



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**AN ASSESMENT OF CHALLENGES AND OPPORTUNITIES OF  
SOCIAL ENTREPRENEURS IN ADDIS ABABA**

**BY**  
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**JUNE, 2017**  
**ADDIS ABABA**

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**TITLE:**

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## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

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Advisor

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Signature

**St. Mary's University, Addis Ababa**

**June, 2017**

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## **ACRONYMS**

SE – Social Entrepreneur

GEM – Global Entrepreneurship Monitor

NGO – Non Government Organization

EESC – European Economic & Social Enterprise

WHI – Water Health International

PLC – Private Limited Company

SME – Small & Micro Enterprises

CEO – Chief Executive Officer

GM - General Manager

EMS – Emergency Medical Service



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## **ABSTRACT**

*A social entrepreneur/enterprise is an individual/organization whose primary mission is to create positive social impact for communities or for the environment, and whose work is underpinned by a strong business model, meaning it can stand on its own two feet. Social enterprises create social value and drive positive change in society by engaging in entrepreneurial activities that generate revenue. This paper examines the challenges and opportunities of social entrepreneurs in Addis Ababa. The study used a descriptive research design to study the demographic, social, economic and political characteristics of social entrepreneurs/ enterprises in Addis Ababa. The researcher used a census sampling technique to collect the necessary information from the whole populations which are 44 identified social entrepreneurs/enterprises. The primary data collected from 39 social entrepreneurs through questionnaire & interview. The secondary data collected from published and unpublished sources. The findings shows that social entrepreneurs in Addis Ababa are suffering from regulatory factors such as low execution of rules and regulations by government officials, unavailability of working place, uncertainty about tax policy, un conducive government policies, unfavorable political climate including security and unaccommodating bureaucratic environment of governmental office. Finally the study suggested that the government should give enough support for social enterprises in facilitating access to low interest credit and other financial services so as to enable them to sustain their business and increase their social impact. Political commitment is also required from the government bodies to treat social enterprises as different sector by having laws, policies and procedure*

**Key words;** *Social Entrepreneur, Social Entrepreneurship, Enterprises,*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

The concept of entrepreneurship was first established in the 1700s, and the meaning has evolved ever since. Many simply equate it with starting one's own business. Most economists believe it is more than that. To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasize the entrepreneur's role as an innovator who markets his innovation. According to the journal of International Small Business, other economists say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied.

The language of social entrepreneurship might be new, but the phenomenon is not. 'The concept of social enterprise is an organ of society and serves a social function.' Increasingly, researchers are looking beyond entrepreneurship as only having an economic component or Schumpeterian purpose where entrepreneurs encourage innovation and speed up structural changes in an economy, but also recognize a social component which acknowledges that people pursue their need for independence or have no alternative options for work and hence engage in self-employment (Bosma, and Amoros, 2011).

Over the past years, as the eagerness for social entrepreneurship has grown, all sorts of individuals, teams, and organizations have joined the position to start to form of a system. But the term "social enterprise" is also being used in all sorts of ways – some valid, and some completely insincere.

Based on established literature, the concept of social entrepreneurship remains poorly defined and its boundaries to other fields remain unclear (Mair and Marti, 2006). Conceptual differences are noticeable in definitions of social entrepreneurship (focus on process or behavior), social entrepreneurs (focus on founder of initiative), and social enterprise (focus on tangible outcome of social entrepreneurship).

In this paper, according to Harding, 2006, social entrepreneurship is defined as an attempt at new social enterprise activity or new enterprise creation, such as self-employment, a new enterprise, or the expansion of an existing social enterprise by an individual, teams of individuals, or an established social enterprise, with social or community goals as its base and where the profit is invested in the activity or venture itself rather than returned to investors.

This study tried to investigate the challenges and opportunities of social entrepreneurs in Addis Ababa. The study considers the demographic characteristics, social, economic and political factors in relation to social entrepreneurs in Addis Ababa.

## **1.2. Statement of the problem**

As with any change-orientated activity, social business and social entrepreneurship have not evolved in a vacuum, but rather within a complex framework of institutional, political, economic, and social changes occurring at the global and local levels (Harding 2006). The institutional environment (the socio-economic and political environment in which an entrepreneur operates) influences people's willingness to engage in socially productive activity. Research proves that the nature and quality of institutions in a country determine whether individuals will pursue entrepreneurial activity (Naude, 2007).

In Ethiopia, social entrepreneurship has unclear application where government traditionally allocated them as charities or business entities, whereas they are positioned between charities and business. Government initiatives are unable to satisfy the entire

social deficit, where an effort on the reduction in dependency on social welfare/grants is currently being instituted, and where the survival of many non-governmental organizations (NGO's) is at stake (British Council's survey, 2016)

The first priority to be is establishing a common understanding of what social entrepreneurship is and how it needs to be defined within an Ethiopian context. However, Many people don't really understand yet social entrepreneurship in this country. Whenever there is a socially beneficial idea, the understanding tends to be that it should be entertained via the NGO platform.

According to the GEM report, social entrepreneurs are not entirely driven by profits but operate at some margin to sustain their line of activities, A social enterprise is an organization whose primary mission is to create positive social impact for communities or for the environment, and whose work is underpinned by a strong business model, meaning it can stand on its own two feet. A survey of social enterprises in Ethiopia made by British Council at the end of 2016 indicates that those organizations required to generate more than 70% of their annual budget through entrepreneurial ventures which made them less susceptible to funding variations from external sources at a time of growing donor fatigue and declining external funding. Therefore, it is important that organizations with a social mission strive to become more entrepreneurial in acquiring and managing critical resources so that they can continue to provide more complete and uninterrupted service to their target populations.

Based on the above description the researcher observed that the necessity of a common understanding of social entrepreneur's in Ethiopian context and creating public awareness in order to promote their social contribution in the country, it also encourages the existing social entrepreneurs and enables to produce more of them. The researcher also observed that there is no adequate published research material in the area, that advocate this research gap by investigating the subject using appropriate methods.

### **1.3. Research Questions**

This research tried to answer the following research questions:

1. What are the challenges and opportunities of social entrepreneurs in Addis Ababa?
2. What are the socio demographic characteristics of social entrepreneurs in Addis Ababa?
3. What are social factors affecting social entrepreneurs in Addis Ababa?
4. What are economic factors affecting social entrepreneurs in Addis Ababa?
5. What are political factors affecting social entrepreneurs in Addis Ababa?

### **1.4. Objectives of the study**

#### **1.4.1. General Objective**

The general objective of this study is to investigate the challenges and opportunities of Social Entrepreneur in Addis Ababa.

#### **1.4.2. Specific Objectives**

More specifically, this study examines:

- The challenges and opportunities of social entrepreneurs in Addis Ababa
- The socio demographic characteristics of social entrepreneurs in Addis Ababa.
- Social factors affecting social entrepreneurs in Addis Ababa.
- Economic factors affecting social entrepreneurs in Addis Ababa.
- Political factors affecting social entrepreneurs in Addis Ababa.

### **1.5. Significance of the study**

This study might have significance for social entrepreneurs, the general public, the government body, and other stakeholders and for interested researchers in the area.

Social entrepreneurs currently operating in Addis Ababa will be benefited by discovering and sharing the opportunities and challenges of similar social enterprises in order to promote the benefits and solve the challenges. Additionally, they could adjust themselves based on the political, social and economic situations of the country.

Since our country has many social and economic problems and gaps, the general public will be benefited from the findings of this research to facilitate the operation and establishment of social entrepreneurs in the country. Thereby helping to fill these gaps other interested researchers can also be benefited to study the challenges and opportunities for the performance of social entrepreneurship in other settings.

