

EXPLORING THE KEY CHALLENGES AFFECTING THE VIABILITY AND SUSTAINABILITY OF SOCIAL ENTERPRISES IN ZAMBIA

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ABSTRACT

As social entrepreneurship continues to evolve globally, its role in providing social goods and services to vulnerable populations in a sustainable way has continued to attract increasing interest from countries across the world, with Zambia being no exception. Using a comprehensive review of available literature, this paper examines the development of social enterprises in Zambia. It further identifies and analyses challenges that impact their viability and sustainability as a business model in the country. Evidence from across the world, suggests that viable and sustainable social enterprises have the potential of assisting Governments to address deficits in the provision of social goods and services. The realisation of this potential is however dependent on the Government's commitment to addressing the challenges in the Zambian business environment that constrain the development of vibrant social enterprises. To address these challenges, the paper recommends that the Zambian Government undertakes pragmatic steps to establish a supportive enterprise ecosystem with the following features: First, an enabling environment, with policies, legislation and institutions that recognize, regulate, and facilitate the growth of social enterprises. Second, financial institutions that tailor suitable financial products and services for social enterprises at affordable interest rates and third, business development services that can support operational efficiency, innovation, and growth prospects for social enterprises. The paper concludes that the presence of such a supportive ecosystem can indeed promote the establishment and growth of viable and sustainable social enterprises in Zambia. Such impactful social enterprises can become enduring agents of transformational and positive social change in Zambia.

Key words: Social Enterprise, Viability, Sustainability, Social goods, and Services,

INTRODUCTION

Zambia, like many other developing countries, faces numerous developmental challenges. Some of these challenges are attributed to a slow-growing economy, unsustainable domestic and international debt, high levels of inequalities and poverty and shrinking fiscal space (World Bank, 2023). These factors have been identified as being responsible for constraining the central and local Government's ability to provide social services for vulnerable population groups. Access to water and sanitation, housing, health care and education, to mention, remain a challenge for many Zambians, especially those in rural areas (Mulenga et.al, 2017). Conscious of these serious challenges, successive Zambian governments have over the years attempted to remedy the situation by implementing various programmes. The outcomes of these programmes have been mixed with some successes being achieved with more work is being required to effectively meet the demand for social goods and services in the country. The Government has continued to show its commitment towards addressing the deficits of social goods and services

by progressively increasing the budgetary allocation to the social sectors to protect the country's most vulnerable. In 2023, the Government increased the national budget allocation to the social sector to 30.5% from 23.5% in 2022 (ZIPAR/UN, 2023). This was an increase from 8.7% to 9.6% of the Gross Domestic Budget (GDP). These progressions however still fell short of the amounts required to provide adequate social services to vulnerable groups across the country. Due to continued Government's fiscal constraints, seeking alternative and more sustainable options has become imperative. One such option is to encourage and facilitate increased private sector participation in the provision of social goods and services. To this end, it will be worthwhile for the Government of Zambia to consider the promotion of the social enterprise model as an option through which the private sector can participate in a much more sustainable way in the provision of social goods and services to those in need. An additional benefit that will be realised from this option will be the relief that it will provide to Governments' limited budgets as the provision of social goods and services as these will now be financed from private sector funds.

