The Significance of Faith Based Enterprises in the Dual Roles of Social Good and Economic Development in Kenya

Charles Nalyanya¹ : Bitange Ndemo, PhD² : James Gathungu, PhD³

This paper seeks to investigate the impact of Faith based enterprises in their dual role of building social good and economic development in Kenya. A review of the literature reveals the absence of a coherent conceptual framework on the success or failure of these enterprises. From the twenty-four published articles reviewed, forming the basis of the paper, it was evident that the impact of faith based enterprises extends beyond what is conceptualized as social enterprise across different faiths. Empirical studies identify application of entrepreneurial factors of innovativeness, proactiveness and risk taking as central to the performance and sustainability of social enterprises, thus spurring the growth of social entrepreneurship. The crucial dilemma to social entrepreneurship remains how to measure its performance due to the non-quantifiability of some of its social value deliverables. The paper concludes by suggesting various variables namely: entrepreneurial orientation factors, environment (internal and external) factors and their relationships from the literature as a source for further research. This would enrich the understanding of social entrepreneurship and its anecdotes of the performance of Faith based organizations for social value deliveries, and economic development of communities. Some of the practical policy implications include: development of a public private partnership to solve some of cross cutting social problems through enterprises; and building of linkages with innovation centers to enhance social enterprise activities. Implications for Faith based entrepreneurship theory and management practice are discussed.

Key Words: Faith based enterprises, Social Entrepreneurship, Social good, Innovation, Faith, Proactiveness, and Economic Development

¹ Doctoral student, School of Business, University of Nairobi
² Associate Professor, School of Business, University of Nairobi bndemo@bitangendemo.me
³ Senior Lecturer, School of Business, University of Nairobi
Introduction
Faith based enterprises fall in the category of social enterprises. ‘Quite often, new forms of social and economic action have to be conceptualized and the groups concerned seek their own vocabulary. This is also the case with regard to the development of organizational forms of action which have been labelled as ‘social purpose business’, ‘civic enterprise’, ‘community businesses’, ‘community wealth enterprises’, and ‘social enterprises’. The challenge for analytical debates is that the term ‘social enterprise’ seems to blur exactly those frontiers which have been deliberately constructed – between action for the public good and private action, between social action as a nonprofit and enterprises as private market organizations’ Evers (2004 p.296).

Faith Based Enterprises’ dual role
Faith based enterprises are nonprofit organizations that make considerable social economic and spiritual impact on the communities through services such as hiring and placing into good employment the marginalized and under-employed of their flock from the streets, to generally promote incremental wealth. Notable core services by Faith based enterprises known worldwide include that of Southwest Airlines, a US air-carrier founded and operated on Christian values and the US furniture company “Herman Miller” (Gunther, 2004), which are now highly successful businesses.

In Kenya, FBOs usually as public benefit organizations whose main activities include religious crusades, charities, educational (such as schools and universities), medical (hospitals and HIV/AIDS management), prevention of cruelty to animals or children, houses of worship, and libraries. These promote human welfare and development (Ochanda, Were, Wamalwa and Kabugi, 2003). Faith based organizations are also mutual benefit organizations as they organize local civic leagues, social welfare organizations, run hotels and guest houses, and organize festivals and pilgrimages, like to the Holy shrines at Namugongo in Uganda. Churches also play a major role in trade, by holding of trade exhibitions and lobbying for economic policies across the political divide for the benefit of the ordinary citizen.

Religion invests in people’s hopes by addressing their sadness and anxieties (John Paul II 1997). It promotes the common good by addressing the distributive injustices, inequalities, corruption, underdevelopment and oppression through direct interventions or through advocacy. In Kenya, as elsewhere, this mission of religion complements that of the state in meeting social good.

Through Faith based enterprises, religion exploits untapped opportunities like human capital to promote honesty and morality, thus enshrining ethical business for economic growth. Faith based enterprises through established activities increase levels of trust and reduces levels of corruption and criminal activity. The FBOs also encourage thrift, for improved economic growth. FBOs discourage sinful acts such as prostitution, and drug abuse, leading to healthy minds (Ochanda, Were, Wamalwa & Kabugi, 2003).

Faith based organizations’ concepts also promote love and care for others e.g., the Catholic Christians Welfare groups in western Kenya support the needy members and followers through merry go rounds to purchase household goods, such as plates. According to McCleary, (2008), all
religions through Faith based enterprises carry out charitable activities as a dimension of development which is in general a stimulant to the growth of social entrepreneurship.