## **1.6. Scope and Limitation**

### **1.6.1 Delimitation of the study**

The study delimited to examining the challenges and opportunities of social entrepreneurs in Addis Ababa. The study does not cover other areas related to social entrepreneurs such as performance, success and other properties of social entrepreneurs in Addis Ababa.

### **1.6.2 Limitation of the study**

The main difficulty encountered to this study was finding the record of the currently existed social entrepreneurs, because the government offices do not have a category called “social entrepreneur/enterprise’ on their registry.

## **1.7. Organization of the study**

This study organized in to five chapters .Chapter one is made up of the background to the study, statement of the problem, objective of the study, significance of the study, and delimitation of the study. Chapter two focus on published and unpublished literatures which are written by different authors on the area of social entrepreneurship. Chapter

three is about research design and methodology. Chapter four deals with findings and discussions and chapter five encompasses summary of the study, conclusions, and recommendations.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter presents the theoretical and empirical literatures regarding challenges and opportunities for social entrepreneurs. Additionally, the conceptual framework is also presented at the end of this chapter.

#### **2.1. Theoretical Literature**

##### **2.1.1. Definition of Entrepreneurships and Entrepreneurs**

An entrepreneur is person who has the ability to see and evaluate business opportunities, to gather the necessary resources to take advantage of them, and to initiate appropriate action to ensure success (Meredeth et al, 1982). An entrepreneur is the engine of economic growth and the heart of national advantage (Muhammad, 2012). According to Ercan, (2012) an entrepreneur is one of the most important inputs in the economic development of a country through her/his willingness to take risk for innovation; acts as a trigger head to give spark to economic activities by his/her entrepreneurial decisions and looks for new ideas and put them into effect in fostering economic growth and development. S/he plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector.

A common definition of entrepreneurship is ‘new entry’ or ‘organizational founding’, which is generally equated with small business and self-employment. Many theorists of entrepreneurship are focused on small and medium enterprises (SMEs), which are more about job and wealth creation than fundamentally changing the structure of an industry or bringing about the kind of ‘creative destruction’ and innovation that Schumpeter had in mind. In fact one of the main drives for supporting business entrepreneurship is not to support radical innovation, but rather to encourage small- scale economic business development en masse as contributing to overall economic progress, employment, wealth creation, and national prosperity (Reynolds et al, 2002).

Entrepreneurship is the result of a disciplined, systematic process of applying creativity and innovation to needs and opportunities in marketplace. Entrepreneurship is a mindset which is; opportunity focused, innovative and growth oriented.

According to Kao, Entrepreneurship is a dynamic process that requires the function of talents, ideas, capital and know-how, the process of which can be risky, uncertain and sometimes hazardous, but always dynamic.

### **2.1.2. The Nature and Definition of Social Entrepreneurship**

The term social entrepreneurship was first coined in 1980 by Bill Drayton of Ashoka which is the global association of the world's leading social entrepreneurs. David Gergen, Harvard Professor, as cited in Dees (2007), described social entrepreneurs as the —new engines of reforms. In an environment where traditional providers such as the charitable and voluntary sectors have been criticized as bureaucratic and resistant to change and the public sector has become overstretched and hampered by resource constraints, SE has been identified as an innovative way of tackling unmet socio-economic needs (Leadbeater, 1997).

Moreover, social entrepreneurship is the process of pursuing innovative solutions to social problems. More specifically, social entrepreneurs adopt a mission to create and sustain social value. They relentlessly pursue opportunities to serve this mission, while continuously adapting and learning. They draw upon appropriate thinking in both the business and nonprofit worlds and operate in all kinds of organizations: large and small, new and old, religious and secular, nonprofit, for-profit, and hybrid. Over the past two decades, the citizen sector has discovered what the business sector learned long ago: There is nothing as powerful as a new idea in the hands of a first-class entrepreneur. Social entrepreneurs often seem to be possessed by their ideas, committing their lives to changing the direction of their field. They are visionaries, but also realists, and are ultimately concerned with the practical implementation of their vision above all else.

Social entrepreneurs present user-friendly, understandable, and ethical ideas that engage widespread support in order to maximize the number of citizens that will stand up, seize their idea, and implement it. Leading social entrepreneurs are mass recruiters of local change makers, role models proving that citizens who channel their ideas into action can do almost anything.

The idea of Social Entrepreneurship has become increasingly popular as social problems in our complex modern society have grown. In a way, it is a reaction to the ‘bottom line’ philosophy of modern big business with its emphasis on short-term profit to the detriment of any long-term benefit to society as a whole or the human component of the business itself. Social Entrepreneurship seeks to harness the practical dynamism of the successful businessman to enrich and help society, especially in countries where the individual is beset with problems of dire poverty and lack of opportunity. Currently, various definitions and interpretations of the term social entrepreneurship exist. Economists and social entrepreneurs have tried to develop an optimal definition of the term social enterprise (Wallace, 1999), yet, there is a lack of single and precise criteria for its definition. Instead of it, various criteria characterizing a social enterprise may be found in the scientific literature.

For instance, the Social Enterprise Coalition sets three main criteria: approach of entrepreneurship, social goals, and social ownership, while the founder of social entrepreneurship Yunus (2010) sets 7 ones: the goal of business is to solve the problem of poverty or other problems of society instead of raising profits; an enterprise has to be financially sustainable; investors get back only their original investments without any interest; profit is used for enterprise development; an enterprise is friendly to the environment; labor is paid wages corresponding to a market situation, working under better conditions, and work is done with pleasure. The EESC (European Economic and Social Committee) points to the following common characteristics of a social enterprise:

- ✓ Enterprises mostly target social objectives instead of profit-earning;

- ✓ Enterprises are mainly non-profit structures and their financial surpluses are reinvested instead of distributing them among private shareholders or owners;
- ✓ Enterprises are of different legal forms and models;
- ✓ Enterprises are participants of the economy that produce goods and services (often those of general use), the social innovation aspect is often very strong;
- ✓ Enterprises operate as independent units, the aspects of participation and common decisions (employees, users, members), management, and democracy (representation or open democracy) are very specific to them;
- ✓ Enterprises often originate from civil society organizations or are related to them (Social entrepreneurship, EESC report, 2011).

One can conclude that there are no single criteria to be used for precisely defining social enterprises. Peattie and Moorley (2008) stated that there are only two explicitly defined criteria identifying a social enterprise: priority of social goals and engagement in business activities. The author also agrees with this outlook on condition that these two criteria have to be defined in more detail, as there are narrow bounds among social enterprises, socially responsible corporations, and charity organizations.

The priority of any social enterprise is a social goal or the creation of social values, and gaining profit is a subordinate priority (Mair, and Marti, 2006). To achieve the social goal, it is important to engage socially little protected groups of society in social enterprises (Boschee, 2006). These might be poor or low-income individuals (families) and socially little-protected groups, as they face social rejection in the labor market most often. Regulations regarding Socially Little-protected Groups of Persons sets 16 groups fitting the status of socially little-protected group of individuals (the disabled, individuals freed from imprisonment, the long-term unemployed etc.). However, these are not the only socially little-protected groups; young individuals with poor skills, individuals of pre-retirement age, and parents after a child care leave might belong to such groups.

To obtain the status of social enterprise, two development scenarios are possible:

- ✓ To employ the mentioned socially little-protected groups of society (65%) or other categories of individuals at a social enterprise (including their engagement in the management of enterprise) if an entrepreneur can prove their belonging to a socially little-protected group,
- ✓ To provide the most necessary services/goods to socially little-protected and/or poor groups of society at a lower cost that corresponds to their income level.

