

DOI: 10.5281/zenodo.10389493

SOCIAL IMPACT MEASUREMENT CHALLENGES: THE EFFECTS ON SOCIAL ENTREPRENEURS' ACTIVITIES IN TOWNSHIP COMMUNITIES IN SOUTH AFRICA

EMMANUEL INALEGWU AKOH 1 and LAWRENCE MPELE LEKHANYA 2

^{1, 2} (PhD), Faculty of Management Sciences, Department of Entrepreneurial Studies and Management, Durban University of Technology (DUT), Durban. Email: ¹21856837@dut4life.ac.za, ²lawrencel@dut.ac.za ORCID ID: ¹https://orcid.org/0000-0001-8063-4983, ²https://orcid.org/0000-0002-9104-963X.

Abstract

Globally, social entrepreneurs are recognised for their contribution in addressing socio-economic challenges and measuring their social impact is considered very important. However, few or little studies have been conducted on the effects of social impact measurement challenges on social entrepreneurs' activities. Hence, this study aimed to investigate and empirically test the effects of social impact measurement challenges on social entrepreneurs' activities in South Africa, particularly in KwaZulu-Natal (KZN) township communities. The study adopted a quantitative research approach, using a snowball sampling technique to select 90 social entrepreneurs from three township communities in the KZN Province. SPSS (27.0) version was used to analyse the data collected. Findings from the study indicated that the lack of social impact measurement affect SEs understanding the contribution of their activities, and the methods/techniques to use in addressing social problems. In addition, lack of social impact measurement affects the ability of SEs to identify other opportunities to solve social problems, and investors willingness to provide financial support for SE activities. The findings from this study contribute both to the existing body of knowledge, as well as social sector. The findings from this study will also assist SEs and other relevant stakeholders to better understand how social impact measurement can enhance social value creation in disadvantaged communities.

Keywords: Social Entrepreneurship; Social Impact Measurement; Challenges; Townships; Kwazulu-Natal.

INTRODUCTION

In recent years, the concept of social entrepreneurship has been gaining popularity globally, with many scholars emphasizing its critical role in addressing socio-economic issues in both developed and developing countries, including South Africa (SA) (Littlewood & Holt, 2018; Seelos & Mair, 2004; Dzomonda, 2020). SA like many other nations, is faced with a plethora of socio-economic challenges, especially in local communities like townships. In SA, the term 'township' refers to the underdeveloped urban living areas introduced in the early 19th century, typically saturated by informal settlements; in general, these areas commonly lack adequate infrastructure and basic amenities such as water, electricity, and health care (Manyaka-Boshielo, 2017). It is estimated that 21.7 million people are living in townships across the country, a significant percentage of the almost 60 million population (Schwabe, 2020). With regards the focus township area for this study (Inanda, Ntuzuma and KwaMashu), 73 percent of households are unemployed, 77 percent of households earn less than R9 600 per annum, 12 percent have no schooling, 7 percent have completed primary school, 26 percent have matric or high school, only 4 percent have tertiary education and 43 percent do not have formal houses. The area comprises of predominantly informal settlements, with high crime rates, lack of public





DOI: 10.5281/zenodo.10389493

space and recreational activities and low level of public services (Banyambona, 2013). It is therefore critical to employ concepts such as social entrepreneurship in these areas to improve and address their socio-economic needs. According to the Organization for Economic Cooperation and Development (OECD), the goal of every social enterprise (SE) is to create social value, while addressing social challenges and, as such, expected to produce a social impact (OECD, 2015). In other words, the ability to produce a social impact is a critical condition that allows any organisation to be identified as a SE.

Social impact measurement could be a powerful tool to assist social entrepreneurs in setting realistic objectives, to improve their activities, prioritize decisions, and access funding, as well as support political and policy advocacy (Buckland and Hehenberger, 2021; OECD, 2021). This means the inability to adequately assess social value and the impact produced by the operations of a SE might limit their effectiveness in addressing social problems in society. Alomoto, Niñerola and Pié (2022) mention that measuring, analysing, and evaluating social impact is crucial to aligning sustainable development strategies of international organisations, governments and businesses. Hence, the effectiveness of SEs to create social value that will address socio-economic challenges may be significantly affected by the lack of social impact measurement.

It has been highlighted that many organisations, including social enterprises, are faced with the challenge of optimising impact in several dimensions, instead of maximising impact against a single dimension (Maas & Liket, 2011; Musinguzi, Baker, Larder & Villano, 2023). This could be one of the challenges affecting SEs in the KwaZulu-Natal (KZN) townships, as social impact should be individualised and assessed based on the nature of each social initiative, ensuring it correlates with the process objective (Hadad & Găucă, 2014).

A Global Entrepreneurship Monitor (GEM) (2016) study reveals that only approximately 50 percent of individuals, who fit the broad definition of social entrepreneurs globally, agreed their organisation puts substantial effort into measuring the social and environmental impact of their activities. This emphasizes the need for better understanding of the effects a lack of social impact measurement has on SE activities. For instance, in SA, it is highlighted that less than 10 percent of SEs in fact measure impact, with the vast majority only measuring outputs and outcomes (Methvin, 2019). This is cause for concern, as Gonul and Senyuva (2020) mention, it is critical that social ventures plan for and assess their social impact, because the success of their activities is measured through the sustainable impact and change they create. There are various metrics highlighted in literature to measure social impact, with each method presenting different approaches and characteristics (Cunha, et al, 2022). However, context and the impact being measured are important factors to consider in the choice of metrics to use. This gap could be challenging for social entrepreneurs.

It is against this backdrop that this study sought to investigate how social impact measurement challenges affect social entrepreneurs' activities in KZN townships. It examines from the social entrepreneur's perspective to understand what is required to improve their social impact measurement and enhance their activities. Therefore, this paper seeks to address the research question: what are the effects of social impact measurement challenges on social entrepreneurs'





DOI: 10.5281/zenodo.10389493

activities in KZN townships?

This article is constructed as follows: first, related literature underpinning this study is presented, providing an overview of social entrepreneurship, as well as social impact measurement challenges and effects on social entrepreneurs, both globally and locally. Next, the methodology used in the study is presented, followed by presentation of the findings and discussion. The paper concludes with recommendations, limitations, and suggestions for future research.

