

# Social Entrepreneurship: issues and trends

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## Abstract

An aim of this abstract is to investigate phenomenon of social entrepreneurship. It takes into consideration its establishment factors, history of development, types of entrepreneurial activity that might be classified as social entrepreneurship; points most successful young entrepreneurs during recent years, gives examples of NGO foundations and awards established to underline success in this area of business. Second part of the abstract analyse issues and trends of social entrepreneurship activity in Latvia, based on the Latvian inhabitants survey and their attitude to this field of societal and business activity.

*Keywords:* social entrepreneurship, NGO, foundation, non-profit

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## 1 Introduction

According to the Maslow's pyramid human beings are ready to share their resources and gained knowledge when they reach esteem and self-actualization level, the highest in the hierarchy. Only when others, more primary needs are satisfied, humanity is able to respect others, to share skills with them, to solve problems, to accept and support those not similar to them. It seems obvious the development of our civilization reached this level at the beginning of the 21<sup>st</sup> century as concept of social entrepreneurship is popular than ever before. The idea when profit is gained it is possible and even desirable to share received contribution with others took minds of the progressive people from many countries. Every year grows amount of NGO – non government organizations, associations, foundations and private companies which announces themselves as belonging to social entrepreneurship and supporting other companies involved in this area of a business. It is officially admitted already that social entrepreneurship doesn't matter nonprofit or voluntary activity, it is possible and acceptable to gain profit and to remain socially active and beneficial at the same time. Legislation of the countries should be changed altogether with an approach to taxation and other evaluation of this field of the business. Latvia also remains as an area where social entrepreneurial activity takes place and amount of involved organizations grows annually. The aim of this abstract is to investigate both issues and trends of social entrepreneurship in Latvia and abroad.

## 2 Definition, types, representatives

Social entrepreneurship is the attempt to draw upon business techniques to find solutions to social problems. Conventional entrepreneurs typically measure performance in profit and return, but social entrepreneurs also take into account a positive return to society. Social entrepreneurship typically attempts to further broad social, cultural, and environmental goals are often associated with the voluntary sector [1].

Ashoka, the largest network of social entrepreneurship

worldwide, has following vision on social entrepreneurship and its role in the modern society: "Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution and persuading entire societies to move in different directions. Social entrepreneurs often seem to be possessed by their ideas, committing their lives to changing the direction of their field. They are visionaries, but also realists, and are ultimately concerned with the practical implementation of their vision above all else. Social entrepreneurs present user-friendly, understandable and ethical ideas that engage widespread support in order to maximize the number of citizens that will stand up, seize their idea and implement it. Leading social entrepreneurs are mass recruiters of local change makers – role models providing that citizens who channel their ideas into action can do almost anything" [2].

Types of social entrepreneurship:

1. *The Leveraged Non-Profit:* This business model leverages resources in order to respond to social needs. Leveraged non-profits make innovative use of available funds, in order to impact a need. These leveraged non-profits are more traditional ways of dealing with issues, though are distinguished by their innovative approaches.

2. *The Hybrid Non-Profit:* This organizational structure can take on a variety of forms, but is distinctive because the hybrid non-profit is willing to use profit to sustain its operations. Hybrid non-profits are often created to deal with government or market failures, as they generate revenue to sustain the operation outside of loans, grants, and other forms of traditional funding.

3. *The Social Business Venture:* These models are set up as businesses designed to create change through social means. Social business ventures evolved through a lack of funding - social entrepreneurs in this situation were forced to become for-profit ventures. In places like the United States, this model is friendly to environmental entrepreneurs,

due to the available market opportunities [3].

There are following historical examples of social entrepreneurs known in the society:

1. Susan B. Anthony, US, fought for women's rights in the US.

2. Dr. Maria Montessori, Italy, developed the Montessori approach to early childhood education.

3. Florence Nightingale, UK, founder of modern nursing, established the first school for nurses and fought to improve hospital conditions.

4. John Muir, US, naturalist and conservationist, established the National Park System.

5. Jean Monnet, France, was responsible for the reconstruction of the French economy following the WW II [3].

Going back to the present days, there are following young social entrepreneurs with the brightest future, mentioned by the Forbes (just some most impressive examples).