A significant criterion for identifying social enterprises is also sustainability of social values (Thompson, 2008). Regarding the economic criteria, first, social enterprises are engaged in business activities generating income; it means that they operate based on the principles of business, as it is important to provide the self-sustaining of enterprises. According to the ideas of Yunus (2007), a social enterprise has to operate with profit or at least without loss. As regards profit distribution, it is important to stress that owners of a social enterprise are not allowed to distribute the enterprise's profit; it has to be reinvested in the enterprise or invested in further promotion of public goods by providing the society with goods/services of lower price and better quality, which are also available (Wallace, 1999). Yunus (2007) assumes that only original investments, without any interest, are given back to social investors. In case such an enterprise is liquidated, its accrued profit and assets are transferred to another social enterprise, thus ensuring that the goals are achieved (Galera, 2009). Social (democratic) ownership is also specific to social enterprises; it is closely associated with making decisions which do not relate to the shares of equity owned.

To precisely distinguish social enterprises from traditional ones, there is a significant criterion of social enterprises they supply certain goods or services to the market (poor or low-income individuals), the production of which is not desired by or financially unprofitable to the private sector. Given the fact that social entrepreneurs, who supply necessities (food, housing, education), used to face a problem - the poor are not able to pay even a low price for goods and services supplied (Seelos and Mair, 2005), support of

the central or local government is required. One can conclude that a social enterprise has to conform to several social and economic criteria. Based on these criteria, an ideal type of social enterprise may be determined.

Based on the previous studies, a social enterprise is defined as an organizational economic entity founded with the purposes of creating social values in the society, employing socially little-protected groups of society at the enterprise, or providing such groups with services and/or goods. Social entrepreneurship includes the above-mentioned criteria for a social enterprise and characteristic elements of social entrepreneur, therefore, the term social entrepreneurship will not be analyzed in a wider scope. One can say that social entrepreneurship is a type of entrepreneurship, the priority of which is to create social values while ensuring its financial self-sustaining and sustainability.

### **2.1.3. Qualities of Social Entrepreneurs**

According to Sivathanu (2013), the following are the qualities of social entrepreneurs:

**Ambitious:** Social entrepreneurs tackle major social issues, from increasing the college enrollment rate of low-income students to fighting poverty. They operate in all kinds of organizations: innovative nonprofits, social-purpose ventures, and hybrid organizations that mix elements of nonprofit and for-profit organizations.

**Mission driven:** Generating social value —not wealth—is the central criterion of a successful social entrepreneur. While wealth creation may be part of the process, it is not an end in itself. Promoting systemic social change is the real objective.

**Strategic:** Like business entrepreneurs, social entrepreneurs see and act upon what others miss: opportunities to improve systems create solutions and invent new approaches that create social value. And like the best business entrepreneurs, social entrepreneurs are intensely focused and hard-driving in their pursuit of a social vision.

**Resourceful:** Because social entrepreneurs operate within a social context rather than the business world, they have limited access to capital and traditional market support systems. As a result, social entrepreneurs must be skilled at mobilizing human, financial and political resources.

**Results oriented:** Social entrepreneurs are driven to produce measurable returns. These results transform existing realities, open up new pathways for the marginalized and disadvantaged, and unlock society's potential to effect social change.

#### **2.1.4. Focus Areas of Social Entrepreneurship**

Social entrepreneurs advance innovations that:

- ✓ Arrest or slow deforestation using policy, market and community-driven mechanisms.
- ✓ Enhance a person's ability to improve her or his economic well-being and personal dignity through opportunity.
- ✓ Harness aid to be more accountable, transparent and solutions-oriented, for lasting development.
- ✓ Enable access to and ensure use of reliable, affordable and appropriate healthcare in disadvantaged populations.
- ✓ Address issues of sustainable productivity not beneficiary by beneficiary, but system wide.
- ✓ Lay the foundation for peace and human security.
- ✓ Harness the capital and consumer markets that drive change by considering all costs and opportunities.
- ✓ Transform the way water is managed and provided, long-term, for both people and agriculture.

Social entrepreneurs play the role of change agents in the social sector by: Adopting a mission to create and sustain social value (not just private value), Recognizing and

relentlessly pursuing new opportunities to serve that mission, Engaging in the process of continuous innovation, adaptation, and learning, Acting boldly without being limited by resources currently in hand (Sivathanu, 2013).

### **2.1.5. Directions in Social Entrepreneurship**

In recent years, social entrepreneurs have looked beyond the traditional philanthropic and charitable approaches in order to find more effective and sustainable solutions to social problems. They are working with many tools from the world of business, and this shift in the character of social entrepreneurship is evident in a few trends that have emerged over the past twenty years. Many societies have become less inclined to see big government or big business as providing solutions for problems by setting the world, and there has been a shift from throwing money at large problems to systemic solutions and social investment. Across all types of government there is increased emphasis on privatization of public services, and experimentation with for-profit and hybrid forms of organization to deliver socially important goods and services, such as education and health care. There is greater scrutiny of social sector funding, and more attention to issues of impact, scale, and sustainability with the hopes of increasing the social return on investment. These trends are creating major changes in how societies around the world are dealing with social issues. They are opening the door to new forms of entrepreneurial behavior in the social sector.

### **2.1.6. Current Theories of Entrepreneurship**

Contemporary writers in management and business have presented a wide range of theories of entrepreneurship. Many of the leading thinkers remain true to the Say-Schumpeter tradition while offering variations on the theme. For instance, in his attempt to get at what is special about entrepreneurs, Peter Drucker starts with Say definition, but amplifies it to focus on opportunity. Drucker does not require entrepreneurs to cause change, but sees them as exploiting the opportunities that change (in technology,



consumer preferences, social norms, etc.) creates, He says, this defines entrepreneur and entrepreneurship. The notion of opportunity has come to be central to many current definitions of entrepreneurship. It is the way today's management theorists capture says notion of shifting resources to areas of higher yield. An opportunity, presumably, means an opportunity to create value in this way. Entrepreneurs have a mind-set that sees the possibilities rather than the problems created by change (Dees, 2011).

### **2.1.7. Skills of Social Entrepreneurs**

Business entrepreneurs are driven by profit approach that is the essential for their existence. Compared to this, social entrepreneurs are motivated by socially targeted goals which distinguish their characteristics from business entrepreneurs. Provided traditional governmental services such as welfare, housing and health care are considered and developed by an innovative way which is cheaper and more efficient. It is an important point that makes social entrepreneurial ventures distinctive and presents their great skill (Leadbeater,1997). However, Dees (1998) claimed that individuals may be seeking different types of pioneers for their society. Social entrepreneurs' specific characteristics reveal that they have the ability to overcome social issues with their leadership skills. To conclude, social entrepreneurs are identified as the leading power of their society and their great challenge is that they utilize innovative way of thinking for social development.

### **2.1.8. Characteristics of Social Entrepreneurs**

Conducted studies and researchers have emphasized the social entrepreneurial nature by expressing their particular behaviors and characteristics. Researchers Hoogendoorn et al (2010) gather the empirical findings along five themes which are subject to the individual perspective. These are skills, background /experience, discourse, demographics and motives. Nevertheless, one fact should not be skipped is that mentioned clustered themes are not a widely agreed form of characteristics of social entrepreneurs.

Social entrepreneurial behaviors may be issued with various aspects according to depth of investigations. For example, Mair and Noboa (2006) reported only three titles of characteristics in their research: traits and skills, behavior, context and background.