LITERATURE REVIEW AND HYPOTHESES

Theoretical background

According to Antoniuk, et al (2023), the spread of social innovation is an important aspect in strengthening the social component in the context of social value creation. However, social impact measurement has come to be a critical aspect of social entrepreneurs' growth and survival. It is generally believed that for SEs to effectively understand the impact level of their innovative and creative strategies to help address social ills in society, there needs to be an adequate measurement.

Many studies have emphasized the importance of social impact measurement for SEs to thrive in their social value creation. For instance, the European Commission (2014) asserts social impact measurement is crucial in assessing and analysing whether a social entrepreneur's activity or action has created social value or significant change – positive or negative, short- or long-term, as well as the direct and indirect impact on other organisations and people within its ecosystem. However, there remains a lack of empirical level studies on the effects social impact measurement challenges have on SEs' activities, particularly from the KZN township perspective. According to Buckland and Hehenberger (2021), underinvesting in impact measurement results in the lack of evidence SEs need to establish trust in the communities they operate. This could affect the buy-in and support SEs require in communities to enable them to achieve their desired goals and objectives.

Social impact measurement could be instrumental in SEs contribution to addressing socio-economic issues, nonetheless, the level is relatively low according to Methvin (2019), because many SEs in SA lack information and the ability to differentiate between an output, an outcome and impact; furthermore, resources required to measure impact are limited; in addition to longitudinal requirements, where actual impact only occurs many years after intervention; and the fear of knowing their intervention did not have the positive changes envisaged. These challenges may hinder impact measurement and could have a significant negative effect on the operations and successful social value creation of SEs in SA, particularly in the KZN townships.

Social entrepreneurship

As the concept of social entrepreneurship continues to grow in interest and popularity globally, its definition among scholars remains unclear, having become so inclusive that it has increased





DOI: 10.5281/zenodo.10389493

the debate on which socially beneficial activities fits (Martin & Osberg, 2007). However, this study adopted a generally acceptable definition by Bacq and Janssen (2011), who describe the social entrepreneurship concept as "the process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities and of the use of a wide range of resources" (p. 388). Although authors, such as Zahra et al. (2009) and Moses and Olokundun (2014), maintain the social entrepreneurship concept is a context phenomenon and its practicality and effectiveness depend on understanding the particular context in which it is applied.

In the South African context, Elliott (2019) describes social entrepreneurship as "an alternative model to meet the needs of the marginalised and the vulnerable, while the social entrepreneur focuses on both a financial and a social bottom line" (p. 1). Mohapelao (2014) describes the concept of social entrepreneurship as the process or behaviour that uses business or entrepreneurial elements to strive to address social issues. In addition, Quacoe Yusheng and Quacoe (2022) mention that "social entrepreneurship is becoming a combination of for-profit and non-profit initiatives, blending the value and trust of social groups with the efficiencies and profit motives of business" (p. 32). This increases the belief that vast opportunities exist for social entrepreneurs to achieve social impact, as the Gordon Institute of Business Sciences (GIBS) highlights, they are usually placed in local communities such as townships and can reach underserved beneficiaries, as well as engaging in trade that other institutions are unable or unwilling to engage with (GIBS, 2018).

Despite many studies, such as Manyaka-Boshielo (2017); Kajiita and Kang'ethe (2020) and Myres (2020), emphasizing the important role of social entrepreneurship in contributing to sustainable development and having a social impact in South Africa, the challenges associated with social impact measurement could be a major hindrance.

Social impact measurement

There have been various attempts by authors to define the concept of social impact measurement. For example, San Pedro and Ballesteros (2021) describe social impact measurement as the identification and quantification that measure the changes experienced both by persons and the planet, due to a specific activity, project, programme or policy, and the degree to which the agent contributes to these changes. This is in line with the description by the OECD (2021) that social impact measurement aims to measure the social outcome and impact created by specified activities of a SE and is an on-going process and integral part of the enterprise's activity. In other words, social impact measurement is an important aspect of social entrepreneurs' activities, allowing a comprehensive understanding of the effect their social value creation has on societal challenges being addressed. More so, social impact measurement is the centre of assessing and comparing social value creation efforts as a result of venture activity (Flam, 2014). Hence, adequate social impact measurement is critical in differentiating those social entrepreneurs' activities that successfully addressed a social problem and those that did not.





DOI: 10.5281/zenodo.10389493

According to a report by the OECD (2015), the mission of SEs affects multiple stakeholders (public authorities, private investors, internal stakeholders and external beneficiaries). Therefore, traditional performance measurement may not be adequate, while a multidimensional accountability system is more suitable, as it focuses on both the economic bottom line, as well as social outcomes. In other words, this system will ensure SEs are accountable to their stakeholders and manage these relationships, while satisfying their set objectives. The Australian Social Value Bank (ASVB) (2018) supports this view and asserts organisations that pursue social purpose are not only under pressure to create social value and positive change in the world, but have to also prove it, with the only way to prove the social value created, is to measure it. This means social impact measurement can be vital in helping SEs understand their contribution to solving social problems in local communities such as townships.

Social impact measurement is important to organisations such as SEs, as it assists to: achieve their social mission, attract additional funding, provide effective communication of impact to stakeholders, and use impact to inform programme improvement, as well as help to demonstrate value for money (ASVB, 2018). This shows social impact measurement cannot be ignored and needs to be a significant part of every social entrepreneur's strategy to create value that will contribute to sustainable development in local communities, such as the townships in KZN.

Social impact measurement challenges

Buckland and Hehenberger (2021) highlight social impact measurement challenges, as it is believed the long-term effects of interventions from organisations, such as social enterprises, involve multiple stakeholders and addressing complex challenges, which makes it difficult to measure and is easily overlooked. In addition, Gonul and Senyuva (2020) point out the most common challenges SEs face in developing an efficient social impact measurement are the difficulties in quantifying their impacts, complications regarding the long-term predictions of their social impacts, and limitations in the resources required to measure these impacts. This also supports the findings by Cunha, et al (2022) who identified that lack of stakeholder awareness in the field of social innovation, difficulties in selecting the metrics to measure impact, lack of beneficiaries' engagement and lack of financial and public support are some of the critical barriers affecting social impact measurement. Furthermore, SEs suffer from lack of standardization and guidance in choosing the appropriate method to assess their performance, and that leading methodologies developed to measure impact continue to have their flaws (Mulloth & Rumi, 2021). Hence, as important as measuring impact is to social entrepreneurs, these challenges could have enormous effect on their social value creation and ability to efficiently address developmental issues in local communities such as townships.