1. Hugh Evans, 29, launched The Global Poverty Project in 2008, which is committed to ending extreme poverty conducted by various actions online – such as tweeting about poverty or watching educational videos – what allowed to earn points that could be redeemed for tickets.

2. Jason Aramburu, 27. He uses biochar to help farmers in East Africa fight climate change and grow more food. Biochar is made from crop and animal waste; for a \$60 investment, a farmer saves \$200 annually, boosts crop yield 26%, and reduced chemical fertilizer consumption by 80%.

3. Simone Bernstein, 20, and her brother Jake, 18, created a website that listed all the volunteer opportunities for teens. This led to launching a national website, [volunTEENnation.org](http://volunTEENnation.org), with roughly 7500 young followers and this number continues growing [4].

In total, Forbes mentions about 30 of young entrepreneurs who established their business with large social contribution in US. However, social entrepreneurship has a long time tradition in Europe as well. In 2013, by the support of the European Commission the portal with the aim to join social entrepreneurs was established: SEE, Social Enterprising Europe. It joins more than 50 social businesses across the Europe from following countries: Switzerland, Spain, Belgium, the UK, Italy, Former Yugoslav Republic of Macedonia. On the website, [Socialbiz.eu](http://Socialbiz.eu), which is a part of the project, both with holding conferences and other events for social entrepreneurs is possible to find also the list of the organizations that can help to the social entrepreneurs to make their first steps. There is information about different foundations, supporting this area of business, such as:

1. The Skoll Foundation ([www.skollfoundation.org](http://www.skollfoundation.org)), benefits communities around the world by investing in, connecting and celebrating social entrepreneurs. The Foundation has awards programs and presents their recipients on its website.

2. The Schwab Foundation ([www.schwabfound.org](http://www.schwabfound.org)), provides unparalleled platforms at the regional and global level to highlight and advance leading models of social business.

3. Ashoka ([www.ashoka.org](http://www.ashoka.org)), a global organization that identifies and invests in leading social entrepreneurs – individuals with innovative and practical ideas for solving social challenges.

4. Grameen Foundation ([www.grameenfoundation.org](http://www.grameenfoundation.org)), helps the world's poorest, especially women, gain access to financial services, life-changing information and unique business opportunities.

5. NEF ([www.neweconomics.org](http://www.neweconomics.org)), the new economics foundation is an independent think-and-do tank that inspires and demonstrates real economic well-being.

### 3 Resources

There are also useful resources, such as networks and websites established in order to support social entrepreneurship in Europe:

1. Technet ([www.technet-berlin.de](http://www.technet-berlin.de)) A network of people engaged in regional and local development in technology, employment and development (in German).

2. EMES ([www.emes.net](http://www.emes.net)) A network of researchers and graduate students on social entrepreneurship.

3. Le Mat ([www.lemat.coop](http://www.lemat.coop)) A social brand to promote social tourism.

4. European Network (<http://european-network.de/englisch/aims.htm>) European Network for Economic Self-Help and Local Development.

5. European Commission ([http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)) Page of the European Commission on Social Entrepreneurship [5].

Social entrepreneurs and their initiatives can be also awarded by the following worldwide recognized awards:

1. The Global Social Venture Competition ([www.gsvc.org](http://www.gsvc.org)) G SVC is the biggest worldwide competition of social business planning, and it is organized by national chapters.

2. Brookes University Social Entrepreneurship Award (<http://www.brookes.ac.uk/business-and-employers/social-entrepreneur-awards/>) An award for social entrepreneurs from Brookes University, UK.

Social economy in Europe is a large part of the business. Today, the social economy represents 10% of all European businesses and employs over 11 million paid employees. However, the social business is united under the most common challenge, which is: funding. Because of their unique mix of social goals and business techniques, banks and other financial intermediaries are often unfamiliar with the needs of social businesses or have difficulty in assessing the risk of investment. The European commission fully understands the gap between the needs of the social entrepreneurs and limited funding possibilities. There are two main challenges focusing the funding of the social entrepreneurs:

1. Funds dedicated to investing in social business can be costly and difficult to set up and gather investments

2. Funds which concentrate on investing in social businesses are not always easy to identify or distinguish from other funds, and it can be confusing for investors to compare the advantages of different funds or working out how effective a particular investment might be in supporting social businesses.

