioritizing the social mission and creating partnerships with stakeholders to reduce the risk of lack of resources.

The current study concluded that educational institutions are the least stakeholders least identified by the participating enterprises. In line with this conclusion, it is recommended that SMSEs target educational institutions to acquire further skills and knowledge on their activities and to promote what they are trying to achieve as social enterprises, to gain access to different resources.

To achieve the social and economic mission, SMSEs as hybrids must create a strong bond with different stakeholders. However, the involvement of stakeholders should take a collaborative approach, involving partnering with stakeholders for them to contribute to the organization's strength and sustainability, rather than controlling it.

Due to the growing interest of stakeholders to participate and influence SMSEs, a broad concept and strategy are necessary for what, and how, to communicate with stakeholders. SMSEs should explore which communication modes with stakeholders are more effective in improving and increasing sustainability. The study concluded that stakeholders require information on the enterprises' objectives; activities; sponsorship feedback; progress reports; performance measurement; demographics and social reintegration of beneficiaries; and stakeholders' involvement. Based on this conclusion, it is recommended that SMSEs consider using the developed framework, which will guide SMSEs on the kind of information to share with stakeholders.

The study concluded that SMSEs did not conduct performance measurements regularly due to a lack of resources; a lack of a unified measurement framework; the difficulty of measuring social value; and other constraints. In line with this conclusion, it is recommended that SMSEs should adopt the developed social performance measurement framework by strategically identifying their mission and activities to choose the necessary social metrics accordingly. The proposed framework will provide individual SMSEs with the data essential to manage their decisions and improve the effectiveness and efficiency of business operations and their economic and social performance.

Corporate investment groups should also understand the social performance measurement framework implemented by SMSEs, which is aligned with their social mission and activities, and check whether the environment in which SMSEs are working is improving, or not. Based on the result, the corporate investment group should provide the necessary support to ensure SMSEs' sustainability and growth.

Before accepting or rejecting the request to invest with SMSEs, the investment community, such as banks, can use the developed framework to increase the evaluation lens to manage, support and control SMSEs and provide access to funds and resources.

Before continuing the enterprise activities, SMSEs should consider using the developed framework, which will guide SMSEs in deciding whether to continue or improve their activities to achieve the expected outcomes. Similarly, stakeholders must evaluate the human;

community; environmental; educational and cultural factors, which are the key social issues to measure in evaluating SMSE performance.

7.5. Limitations and suggestions for further research

The study design adopted qualitative research and purposive sampling procedures, which decreased the generalizability of the findings. During the time that this study was being undertaken, a pandemic affected the physical and physiological wellbeing of people throughout the world. Thus, the study's respondents were struggling to adapt their social enterprise businesses and activities. Connecting with and keeping the respondents on track with the research questions, was extremely difficult. Moreover, the respondents had very tight schedules, while at the same, they were looking forward to meeting in person, rather than virtually via online communication. This subsequently led to the dropping of the one-to-one personal, intimate conversation, and facial expressions. Additionally, the pandemic restricts the researcher physical visit to the working areas of the small and medium social enterprises, which led down the feeling of the respondents to have a field observation by the researcher.

The implementation of the developed social performance measurement framework was not conducted in this study. A further study to test the developed framework should be the subject of further research. Furthermore, the factors identified as social metrics from other provinces and countries were not examined in this study using qualitative analysis. A comparative study between South Africa and other African countries, to analyse the social metrics to evaluate the social performance of SMSEs and apply the framework could be another subject of further research.

The study limited itself to the SMSEs in specific sectors. More research could be conducted on other SMSEs performing in different sectors, worthy of further examination. These SMSEs are the subject of a future study by other researchers. This research should be replicated in other SMSE sectors.

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APPENDIX 1: INTERVIEW GUIDE

Section 1. Firmographics and Demographics

1. Tell me about yourself? Name, Age
Tell me more about your enterprises.
 - Name of enterprises?
 - What are your Mission, Vision, and objectives? How do you try to reach them?
 - Where is your business location?
 - Which legal form did you register your business?
(For Profit: sole Proprietorship, Private company, Business Trust)
(Non-profit Company: Voluntary Association, Non-Profit Company as defined in section 1 of Companies Act, Non-Profit or Charitable Trust)
 - Year founded
 - The number of staff/employees (in January 2020)/ number of members:
 - Full-time? Part-time?
 - Position within the enterprises (founder/manager)
2. What is your intervention/program, or what are your activities?
The funding model of SMSEs
3. What is your primary funding source? And where did you get your initial funding?
4. Do you have any revenue generation activities?
5. How much of your enterprise is funded from revenues generated within the enterprise?
 - If needed continuation questions:
 - How about the government? Your customers?

Section 2: Business Operation

1. What are your priorities at the moment? How do you allocate your resources?
2. What phase would you describe yourself in being with your business? (startups, growth, maturity, saturation)
3. Do you see performance or impact measurement that can help you to develop further?

Section 3: Stakeholder Involvement

1. Who are your key stakeholders, and how do they influence your operation?
 - How are stakeholders involved in enterprise management and (members, employees, municipalities, local communities, customers, etc.)
 - How do you stay in contact? How often do you meet?
2. What do stakeholders require you to measure?
 - Which information do you give to internal stakeholders (employees/managers) and external stakeholders (donors/investors/incubators)?
 - Which information do they require from you?
 - Why do you think it is important to measure such elements and for whom?

3. How do you deal with the different stakeholders in the public and private markets?
4. What outcomes are you interested in achieving, and for which stakeholders?
 - Do you have specific goals for these?
 - Are you taking these into account?

Section 4: Performance Measurement

1. Are you measuring performance or social performance?
 - When and how did you decide to start measurement?
 - What measurements do you use, and how do you reason for your choice?
 - Do you have the necessary resource such as skilled labour (financial, marketing, and administrative) and money to perform measurement?
 - In what way do you use the information you obtain from measurement? For whom do you share your performance measurement result?
 - Are you communicating different results to different stakeholders?
 - How often do you measure?
 - Why so?
 - From your perspective, what are the essential measurements for small and medium social enterprises?
 - Why do you think this is so?
 - What measurements would be of the most value to your operations? What is needed the most?
2. Do you think performance measurement is beneficial for a social business? What are the possible benefits of measurement, in your opinion?
3. To what extent do contextual factors, like human or financial capital, or funding type, influence your operational strategy toward performance measurement?
4. Have you noticed during your development that measurement has become different?