Effects of social impact measurement challenges

Social impact measurement is crucial to the growth and development of any SE. However, it has been highlighted in literature that the challenges associated with social impact measurement could have enormous effects on SEs achieving their desired goals and objectives.





DOI: 10.5281/zenodo.10389493

Some of the critical effects of social impact measurement are discussed below.

Understanding the level of their activities: It is an important factor that will ensure SEs understand the level of contribution of their activities, which according to SEFORIS (2013), provides sufficient information and enables SEs to know the number of targeted beneficiaries that benefited from their social mission. In a collective manner, social impact measurement could help provide improved comprehension of the aggregate SE impact that engages similar social issues within similar geographical areas to achieve greater results (Buckland and Hehenberger, 2021; Cunha, et al, 2022).

In SA, however, many SEs do not understand the contribution of their activities, due to lack of information and the inability to differentiate between an output, and outcome and impact (Methvin, 2019). In a study conducted in Cape Town by Ngatse-Ipangui and Dassah (2019), weak monitoring and unclear impact measurement are shown to not only affect SEs understanding the contribution of their activities, but also create the perception that SE activity outcomes are, furthermore, not sustainable enough to trigger development, with community members giving up quickly on their operations. This means social impact measurement is vital for not only SEs but also their beneficiaries, in order to understand the contribution of their operations to both economic growth and societal well-being. In addition, the lack of social impact measurement affects SEs understanding of how their social intervention could satisfy or address the human needs of social wellbeing, such as healthcare and education (Nguyen, Szkudlarek and Seymour, 2015).

Measuring impact has become a necessity for SEs, with Hadad and Găucă (2014) explaining "there should be a correlation between the proposed objectives and the actual results" (p. 120). Hence, for social entrepreneurs' activities to be considered effective, they need to assess and understand if and how they are achieving their objectives and improving the wellbeing of society (Grieco, Michelini & Lasevoli, 2014; Ormiston & Seymour, 2011). In light of the above, we state hypotheses;

H1: Lack of social impact measurement affects social entrepreneurs' understanding of their activities in KZN townships.

Methods/techniques used in addressing social problems: For social entrepreneurs, social impact measurement is considered crucial in knowing the methods/techniques that can be used to address social problems and enhance their activities. According to Maas and Liket (2011) and Cunha, et al (2022), applying social impact measurement depends on requirements of the different types of corporations, their activities, objectives and the aspects of impact they want to measure. Hence, lack of social impact measurement could affect the approach or strategy SEs use to create social value. SEs can use the social impact measurement as an organisational strategy, for learning purposes and better understanding the environment where they operate (Arvidson & Lyon, 2014). In other words, the lack of social impact measurement affects SEs' ability to fully identify loopholes in their social value creation methods/techniques that could enable improved creative and innovativeness in addressing social issues within an environment such as the KZN townships.





DOI: 10.5281/zenodo.10389493

Rawhouser, Cummings and Newbert (2019) believe the lack of social impact measurement hinders SEs rapid progress and effectiveness in the methods/techniques they use in solving social ills, in turn affecting their operations. Since there is no one-size-fits-all approach to social impact measurement, the lack of identifying its appropriateness could also affect SE method/technique to productivity and competitiveness in a dynamic business environment (Kah & Akenroye, 2020). In SA, the lack of social impact measurement means that the methods/techniques SEs can use to bring about change remains in the domains of story and assumption (Harder, 2019). Despite the increase in impact investment in SA, social impact measurement practice is still lagging, affecting the understanding of the financial and social returns of these investments (Choda & Teladia, 2018). It is, therefore, important that SEs improve their use of social impact measurement if they are to identify methods/techniques to improve performance and enhance their contribution to sustainable development in society, particularly in the KZN townships. In light of the above, we state hypotheses;

H2: Lack of social impact measurement affects the methods/techniques social entrepreneurs' use in addressing social problems in KZN townships.

Enable opportunity identification: The ability of SEs to effectively measure, present and compare their performance is crucial in enabling opportunity identification and sustainable operations expansion (Flam, 2014; Zain & Hassan, 2023). According to Maas and Liket (2011), one of the social impact measurement purposes is to assist management with data for investor oversight and decision-making when identifying business model modification or market opportunities. In other words, the lack of social impact measurement could negatively affect owners/managers of enterprises, including SEs, from identifying opportunities to expand their social value creation and address pressing socio-economic issues in the society. In addition, SEs' survival, growth and long-term viability are based on their ability to identify opportunities within the socio-economic challenges in society; achieved by engaging in social impact measurement (Field, 2016). In SA, the lack of social impact measurement affects data availability for businesses, such as SEs, to identify underperformance areas hindering strategy development to improve scope and address other social problems (UCT Graduate School of Business & Impact Investing South Africa, 2020). In light of the above, we state hypotheses;

H3: Lack of social impact measurement prevents social entrepreneurs from identifying other opportunities to solve social problems in KZN townships.

Attract investors: So and Capanyola (2016) highlight due diligence is required from investors to access the potential social return prior to committing to an investment, and measuring the social impact after the programme concludes to assess portfolio performance in order to know whether to reinvest. Many SE funders are beginning to experience "budgetary constraints and need to allocate their resources more carefully than in the past" (European Commission, 2015, p. 4), making social impact measurement an important requirement to access funding from impact investors. More so, in SA, Bev (2011) argues that funder and investor decision-making is aided by social impact measurement, with a continuous available funds' reduction. In other words, SEs in SA operate in a competitive funding environment, requiring them to prove their impact on investment is greater than the rest in order to secure funding. It becomes imperative





DOI: 10.5281/zenodo.10389493

for SEs in SA to, therefore, identify ways to improve their social impact measurement and attract investors that will enhance their social value creation and business operations. In light of the above, we state hypotheses;

H4: Lack of social impact measurement affects the willingness of investors to fund social entrepreneurs' activities in KZN townships.

METHODOLOGY

The methodology used for this study will be discussed as follows, namely: target population, sample size, data collection, data measurement and data analysis.

