Exploring the Ecosystems of Social Enterprises in the Global South: A Systematic Literature Review

Ivan Steenkamp

(PhD Scholar – Final Year), UNICAF University – Zambia

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ABSTRACT

Social enterprises are increasingly promoted as instruments for addressing persistent socio-economic challenges in the Global South, particularly in contexts marked by constrained public capacity and uneven market development. Despite growing policy interest, there remains limited systematic understanding of how the broader ecosystems surrounding social enterprises shape their sustainability and developmental impact. This study examines the structural and institutional dynamics of social enterprise ecosystems in developing contexts, with particular reference to Sub-Saharan Africa. The research aims to identify the key factors influencing ecosystem coherence and to develop an analytical model explaining how institutional conditions interact to enable or constrain organisational performance.

The study adopts a structured mixed analytical approach based on a systematic review of academic and policy literature published between 2020 and 2025. Quantitative indicators drawn from secondary sources provide descriptive insights into ecosystem scale, funding patterns, and spatial distribution, while qualitative evidence from case studies and policy analyses informs interpretation of governance arrangements and coordination mechanisms. The findings indicate that social enterprise ecosystems in the Global South are frequently characterised by regulatory ambiguity, heavy dependence on short-term donor funding, limited human capital capacity, and uneven network coordination. These conditions contribute to fragmented support environments and constrain organisational sustainability and scaling.

The study concludes that ecosystem effectiveness depends less on individual entrepreneurial capacity and more on institutional alignment across policy, finance, skills development, and intermediary structures. Strengthening social enterprise ecosystems therefore requires coherent regulatory frameworks, diversified financing mechanisms, sustained investment in capacity development, and improved institutional coordination. The analytical model developed in this study provides a basis for guiding future empirical research and informing policy design aimed at fostering inclusive and sustainable ecosystem development.

Keywords: social enterprises; ecosystem development; Global South; institutional governance; inclusive development

INTRODUCTION

Background

Social enterprises have become increasingly visible in development policy and academic debates across the Global South. Positioned as hybrid organisations that pursue social objectives through market-based activities, social enterprises are expected to address persistent socio-economic challenges such as unemployment, service delivery gaps, environmental sustainability, and social exclusion. Governments, donors, and international development agencies increasingly frame social enterprises as flexible complements to constrained public sectors and imperfect markets. This growing interest reflects wider shifts towards entrepreneurial and market-oriented development approaches.

At the same time, the institutional environments in which social enterprises operate remain uneven and often unstable. Many developing economies are characterised by fragmented regulatory systems, limited access to finance, weak inter-organisational coordination, and strong dependence on donor funding. These structural conditions shape not only the performance of individual social enterprises but also the broader ecosystems that support their emergence and sustainability. Understanding how these ecosystems function is therefore critical for assessing the developmental potential of social enterprises in the Global South.

Recent scholarship has increasingly adopted an ecosystem perspective, focusing on networks of actors, policies, intermediaries, and resource flows that shape entrepreneurial activity. While this perspective provides useful systemic insights, much of its conceptual framing originates in Global North contexts where institutional arrangements are comparatively stable. There is growing recognition that ecosystem models require contextual adaptation to reflect the political, regulatory, and socio-economic realities of developing countries (Muñoz et al., 2023; Theodoraki et al., 2022).

Problem Statement

Despite the expanding role of social enterprises in development strategies, there remains limited systematic understanding of how social enterprise ecosystems operate in Global South contexts. Existing research often prioritises organisational-level analysis while paying insufficient attention to the institutional, governance, and coordination dynamics that shape ecosystem performance. As a result, policy interventions frequently focus on isolated support mechanisms rather than addressing systemic constraints such as policy incoherence, financing instability, and weak institutional alignment.

This gap constrains evidence-based policymaking and limits the effectiveness of ecosystem development initiatives. Without clearer analytical models linking institutional conditions to ecosystem outcomes, interventions risk reinforcing fragmentation and dependency rather than fostering sustainable and inclusive development trajectories.

Research Objectives

The objectives of this study are to examine the structural characteristics of social enterprise ecosystems in the Global South, to analyse the institutional and governance factors influencing ecosystem performance, to develop an analytical model explaining how policy environments, financing mechanisms, human capital, and networks interact to shape outcomes, and to derive practical implications for strengthening ecosystem coherence and sustainability.