### **2.1.9. Difference Between Business And Social Entrepreneurship**

Business entrepreneurs focus more on the profit and wealth side. Their main goal is to satisfy customer needs, provide growth for shareholders, expand the influence of their business, and to expose their business to as many people as they can. Sometimes, they will overlook the environmental consequences of their actions. The main priority for this type of entrepreneur is to gain profit. They need to gain profit so they can ultimately keep providing services or goods to their customers, provide for themselves and their families, and provide for their business expansion. In the process of starting up their business, they look for gaps in the market to fill. They look for things that people need or want, and then they try to make a service or product that will satisfy that need or want. The ultimate effect is to generate profit in the form of material things.

The social entrepreneur's main focus is the social and/or environmental well-being. When they see a problem in the community, environment, or ways of the people, they take actions toward helping solve that problem. The main goal for the social entrepreneur is not wealth or money. Rather, they prioritize more on serving the needs and wants of the community in a more resourceful way. Sometimes, they will engage in their projects with little funds and resources, while still making an impact on society.

Social entrepreneurs try to make the world a better place to live in. They focus more on the greater good. Their projects may or may not generate value and income. Sometimes, they will invest a lot of their time and energy in changing society with little in return. Social entrepreneurs focus on many different topics, such as the economy, social disorganization, and inequality.

- ✓ Like any business entrepreneur, social entrepreneurs also find gaps and create a venture to serve the unmet 'markets'.
- ✓ The primary difference between the business and the social entrepreneurs is the purpose for setting up the venture. While the business entrepreneurs' efforts focus on building a business and earning profits, the social entrepreneurs' purpose is to create social change.
- ✓ A business entrepreneur may create changes in the society, but that is not the primary purpose of starting the venture. Similarly, a social entrepreneur may generate profits, but for him/her that is not the primary reason for starting the venture.
- ✓ Profitability - not 'profit-making' - however, is important for the social entrepreneur. Being 'profitable' helps self-sustainability of the venture, and also works as a mechanism for self-monitoring. (<http://Inspired-programatism.blogspot.com>)

#### **2.1.10. Challenges of Social Entrepreneurship**

The positive feedback of success and attention will naturally encourage new entrants, driving more and more effective social entrepreneurial initiatives. Peredo & McLean (2006) indicate that there are nevertheless tremendous obstacles and challenges that many social entrepreneurs face that hinder the entrance of new social entrepreneurial venture, unfriendly bankers, procedural delays, bureaucratic indifferences all impede the smooth launching of enterprises. Ironically enough, the policy imperatives with their trust on protecting the new entrepreneurs in the small sector from the shocks of unequal market relations with the large sector, have turned out to be the hardest stumbling blocks on their path to growth and prosperity. Complex and burdensome regulatory and administrative environment created as a result of excessive state intervention became the major deterrent to the emergence of new entrepreneurship. Some of the major challenges are explained

below: Entrepreneurship in India is still encumbered by the traditional educational system of the country. As education is the main source for promoting entrepreneurship in the business sector of the economy, there is still a lack of specific curriculum on entrepreneurship development in the Indian education system. Due to the increasing demand of this sector, currently, the entrepreneurship education is a “new cup of tea” limited to graduates of business schools and management institutes, whereas for other streams of education like the sciences and arts there is not a single course on entrepreneurship in the curriculum. Due to this gap in the Indian education system the country’s entrepreneurial sector is still underdeveloped and struggling. Even business schools that have developed curriculum on entrepreneurship are lacking in terms of social entrepreneurship (Daniel, 2014).

Lack of financial sources is a major challenge for entrepreneurs. Generally, the social entrepreneurs run their business with their own funds or by raising funds from the local money lenders at a high rate of interest, which sometimes becomes a financial burden on them. The reason behind this is the bank’s avoidance to providing loan facilities for social entrepreneurs given the various social complications attached with them. Hence the social enterprises have to deal with the challenge of facing a hostile reaction from financial institutions and governments as far as funding is concerned. This forces social entrepreneurs to take, what can be, a more difficult path of approaching venture capitalist and philanthropic organizations (Daniel, 2014).

The social and cultural perception of social entrepreneurship sometimes becomes a challenge for social entrepreneurs in running their business activities. As in the case of Water Health International, the major focus of this social venture was to awaken the people about various water diseases and how they can be cured, but people were still skeptical about how, and why, WHI is providing the purified water at such a low cost (Peredo and McLean, 2006).

Social entrepreneurs mainly deal with the difficult task of improving the welfare of the society and they are always keen to find affordable solutions to various societal problems. But every activity of social business carries a cost, which is mostly borne by the owner out of his own pocket or by taking loans from money lenders. According to Peredo and McLean, 2006, social entrepreneurs are not necessarily working in a lucrative market; they identify a problem within society and try to find affordable solutions for them. Once they find the way to earn some profit after providing the best low cost solution to the needs of the society, more traditional businesses will enter the market competing with a similar solution and technique, increasing transaction costs and competition for social entrepreneurs and hampering their future growth.

Lack of government support is a major hindrance for social business development. Based on a study in Romania, the government is not providing any kind of assistance for promoting these social cause ventures. The government's policies and regulations for social entrepreneurs are very complex and strict, with no tax incentives or subsidies being provided for a social business, the combination of which acts as major impediment to the growth of social businesses.

Social enterprises have to get competent manpower from a variety of sources; professionals, volunteers, laborers and community participants. To align the motives of all these groups with the long term growth of the organization is a challenge for the founders. In order for social enterprises to fulfill their mission in a holistic manner they must typically employ manpower from the under privileged sector of the society, leading to increased training and developmental cost as these people are typically uneducated and unskilled. The organizations have to attempt to fulfill the aspirations of all these divergent groups and still come out with the best results (International small business journal, 31).

## **2.2. Empirical Literature**

Sivathanu (2013) studied social entrepreneurship and difference between Traditional / Business Entrepreneurship & Social entrepreneurship. The author explains role and importance of social entrepreneurship and qualities of social entrepreneurs. This paper discusses the successful examples of social entrepreneurs. This paper highlights the challenges faced by social entrepreneurs. The author surveys the social entrepreneurs in Pune to understand the challenges faced. Finally, the author attempts to suggest the measures to overcome these challenges.

He concluded that the challenges of social entrepreneurship are: conveying the business idea, attracting donors, working remotely, hiring, finding time, getting fund, raising money, business people support, government approval, maintaining, product quality, sustaining employees, competition from others, promoting awareness, and acquiring technologies.

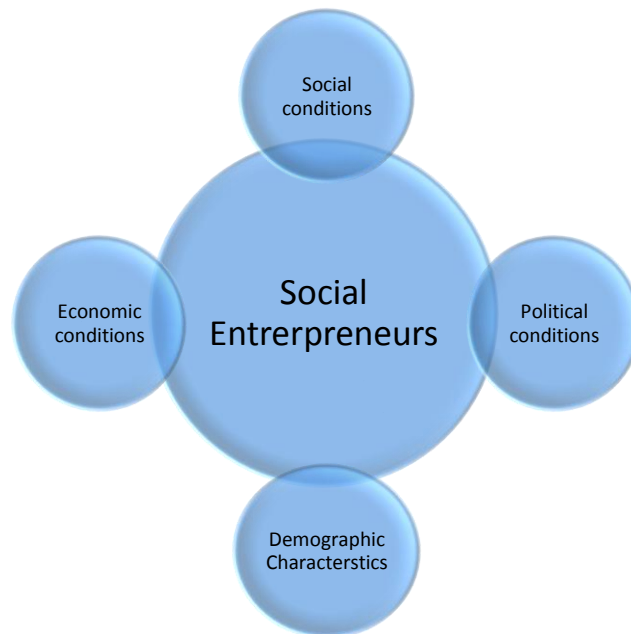
Daniel (2014) studied challenges and opportunities facing the social entrepreneurship scene in India. And found that challenges of the social entrepreneurship India are: lack of education in entrepreneurship, lack of financial assistance, social and cultural effect, comparative disadvantages to business, lack of government support, and lack of skilled manpower.