Target population

The study used a quantitative research method and carried out among social entrepreneurs operating in Inanda, Ntuzuma and KwaMashu townships in the eThekwini District Municipality in KwaZulu-Natal province.

Sample size

A total of 90 social entrepreneurs were identified using a snowball sampling technique. Biographical information of the participants are presented in table 1 below.

Data collection

In SA, social entrepreneurs still lack a specific regulatory framework that governs them and, as such, their population is unknown, with no specific database for a sample frame to be constructed (GIBS, 2018; Kajiita and Kang'ethe, 2020; Dzomonda, 2021). This study used similar inclusion criteria to other studies (Dzomonda, 2021; Akoh and Lekhanya, 2022), based on the following: the SE has been operating for the past one year, only pursues a social issue and not personal gain, is registered with the Department of Social Development or intends to do so in the near future, and is involved in an income generating venture. The researchers identifies a small number of initial participants, who meet the inclusion criteria and are requested to recommend other participants, and this goes on until the target sample size or saturation point is reached (Parker, Scott & Geddes, 2019). The questionnaire was self-administered by the researchers and 90 were returned, representing a 100 per cent response rate.

Data measurement

In line with the framework for this study, the questionnaire was used to measure four variables. It employed closed-ended 5-point Likert scale questions, ranging from 1 (strongly agree) to 5 (strongly disagree) on the effects of social impact measurement challenges on social entrepreneurs' activities. This enabled the computation of inferential statistics and mean score.

Data analysis

SPSS version 27.0 was used to analyse the data collected, in order to generate frequencies, descriptive statistics, and inferential statistics (Chi square test), which were used to test the





DOI: 10.5281/zenodo.10389493

hypotheses. A statistical test was conducted for all questionnaire items and the results show these to be a good fit for the study (Cronbach's Alpha = 0.895) > 0.75; thus, accepting internal consistency and reliability.

Table 1: Biographical information of surveyed social entrepreneurs

Variables	Category	Frequency	Percentage
Educational background	Matric	10	11.1
	Diploma/Certificate	31	34.4
	Degree	19	21.1
	Honours	17	18.9
	Masters	10	11.1
	PhD	2	2.2
	Others	1	1.1
Age group	18-25	16	17.8
	26-32	33	36.7
	33-39	25	27.8
	40-49	9	10.0
	More than 50	7	7.8
Gender	Male	39	43.3
	Female	51	56.7
Location	Inanda	30	33.3
	Ntuzuma	30	33.3
	KwaMashu	30	33.3
Type of social enterprise	Non-Governmental Organisation (NGO)	16	17.8
	Not-for-Profit Organisation (NPO)	26	28.9
	Hybrid	13	14.4
	Profit oriented	33	36.7
	Others	2	2.2
How the social enterprise is	Partnership	16	17.8
owned	Manager and sole owner	42	46.7
	Manager and jointly owned	19	21.1
	Others	13	14.4
Years of operation	1 – 2 years	14	15.6
_	3-5 years	35	38.9
	6 – 8 years	28	31.1
	9 – 11 years	4	4.4
	More than 11 years	9	10

Table 1 shows the demographic information of the social entrepreneurs surveyed for this study. The demographic data are important for this study, as it enables researchers to make data-driven decisions (Fernandez et al., 2016).





RESULTS

DOI: 10.5281/zenodo.10389493

The following section discusses results of the effects of social impact measurement challenges on social entrepreneurs' activities in the KZN townships.

Table 2: Effects on understanding social entrepreneurs' activities

		Frequency	y Distribut	tion		Descriptive Statistics		Chi-square Statistics				
Statement		strongly agree	Agree	Neutral	Disagree	Strongly disagree	% Agree/Strongly Agree	Mean	Std Dev	χ^2	df	p- value
Lack of social impact	Count	29	29	15	11	6	58					
measurement affects social entrepreneurs' understanding of their activities in KZN townships	%	32.2	32.2	16.7	12.2	6,7	64.4	2.2889	1.22927	24.667	4	0.000

Source: Researcher's own data

In terms of lack of social impact measurement having an effect on social entrepreneurs understanding their activities in KZN townships as shown in table 2, 58 or 64.4%, collectively agreed with the statement. A Chi-square test ascertained whether social entrepreneurs understanding their activities is affected by lack of social impact measurement. The uniformity in the expected responses to the question formed the basis of the null hypothesis developed. The results revealed $\chi^2 = 24.667$; df = 4; P =0.000 for this variable, indicating that the responses observed differed statistically from the expected responses. This implies that the null hypothesis is rejected, and this study concludes that lack of social impact measurement affects social entrepreneurs' understanding of their activities in KZN townships.





DOI: 10.5281/zenodo.10389493

Table 3: Effects on the method/technique use in addressing social problems

Statement				Freq	uency Distri	Descriptive Statistics		Chi-square Statistics				
		strongly agree	Agree	Neutral	Disagree	Strongly disagree	% Agree/Strongly Agree	Mean	Std Dev	χ^2	df	p- value
Lack of social impact	Count	21	31	18	13	7	52					
measurement affects the method/technique social entrepreneurs' use in addressing social problems in KZN townships	%	23.3	34.4	20.0	14.4	7.8	57.7	2.4889	1.22010	18.000	4	0.001

Source: Researcher's own data

In terms of lack of social impact measurement affecting the methods/techniques social entrepreneurs' use in addressing social problems as shown in table 3, a total of 52 (57.7%) of the respondents agreed with the statement. These finding are supported by a chi-square test, conducted to determine whether the methods/techniques social entrepreneurs' use in addressing social problems in the KZN townships under study are affected by lack of social impact measurement. For this variable, the results show that $\chi^2 = 18.000$; df = 4; P =0.001, revealing that the methods/techniques social entrepreneurs' use in addressing social problems in the KZN townships are affected by lack of social impact measurement. Hence, the null hypothesis was rejected.

