

The Emergence of Social Entrepreneurs in the Informal Sector

Case Study of Paper Bead making Business in Kampala.

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Abstract

Purpose - The purpose of this case is to provide a reflection on existing and emerging social entrepreneurs as it applies to the developing country experience, and specifically to the informal economy in a small community in Kampala Suburb in Uganda, East Africa.

Design/ methodology/ approach –The case will adopt an exploratory, multidisciplinary approach grounded in economic theory and sociological theory, including open-ended interviews and focus groups. The data will be complemented by field observations and documentary account.

The case study will help to draw comparisons between what we know and what we do not know about social entrepreneurship in the informal economy and their intersection.

Originality/ value – the case study seeks to address a perceived gap in the theoretical literature on the emerging phenomenon of social entrepreneurship. By exploring the activities in the informal sector through a small community lens, we shall look at social entrepreneurship as the intersection of social and economic realities of the majority of people who operate in the informal economy in Uganda.

Keywords: social entrepreneurship, informal sector, sociological theory, economic theory, Kampala suburb, Uganda.

Introduction

Uganda, located on the Eastern part of the African continent, is one of the least developed countries with an estimated population of 34 million people. It is a low income country that is agriculture based. The Gross Domestic Product per capita is about USD 1000 per annum. The country has experienced steady growth over the last 20 years averaging around 15% (UBS, 2009/2010).

Currently, there are an estimated 1,069,848 SME's according to the Uganda Bureau of Statistics Census Figures in Uganda that is urban and rural areas which accounts for over 90% of the private sector. These employ over 2.5 million people and are a source of jobs, playing a vital role in income generation. According to Uganda Small Scale Industries Association, SME's are spread across all subsectors of the economy with majority operating in the informal sector.

The Informal sector covers all business activities. These businesses are normally characterized by: ownership and operated by households, non-taxable, legal but unregulated,

absence of final accounts, having no regular paid employees, no fixed location, in most cases not registered and sometimes such businesses are operational for only a short period and dominated by women.

Choice of the Case Study

Based on the general characteristics of the businesses in the informal sector, we chose Paper Bead making in Kireka and Banda, Kampala. The case chosen addresses the broad theme of the conference with specific reference to informal sector entrepreneurship and social entrepreneurship. The initiative has a common denominator of the application of business/entrepreneurship principles to a social purpose. The case study demonstrates some intersection between social entrepreneurship and informal sector entrepreneurship, which has provided opportunities to enhance marginalized people's livelihoods in the community through innovative approaches.

The study taken around Banda and Kireka on small scale Paper Bead making reveals that this kind of business is mainly done by women of average age of 40 years. Most of these women are widows, refugees, others are infected with HIV/AIDS and others are those illiterate women who have failed to be taken up into formal employment. Other than self employment motive, other reasons include low capital requirement, ease of entry, and above all survival strategy as they take over aspects of household maintenance that men can no longer afford.

Furthermore the study reveals that these women have an organisation called *Bead for Life* which is located in Bugolobi where they meet every two weeks to sell off their products. The products which they make are called Beads. These are made from papers which have been cut and are put on a necklace wire where they are laid. The raw materials used in the production of beads are:

4 litre of varnish costing 40,000, 3kg of papers at Shs 12,000, cutting papers at Shs 15,000, *obutiti* at Shs 4,000, varnishing wire at Shs 2,000, necklace wire at Shs 2,000 and transport at Shs 5,000. When you look at all these raw materials, they are readily available and cheap which cost about Shs 98,500 to make about 37 beads. Each bead is sold at around Shs 8,000 which brings in total income of about Shs 296,000. When one subtracts the expenses incurred in the production which is around Shs 98,500, then on average the woman receives about Shs 197,500 after every two weeks or about Shs 395,000 per month or Shs 4,470,000 per year. Therefore an average woman who engages in bead making earns a daily income of Shs 12,000.

During an interview one of the women intimated that she would not have loved to do any other job than making beads. She said 'I love making beads because they have made me what I am.' Today Nambuya Jane a resident of Banda can happily take her three children to good schools, have good feeding and also be in position to cater for other expenses like rent and starting up other small scale businesses like selling charcoal, stone crushing and foodstuff to supplement her earnings.

In this kind of business, these women were first trained for three months to acquire the relevant skills which they were then in position to put back in making beads. The raw materials include biber and papers like calendars. The beads are sold through the organisation to outside country especially the west. The items that can be made from the beads include; necklaces, watch traps, trays, hats, hand bags, ear rings breath lets, etc. The beads are in sizes and branded differently – for example the big one is called tripple long, the medium is called bungle, the long

one is called bimbler and the small one is called tripple. These women ensure quality control by testing varnish, testing colour mixture and testing the number of beads made.