Before engaging into an in-depth discussion on the potential that social enterprises offer as sustainable delivery mechanisms of social goods and services in Zambia, having a clear definition of what they are and how they differ from traditional for-profit business enterprises is imperative. A review of available literature on social enterprises reveals the existence of many diverse definitions of social enterprises that have all been influenced in one way or another by regional context (Bacq & Janssen, 2011). This revelation, which has widely been acknowledged by scholars across the world, presented some challenges in the process of selecting an appropriate definition for use in this paper. It has been observed that the existence of the many diverse definitions of social enterprises is largely attributed to the influence that the major global regions namely Europe, the United States of America (USA), the United Kingdom (UK), the Middle East and North Africa (MENA) and Asia have had in shaping them. The inherent diversities in culture, laws, policies, politics, and socio-economic conditions of these regions have collectively shaped the descriptions and operations of social enterprises as they are known today (Bacq & Janssen, 2011). In Europe for example, social enterprises are defined as businesses that prioritize social objectives over profit, with legal frameworks that support reinvestment into their missions (European Commission, 2011). The USA on the other hand, offers a broader definition, focusing on market-driven approaches to social issues, allowing for-profit companies with social missions, as seen with B Corporations (B Corps) (Alter, 2007). In the UK, social enterprises combine trading for social purposes, often structured as Community Interest Companies (CICs) or charities with trading units (Social Enterprise UK, 2013). In the Middle East and North Africa (MENA) region, where social enterprise is still an emerging concept, the developing trend sees hybrid organizations addressing socio-economic challenges, though formal legal frameworks are less prevalent (Kerlin, 2017). These regional definitions therefore provide distinct approaches as to how social enterprises go about their business of balancing social impact with profit orientation.

Given the absence of a uniquely Southern African or indeed Zambian definition of Social Enterprises, the paper adopted the European Union's definition as it was the most suited given its emphasis on prioritising social objectives over profitability. The European Union defines a social enterprise as "an undertaking whose primary objective is to achieve social impact rather than generate profits for owners and shareholders, uses its surpluses mainly to achieve the social goals and is managed in an accountable, transparent and innovative way, by involving workers, customers and stakeholders affected by the business activity (European Union, 2011)". This

definition distinguishes social enterprises from traditional for-profit enterprises by the fact that they have dual objectives which are to achieve profitability and their social missions rather than just the sole profitability goal.

As the case is with many types of enterprises, social enterprises are expected to grow into economically successful and sustainable businesses that will effectively contribute towards addressing society's most critical social sector needs (Santos,2012). This expectation is however not easily attained as it is widely acknowledged that the pursuit of social impact by an enterprise will on most occasions conflict with its profitability goals (Besharov et.al, 2019). Due to this conflict of dual objectives, managing social enterprises becomes a complex undertaking that requires exceptional business management skills in an environment that is usually not supportive of the operations of such businesses. The social enterprise model having evolved from the traditional for-profit enterprise model, has a major departure being its primary mission of seeking to achieve in unison, the dual objectives of profitability and the provision of social goods and services (Smith et.al, 2013). Social enterprises are therefore expected to apply the earnings from the commercial operations to finance their social objectives. Acquiring sufficient financial resources from their commercial activities ensures that social enterprises become institutions capable of providing social goods and services in a sustainable way. This assists in reducing the reliance on a resource constrained Government or other partners for the provision of social services. It must be noted, however, that the long-term provision of social goods and services is dependent on the sustained success of the social enterprises in realising revenue from their core business activities which is not always assured.

Rationale

This paper seeks to explore why the social enterprise model, despite its successes in other parts of the world as a viable option for supplementing Government efforts in providing social goods and services, remains a rare feature in the Zambian business landscape. This paper will therefore endeavour to establish why social enterprises continue to be a rare feature in Zambia by identifying and analysing any factors that have played a part in this situation. It is anticipated that the finding of this paper will contribute to a gap in knowledge on the various aspects of Social Entrepreneurship in Zambia. Furthermore, this paper's findings will also inform the ongoing discourse among policymakers, practitioners, academics, and other stakeholders on the role and impact of social enterprises in developing countries such as Zambia.

Study Objectives:

A systematic and coherent approach was adopted for the study guided by the following specific objectives:

- To examine the social enterprises in Zambia to acquire an in-depth understanding of their operations with respect to delivering on social goods and services.
- To identify the key challenges that impact the viability and sustainability of social enterprises in Zambia.