Social interventions by Faith based organizations were largely directed towards humanitarian assistance rather than empowering communities to become self-sustaining (Ndemo 2006). Long term benefits however continue to be realized in the health and education sectors with the support of FBOs. Projects in other sectors fail largely due to lack of ownership and patronage, and Faith based organizations through the promotion of social ventures are filling in this gap. This concurs with a study by (Cornwall, 1998), which shows that entrepreneurial ventures are key to improving economically distressed areas. This is supported by the findings that in Africa, 40 to 50% of all health and education services are provided by FBOs (Goody 2003; Tyndale 2006).

**Challenges of Faith Based Enterprises**

Social enterprises promoted by FBOs succeed because of the backing for structures that work with markets, micro-financing, training and managerial interventions (Ndemo, 2006). However, the study notes that lack of monitoring and evaluation impacts negatively to the global revolution of the surging social entrepreneurship sector. Grahams P (1997) recommends that monitoring and evaluation be integrated into the social enterprise programme covering all stages to realize effective and efficient measurement of an enterprise performance. Other challenges faced are limited capital due to religious restrictions on wealth accumulation, aversion to making profits and rejection of charging interest as religiously unethical (Grier, 1997).

Faith-based communities may hold traditional ideas that prevent development, such as beliefs and norms about gender roles that prevent the empowerment of women (Alkire 2006; Khan and Basher 2008). People of faith who are deeply committed to their worldview and convictions may marginalize and ignore the beliefs and interests of others, including those they are intending to help (Bradley, 2009). Some faith based enterprises may also favour members of their own faith in delivering services, or offer services with pressure to convert their faith (Goody 2003; Benedetti 2006). A focus on proselytizing can distract and detract from entrepreneurial development work. When working with people of other faiths, other than Christianity, links to western imperialism / Islamic fanatical groups may pose a notable challenge to effective delivery of social values and transformation to the society (Thaut, 2009).

Mismanagement, corruption and counter accusations from rival interested parties is always a challenge when money is involved, and this can dent the image of the Faith based organizations, leading to loss of public confidence. Inadequate numbers of formally trained staff to manage entrepreneurial programmes result in ineffective delivery of services and eventual collapse of some programmes. Some Christians fear that involvement in social development can compromise the primary mission of the church, which is to spread the gospel and win souls for heaven (Mayotte 1998; Alkire 2006).

FBOs are, in addition, susceptible to pressure and conditionality from donors.
and which may contravene the FBO’s principles and approaches. Bradley (2009), Barnett and Weiss (2008) found that only small, highly idealistic humanitarian FBOs succeed in retaining their principles in the competition for funding e.g. the pacifist groups like Mennonites and Quakers. Some Governments curtail funding to FBOs because of suspected terrorist activities as happened in the USA in the wake of attacks of 11 September 2001 where the government imposed restrictions on funding from and to Islamic FBOs (Benthall & Jerome, 2003).

**Faith Based Enterprise concepts**

Even with limited empirical research, there is anecdotal and other evidence that Faith based enterprises have contributed tremendously to the growth of social entrepreneurship worldwide, for example the South west Airlines, a US air carrier and the US furniture company the Herman Miller all founded and operated on Christian values, Christiansen (2008). Kenyan examples include the Aga Khan Foundation which has ventures like the Aga Khan Hospital and Aga Khan University. Social entrepreneurship is concerned about how private, public and nonprofit sectors increasingly become interlinked to deliver social value. The social and economic values have been blended with both the profit and nonprofit organizations in order to compete for the limited donor funding with a primary objective of creating social value (Mair & Marti, 2006).

Social enterprise is value driven as it is motivated by the values and beliefs of the entrepreneur (Spear 2007). This corroborates Weber (1922) who showed how people engage in entrepreneurial activities because of their religious activities and beliefs. Spear (2007) however, argued that motivation for engaging in entrepreneurial activities could be due to the networks and organizations of religious groups rather than faith itself. In a study of Quakerism and entrepreneurship, Spear (2007) found that the motivation for entrepreneurship of the workers was more likely due to their close networks ties and institutional set up than to other religious values. The religious values review remains an important factor in determining the role of Faith based enterprises in social entrepreneurship. Generally, there is a dearth of empirical research on religion as a driver of social entrepreneurship thus perceiving more on the faith construct as its stimulant in providing strong links to legitimacy and other resources to spur social entrepreneurship (Spear 2007). Faith in social entrepreneurship is a key factor of concern for social entrepreneurship practitioners and to scholars, and since its exact impact is not known from empirical studies so far available, it creates a gap worth researching on.

Faith based organizations attest to values and principles in business performance. According to Teece (1997) values and principles as ethical behaviour are embedded within the organization as part of its culture thus promoting trusted relationships for successful management of the social enterprise and deliver a social transformation, thus impacting significantly to the spurring of social entrepreneurship. In effect, values and beliefs/ethical behaviour can be explored as strategic variables as they influence business performance (Teece et al, 1997).