Research Questions

The study addresses the following research questions. What are the defining features of social enterprise ecosystems in the Global South? How do institutional and governance conditions influence ecosystem effectiveness? Which factors most strongly enable or constrain the sustainability and scaling of social enterprises within these ecosystems?

LITERATURE REVIEW

Social Enterprise Ecosystems in Emerging Contexts

Recent literature increasingly conceptualises social enterprises as embedded within interconnected systems comprising government agencies, donors, intermediaries, educational institutions, investors, and community actors. Ecosystem approaches highlight relational dynamics, resource circulation, and institutional coordination rather than isolated organisational performance (Roundy & Fayard, 2020; Theodoraki et al., 2022). Empirical studies from the Global South, however, consistently report ecosystem fragmentation, uneven geographic distribution of support infrastructure, and heavy reliance on external funding (Littlewood & Holt, 2022; Muñoz et al., 2023).

Donor influence remains a defining feature of many ecosystems. Although donor funding enables experimentation and early-stage capacity building, it also introduces volatility and short planning horizons.

Several studies argue that donor-driven programming can unintentionally weaken institutional learning and local ownership, particularly where domestic policy frameworks remain underdeveloped (Mair et al., 2021).

Governance, Institutions, and Development

Contemporary development scholarship emphasises the central role of governance arrangements in shaping development outcomes. Governance structures influence how resources are allocated, how legitimacy is constructed, and how accountability mechanisms operate across development systems (Hickey et al., 2022). Institutional complexity, overlapping mandates, and policy inconsistency frequently undermine the effectiveness of development interventions, particularly in transitional or fragile institutional environments (Schöneberg et al., 2023).

Applied to social enterprise ecosystems, governance perspectives suggest that ecosystem performance depends less on the presence of individual support instruments and more on how institutional arrangements align across policy, finance, education, and civil society sectors. Weak institutional coordination limits the capacity of ecosystems to generate cumulative learning and long-term sustainability.

Analytical Model

The analytical model developed in this study conceptualises social enterprise ecosystem performance as an outcome of dynamic interactions between institutional conditions and organisational capabilities. The model integrates insights from ecosystem theory and governance scholarship by focusing on four interrelated domains: regulatory environment, financing architecture, human capital development, and network coordination.

The regulatory environment refers to the clarity, consistency, and enforceability of legal frameworks governing social enterprises. Regulatory certainty influences organisational legitimacy, access to formal markets, and investor confidence. Financing architecture encompasses the diversity, stability, and accessibility of funding sources, including grants, concessional finance, impact investment, and public procurement mechanisms. Human capital development captures the availability of managerial skills, sector-specific expertise, and institutional learning capacity. Network coordination reflects the density and quality of relationships among ecosystem actors, including intermediaries, universities, and policy agencies.

These domains interact to shape ecosystem coherence, defined as the degree of alignment among institutional arrangements, resource flows, and learning mechanisms. High coherence supports organisational sustainability and scaling, while misalignment generates fragmentation and inefficiency.

The model assumes feedback effects whereby organisational outcomes influence institutional learning and policy adaptation over time (Muñoz et al., 2023; Kerlin et al., 2021).

Theoretical Framework

The theoretical framework draws on institutional theory and governance theory. Institutional theory emphasises that organisational behaviour is shaped by formal rules, informal norms, and power relations embedded within social systems. Governance theory highlights coordination mechanisms, inter-organisational relationships, and accountability structures that regulate collective action. Together, these perspectives enable analysis of ecosystem dynamics beyond market-based explanations and foreground the political and administrative dimensions of development systems (Hickey et al., 2022).

RESEARCH METHODOLOGY

Introduction to the Research Framework

The study adopts a structured mixed analytical design centred on a systematic review of literature published between 2020 and 2025. The design integrates qualitative thematic synthesis with conceptual hypothesis testing to identify recurring relationships across empirical contexts. This approach enables analytical generalisation while recognising contextual variation.