METHODOLOGY

This paper utilised a qualitative approach and was exclusively informed by secondary information gathered through an extensive desk review of available publications. The use of reputable search engines such as Google Scholar aided the process of identifying the required sources and the gathering of data from identified journals, company reports, and legal documents. Searches for information were also conducted on Government online sites including the Zambia Development Agency, Ministry of Small and Medium Enterprises in Zambia, Patents and Companies Registration Agency (PACRA) and Registrar of Societies. After the information was collected it was reviewed and analysed to identify key themes, trends and challenges that social enterprise face in Zambia. The results from this analytical process informed the paper's recommendations and conclusions.

LITERATURE REVIEW

It was noted during the literature review process that not many studies had been done on social entrepreneurship in Zambia which is the probable reason for the limited availability of documents and publications. Despite this limitation of publications on social entrepreneurship specific to Zambia, the literature review was done by supplementing the limited publications with numerous other publications that are available on social enterprises from across the world. With an acknowledgement that the context under which social enterprises operated in other parts of the world was different, the publications that were reviewed provided global and invaluable insights on social entrepreneurship that was important in informing and enriching the paper. The following is a presentation of the outcomes of the literature review grouped under relevant thematic group headings.

Social Enterprise model

Contributing to what has been a unique and rapidly developing type of entrepreneurship, Ketprapakorn & Kantabutra (2019) developed a sustainable social enterprise model by examining the relationships between corporate sustainability practices and sustainability performance outputs in a social healthcare enterprise in Thailand. Their findings revealed four predictors of corporate sustainability, including Leadership, Stakeholder Focus, Resilience Development, and Sharing practices. These were all identified as factors that had direct and/or indirect positive effects on corporate sustainability performance outputs as measured by brand equity, socioeconomic performance, and environmental performance.

To appreciate the circumstances under which social enterprises stayed faithful to form and purpose or were likely to change their character, Young & Kim (2015) attempted to adopt notions from resiliency theory. They considered governance concerns, financial incentives linked to various organizational forms of social enterprise, the impact of the financial environment, the function of organizational slack, and the influence of organizational leadership on the dynamics of social enterprises as factors that could contribute to successful outcomes. To further demonstrate how resilience theory could be applied to the stability of social enterprises, three case studies of American organizations were examined. Young & Kim (2015) noted that the origin of problems affecting the dynamics of these three firms was the fact that all forms of social entrepreneurship had to balance the competing demands of the market and social purpose.

In his paper, Philips (2006) observed the UK government's keen interest in supporting social enterprise growth and attributed this to a growing view of the sector's importance in the UK. To understand the motivation behind the UK government's support of social enterprises, she noted that like many small firms, social enterprises struggled with growth, which ultimately had a detrimental effect on their long-term viability. Contributing to efforts to address the challenges that social enterprises encountered in their efforts to achieve growth is what Philips (2006) identified as the key reason why the UK government got involved in supporting them. She investigated the causes that constrained the growth of social enterprises including increased marketisation and offered several recommendations for the best ways to overcome them.

Urban (2015) found that the few studies that had examined social entrepreneurs had not included an assessment of the impact of their operations. He therefore went on to investigate social enterprises in terms of their impact results. Urban (2015) undertook his study in response to criticism that the economy's quickly growing social entrepreneurship sector was developing without the needed assessment instruments that could facilitate trustworthy measurement and impact assessment. Noting that traditional government initiatives could only partially address the social deficit and that there were significant obstacles to non-profit accountability, the study by Urban (2015) was conducted in two large towns in South Africa where social entrepreneurship was being implemented. The study used impact/reach, innovativeness of solution, replicability/expandability, and sustainability as the metrics for measuring social results. The findings of the characteristics of the sample revealed that a heterogeneous population participated in an extensive array of social entrepreneurship endeavours. For social businesses to replicate initiatives, form partnerships, and continue to exist by serving the needs of communities neglected by earlier government attempts at social redress, they needed to show clear impact and reach of their outcomes.

Challenges faced by Social Enterprises.