Faith based organizations (FBOs) are engaged in development on humanitarian activities that explicitly
claim a religious motive (Kirmani & Zaidi, 2010). Clarke (2008) defines a faith based organization “as any organization that derives inspiration and guidance for its activities from the teachings and principles of the faith or from a particular interpretation or school of thought within that faith. These institutions are characterized by the ability to initiate various programmes/establishing social enterprises which are used in the efforts for poverty alleviation and promote social entrepreneurship (Akhtar, 1996).

Several studies provide overviews of the functioning of FBOs and the variety of approaches they take (Vidal, 2001, Clarke & Jennings, 2008). Noy (2009) tries to establish an empirically grounded synthetic framework for understanding the range of approaches to development both material and spiritual that is at play in the world today. Ndeme (2006) deals with sustainable development of Faith based enterprises in Kenya focusing on the question of measuring social enterprises as a strategy for developing the sector. The report on the involvement of Faith based organizations in the United Nations Population Fund (2008) describes the role of Faith based organizations in the administration of grants. Ivereigh (2011) points to the differing opinions on the positive roles of Faith based organizations and reiterates that religious faiths develop civic society different than secular civic society. Ivereigh’s argument probably diffuses notions of some fanatical followers like the Doomsday in Uganda or sideling others who are not of the same faith in the sharing of some social benefits such as employment.

A study by Ochanda (2012) contributes to the discourse on Faith based organizations in Kenya as silent development actors in the socio-economic welfare for example in the education, health and agriculture sectors. The role of FBOs is quite significant in education activities in some countries in sub-Saharan Africa. The total number of FBOs (Islamic Nongovernmental organizations (NGOs) providing education rose from 138 in the year 1980 to 891 in the year 2000 (Hayness, 2007). On poverty alleviation, FBOs work has ranged from charity founded on “religious precepts, such as care for widows and orphans, to large poverty alleviation programmes founded on comprehensive development, similar to the work of secular development organizations “(Tadros, 2010).

Faith based organizations’ rise to prominence since the 1990s is attributed to factors such as identity based politics, the impact of neo liberal policies on the demise of the welfare state, and the emergence of civil society organizations as service providers. A factor associated with the rise of identity politics as a contributor to the proliferation of new Faith based organizations is the role of diaspora, often based in Western Europe and North America. They have been supporting the funding and implementation of services in their countries of origin or countries sharing a religious affiliation and in the process social enterprises are started that spur social entrepreneurship.

The enduring hardship on the poor marks an increased role for Faith based organizations to fill the gap in unmet welfare needs (Clarke, 2006). In Nigeria, Marshall (1991) describes how, against the backdrop of economic adjustment policies and their impact on vulnerable groups, Pentecostal Churches (providing spiritual and material assistance) have gained popularity. Through religious fellowship,
followers have established informal faith-based initiatives to help co-religionists survive by providing spiritual support, welfare support, services for followers, financial resources, health services and support in kind Marshall (1991).

Research on Faith Based Organizations is lacking, raising the concern about how studies related to Faith based organizations should be carried out. Various methodologies are however suggested by different scholars as to how research on Faith Based activities can be managed. Stoltz (2007) has a dualism approach where he urges that the researcher isolates the paradigm of faith from the characteristics of the participants in the Faith based organizations activity. Progress calls for reconciliation between the conflicting paradigms represented by the method of study (positivism or phenomenology) and the object/construct (spirituality). Stoltz (2007) advocated that researchers use mixed method approaches such as using grounded theory based qualitative studies in order to understand the experiences of the study’s participants, or the entrepreneurs in social entrepreneurship. The constructs identified can then be used in designing qualitative studies with large samples. Nagel (2006) notes that welfare reform links religion more closely to societal and political transformation. This enables researchers to study FBOs role in societal transformations. At the macro level, research examines the interaction of FBOs and other welfare institutions such as social enterprises. At micro level, it examines the exchange of resources through its networks to determine the extent of the social value delivered.

To measure specific programmes impact, such as AIDS programme social service delivery by the NCCK requires understanding the Faith based organization’s mission and how to apply it in social service programmes. Empirical study by Wolfgang and Cleveland (2013) specified some ways for measurement as: identifying the type of religious components delivered, how much of the component was received, and the mode of delivery and manner of communication to the faith followers /social enterprise members. Data on the operations of Faith based organizations is lacking due to the minimal research undertaken so far, which may prove problematic for accumulation of consistent findings. The limited data may be attributed to reticence of Governments to collect data, and nonprofit scholars not considering religious Faith based organizations a priority research area (Wolfang & Cleveland 2013). The gap is justification for research to develop and understand the constructs involved and its impact in the spurring of social entrepreneurship by Faith based organizations.