Dobele (2012) has tried to identify and investigate the constraints on and development possibilities for social entrepreneurship in Latvia. After analyzing the scientific literature on social entrepreneurship, social and economic criteria for identifying a social enterprise and a definition for the term social entrepreneurship were elaborated. Based on a case study analysis, the following constraints on developing social entrepreneurship in Latvia were identified: no legal regulation on social entrepreneurship exists, the lack of support instruments particularly for establishing and developing a social enterprise, and dependence on donations and subsidies for self-sustaining asocial enterprise.

Rajendhiran and Silambarasan (2012) have studied challenges in social entrepreneurship. They concluded that earning profit, family and friends support, business people support, sustaining employees, promoting awareness, getting expert's assistance, improving quality of life are the most sensitive factors of challenges of social entrepreneurs.

### 2.3. Conceptual framework

This section presents the conceptual framework for the study. The dependent variable identified is the performance of social entrepreneurs and the independent variables are social, economic, political and demographic factors. The following figure presents these variables visually.



*Figure 1: Conceptual Framework Developed from Literature Review*

*by the author*

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter presents the methodology used to collect and analyze the data required to describe the participants and answer the research questions. The section includes the research design, population/sample, source and method of data collection, instrumentation of study.

#### **3.1. Research Approach & Design of the Study**

Research design refers to the plan on how the researcher systematically collected and analyzed data needed to answer research questions. It is a framework or roadmap through which a research process is conducted to explain the social phenomena under investigation (Kothari, 2000).

In order to conduct this study descriptive survey design was employed. This method was selected in order to explore the current challenges and opportunities of social entrepreneurs in Addis Ababa. In addition, this method helps to obtain data from large number of participants.

##### **3.1.1 Sources of Data**

In order to gather data for this study, both primary and secondary data sources were included. The primary data were collected from social entrepreneurs currently operating in Addis Ababa through questionnaire and interview.

The secondary data sources of the study were recorded documents and other documents related to the study such as books, journal articles, and other secondary sources.



### **3.2. The Sample Size and Sampling Techniques**

The area of the study focuses on Social Entrepreneurs in Addis Ababa. As identified by a recent survey made by British Council – A.A. in 2016, the numbers of organizations categorized as a social enterprise were 44. Hence, the researcher used a census technique (all the 44) to collect the necessary information. Census sampling technique is to use the entire population as the sample when the population is small. The technique enables to gather complete information and eliminates sampling error.

### **3.3. Instruments of Data Collection**

In this study, the primary data gathered using a structured questionnaire and semi structured interview. The developed questionnaire & interview questions were responded by 31 social entrepreneurs/owners, who are working as a CEO, general manager & director of their social enterprises, 8 of the respondents were hired professionals in the selected social enterprises. The research mainly relied on structured five point Likert scale questionnaire to collect primary data from respondents. The structured five point Likert scale question have five response alternative expressed as 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree.

The required secondary data collected through published and unpublished sources from British Council, Reach for Change Ethiopia, Vantage consultancy, news papers, websites and brochures of selected social enterprises.

### **3.4. Data Collection Procedure**

There are certain procedures that the researcher follows when collecting data from respondent. Firstly and most importantly, before distributing the questionnaires for respondents, subjects were adequately aware of the type of information wanted from them, why the information is being required, for what purpose it puts to, how they are expected to participate in the study, and how it may directly or indirectly affect them.

In order to facilitate the questionnaire & the interview with social entrepreneurs, an appointment was made in advance through telephone and then both the questionnaire & interview settled at the SE's office. To complete the data collection process 2 higher education students were participated with the researcher.

### **3.5 Data Analysis and Interpretation Methods**

Mixed technique was employed to analyze the data collected for this study. By combining multiple methods, researchers can expect to overcome the flaw or intrinsic biases and the problems that come from single method, single-observer and single-theory studies. In order to narrow the gaps which may be made by the respondents while responding the questionnaires, a kind of adjustment were used through exiting, cut grouping, and recording the data in inconvenient way.

For the purpose of this research, methodological triangulation (using more than one research method or data collection technique) was used. This method involves the use of multiple qualitative and quantitative methods to find inquire and required cross-checking data from multiple sources to search for regularities in the research data. In order to capture different dimensions of the same phenomenon and to increase the credibility and validity of the results, the research used varieties of methods to analyze data on the same topic, which involves both qualitative and quantitative data analysis methods.

Accordingly, the qualitative/soft data were analyzed based on *Content Analysis* method. In which, the researcher analyze the contents of an interview or open ended question answers in order to identify the main themes that emerge from the responses given by the respondents. In this method the researcher identifies the main themes, assign codes to the main themes, classify responses under the main themes, and integrate themes and responses into the text of the report.

The quantitative/numerical data were analyzed through *a frequency distribution, mean and standard deviation*. Statistical Package for Social Sciences (SPSS) version 20 software used as a tool for processing questionnaire data for analysis.

### **3.6. Reliability Test Result**

The reliability of an instrument is the degree of consistency which measure the attribute; it is supposed to be measuring. They stated that the less variation an instrument produces in repeated measurements of an attribute, the higher its reliability.

Reliability can be equated with the stability, consistency or dependability of a measuring tool. The test compares the scores obtained by computing a reliability coefficient.

#### **3.6.1. Cronbach’s Coefficient Alpha**

This method is used to measure the reliability of the questionnaire between each field and the mean of the whole fields of the questionnaire. The range of Cronbach’s coefficient alpha value between 0.00 and +1.0, and the higher values reflects a higher degree of internal consistency.

*Table 1: factors reliability test result*

<b>Scale</b>	<b>Number of items</b>	<b>Crombach’s alpha</b>
Social factors	10	0.805
Economic factors	10	0.849
Political/ Regulatory factors	7	0.841

*Source: Own survey, 2017 Addis Ababa*

According to the above table, the Cronbach's alpha coefficient for the factors was found as about 0.8 which is fairly reliable. Literatures suggest that an alpha value greater than 0.67 is reliable.

### **3.7. Ethical Consideration**

In every discipline it is considered unethical to collect information without the knowledge of the participant, and their expressed willingness and informed consent. Maintaining confidentiality is another important procedure that the researcher follows in collecting data from respondents. Information provided by respondents is kept anonymous. Sharing information about a respondent with others for purposes other than research is unethical.

## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION

This part presents the data analysis collected through questionnaire and interview. And the interpretation of these results is based on known interpretation methods. The first part presents the demographic background of the respondents which are collected from social entrepreneurs in Addis Ababa.

#### 4.1. Background of respondents and organizational information

##### 4.1.1. Background of respondents

*Table 2: Background of respondents*

	<b>Variables</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Sex</b>	Male	29	74.36%
	Female	10	25.64%
<b>Age</b>	19 - 30 years	4	10.3%
	31 - 40 years	23	59.0%
	above 40 years	12	30.8%
<b>Educational level</b>	Primary school (1 – 8 grades)	0	0.0%
	Secondary school (9 – 12 grades)	0	0.0%
	Diploma	6	15.4%
	First degree	20	51.3%
	Master's degree and above	13	33.3%
<b>Total</b>		<b>39</b>	<b>100.0%</b>

*Source: Own survey, 2017 Addis Ababa*

Based on the above table, the greatest majority of respondents 29(74.36%) were male while the remaining 10 (25.64%) were female. This implies that the participation of females in social entrepreneurship is very small.