Littlewood & Holt (2018) studied the type of strategic challenges that social enterprises in sub-Saharan Africa encountered in their efforts to achieve their dual missions. Their findings established that the origins of the challenges that social enterprises faced could be either internal to the organisation e.g. the lack of managerial skills or external such as a poor performing economy. Due to differences in origin, Littlewood & Holt (2018) stressed the need for different strategies to be implemented to address the challenges successfully and achieve “organizational resilience”. The researchers broke down the contributing strategies into two categories with the first focusing on the capacities, resources, and resilience of the enterprise. According to Littlewood & Holt (2018), in the first category, the strategies required a combination of passion and vision coupled with the need to have shared beliefs and values as well as innovation and improvisation. The second category Littlewood & Holt (2018) presented covered strategies that involved investment in experimentation and diversification, two factors they considered critical for attaining resilience. Their conclusion emphasized the need for social enterprises to adopt appropriate strategies tailored to deal with the type and origin of challenges that the enterprises were facing.

Ebrahim et al. (2014) focused their investigations on governance challenges that social enterprises faced as they pursued a social mission financed through market mechanisms. The two governance challenges that they identified were: accountability for dual performance objectives and accountability to multiple principal stakeholders. Regarding accountability for dual performance objectives, Ebrahim et al. (2014) highlighted the difficulties including possibilities

of “mission drift” that social enterprises faced in achieving both social and financial objectives. Mission drift occurred when a social enterprise lost sight of one of the two objectives as it went about its operation. Achieving success required the achievement of both objectives simultaneously which was not an easy feat. On accountability to multiple principal partners, Ebrahim et al. (2014) pointed out the difficulties that arose from having multiple principal partners who usually had diverse opinions on the way the enterprise should be governed. If not effectively dealt with, this situation could lead to the failure of the enterprises. In conclusion, Ebrahim et al. (2014) argued that social enterprises offered a promising way of creating economic and social value. However, social enterprises needed to successfully overcome their identified governance challenges.

Adopting sector-specific approach, Charles (2021) investigated how social enterprises in the waste collection and recycling sector were able to overcome their start-up challenges and continue with their operations in a sustained way. His findings revealed that the sustainability of these enterprises was dependent on a combination of factors including having good management in place, collaborating with the right teams, helping the waste pickers, marketing, and networking. Furthermore, developing the skills of the workers, the application of appropriate technology, reinvesting their earnings, and diversifying and promoting the establishment of cooperatives were all key.

Sustainability and performance

Powell et al. (2019) pointed to three factors that they had identified as influencing the ability of social enterprises to concurrently attain their social objectives and achieve financial sustainability. These included having in place diversified income streams that strengthened financial viability and reduced dependence agreements and grants from donors, delivering quality social services and having a diversified complement of workers.

By establishing a singular theoretical basis to facilitate that appreciation of how business model innovations could improve performance, Evans et al. (2017) reinforced what had previously been suggested by earlier researchers on factors of success for sustainability. This was that having sufficient resources, building organizational capabilities, and encouraging collaboration between different networks contributed to the success and sustainability of social enterprises. In addition, social enterprises that had growth objectives within their strategic plans achieved higher levels of sustainability in their business ventures.

Using two social enterprises that had achieved an elevated level of sustainability as case studies, Sabella & Eid (2016) investigated sustainability from a strategic perspective. Their findings revealed in the first instance, that the sustainability of social enterprise was anchored on having an appreciation of the influence of the contextual, organisational, and individual domains that were linked to three strategic ex-ante enablers: stakeholder orientation, relationship-oriented organisation, and entrepreneurial behaviour. Secondly, the findings showed that the sustainability of social enterprises in a constrained environment was dependent on continuous entrepreneurial activity and the effective use of social and business models. Their third and last finding was that the personality attributes of the two owners of the enterprises had a huge influence on achieving sustainability. They identified the success attributes that the two owners had as the 'Sense of alertness' and 'transformational leadership' qualities that had contributed to the enterprises overcoming the challenges that they had faced.