Table 4: Effects on identifying other opportunities to solve social problems

Statement				Freq	Descriptive Statistics		Chi-square Statistics					
		strongly agree	Agree	Neutral	Disagree	Strongly disagree	% Agree/Strongly Agree	Mean	Std Dev	χ^2	df	p- value
Lack of social impact	Count	27	32	11	11	9	59					
measurement prevents social entrepreneurs from identifying other opportunities to solve social problems in KZN townships	%	30.0	35.6	12.2	12.2	10.0	65.6	2.3667	1.30212	25.333	4	0.000

Source: Researcher's own data





DOI: 10.5281/zenodo.10389493

Regarding the lack of social impact measurement affecting social entrepreneurs from identifying other opportunities to solve social problems in the townships in KZN as demonstrated in table 4, a total of 59 (65.6%) of the respondents agreed with the statement. A Chi-square test was conducted to determine whether social entrepreneurs identifying other opportunities to solve social problems in the KZN townships is affected by lack of social impact measurement. The result for this variable indicates that $\chi^2 = 25.333$; df = 4; P =0.000, which signals the lack of social impact measurement prevents social entrepreneurs from identifying other opportunities to solve social problems in KZN townships. Hence, the null hypothesis was rejected.

Table 5: Effects on attracting investors

Statement				Freq	Descriptive Statistics		Chi-square Statistics					
		strongly agree	Agree	Neutral	Disagree	Strongly disagree	% Agree/Strongly Agree	Mean	Std Dev	χ^2	df	p- value
Lack of social impact	Count	25	33	13	10	9	58					
measurement affects the willingness of investors to fund social entrepreneurs' activities in KZN townships	%	27.8	36.7	14.4	11.1	10.0	64.5	2.3889	1.27 812	24.667	4	0.000

Source: Researcher's own data





DOI: 10.5281/zenodo.10389493

Concerning the lack of social impact measurement having an effect on the willingness of investors to fund social entrepreneurs' activities in the KZN townships as shown in table 5, a total of 58 (64.5%) of the respondents agreed with the statement. A Chi-square test was conducted to determine whether investor willingness to fund social entrepreneurs' activities is affected by lack of social impact measurement. For this variable, the result reveals that χ^2 = 24.667; df = 4; P =0.000, which shows a lack of social impact measurement affects investor willingness to fund social entrepreneurs' activities in the KZN townships. Hence, the null hypothesis was rejected.

DISCUSSION

This paper reported on an investigation into social impact measurement challenges and the effects on social entrepreneurs' activities in selected KZN townships. The idea was to highlight the effects of these challenges as a way of finding solutions that will enhance SE activities. The study findings revealed the challenges of social impact measurement significantly affect social entrepreneurs' value creation and their effectiveness in addressing some of the social ills affecting communities, such as townships in KZN. Furthermore, other existing findings collaborate the study findings.

Social impact measurement has, for instance, become an important practice for social entrepreneurs to fulfil not only their external accountability obligations (Molecke & Pinkse, 2019), but also enhance the effectiveness of internal operations. Hence, social impact measurement provides evidence, in the form of social performance that social entrepreneurs efficiently combine their social mission with market approaches to address social problems in society (Rawhouser et al., 2019).

With regards to the specific effects social impact measurement challenges have on social entrepreneurs' activities in the KZN townships, many respondents believe lack of social impact measurement has a significant effect on social entrepreneurs understanding their activities. As indicated by the study results, most (64.4%) surveyed respondents agreed the lack of social impact measurement affects understanding their activities. It is imperative to note that measuring social impact is an ongoing process that helps organisations, including SEs, to understand the short- and long-term impact on their beneficiaries. Hence, not measuring social impact can significantly affect SEs aligning their operations with the desired objective.

This finding is supported by other studies, such as conducted in SA by Aucamp (2015), which revealed insufficient social impact measurement is an obstacle hindering social organisations, including SEs, from achieving the preferred result of social development. In another South African study, the Aspen Network of Development Entrepreneurs (2021) posits that lack of impact measurement in many organisations, including SEs, affects the ability to maximise activities that have positive effects and mitigates those with negative effects. Van der Westhuizen (2017) believes, because of the importance social impact measurement has in the promotion of wellbeing, it requires understanding beyond mere economic indicators, also accommodating subjective indicators such as psychosocial well-being; crucial in providing the best possible solutions to social problems in communities. The importance of social impact





DOI: 10.5281/zenodo.10389493

measurement for SEs is needed to understand the social value creation relevant to beneficiaries and help address social problems in communities such as KZN townships.

Lack of social impact measurement was believed to have a significant effect on the methods/techniques SEs use in addressing social problems. Respondents (57.8%) agreed it was a factor affecting SEs activities in the KZN townships. This supports findings by Maas and Liket (2011), who suggest that social impact measurement is essential for SEs if they are to use the appropriate methods/techniques to achieve their desired set goals and objectives, as each social activity requires a particular type or requirement of measurement. In addition, Kah and Akenroye (2020) mention there is no one-size-fits-all with regards to social impact measurement, making its role critical in identifying the appropriate method/technique needed to effectively create social value and address social ills in the society.

In a study conducted in SA by George and Urban (2018), measurement metrics is concluded as crucial for SEs to make informed decisions regarding each project that will improve their social value creation and contribution to development in society. Costa and Pesci (2016) believe ineffective social impact measurement could affect the creditability of the methods/techniques used by SEs, as stakeholder involvement requires input in defining and constructing the metrics and, thus, avoid any manipulative intentions for greater impact. Hence, social impact measurement will enable SEs to present credible and reliable evidence on the methods/techniques to which resources are used in creating social value that will contribute to development in communities such as townships in KZN.

SEs are also significantly affected by a lack of social impact measurement as they are unable to identify other opportunities to solve social problems in the KZN townships, with 65.6% of the respondents in agreement. This means social impact measurement is important should SEs desire to improve the scope of their activities, expand their product line and increase their outcome and impact on society. According to Buckland and Hehenberger (2021), social impact measurement could help SEs identify more vulnerable groups and assist in developing longitudinal datasets; aiding advancement of social value creation to more beneficiaries and communities. In a study in SA by Ngatse-Ipangui and Dassah (2019), unclear social impact measurement is highlighted to affect SEs in providing adequate evidence of their performance to the community and in turn, hindering the community from helping to identify other socioeconomic challenges that require assistance. This could be a major setback for SEs in improving their social value creation and sustainable development contribution in communities such as KZN townships.