Research designs to carry out research on Faith based enterprises include randomized sampling. Zania and Canan (2006) describe how randomized clinical controlled trials could be used to study faith-based interventions and provide a model for drug and alcohol abuse mitigation programs. Additional research designs include comparative case studies (Grettenberger, Bartkowski, & Smith, 2006), participatory research (Sinha, 2006); and using local networks as the primary unit of analysis (Campbell & Glunt, 2006). Netting, O’Connor and Yancey (2006) propose the use of grounded theory design and methods in order to identify the specific beliefs and interpretations that are presumed to be the
key to Faith based organizations programme success. A number of other complications in studies of faith-based programmes are mentioned. Grettenberger, Bartkowsk and Smith (2006), for instance, caution that selection bias may result in some faith based programmes containing primarily religious clients.

**Social entrepreneurship concepts**

Social entrepreneurship may be viewed as a process that delivers social value and development to address the social needs of the society without focus on profit. Practical ventures to support this emerging phenomenon include the global efforts of Ashoka to provide seed funding for entrepreneurs with a social vision and the Grameen Bank of Bangladesh established in 1976 to eradicate poverty and empower women in Bangladesh (Alvord et al, 2004). Local examples include the AgaKhan Foundation, and the Catholic Church which, through various enterprises such as Caritas is able to deliver critical social economic values such as education for specialized skills, health facilities, support to agriculture and recruitment of locals in employment.

The field of social entrepreneurship is relatively young with different definitions which appear not to have any consensus. Various, social entrepreneurship is presented as a new model of systemic social change (Bornstein, 2007; Nicholls, 2006), the solutions to state failures in welfare provision (Bovaird, 2006; LeGrand 2003); a new market opportunity for business (Prahalad, 2005), a model of political transformation and empowerment (Alvord, Brown & Letts, 2004; Yunus 2008); and a space for new hybrid partnerships (Austin, Gutierrez, & Ogliasti, 2006). According to Dees (1998), the concept of social entrepreneurship means different things to different people and researchers. Some empirical studies refer to social entrepreneurship as not for profit initiatives in search of alternative funding strategies, or management schemes to create social value (Austin, Stevenson, & Wei-skiller, 2003; Boschee, 1998). Another group identifies social entrepreneurship as a means to alleviate social problems for a social transformation (Alvord 2004); Ashoka Innovators, 2000). These definitions do not cover all aspects that social entrepreneurship entails, thus opening cracks for further interpretations of the synonyms this phenomenon captures. This corresponds to the contention by Low and Macmillan (1988) that definitions of entrepreneurial phenomena are hardly able to capture the whole picture.

Prabhu (1999) refers to social entrepreneurship as a process of altruism or process with initiatives aimed at making stakeholders happy. Mair and Marti (2006) disagree arguing that social entrepreneurship is often based on ethical motives and moral responsibility. (Bornstein, 1988; Cartford, 1998), note that the motives for social entrepreneurship can also include less altruistic reason such as personal fulfillment, profit motive (Schumpeter, 1934), need for achievement (McClelland, 1961) self ego and independence (Hisrich & Brush, 1984. The Faith based organizations may promote social activities not just to deliver social value but also to be able to spread the religion of the sponsoring Faith based organizations. They also seek to influence political policies by, for instance distribution of relief supplies to unexploited zones,
promotion of democracy in such zones, and trade. Mair and Marti (2006) identify the distinctive social domain of social entrepreneurship as the creative combination of resources which in most cases are sourced and used to address social problems thereby altering existing social structures for a social transformation. Notable examples here include the Grameen Bank in Bangladesh, which has changed the life of millions by extending financial services to the poor, particularly women, and assisted them to establish profitable businesses to fight poverty (Yunus, 1999). Another example is the Aravind Eye Hospital established in 1976 in India. Today, it has been replicated in several countries such as Nepal, Egypt, Malawi and Kenya, where it has impacted a social transformation by meeting the social needs of the stakeholders.

The Millennium Development Goals (MDG’s) are key social aspects targeted at solving social needs globally that inform Kenya Vision 2030. These goals include eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; and combating HIV/AIDS, malaria and other diseases. In Kenya, in the effort to implement these goals, opportunities for social entrepreneurship have arisen from unmet needs by the state such as lack of water, electricity, education equipment and medical facilities. Faith based organizations have exploited these opportunities to start socio-economic welfare activities which range from education, health to financial assistance and in-kind support to the poor, humanitarian relief in times of crisis and legal services. (Ochanda, 2012). According to a report of the United States Agency for International Development (USAID) quoted by the United Nations Population Fund (UNFPA), Faith based organizations account for 50 percent of health service provision in the Democratic Republic of the Congo, 40 percent in Kenya and Lesotho and 55 percent in Uganda (Tadros 2010).