In their article, Taylor & Rosca (2023) examined how social enterprises could develop social capital in their supply chain relationships and how this social capital would affect their

ability to pursue impact and viability. Using data from in-depth interviews with nine social enterprises, the findings indicate that the roles and positions of beneficiaries in supply chains determined the appropriate forms of social capital needed to sustain simultaneous impact and viability. The empirical insights highlighted that structural and relational capital was most valuable within core supply chain relationships, whereas cognitive capital was most beneficial within peripheral relationships aimed at enhancing competitiveness. Further, Taylor & Rosca (2023) noted that social enterprises sometimes relinquished power in their supply chain relationships to prioritise impact but developed relational capital to mitigate threats of opportunism. The study also advanced a contingent view of social capital in cross-sectoral supply chain relationships and provides valuable implications for managers pursuing impact.

Ekman et al. (2019) analysed social enterprises working within the renewable energy sector in Sub-Saharan Africa and investigated what a social enterprise must do to succeed. Their findings revealed that social enterprises in Sub-Saharan Africa working within the renewable energy sector had to collaborate with local employees to access knowledge about external factors that could engender barriers (Ekman et al, 2019) they also noted that a social enterprise also encountered barriers linked to profitability and affordability. The study further established that good social networks and financial institutions were essential for social enterprises to succeed in Sub-Saharan Africa. Ekman et al. (2019) further established those social enterprises had a higher probability of success if they provided excellent customer service and possessed the right abilities and knowledge. They identified one of the most critical variables when aiming for success in the renewable energy sector in Sub-Saharan Africa as having a well-thought-out business model before entering a new target market.

Viability of Social Enterprises

A model of the variables affecting the financial sustainability of Hungarian social enterprises was presented by Bartha & Bereczk (2019) in their paper. Their model evaluated a sample of 220 Hungarian companies engaged in social entrepreneurship. The regulatory environment (transparency of regulations), the entrepreneur's entrepreneurial attributes (business orientation, skills and experience, business planning tendencies), the financial support offered by the environment (ratio of grants, donations, and subsidies within the firm's total revenues), and the firms' strategies (the presence of such generic strategies as cost leadership or differentiation) were suggested to be the most important factors for financial viability by their model. Bartha & Bereczk (2019) established that out of the four parameters in the model, only two had a meaningful correlation with financial viability: Qualities of an entrepreneur, financial Resources and Entrepreneurial qualities assistance. Arising from these findings, it was determined that entrepreneurship training—which aimed to improve business acumen and experience of the business owners, spread business planning, and give these companies grants and subsidies was essential. Since financial viability and strategy did not significantly correlate, Bartha & Bereczk (2019) concluded that market competition played a very minor role in Hungarian social companies.

Literature Review Conclusions

The literature review provided insights into the operations of social enterprises and challenges that they faced across the different regions of the world. The review did show that despite the limited number of studies on social enterprises in Zambia which would to some

degree affect an in-depth understanding of the local context, this could be overcome with literature from other parts of the world. The literature review highlighted the many challenges both internally and externally that social enterprises faced and impacted their sustainability and operational efficiencies. Some of these identified challenges included governance, funding, strategic management, and those that were sector-specific in renewable energy and waste management.

The Literature review revealed that social enterprises could overcome the identified challenges through the implementation of specifically designed strategies that emphasised adaptability, innovation, and effective business management practices. This was pointed out in the findings of the studies by Littlewood & Holt (2018) and Ebrahim et al. (2014) who stressed the importance of governance structures and strategic adaptability as means of addressing both internal and external challenges. Powell et al. (2019) and Sabella & Eid (2016) stressed the importance of implementing a wholesome strategy if both economic stability and social impact were to be achieved. This strategy would however require the expansion of revenue streams, ensuring the delivery of high-quality services, and establishing effective leadership.