That is why it was proposed by the European Commission to invent a recognized brand for social entrepreneurship funds: European Social Entrepreneurship Funds. Funds that market themselves using this brand would

have to invest at least 70% of their money in social businesses. With this label, investors will know that the majority of their investment is going into social businesses. In addition, the common EU-wide brand will make it much easier for investors throughout the EU to locate these funds. European Social Entrepreneurship Funds will also act as a passport. Once a fund has provided the required information and follows some key requirements on how to organise and conduct themselves, it would have the right to gather investments from investors across the whole EU without incurring major costs. They would be supervised – to ensure they follow the rules – by the authorities in the Member State where they are based. These funds would provide new opportunities for private individuals and professional financial services investors to help fund social businesses, adding to support already available from funds, banks and public bodies. It is prospected that following benefits will be available both for social business representatives, professional investors and investment managers:

1. Social businesses will get easier access to private finance, helping support their growth. This will benefit many ordinary citizens: creating inclusive and sustainable jobs and growth across Europe.

2. Professional investors will find it easier to identify and choose funds that are targeting investments in social businesses (European Social Entrepreneurship Funds).

3. Investment fund managers will find it less costly and complex to raise funds, including cross-border, and will find it easier to distinguish their social entrepreneurship funds from other kinds of funds [6].

European Social Entrepreneurship Funds was established in 2013 and is starting its activity with the aim to offer its services to the entrepreneurs across the Europe.

#### 4 Trends

As is seen, most of the startups are building basing on the usage of modern internet technologies. The Internet and social networking websites have been pivotal resources for the success and collaboration of many social entrepreneurs. In the twenty-first century, the Internet has become especially useful in disseminating information in short amounts of time. In addition to this, the Internet allows for the pooling of design resources using open source principles. These media allow ideas to be heard by broader audiences, help networks and investors to develop globally, and to achieve their goals with little or no start-up capital. For example, the rise of open-source appropriate technology as a sustainable development paradigm enables people all over the world to collaborate on solving local problems just as open source software development leverages collaboration [1].

Some trends for the next 10 years, what should be expected by the social entrepreneurship:

1. Commerce as a way of combating poverty. Customers do care about sustainability. Startups, business incubators, deals as “buy one give one” to drive sales and do good at the same time. On third of the global consumer class, according to BBMG report [7] love shopping (78%) at the same time with their readiness to act in the best interest of the society (58%).

2. Crowdfunding – highly preferred choice by the

entrepreneurs to start their business. Examples: Kickstarter, Indiegogo and others. Funds raised by this manner give entrepreneurs better flexibility and freedom to build their start ups on the way they want, comparing to the strict bank limitations.

3. Data, its gathering and analysis is extremely important nowadays. Easiness of the tools, communication and services offered by Google Analytics, Facebook, Twitter, CRM data bases. Marketing and other data help to take better decisions and should be analyzed daily. Many more data digging resources will arrive to the market soon. Many of them will get funds using crowdfunding resources.

4. Transparency is especially important for the social business as its part should be dedicated to give a benefit for a wide public, and the public want to see where it goes and how.

5. Crowd brainstorming, possible online or as voluntary meetings, when people joined by one common idea get together to discuss it with further impact on its implementation. Is also known as “Hackathons”, as HackEd, organized by Facebook group of 150 people who got together to create an app to help people to get into and stay at a college.

6. Visual marketing attracts people as is a part of entertainment by itself. People nowadays are more responsive on pictures than a text. Excellent example – Ice Bucket Challenge.

7. Design when many gadgets have similar functions plays success driving role.

#### 5 Social entrepreneurship aspects in Latvia

The concept of social entrepreneurship in Latvia is still under development, therefore we have a unique opportunity to build it exactly the way we need it. This statement is a quota from the mission of „Sabiedriskās politikas centrs PROVIDUS”, founders of the online portal socialauzņēmējdarbiba.lv, foundation of social entrepreneurship support in Latvia. The foundation supposes there should be following requirements to social entrepreneurs in Latvia:

1. The company's goal is to address socially important problems, creating measurable and useful benefits to the public.

2. Activities of social enterprise are organized according to commercial practice - creating goods and providing services in the market.