Concerning the age of respondents, the majority of the respondents; 23(59.0%), were in the age range 31 - 40 years, and 12 (30.8%) were in the age above 40 years while the remaining 4(10.3%) were in the age range 19 - 30 years. This result implies that adult people are more likely to become social entrepreneurs in Addis Ababa.

Regarding the educational level, the majority of the respondents 20(51.3%) were first degree holders, while 13(33.3%) were master's degree holders and above. The remaining 6(15.4%) respondents were diploma holders. This implies that more educated individuals are more likely to become social entrepreneurs in Addis Ababa.

#### 4.1.2. Organization Information

The data for this research were collected from 39 social enterprises out of 44 in Addis Ababa, 5 social enterprises couldn't respond due to un-accessibility. Out of the 39 social enterprises 33 are owners of the social enterprises. The enterprises basic information such as position of the respondents, types of organization, and years of formation shows as:

*Table 3: Organization information*

Items		Frequency	Percentage (%)
<b>Position in the organization</b>	CEO	2	5.1%
	Director	2	5.1%
	GM	32	82.1%
	Managing Director	2	5.1%
	Senior Business Advisor	1	2.6%
<b>Type of organization</b>	Cooperative	1	2.6%
	Manufacturing	1	2.6%
	NGO	7	17.9%
	PLC/SME	30	76.9%
<b>Total</b>		<b>39</b>	<b>100.0%</b>

*Source: Own survey, 2017 Addis Ababa*

As it is depicted on table 2, the majority of respondents 32(82.1%) position were GM followed by managing director 2(5.1%), CEO 2(5.1%), director 2(5.1%), senior business advisor 1(2.6%). Regarding the type of organization, the majority of the enterprises 30 (76.9%) were private limited companies (PLC) followed by NGOs 7(17.9%), Cooperative 1(2.6%), and Manufacturing 1(2.6%).

Regarding the time of formation of social enterprises in Addis Ababa, it begins in 1995 during which three social enterprises were established. The highest numbers of social enterprises were established in 2016 G.C. (See also chart 1).

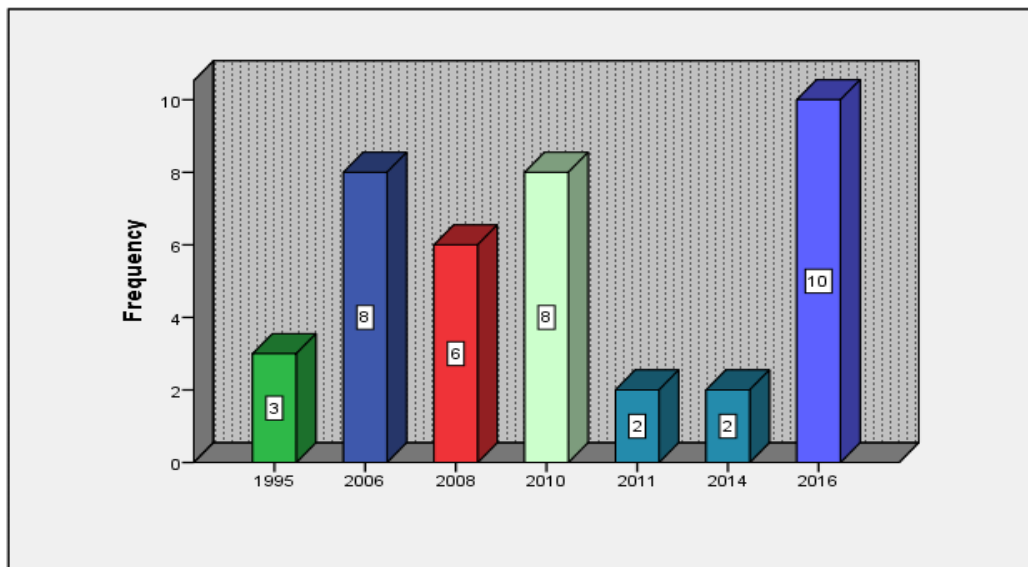


Chart 1: time of formation of social enterprises

Regarding the mission of social enterprises, the interview confirmed that the primary mission of social enterprises is solving social problems and generating profit.

Here are some examples;

***Tebita Ambulance Pre hospital EMS***, “to provide the highest quality, most reliable and timely emergency medical service to our customers”.

***Eshururu Training center*** “working on improving women’s lives and reducing illegal immigration”

Based on the interview answers, the motives of social enterprises in this survey illustrates, 10% of the social entrepreneurs were initiated by personal experience of social problems, 30% due to personal assessment of needs, 35% of them from previous work experience and the desire to help the community and 25% others; some of these examples are presented below:

***Tebita Ambulance***

*“... I used to work at Black Lion Hospital and I experience, seeing so many people dying due to late coming to hospitals (in severe cases), because there is no enough emergency service, thus I tried to contribute my share”*

***Akinbalo PLC;***

*“... While working as an executive director of a charity orgn., who works with women, I see the uncountable street women problems, want to contribute something and made a survey on them to study what they are able to do, then come up with a business idea in order to train and employ the street women’s.”*

***Eshururu PLC;***

*“... our motivation to establish this social enterprise were personal problem due to lack of trained nanny to take-care of our kids and wanted to train but there was no any training centre, so have founded this SE.”*



Accordingly, the social entrepreneurs in this study mostly characterized by the individuals work experience and back ground. Researchers Hoogendoorn et al (2010) gather the empirical findings along five themes which are subject to the individual perspective. These are skills, background /experience, discourse, demographics and motives. Nevertheless, one fact should not be skipped is that mentioned clustered themes are not a widely agreed form of characteristics of social entrepreneurs.

#### **4.2. Descriptive Analysis**

In this part descriptive statistics in the form of mean and standard deviation were presented to illustrate the level of agreement of the respondents with their implications of the company. The responses of the respondents for the variables indicated below were measured on five point Likert Scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. However, while making interpretation of the results of mean the scales were reassigned as follows to make the interpretation easy and clear.

This formula is adapted from (Vichea, 2005), with 5 point scales, the interval for breaking the range in measuring each variable is calculated by  $5-1/5= 0.8$ . It means items with scores fall between the ranges of: 4.20 – 5.00 are considered as strongly agreed; 3.40 – 4.09 as agreed; 2.60 – 3.39 as Neutral; 1.08 – 2.59 as disagree and 1.00 – 1.79 strongly disagree.

Data from questionnaires were processed by SPSS (version 20) program in terms of frequency, mean, and standard deviation (Descriptive statistics).

### 4.3. Factors affecting social entrepreneurs /enterprises

#### 4.3.1. Social Factors

*Table 4: Social Factors*

<b>Items</b>	<b>Mean</b>	<b>Std. Deviation</b>
My family members are supportive to my business	4.1538	1.53106
My friends helped me to create such business in various ways.	3.2308	1.69304
The society in my area is encouraging and supportive for social entrepreneurship	2.1282	1.41755
The community has generally good awareness about social entrepreneurship	1.2564	.54858
My relationship with relative has generally has a positive impact on my business	3.8462	1.30864
My family has good attitude to my business as compared to other conventional business	3.5641	1.27310
The culture that I live in is generally pro social entrepreneurship	2.5641	1.09532
The social status of my family influenced my business positively	2.7179	1.63753
My basic knowledge and skills helped me to deal with day-to-day problems	3.9744	1.24578
The attitudes of the society towards social entrepreneurship is encouraging	2.2051	1.48996
<b>Grand Mean</b>	<b>2.9641</b>	<b>1.324056</b>

*Source: Own survey, 2017 Addis Ababa*

Based on table 3, the grand mean for social factors is 2.96 with a SD of 1.32 which can be described as low on agreement scale. For the first item on the above list which evaluates family support has fall in the range of agreement level (mean 4.1538 and SD 1.53106). Similarly the results on social entrepreneurs relationship with relative has

generally has a positive impact on their business (mean 3.8462 and SD 1.30864), their family has good attitude to their business as compared to other conventional business (mean 3.5641 and SD 1.27310), social entrepreneurs basic knowledge and skills helped them to deal with day-to-day problems (mean 3.9744 and SD 1.24578) all fall in the agreement range.