The establishment and maintenance of stakeholder relationships and social capital were also identified as being critical to ensuring the sustainability of social enterprises. This was highlighted in the study undertaken by Taylor & Rosca (2023) who discussed the importance of different forms of social capital in maintaining the efficiency and long-term viability of supply chain connections. Further insights were provided by Ekman et al. (2019) and Ketprapakorn & Kantabutra (2019) who emphasized the criticality of understanding the surrounding circumstances and developing robust business models to attain success in specific industries and geographic regions. It is quite conclusive from the available literature that social enterprises face many challenges, especially in contexts like Zambia where they are just emerging. It should be noted however that despite the limited availability of information on social enterprises specific to the Zambian context, the existing body of literature provided valuable insights into the challenges, effective strategies, and models for improving viability, sustainability, and impact.

Study Findings

Even though establishing social enterprises to provide goods and services has become a trend in some regions of the world, including the Americas, Europe, and Asia, Zambia remains in the early stages of this development. A review of the companies and societies registers in Zambia shows that the number of registered social enterprises remains limited. This fact posed an initial challenge for the paper in terms of obtaining operational enterprise-related information from online sources, company reports and publications. However, this challenge was overcome by including entities that profiled themselves as social enterprises on online platforms and in publications though not necessarily registered as such in the government's companies' registry. Another consideration was that they should meet the criteria provided by the paper's definition of social enterprises earlier provided. By reviewing information on these selected social enterprises, the paper was therefore able to identify some of the challenges that they faced when starting up as well as those that impeded their growth and sustainability. The following are some of the prominent challenges that were identified.

Policy and Legislative Framework

The state of the operational environment determined by the existing policies and legislation plays a significant role in determining the viability and sustainability of social enterprises in developing countries. Zambia has various pieces of legislation regulating business enterprises' establishment and operations. It is, however, noted that there is no specific legislation that applies to the registration and regulation of social enterprises or indeed refers to social enterprises. This situation is not peculiar to Zambia alone as Catalyst 2030 revealed in their study in 2022 report that showed that only one in five countries in the world had legal forms that facilitated the registration of social enterprises. In Zambia, some of the laws that relate to enterprises include Act No. 16 of the laws of Zambia 2009, which regulates non-governmental organisations (NGOs), the Small Enterprise Development Act (1996) of the laws of Zambia that provides for the establishment of Small Enterprise Development Board and the Cooperatives Societies Act No 20 Of 1998 of the laws of Zambia which provides for the formation, registration, and regulation of cooperative societies in Zambia. Though each of these laws has provisions defining requirements for enterprises to be registered, how they should operate and obligations to the state and its stakeholders, none of them refers directly to social enterprises. Due to this lack of clarity, social entrepreneurs in Zambia are usually conflicted about which government law to register or operate their enterprises under. An outcome of this situation is that social enterprises operating in Zambia have had to register themselves under laws enacted to regulate traditional for-profit enterprises. A review of the profiles of various social enterprises in Zambia shows that the social enterprises in Zambia are either registered under the Companies Act No 16, or the Cooperatives Act No.20 or not registered at all. The implication is that social enterprises are operating informally or are being registered and regulated under laws that may not necessarily be appropriate or facilitative of their operations and growth. Social enterprises are therefore subject to the same regulatory requirements such as taxation, licensing, for example as traditional, for-profit enterprises which tends to pose serious operational challenges for them.

Furthermore, it is observed that due to the challenging business operating environment, social enterprises in Zambia were hesitant to adopt the standard not-for-profit model, which would require them not to accrue any profit but to use all income generated from the business to fully finance their social missions. Social enterprises in Zambia have instead sought to diversify their funding sources by seeking other funding options such as grants and donations from other benefactors in addition to funds generated from their entrepreneurship activities.