Since the group of women demonstrate dynamic behaviours of nonprofit organization that engender change in the informal sector through invention, innovation, and original concepts, which increase the mission related value of programmes and services to their stakeholders, they can be classified as social entrepreneurs. Social entrepreneurship in many respects is simply an elaboration of the entrepreneurial model used in the private for profit sector, tailored to meet the sensitive needs of nonprofit organizations. This is in line with the explanation by Dees (1998) who defines social entrepreneurs as those that “ 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 the mission, engaging in the process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources in hand, and exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.” This means that social entrepreneurs generate promising ideas and develop these ideas into attractive opportunities (Guclu, Dees,& Anderson; 2002).

In the case raised in the paper, social entrepreneurs are entrepreneurs who facilitate the creation or expansion of innovative social ventures. They address a social or community problem or challenge by designing and developing an innovative and feasible solution to a social problem in order to achieve social change. These social entrepreneurs search for innovative and practical approaches to social needs. They have developed ventures that recognize opportunities for social improvement, developed organization and funding strategies, evaluated performance, managed their enterprises and have created sustained positive impact and social value among the community in Kireka and Banda, Kampala city.

These people, most of whom are women, have managed to transform the waste papers into something usable and marketable. They turn the waste paper into beads of different colours and sizes which are sold to the tourists and fellow Ugandans at a price. In doing this, they solve the social problem of filth, garbage piling leading to blockage of sewage channels and hence these women earn a living out of this innovative bead making ventures. These entrepreneurs have realized that their society is stuck with paper waste and hence are working to get the society unstuck and solve the problems mentioned above. These have gone beyond the immense problem of the community to fundamentally change the communities from where they operate.

Theoretical Framework

As an attempt to explain the emergence of social entrepreneurs and social entrepreneurship, a theoretical framework is necessary. The goal sought by this literature review is to examine the intersection between social entrepreneurship and informal sector entrepreneurship. A consistent universal theory does not exist in entrepreneurship in general and social entrepreneurship in particular, but rather it consists of several different approaches including psychology, sociology, anthropology and economics. Three of the theories that are used in explaining the emergence of entrepreneurship and relevant to the theme are psychological theories, sociological theories and economic theories. Since social entrepreneurship emerge on the same principles of entrepreneurship, these theories can be applied.

Psychological theories

Psychology examines how primary motivations or needs may vary across individuals and how these differences may influence entrepreneurial activity. It also considers various aspects of the psychological makeup and problem-solving style of entrepreneurs. Psychological theories such as those developed by McLelland pay attention to personal traits, motives and incentives of an individual and concludes that entrepreneurs have a strong need for achievement (McLelland & Winter, 1971). The trait/ personality approach suggests that individuals with certain characteristics always find the path to entrepreneurship regardless of the environmental conditions.

Sociological theories

Sociological theories try to explain entrepreneurial behavior as a function of the person and environmental conditions or reality individuals live in. The environment and the ideological values shape people's attitudes and beliefs, which in turn influence the potential entrepreneur's view, behavior and perspective. Different sociological models can be used to explain the emergence of entrepreneurs in general and social entrepreneurs in particular. One such model is the social development model which explains the emergence of entrepreneurs in terms of the situations encountered and the social groups to which individuals relate. Reynolds (1991) differentiates with four social context in relation to entrepreneurial opportunity: social networks, life course stage, ethnic identification and population ecology. The first three aspects are relevant in the context of this paper. It can be said, for the social entrepreneur, involvement in casual informal networks may produce a major advantage. Social network theories emphasize trust, not opportunism. Social network plays a role in influencing the development of social entrepreneurship since access to information and resources often depends on "know-who". The life course context involves analyzing the life situations and characteristics of individuals who have decided to become social entrepreneurs.

Sociological theories that start from ethnic identification try to explain entrepreneurship as a process where the individual's sociological (disadvantageous) background is one of the decisive "push" factors to become an entrepreneur.

Also important is the social learning theory which proposes that learning can occur not only through formal education, but also through the observation of behavior of others, often referred to as role models.

Economic theories

Although social entrepreneurship is described as a not-for-profit venture, its emergence can also be explained by economic theories. Economic theories tend to concentrate on motivations that create entrepreneurs. Baumol (1993) proposed that how the entrepreneurs act at a given time and place depends heavily on the reward structure in the economy or the prevailing rules of the game that govern the payoff to entrepreneurship. Entrepreneurs are ingenious and creative people who strive to add to their own wealth, power, and prestige and choose to be entrepreneurs when or because their utility (from wealth, power, and prestige) is maximized by so doing. Economic incentives and material gains are the main motive to become an entrepreneur.

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