The above results imply that related to the social factors, social entrepreneurs have family support has been found to encouraging for social entrepreneurs, social entrepreneurs relationship with relative has generally has a positive impact on their business, their family has good attitude to their business as compared to other conventional business, social entrepreneurs basic knowledge and skills helped them to deal with day-to-day problems.

On the other hand, the responses of the social entrepreneurs for; the social status of their family influenced their business positively fall in the neutral range (mean 2.7179 and SD 1.63753). The other items fall in the disagreement range for items; the society in their area is encouraging and supportive for social entrepreneurship (mean 2.1282 and SD 1.41755), the community has generally good awareness about social entrepreneurship (mean 1.2564 and SD.54858), the culture that they live in is generally pro-social entrepreneurship (mean 2.5641 and SD 1.09532) and the attitudes of the society towards social entrepreneurship is encouraging (mean 2.2051 and SD 1.48996).

Contrary to the family and relatives supports, the study found that society in their area is not encouraging and supportive for social entrepreneurship, the community and culture is not generally supportive for social entrepreneurs. Consistent to this result, Peredo and McLean (2006) the social and cultural perception of social entrepreneurship sometimes becomes a challenge for social entrepreneurs in running their business activities. As in the case of Water Health International, the major focus of this social venture was to

awaken the people about various water diseases and how they can be cured, but people were still skeptical about how, and why, WHI is providing the purified water at such a low cost.

Daniel (2014) also studied challenges and opportunities facing the social entrepreneurship scene in India. And found that challenges of the social entrepreneurship in India are: lack of education in entrepreneurship, lack of financial assistance, social and cultural effect, comparative disadvantages to business, lack of government support, and lack of skilled manpower.

#### 4.3.2 Economic Factors

To evaluate the economic dimension of factors, the following items were used and the result is presented below.

*Table 5: Economic factors*

<i>Items</i>	<b>Mean</b>	<b>Std. Deviation</b>
I have good skill to set competitive price	3.5641	1.56936
My business location is good for my business	3.3333	1.00873
I have access to low interest credit	1.8205	.99662
The taxation system for my business is stimulating	2.2051	1.30141
I can promote my products and services whenever and wherever I want easily	2.1282	1.08044
I have efficient distribution channel and networking	3.3333	.83771
There is easy access to the market	2.4615	1.25334
I have no capital constraints in doing my business	1.6410	.87320
There is a low cost labor whenever needed	2.0769	.77407
Communication and transportation facilities are adequate	1.7179	.91619
<b>Grand Mean</b>	<b>2.42818</b>	<b>1.061107</b>

*Source: Own survey, 2017 Addis Ababa*

The responses fall in the neutral range for item asking if they have good skill to set competitive price (mean 3.5641 and SD 1.56936), whether they have efficient distribution

channel and networking (mean 3.3333 and SD .83771), and their business location is good for my business(mean 3.3333 and SD 1.00873).

Additionally, the responses fall in the disagreement range for items: whether they have access to low interest credit (mean 1.820 and SD .99662), whether the taxation system for their business is stimulating (mean 2.2051 and SD 1.30141), whether they can promote their products and services whenever and wherever they want easily (mean 2.1282 and SD 1.08044), whether there is easy access to the market (mean 2.4615 and SD1.25334), whether they have no capital constraints in doing my business (mean 1.6410 and SD .87320), whether there is a low cost labor whenever needed ( mean 2.0769 and SD .77407) and whether communication and transportation facilities are adequate (mean 1.7179 and SD .91619).

These results imply that social entrepreneurs in Addis Ababa are facing many economic challenges such as inefficient distribution channel and networking, lower access to low interest credit, un-stimulating taxation system, promotion related challenges, lower access to the market, capital constraints, and high cost of labor, and communication and transportation problems.

Similarly, Sivathanu (2013) identified the challenges of social entrepreneurs as: conveying the business idea, attracting donors, working remotely, hiring, finding time, getting fund and raising money, business people support, government approval, maintaining product quality, sustaining employees, competition from others, promoting awareness, and acquiring technologies.

Rajendhiran and Silambarasan (2012) also have studied challenges in social entrepreneurship. They concluded that earning profit, family and friends support, business people support, sustaining employees, promoting awareness, getting expert's

assistance, improving quality of life are the most sensitive factors of challenges of social entrepreneurs. Lack of financial sources is a major challenge for social entrepreneurs. Generally, the social entrepreneurs run their business with their own funds or by raising funds from the local money lenders at a high rate of interest, which sometimes becomes a financial burden on them. The reason behind this is the bank's avoidance to providing loan facilities for social entrepreneurs given the various social complications attached with them. Hence the social enterprises have to deal with the challenge of facing a hostile reaction from financial institutions and governments as far as funding is concerned.

#### 4.3.3. Political (Regulatory) Factors

Under political (regulatory) factors, the following items were used and the result is presented below.

*Table 6: Political (Regulatory) Factors*

<i>Items</i>	<b>Mean</b>	<b>Std. Deviation</b>
Implementation of Rules and regulations by government officials is good	1.9744	1.13525
There is no shortage of working place	1.6154	.49286
There is no certainty about tax policy	2.3333	1.32453
There are conducive government policies	1.8205	.88472
There is a favorable political climate including security	2.0256	.70663
There is supportive bureaucratic environment of governmental offices	2.0256	.90284
The political stability of the country facilitates social entrepreneurship	2.5385	1.37355
<b>Grand Mean</b>	<b>2.04761</b>	<b>0.97434</b>

As it is presented in the above table (5), the responses for all items fall in the disagreement range. These items were measure: whether the implementation of rules and regulations by government officials is good (mean 1.9744 and SD 1.13525), whether there

is no shortage of working place(mean 1.6154 and SD .49286), whether there is no certainty about tax policy(mean 2.3333 and SD 1.32453), whether there are conducive government policies (mean 1.8205 and SD .88472), whether there is a favorable political climate including security (mean 2.0256 and SD .70663), whether there is supportive bureaucratic environment of governmental offices (mean 2.0256 and SD .90284) and lastly whether the political stability of the country facilitates social entrepreneurship (mean 2.5385 and SD 1.37355).

These results clearly show that social entrepreneurs in Addis Ababa are suffering from regulatory factors such as low execution of rules and regulations by government officials, unavailability of working place, uncertainty about tax policy, un conducive government policies, unfavorable political climate including security, unaccommodating bureaucratic environment of governmental offices, and political instability.

According to Peredo and McLean (2006) lack of government support is a major barrier for social business development. Currently, the government is not providing any kind of assistance for promoting these social cause ventures. The government's policies and regulations for social entrepreneurs are very complex and strict, with no tax incentives or subsidies being provided for a social business, the combination of which acts as major obstacle to the growth of social businesses.

Consistent to these results, Dobele (2012) has tried to identify and investigate the constraints on and development possibilities for social entrepreneurship in Latvia. Constraints on developing social entrepreneurship in Latvia were identified: no legal regulation on social entrepreneurship exists, the lack of support instruments particularly for establishing and developing a social enterprise, and dependence on donations and subsidies for self-sustaining a social enterprise.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1. Summary of Findings**

Based on the interview and the open ended questions in the questionnaire, the following summary of challenges and opportunities are presented.