Investment into Corporate Social Responsibility by traditional for-profit enterprises

Another challenge that was identified as inhibiting the development, growth and sustainability of social enterprises is the increasing practice by traditional for-profit enterprises to also engage in the provisions of social services through their corporate social responsibility activities. This strategy did not only earn the for-profit traditional enterprises' goodwill from the government, individuals and indeed the communities, but it also enabled them to do so without having to bear the risks associated with operating as not-for-profit social enterprises. In addition, the for-profit traditional enterprises employing the corporate social responsibility strategy also benefited from incentives that accrued to enterprises supporting charitable or philanthropic interests without having to change their corporate profit missions. This practice therefore rendered the motivation of establishing social enterprises redundant to some extent. It was also evident from the study that other forms of organisations such as religious organisations, non-

governmental organisations and, indeed, cooperatives were also filling in the gap in the provision of social goods and services to vulnerable groups. They did so without being subject to the scrutiny that goes with being registered as a traditional for-profit or not-for-profit enterprise under the Companies Act. All these factors have impacted the viability and sustainability of social enterprises in Zambia, as they have other competitors who are also able to undertake similar social missions without the associated risks or challenges.

Absence of Business Incentives

As the case with policy and legislation, the study did not find any specific incentives that were targeted at social entrepreneurs. Despite having the additional objective of providing for less advantaged sectors of the communities, the fact that they had registered under the companies' actives disqualified social enterprises from specific incentives such as tax credits or waivers or exemptions from licensing, subsidised energy, and other costs. They are expected to operate just like any for-profit enterprise in the country.

Financing of social enterprise

The study findings revealed that most social enterprises in Zambia operated using a mixed financing mode. This implies that social enterprises only partially rely on their commercial business operations to fund their social objectives. The deficit in their budgets was from other financial resources such as grants obtained from donors and other benefactors. The study established that the approach was the country's most popular model for social enterprises. It must be noted however that the sustainability of social enterprises in Zambia is not only dependent on how well the commercial side of the enterprise was performing but also on the continued availability of grants and other financial resources from external donors. Though this mixed financing model is considered an effective way of hedging against the possibility of the enterprise being unable to meet its social commitments from its profits, it is also evident that it could render social enterprises vulnerable due to the unpredictability of donor funding. Taking into consideration these financing challenges, it becomes imperative that social enterprises devise innovative financing modalities that would ensure sustainability. Though it is acknowledged that profit-seeking to finance social services is the more sustainable way of running a social enterprise, the model itself is dependent on other factors such as an enabling business environment which is not always the case in developing countries like Zambia. For this reason, the study observed that interested parties who wished to establish social enterprises in Zambia were cautious about establishing social enterprises that were to be wholly financed by commercial activities.

Operational challenges

Another challenge impacting the development of startup social enterprises was the notable high rates of failure of newly established enterprises in Zambia (Akayombokwa, 2021). According to Chivwindi et.al (2023) 70.4 percent of SMEs in the Lusaka and Mumbwa areas were either failing or static in their business operations. As Lusaka accounts for a significant number of small and medium enterprises in Zambia, it would not be far-fetched to assume the same for the rest of the country. The fact that most of the enterprises that were failing were the traditional and less complex single objective enterprises, the concern was that social enterprises

which were more complex to manage given their dual objectives would suffer the same fate. The failure of traditional enterprises has been attributed to various challenges, including an unfavourable business environment within which they operate that they operate in. Some of the identified challenges include high taxes, erratic supplies of energy or electricity and the prohibitive cost of capital, to mention but a few (World Bank,2018). The possibility of facing similar difficulties has been identified as one of the major deterrents to the growth of social entrepreneurship in Zambia. They saw other options, such as registering as NGOs, as the more sustainable way of providing social goods and services to a needy population. NGOs benefit from specific incentives such as tax exemptions and are subject to less scrutiny than traditional business enterprises.

Access to business development services

Though Zambia has an acceptable number of business development service providers, the study revealed that only a few of these organizations offered services specifically tailored for social enterprises. Usually, the service offer was generic and specially respond to the peculiar business development challenges faced by social enterprises in Zambia. Even the few institutions that offered these services did so in an ad hoc manner and were all located in the capital, Lusaka. It was also observed that social enterprises did not seek business development services despite needing them due to various considerations including their inability to afford them (Mwanga, 2014). Despite the complexity of operating social enterprises, the management of these entities was left to their whims in navigating through the intricacies of social entrepreneurship.