Lack of social impact measurement was also regarded to significantly influence investor willingness to invest in SE activities, with 64.4% of respondents agreeing it affects their operations in the KZN townships. This supports findings by Nguyen et al. (2015), who suggest social impact measurement is crucial to the relationship between SEs and resource providers, as SEs require investment to improve performance and achieve the objective of creating social impact for those in need. According to Lee et al. (2019), social impact measurement provides investors with information that confirms their financial resources are generating the social impact intended, as well as what went wrong when the social impact was not achieved. In other





DOI: 10.5281/zenodo.10389493

words, lack of social impact measurement may impede SEs in attracting investors into their activities that can, in turn, affect their social value creation.

In a study in SA by the Aspen Network of Development Entrepreneurs (2021), investors are found to be the most important audience regarding social impact results and these results need to demonstrate how organisations, including SEs, are making a difference. Hence, the importance of social impact measurement to enable SEs attract investors that will enhance their social value creation in the KZN townships, cannot be overemphasized.

CONCLUSION AND RECOMMENDATION

Since the importance and relevance of social impact measurement is rapidly growing globally in both the business and social sectors, social entrepreneurs need be made aware that the use of social impact measurement will enhance their activities in the KZN townships. This study attempted to understand the effects of social impact measurement challenges on social entrepreneurs' activities. The results show social impact measurement challenges significantly affect social entrepreneurs' activities. Lack of social impact measurement hinders their understanding of the pivotal role their operations play in both economic growth and societal well-being. This study also revealed that lack of social impact measurement affects the methods/techniques social entrepreneurs' use to address socio-economic issues efficiently and effectively. In addition, this lack is shown to impact social entrepreneurs' ability to identify opportunities to solve other social problems, crucial to their relevance, growth and survival. This study also revealed the lack of social impact measurement affects investor willingness to invest in SE activities, while financial resources remain a vital aspect of SE operations.

It is, therefore, important that social impact measurement challenges are addressed, to allow social entrepreneurs to be consistent in creating social values that will contribute sustainably to their development in the KZN township communities. As a result of the study findings, it is recommended the government needs to do more to promote the use of social impact measurement by social entrepreneurs. This can be achieved through constant workshops and training to help social entrepreneurs develop the knowledge and skills. Furthermore, as encouragement, there should be incentives or rewards for social entrepreneurs who apply social impact measurement in their activities. Social entrepreneurs should also endeavour to engage with each other through social networking, as this could help them in utilising social impact measurement. Finally, they should identify easy to use social impact measurement metrics.

Limitations and Future Research

The study was conducted in three townships in KZN and only focused on 90 social entrepreneurs. The study did not cover townships in other provinces, although, as a true reflection of the selected townships in KZN and not SA in its entirety, there are lessons that could still be learned by social entrepreneurs in the townships in other provinces. Therefore, the findings of the study should be used with caution. Furthermore, gathering primary data from participants was achieved through a closed-ended questionnaire that contained predetermined statements, formulated from a comprehensive literature review and from the





DOI: 10.5281/zenodo.10389493

research objectives, while excluding open-ended questions for additional comments in the questionnaire. This method, to an extent, limited the researcher's insights to respondent views. Further study may be conducted in other townships across SA and with a larger sample size to determine whether these findings are representative of other townships.

References

- 1) Alomoto, W. Niñerola, A. & Pié, L. (2022). Social impact assessment: A systematic review of literature. Social indicators research. 161: 225-250.
- 2) Akoh, E. I & Lekhanya, L. M. (2022). Social entrepreneurship and networking challenges: Impact on sustainable development in South Africa. *Problems and Perspective in Management*, 20(4). 195-209. http://dx.doi.org/10.21511/ppm.2094).2022.15
- 3) Antoniuk, D. Bui, Yu, Berezhnytska, U. Savko, O. & Hobyr, I. (2023). Social entrepreneurship as driver for increasing social innovation. Science and Innovation, 19(2): 17-30. http://doi.org/10.15407/scine19.02.017
- 4) Arvidson, M. & Lyon, F. (2014). Social impact measurement and non-profit organisations: Compliance, Resistance and Promotion. *VOLUNTUS: International Journal of Voluntary and Non-profit Organisations*. 25: 869-886. https://doi.org/10.1007/s11266-013-9373-6
- 5) Aspen Network of Development Entrepreneurs. (2021). Landscape mapping for impact measurement and management in South Africa. Retrieved February 14, 2023, from: https://andeglobal.org/wp-content/uploads/2021/07/Landscape-Mapping-for-Impact-Measurement-and-Management-in-South-Africa.pdf.
- 6) Aucamp, I. C. (2015). Social Impact Assessment as a tool for social development in South Africa: An exploratory study. A thesis submitted in partial fulfilment of the requirements for the degree Doctor of Philosophy in the Department of Social Work and Criminology. University of Pretoria. Retrieved February 14, 2023, from: https://repository.up.ac.za/bitstream/handle/2263/50654/Aucamp Social 2015.pdf?sequence=1&isAllowed=y
- 7) Australian Social Value Bank (ASVB). (2018). Five reasons why social impact measurement is a priority. Retrieved February 8, 2023, from: https://asvb.com.au/2018/07/23/five-reasons-social-impact-measurement-priority/
- 8) Bacq, S. & Janssen, F. (2011). The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria. *Entrepreneurship and regional development*, 23(5): 373-403.
- 9) Bandyambona, E. 2013. Community based co-operative in Inanda, Ntuzuma and KwaMashu (INK) community (eThekwini Municipality) as an alternative form of economic development: Lessons from the Kenyan co-operative model. Submitted in partial fulfilment of the requirement for the degree of Master of Community Development in the School of Built Environment and Development Studies at the University of KwaZulu-Natal.
- 10) Bev, M. (2011). An African model of social impact measurement: testing European knowledge in the context of social innovation in the Western Cape region of South Africa. The Business of Social and Environmental Innovation Conference. Retrieved February 9, 2023, from: https://www.academia.edu/37149671/An_African_model_of_Social_Impact_Measurement_testing_Europ ean knowledge in the context of social innovations in the Western Cape region of South Africa
- 11) Buckland, L. & Hehenberger, L. (2021). Measuring social impact can help foster a stronger European social economy. *Stanford Social Innovation Review*. Retrieved February 17, 2023, from: https://ssir.org/articles/entry/measuring_social_impact_can_help_foster_a_stronger_european_social_economy#