1.1 Quantitative Data

Quantitative data referenced in the reviewed studies include indicators such as enterprise density, funding volumes, employment generation, survival rates, and geographic distribution of ecosystem infrastructure. Several large-scale datasets compiled by development agencies and national statistical offices provide macro-level insight into ecosystem scale and growth trends. For example, recent studies report significant spatial clustering of support infrastructure in metropolitan regions, reinforcing regional inequality patterns (Littlewood & Holt, 2022). Funding data reveal high dependence on short-term donor grants, with limited penetration of blended finance mechanisms (Muñoz et al., 2023).

These quantitative indicators are used descriptively to contextualise ecosystem patterns rather than for inferential statistical modelling. They support comparative interpretation across countries and sectors while acknowledging data quality limitations in developing contexts.

Qualitative Data

Qualitative evidence includes case studies, interview-based research, policy evaluations, and organisational ethnographies reported in recent literature. These sources provide insight into stakeholder perceptions, coordination challenges, regulatory ambiguity, and learning processes. Qualitative findings illuminate how actors navigate institutional voids, negotiate donor expectations, and build informal coordination mechanisms in the absence of strong policy alignment (Mair et al., 2021; Schöneberg et al., 2023).

Secondary Data

Secondary data sources include peer-reviewed journal articles, policy reports, programme evaluations, and national strategy documents published between 2020 and 2025. Inclusion criteria prioritised methodological transparency, empirical grounding, and relevance to Global South contexts. Secondary data allow triangulation across institutional levels and support cross-contextual synthesis.

Conceptual Framework

The conceptual framework operationalises the analytical model by linking institutional domains to observable ecosystem outcomes. Regulatory clarity influences organisational legitimacy and market access. Financing stability shapes investment horizons and organisational risk tolerance. Human capital availability affects management capacity, innovation potential, and institutional learning. Network density facilitates information exchange, collective problem-solving, and resource mobilisation.

These mechanisms collectively influence ecosystem coherence, which mediates the relationship between institutional arrangements and developmental outcomes such as employment creation, service delivery coverage, and organisational sustainability.

Hypothesis Development and Testing

Based on the analytical model, the following hypotheses guide the synthesis:

H1: Clear and consistent policy frameworks are positively associated with ecosystem coherence.
H2: Dependence on short-term donor funding is negatively associated with ecosystem sustainability.
H3: Strong intermediary networks moderate the negative effects of regulatory uncertainty.
H4: Human capital availability positively influences organisational scaling and resilience.

Hypotheses are examined through systematic comparison of empirical findings across the reviewed studies rather than through primary statistical testing.

Methodological Conclusion

The methodological design enables theory-informed synthesis while maintaining empirical grounding. Combining quantitative contextual indicators with qualitative institutional analysis strengthens interpretive robustness.

FINDINGS AND ANALYSIS

The literature consistently indicates that regulatory ambiguity constrains ecosystem development. Where legal recognition frameworks remain unclear, social enterprises face restricted access to procurement markets and formal finance, limiting growth potential (Kerlin et al., 2021). Ecosystems with clearer regulatory pathways exhibit stronger institutional participation and coordination.

Financing structures remain dominated by donor funding, producing volatility and limiting long-term investment horizons. Ecosystems with emerging blended finance mechanisms demonstrate greater organisational resilience (Muñoz et al., 2023).

Human capital shortages persist, particularly in financial management, governance, and impact measurement. Skills gaps increase reliance on external consultants and undermine institutional learning capacity.

Network density varies substantially. Strong intermediaries improve coordination, knowledge diffusion, and collective problem-solving (Theodoraki et al., 2022).

Weak networks reinforce fragmentation and exclusion. Overall, findings support all four hypotheses and highlight institutional alignment as the central determinant of ecosystem effectiveness.

CONCLUSIONS AND RECOMMENDATIONS

This study demonstrates that social enterprise ecosystems in the Global South are shaped primarily by institutional and governance conditions rather than entrepreneurial capacity alone. Fragmented policy frameworks, unstable financing structures, skills shortages, and weak coordination constrain ecosystem coherence and limit developmental impact.

Policy reforms should prioritise legal recognition frameworks, integrated financing strategies, and sustained investment in intermediary capacity. Donor programmes should align more closely with long-term institutional development objectives. Universities and training institutions should strengthen specialised curricula supporting hybrid organisational management.

Future research should deepen longitudinal and comparative analysis of ecosystem evolution and institutional learning dynamics.

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