Geographical location

Most of the social enterprises were based in urban areas in Lusaka with few social enterprises present in the rural areas where the communities were mostly deprived and in need of social goods and services. This perception is that rural areas did not have the required income levels for the social enterprises to realize the needed incomes to support the provision of goods and services to these populations. A direct consequence of this, was that social enterprises that were present in rural areas in Zambia mostly relied on grants and donations to support their social missions rather than revenues realised from entrepreneurial activities.

Limitations of the study

The paper was solely based on a desk review of available secondary information. In this regard, there is a possibility that there are gaps in the information that could have affected the comprehensiveness, resulting in skewed or incomplete findings. Furthermore, given that the study was done with secondary data, the reliability, quality, and methodologies are issues that fell beyond the writer's control.

RECOMMENDATIONS

- Based on the paper's findings, for social enterprises to develop as potential providers of social goods and services in Zambia, the Government needs to work towards providing an enabling business environment. In this regard, the government will specifically need to address the following within the scope of the enabling environment:

- Establishing a policy and legislative environment that will provide a business-friendly environment for social enterprises. This will require the development of supportive policies, legal frameworks, and institutional structures that recognise, promote, and regulate the operations of social enterprises. Alternatively, rather than developing totally new policies and laws, government could instead review and amend existing laws and policies including the Small Enterprise Development Act of 1996 and the Revised National Micro, Small and Medium Enterprises Development (2023) and other relevant laws to incorporate provisions needed to support social enterprises. Once this framework is put in place, it will assist in clarifying what a social enterprise is, facilitate access to finance and markets, and create growth opportunities OECD (2022). The government may wish to follow through on the implementation of the recommendations of available studies including the ILO EESE (2020) report which identifies areas for attention including policy and legislation and provides recommendations to address them. The current legal and policy environment is broad and does not specifically apply to the establishment and management of Social Enterprises.
- Encourage the provision of business development and financial services that are specifically tailored to support social enterprises. Access to technical assistance, market linkages, skilled human resources, and capacity-building programmes will help enhance social enterprises' operational efficiencies, innovation, and growth. The Zambia Development Agency (ZDA) has this responsibility as prescribed in its enabling Act to provide the necessary support to enterprises in the country. Furthermore, the Business Development Service Providers Association of Zambia (BDSPAZ) seek to widen its scope of services to include these specifically demanded by social enterprises.
- Access to capital at affordable rates is another crucial factor for the success of social enterprises in Zambia. Financial institutions could be encouraged by government using both fiscal and non-fiscal incentives to tailor and provide financing packages and services to social enterprises. The Zambia Credit Guarantee scheme an institution established by government to enhance access to credit to small, medium enterprises by providing guarantees could play a role in this regard by providing the necessary guarantees for social enterprises seeking financial support Other options such as providing opportunities for social enterprises to raise financing from the Lusaka Stock Exchange for example should be explored in as they are already being implemented in other countries. Given the dual and unique blend of social and economic that social enterprises pursue, having access to affordable capital that supports the dual bottom line is essential for financial sustainability and social impact.

CONCLUSION

After identifying and investigating the challenges that impact the viability and sustainability of the social enterprise's, it is evident that Zambia can only realise the benefits of this business model if it puts in place measures to overcome them. This will require a concerted undertaking of deliberate interventions which may include the review and revision of relevant policies and legislation to recognize social enterprises as a business model that does not only contribute only commercial interests but also towards efforts directed at addressing social challenges being faced by vulnerable groups in the country. Furthermore, having in place supportive institutions such as business development services providers and financial institutions that will facilitate the establishment and growth of social enterprises by offering specially

tailored and services and financing will be another critical condition. As evidenced in other parts of the world, including South Africa, social enterprises have demonstrated their ability to address societal challenges while maintaining financial viability and positively impacting them (Littlewood & Holt, 2018). However, for this to happen in Zambia, proactive steps including the ones outlined in the forgoing need to be taken by the Government to put in place the necessary conditions that will support the development and growth of social enterprises.

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