- 13) Choda, A. & Teladia, M. (2018). Conversations about measurement and evaluation of in impact investing. *African Evaluation Journal*. 6(2): a332. https://doi.org/10.4102/aej.v6i2.332
- 14) Costa, E. & Pesci, C. (2016). Social impact measurement: Why do stakeholders matter? *Sustainability Accounting, Management Policy Journal*. 7(1): 99-124. https://doi.org/10.1108/SAMPJ-12-2014-0092
- 15) Costello, A. B & Osborne, J. (2005). Best practices in exploratory factor analysis: four recommendations for getting the most from your analysis. *Practical Assessment, Research, and Evaluation*. 10(7): 1-10.
- 16) Cunha, J. Alves, W. & Araújo, M. (2022). Challenges of impact measurement in social innovation: Barriers and interventions to overcome. Revista de Administração Mackenzie, 23(6): 1–32. https://doi.org/10.1590/1678-6971/eRAMD220077.en
- 17) Dzomonda, O. (2020) Social entrepreneurship and sustainable development in South Africa. *Journal of Reviews on Global Economics*, 9: 274-281. https://doi.org/10.6000/1929-7092.2020.09.27
- 18) Dzomonda, O. (2021). Demystifying the challenges faced by social entrepreneurs in pursuit of their social mission in South Africa. *Academy of Entrepreneurship Journal*, 27(4): 1-17.
- 19) Elliott, R. M. (2019). Social entrepreneurship as a catalyst to break the poverty trap: An analysis of the motivational factors in South Africa. *Acta Commercii*. 19(2): 1-13. https://doi.org/10.4102/ac.v19i2.652
- 20) European Commission. (2014). Proposed approaches to social impact measurement. Retrieved February 2, 2023, from: https://ec.europa.eu/social/BlobServlet?docId=13401&langId=en
- 21) European Commission. (2015). *Policy brief on social impact measurement for social enterprises*. Retrieved February 4, 2023, from: https://www.oecd.org/social/PB-SIM-Web FINAL.pdf
- 22) Fernandez, T., Godwin, A., Doyle, J., Verdin, D. & Boone, H. (2016). More comprehensive and inclusive approaches to demographic data collection. Retrieved February 17, 2023, from: https://docs.lib.purdue.edu/cgi/viewcontent.cgi?article=1059&context=enegs
- 23) Field, A. (2016). Why measuring impact is good for business. Retrieved February 8, 2023, from: https://www.forbes.com/sites/annefield/2016/08/28/why-measuring-impact-is-good-for-business/?sh=6f72776f7pdf
- 24) Flam, T. (2014). Social impact measurement: An evaluation and synthesis of existing tools and framework. Retrieved January 20, 2023, from: https://www.grin.com/document/429021
- 25) George, J. & Urban, B. (2018). An empirical study on measures relating to impact investment in South Africa. International Journal of Sustainable Economy 10(1): 61-77. DOI: 10.1504/IJSE.2018.10009433
- 26) Global Entrepreneurship Monitor (GEM). (2016). Special topic report Social Entrepreneurship. Retrieved February 10, 2023, from: https://www.gemconsortium.org/report/gem-2015-report-on-social-entrepreneurship
- 27) Gonul, O. O. and Senyuva, Z. (2020). How social entrepreneurs can create impact for a better world. Retrieved February 3, 2023, from: https://eiexchange.com/content/how-social-entrepreneurs-can-create-impact-for-a-better-world
- 28) Gordon Institute of Business Sciences (GIBS). (2018). Social enterprises in South Africa. Discovering a vibrant sector. SSESA reports with case studies.
- 29) Grieco, C., Michelini, L. & Lasevoli, G. (2014). Measuring value creation in social enterprises: A cluster analysis of social impact assessment models. *Non-profit and Voluntary Sector Quarterly*. 44(6): 1173-1193. DOI: 10.1177/0899764014555986.
- 30) Hadad, S. & Găucă, O. (2014). Social impact measurement and social entrepreneurial organizations. Management & Marketing. Challenges for the Knowledge Society, 9(2): 119-136.





- 31) Harder, D. (2019). Exploring the effectiveness of measuring social impact investment. A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration. Retrieved February 7, 2023, from: https://repository.up.ac.za/bitstream/handle/ 2263/73967/Harder Exploring 2019.pdf?sequence=1
- 32) Kah, S. & Akenroye, T. (2020). Evaluation of social impact measurement tools and techniques: a systematic review of the literature. *Social Enterprise Journal*, 16(4): 381-402. DOI 10.1108/SEJ-05-2020-0027.
- 33) Kajiita, R. M. & Kang'ethe, S. M. (2020). The prospects of social entrepreneurship in South Africa: Lessons for social development practitioners. *Journal of human ecology*, 69(1-3): 95-106.
- 34) Kirchherr, J. & Charles, K. (2018). Enhancing the sample diversity of snowball samples: Recommendations from a research project on anti-dam movements in Southeast Asia. *PloS one*, 13(8): e0201710.
- 35) Lee, E. K. M., Lee, H., Kee, C. H., Kwan, C. H. & Ng, C. H. (2019). Social impact measurement in incremental social innovation. *Journal of Social Entrepreneurship*. 12(3) 1-18. DOI:10.1080/19420676.2019.1668830
- 36) Littlewood, D. & Holt, D. (2018). Social entrepreneurship in South Africa: Exploring the influence of environment. *Business and Society*, 57(3): 525-561.
- 37) Maas, K. and Liket, K. (2011). Social impact measurement: Classification of methods. In book: *Environmental management accounting and supply chain management* (pp.171-202).
- 38) Manyaka-Boshielo, S. J. (2017). Social entrepreneurship as a way of developing sustainable township economies. *HTS theoretical studies*, 73(4): 1-10.
- 39) Martin, R. L. & Osberg, S. (2007). Social entrepreneurship: the case for definition. *Stanford social innovation review*, 5(8): 28-39.
- 40) Methvin, T. (2019). Why aren't more social enterprises measuring impact? A new study in South Africa raises questions for the global sector. Retrieved January 16, 2023, from: https://nextbillion.net/social-enterprises-measuring-impact-south-africa/
- 41) Mohapelao, T. (2014). From policy to application: The South African social entrepreneur. Retrieved February 3, 2023, from: https://www.academia.edu/7923790/From Policy to Application The South African Social Entrepreneur
- 42) Molecke, G. & Pinkse, J. (2017). Accountability for social impact: A bricolage perspective on impact measurement in social enterprises. *Journal of Business Venturing*. 32(5): 550-568.
- 43) Moses, L. C. & Olokundun, M. A. (2014). Social Entrepreneurship: An Effective Tool for Meeting Social Challenges and Sustainable Development. *Entrepreneurship and innovation Management Journal*, 2(3): 158-169.
- 44) Mulloth, B. & Rumi, S. (2021). Challenges of measuring social value creation through social impact assessments: the case of RVA Works. Journal of Small Business and Enterprise Development, 29(4): 528-549. DOI: 10.1108/JSBED-06-2021-0219
- 45) Musinguzi, P. Baker, D. Larder, N. & Villano, R. A. (2023). The measurement of social impact in rural social enterprises: a systematic literature review and future research implications. Regional Studies, Regional Science. 10(1): 139-166. https://doi.org/10.1080/21681376.2023.2178324
- 46) Myres, K. (2020). Impact entrepreneurs are poised to boost SA's employment rate, economy. Retrieved January 20, 2023, from: https://www.news24.com/citypress/voices/impact-entrepreneurs-are-poised-to-boost-sas-employment-rate-economy-20200305