The opportunities for social entrepreneurs in Addis Ababa includes availability of financial and other voluntary support from foreign partner organizations who encourages social entrepreneurs, supportive government policies for entrepreneurship development specially for small & medium enterprises government is giving top priorities, economic growth of the country, new policies and procedures on safety and health and in other social enterprise areas.

The challenges for social entrepreneurs in Addis Ababa includes: based on the results from the interview illustrates that: lower attention given to social enterprises by the government and the wealthy, unable to access finance as social entrepreneur with low interest, difficult to access technical assistance for their social work, fragile or weak supply chain for distribution of their output, lack of laws, policies and procedure for social entrepreneurship, and absence of societal awareness about social entrepreneurship in the country were the problems they faced.

Regarding the demographic characteristics in this study, male are dominant in social entrepreneurship and adult and more educated individuals are more likely to become social entrepreneurs in Addis Ababa.

The study found that social entrepreneurs are receiving family support and upright attitudes, relative has generally has a positive impact on their business, social entrepreneurs basic knowledge and skills helped them to deal with day-to-day problems.



Contrary to the family and relatives supports, the study also found that the society in their area is not encouraging and supportive for social entrepreneurship; the community and culture are not generally encouraging for social entrepreneurs. There is also awareness related problems in the society.

This study found that social entrepreneurs in Addis Ababa are fronting numerous economic challenges such as inefficient distribution channel and networking, lower access to low interest credit, un-stimulating taxation system, promotion related challenges, lower access to the market, capital constraints, and high cost of labor, and communication and transportation difficulties.

Lastly, the study showed that social entrepreneurs in Addis Ababa are suffering from regulatory aspects such as low execution of rules and regulations by government officials, unavailability of working place, uncertainty about tax policy, un-conducive government policies, unfavorable political climate including security, unaccommodating bureaucratic environment of governmental offices.

## **5.2. Conclusions**

In general, it can be concluded that the social entrepreneurship environment in Addis Ababa-Ethiopia can be defined as its early stage. Social entrepreneurs created significant roll to the society by creating employment, empowerment of youth, women and marginalized groups. They also work for social and environmental impact as well as a profitable organization. However, even if their contributions to solve social problem are large, their existence and work are not well appreciated.

Social entrepreneurs faced many challenges through social, economical and legal factors like lack of awareness, the community and culture is not supportive, weak distribution channel, lower access to low interest credit, un stimulating tax system, constraints to initial capital, high labor cost, lack of working area influenced negatively.

Furthermore, social entrepreneurs are suffering from regulatory aspects like no explicit legal framework for social entrepreneurs/enterprises in Ethiopia, un-conductive government policies, unfavorable political climate and unaccommodating bureaucratic environment of government offices. Though these challenges exist there are some successful examples of social entrepreneurial ventures in Addis Ababa.

### **5.3. Recommendations**

Based on the results of the study, the following recommendations are suggested.

1. The media and other stakeholders should take the obligation in creating social awareness to promote the importance of social enterprises by different media platforms.
2. The government should give enough support for social enterprises in facilitating access to low interest credit and other services so as to enable them to sustain their business and increase their social impact.
3. Political commitment is required from the government bodies to treat social enterprises in different way by having laws, policies and procedure that improve the operation existing as well as the formation of new social enterprises.
4. Social enterprises should also strive for better and competitive service provision for their beneficiaries so as to gain attention from concerned stakeholders including the society.
5. Similar to the entrepreneurship course given in higher business education, the social entrepreneurship course also have to be given in order to emphasize the importance of the subject.
6. The existed social entrepreneurs shall strengthen their union to influence the concerned government officials.

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# **ANNEXES**

## Annex I

### **St. Mary's University** **School of Graduate Studies**

The objective of this survey is to gather information on to investigate the challenges and opportunities for social entrepreneur in Addis Ababa. All the data collected through this questionnaire is only for the research purpose. The answers you give to the following questions will be kept confidential. You are humbly requested to fill all the answers genuinely and according to the instructions. Thank you for your kind cooperation in advance.

**Please put the mark “√” on the options provided.**

#### **I. Personal information**

1. Sex; Male  Female
2. Age; 19 – 30 years  31 - 40 years  above 40 years
3. Educational level;  
Primary school (1 – 8 grades)  First degree   
Secondary school (9 – 12 grades)  Master's degree and above   
Diploma
4. Position in the Orgn. \_\_\_\_\_

#### **II. Organizational Information**

1. Name of organization \_\_\_\_\_
2. Type of organization \_\_\_\_\_



3. Year of formation \_\_\_\_\_

4. What is the purpose of your organization/social enterprise?

Social purpose

Employment development

Cultural purpose

Environmental purpose

Income generating

Training for workforce

5. What is the form of incorporation of your social enterprise?

Profit Corporation

Non- Profit Corporation

Cooperation

PLC

6. What is the primary mission of your social enterprise?

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### III. Basic Business Information

Please put the mark "√" to the option that best reflects your position about your business.

SECTION 1:		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Remark
SOCIAL FACTORS							
1.	My family members are supportive to my business						
2.	My friends helped me to create such business in various ways.						
3.	The society in my area is encouraging and supportive for social entrepreneurship						
4.	The community has generally good awareness about social entrepreneurship						

5.	My relationship with relative has generally has a positive impact on my business						
6.	My family has good attitude to my business as compared to other conventional business						
7	The culture that I live in is generally pro social entrepreneurship						
8	The social status of my family influenced my business positively						
9	My basic knowledge and skills helped me to deal with day-to-day problems						
10	The attitudes of the society towards social entrepreneurship is encouraging						
<b>SECTION 2:</b>		<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>Remark</b>
<b>ECONOMIC FACTORS</b>							
2.1	I have good skill to set competitive price						
2.2	My business location is good for my business						
2.3	I have access to low interest credit						
2.4	The taxation system for my business is stimulating						
2.5	I can promote my products and services whenever and wherever I want easily						
2.6	I have efficient distribution channel and networking						
2.7.	There is easy access to the market						
2.8.	I have no capital constraints in doing my business						
2.9	There is a low cost labor whenever needed						
2.10	Communication and transportation facilities are adequate						

<b>SECTION 3:</b>		<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>Remark</b>
<b>POLITICAL (REGULATORY) FACTORS</b>							
3.1	Implementation of Rules and regulations by government officials is good						
3.2	There is no shortage of working place						
3.3	There is no uncertainty about tax policy						
3.4	There are conducive government policies						
3.5	There is a favorable political climate including security						
3.6	There is supportive bureaucratic environment of governmental offices						
3.7	The political stability of the country facilitates social entrepreneurship						

**IV. Please give short answers for the following questions**

1. In your opinion, what are the opportunities and challenges for social entrepreneurs in Addis Ababa, if any?

*Opportunities*

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*Challenges*

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2. In your opinion, what should be done to increase the development of social entrepreneurs in Addis Ababa?

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## Annex II

### Interview Questions

1. Age -----
2. Sex -----
3. When did you start your business (year)? -----
4. What motivate you to start this kind of business?  
-----
5. What are the opportunities for social entrepreneurs like you, if any?
  - In terms of social
  - Political
  - Economical ....etc.-----
6. What are the challenges of social entrepreneurs like you, if any?
  - In terms of social
  - Political
  - Economical ....etc.-----
7. What is your general comment about the challenges and prospects of social entrepreneurs?  
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## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Afework Getachew. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

Name \_\_\_\_\_

Signature \_\_\_\_\_

**St. Mary's University,  
School of Graduate Studies  
Addis Ababa  
June, 2017**