Empirical studies by Mair and Marti (2006) find that assessing social entrepreneurship and its impact is one of the greatest challenges for practitioners and researchers in social entrepreneurship. Emerson (2003) points out that most elements of social value stand beyond measurement and quantification. This identifies a gap for this study to establish and recommend measures and quantifications of the social value elements in order to determine the impact of Faith based organizations factor in the spurring of social entrepreneurship. The concept of embeddedness, for example the value of faith in Faith based organizations enhances the opportunity recognition to promote social entrepreneurship. Uzzi, (1997); Jack and Anderson (2002); Anderson (2003) argue that it is unclear how this embeddedness impacts on social entrepreneurship. According to Mair and Marti (2006), there is a research gap to examine and determine the enabling and or constraining effects of embeddedness in social entrepreneurship. Such findings can adequately be used to understand the impact of Faith based organizations in the growth of social entrepreneurship.

Researchers Sullivan Mort, Weerawardena, and Carnegie, (2003) found that social mission is explicit and central for social entrepreneurial organizations. Other empirical studies
emphasize the role of innovation in social entrepreneurial organizations (Borins, 2000). Prabhu (1998) and Sullivan Mort (2003) identify the three entrepreneurial orientation factors of innovativeness, proactiveness and risk taking (Covin and Slevin, 1986) as central to social entrepreneurship within the constraints of environment, enterprise sustainability and its social mission in order to attain social value as its outcome.

Discussion
Limited literature exists on the effectiveness/interventions and factors that can promote social entrepreneurship by Faith based organizations. There appears to be no consensus definitions of the social entrepreneurship concept with the result that different authors analyze it differently with no common agreement. The behaviour role in the operations of Faith based organizations and its impact in social entrepreneurship needs to be evaluated as no literature exists on it. There is limited research on how Faith based organizations influence or impact in social entrepreneurship to the simultaneous growth and performance of social enterprises to deliver social value. Research is needed on the sustainability factors of Faith based organizations and social innovations to deliver social value. Empirical literature puts emphasis on the elements of environment sustainability, both internal and external, innovativeness, proactiveness and entrepreneurial orientation factors such as risk taking as instrumental variables in the efficient delivery of social values to the community by social enterprises (Weerawardena & Sullivan, 2006).

Previous research studies show that there is limited knowledge on the impact the FBOs have in Social entrepreneurship. The literature as explained identifies variables of entrepreneurial orientation, environment, faith, relationships, networking, values, motivation, leadership, legitimacy, human capital and other connections as those that may influence the performance of FBOs in social value deliveries (Weerawardena & Sullivan, 2006), Ndemo, (2006) & Christiansen, E. (2008), Tadros, (2010), Mair & Marti, (2006), Short et al, 2009).

Conclusion
The primary focus of this paper was to review the current empirical and theoretical research articles on Faith based enterprises in Social Entrepreneurship in the dual role of social good and economic development. The reviewed literature indicates there are complex unmet social needs of the society due to limited state resources. Additional sources are therefore required to fill this gap of the magnetic essence of Faith based organizations in this field. Other challenges in this area of research on Faith based enterprises impact in the infancy field of social entrepreneurship include the limited number of empirical studies; limited quantitative research and limited test hypotheses thus limited research data (Short et al, 2009).

To explore this potential research area, it is proposed that a further study be done using quantitative research assessments to determine a proper understanding of Faith based organizations performance and contributions in the delivery of social and economic development values to the society. To carry out the recommended study, this paper proposes a conceptualization and
operationalization of the social entrepreneurship components with entrepreneurial orientation, external forces and internal factors expected to influence the performance of the Faith based enterprises for effective delivery of social goods and economic development in Kenya.

Implications of the Study

The results of the study highlight the need for greater intervention by government and governmental agencies in addressing the ever present social problems through public private partnerships with the Faith based organizations as a national strategy for improved service delivery to citizens sustainably through social enterprises. A legal framework is necessary especially on building of linkages between state actors and Faith based organizations to share innovative programs and scale them up to cover the rest of the country.

The study has highlighted the critical need for Faith based organizations to scale up their enterprises and become part of the solution to many social issues facing developing countries.

References


John Paul II (1987) *Sollicitudoreisocialis*