- 47) Ngatse-Ipangui, R. and Dassah, M. O. (2019). Impact of social entrepreneurs on community development in the Cape Town Metropolitan Municipality area, South Africa. *The journal for transdisciplinary research for South Africa*, 15(1): 1-10.
- 48) Nguyen, L., Szkudlarek, B. & Seymour, R. G. (2015). Social impact measurement in social enterprises: An interdependence perspective. *Canadian Journal of Administrative Sciences*. 32(4): 224-237. DOI: 10.1002/CJAS.1359.
- 49) Organization for Economic Co-Operation and Development (OECD). 2015. Policy brief on social impact measurement for social enterprise. Retrieved February 1, 2023, from: https://www.oecd.org/social/PB-SIM-Web FINAL.pdf
- 50) Organization for Economic Co-Operation and Development (OECD). 2021. Social impact measurement for the social and solidarity economy. Retrieved December 19, 2022, from: https://www.oecd-ilibrary.org/docserver/d20a57ac-en.pdf?expires=1652957005&id=id&accname =guest&checksum=48FAC4E196E2FFFCE5A9755535810842
- 51) Ormiston, J. & Seymour, R. (2011). Understanding value creation in social entrepreneurship: the importance of aligning mission, strategy and impact measurement. *Journal of Social Entrepreneurship*. 2(2): 125-150. https://doi.org/10.1080/19420676.2011.606331
- 52) Parker, C., Scott, S. and Geddes, A. (2019). Snowball sampling. SAGE Research Methods Foundations, Retrieved February 10 2023, from: https://eprints.glos.ac.uk/6781/1/6781%20Parker%20and%20Scott%20(2019)%20Snowball%20Sampling Pe
- 53) Quacoe, D., Yusheng, K. & Quacoe, D. (2022). Assessing social entrepreneurship in South Africa. *International Journal of Economics, Business and Management*. 9(1): 28-38.
- 54) Rawhouser, H., Cummings, M. & Newbert, S. L. (2019). Social impact measurement: Current approaches and future directions for social entrepreneurship research. *Entrepreneurship Theory and Practice*. 43(1): 82-115. DOI: 10.1177/1042258717727718.
- 55) San Pedro, P. & Ballesteros, C. (2021). Proposals for social impact measurement and management. Retrieved February 10, 2023, from: https://www.comillas.edu/documentos/catedras/impactosocial/Abstract Proposals-for-social-impact-measure-management.pdf
- 56) Schwabe, C. (2020). *Township megatrends South Africa's township potential atlas*. Retrieved February 13, 2023, from: https://africascope-sa.com/2020/10/07/township-megatrends-south-africas-township-potential-atlas/
- 57) SEFORIS. (2013). *The state of social entrepreneurship Impact of social enterprises*. Retrieved February 7, 2023, from: https://static1.squarespace.com/static/56d2eebbb654f9329ddbd20e/t/5773e7b1e4fcb59a25f780f1/1467213747430/6. Impact_of_Social_Enterprises.pdf
- 58) Seelos, C. & Mair, J. (2004). Social entrepreneurship the contributions of individual entrepreneurs to sustainable development. *Working Paper WP No 553*. University of Havarra.
- 59) So, I. & Capanyola, A. S. (2016). How impact investors actually measure impact. *Stanford Social Innovation Review*. Retrieved February 4, 2023, from: https://ssir.org/articles/entry/how_impact_investors_actually_measure_impact#
- 60) UCT Graduate School of Business & Impact Investing South Africa. (2020). Making better decisions. Impact measurement and management in South Africa. Retrieved February 8, 2023, from: https://res.cloudinary.com/do95jfmcf/image/upload/v1601543911/website/publications/iisa_imm_report_w eb khfuw4.pdf





- 61) Van der Westhuizen, E. (2017). Critical analysis of social impact measurement models: A narrative literature review. Mini-dissertation submitted in partial fulfilment of the requirements for the degree Masters of Arts in Positive Psychology at the Potchefstroom Campus. North-West University. Retrieved February 14, 2023, from:
 - https://repository.nwu.ac.za/bitstream/handle/10394/31203/vanderWesthuizenE.pdf?sequence=1&isAllowed=y
- 62) Watson, R. (2015). Quantitative research. Nursing Standard. 29(31): 1-14.
- 63) Zahra, S. A., Gedajlovic, E., Neubaum, D. O. & Shulman, J. M. (2009). A typology of social entrepreneurs: Motives, search processes and ethical challenges. *Journal of business venturing*, *24*(5): 519-532.
- 64) Zain, N. S & Hassan, R. 2022. What can Waqf organisations learn from Non-profit organisations on accountability? A proposal for social impact measurement. In Innovation of Businesses, and Digitalization during Covid-19 Pandemic. Proceedings of the International Conference on Business and Technology (ICBT 2021) (pp. 151-165). Cham: Springer International Publishing. DOI: 10.1007/978-3-031-08090-6_8