3. Social enterprise profits are channeled to achieve social goals, business development or to build reserve fund.

4. Employees must receive adequate and appropriate salary for their work.

5. Management methods and ownership of social entrepreneurship relies on democratic and participatory principles - corporate governance may consist of employees and stakeholders

6. A company can only get special social entrepreneurship status if it meets all of the characteristics and features in this list [8].

The foundation also supports „Labas Gribas” (Good Will) award of social entrepreneurship company of the year, social foundation RH3 is the winner of the year 2014. Other social entrepreneurship companies, supported by this

foundation, are porcelain mugs producers JŪHŪ, educational portal MAMMAMUNTETIM.LV, “Žēlsirdības māja” - home for young people for disabilities, HOPP – tricycles for people with disabilities. The foundation provides and supports seminars where is also described how social entrepreneurs can get support from the EU ERASMUS + lifelong program.

A legal framework for social entrepreneurship in Latvia has to be created so as to not only support establishment of new social enterprises, but also to help successfully expand the already existing ones.

Other programs and foundations that support social entrepreneurship in Latvia:

Baltic sea countries joint program INTERREG, <http://www.centralbaltic.eu/>

1. Programs of Society Integration Foundation, as Non-government organizations project support program (2009-2014), dedicated to micro projects

[http://www.sif.lv/index.php?option=com\\_content&view=article&id=9418&Itemid=121&lang=lv#seminari](http://www.sif.lv/index.php?option=com_content&view=article&id=9418&Itemid=121&lang=lv#seminari).

2. Programs of Society Integration Foundation, as Non government organisations co-finance program 2014-2016 .[http://www.sif.lv/index.php?option=com\\_content&view=category&id=389&Itemid=127](http://www.sif.lv/index.php?option=com_content&view=category&id=389&Itemid=127)

3. Riga City Council department of education, culture and sport program <http://www.iksd.riga.lv/public/40972.html>.

4. Association of Women with disabilities “Aspazija” in association with Terev foundation <http://aspazija.lv/jaunumi>.

There are also other non-governmental organizations, foundations and societies that support social entrepreneurship in Latvia. Some of them can be sponsored by private persons, companies and even agencies of other, non EU countries, such as NEW D(o)or initiative, whose main sponsor in The Jewish Agency For Israel. The project is a school for social entrepreneurs and actively operates already 2 years in Latvia (www.newdoor.lv), [9].

Regarding to the fact that interest to social entrepreneurship in Latvia grows together with growing interest to this area of Business in other countries of the world, there was a research provided by the marketing agency „Latvijas Fakti” in 2011, with following results:

- 87 % of the survey participants have experience of participating in social activities (more than 800 people of totally 1000 surveyed)
- People in Latvia dedicate themselves to charity with a pleasure. 39% regularly make donations with a help of phone calls, the same 39% by putting donations in the donation boxes in supermarkets, 20% - by giving food to poor people, 17% donate to special charity organizations (as [ziedot.lv](http://ziedot.lv))
- 16% of the surveyed participate in different groups

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according to their interests (chorus, dance club etc.)

- 13% of the surveyed believe in God and regularly attend temples (are parishioners)
- 7% are members of other organizations.

The survey results show wiliness of Latvian people to dedicate themselves to charity and that they are ready to support projects of social life, they like to become members of the group and they donate easily. Moreover, 13% of them have volunteering experience in different projects or events. When they participate in social activities they do it gladly because:

- 29% found this way of time spending useful
- It improves general feeling of comfort for 25%
- It helps to get new contacts for 25%
- And new information for 20%
- It help to improve their professional skills for 15% of the surveyed.

19% of the surveyed said they would like to join any group which is beneficial for the society within the next year. Key factors, according to the research that would facilitate participation in the foundation, association or society are following;

- 36% mention interesting events
- 26% are interested to improve their skills and to gain new knowledge
- 23% would like to help people or their local community
- It's important that 21% of the surveyed who would like to participate in social events have high income.
- Fields of social entrepreneurial activity that Latvian people would like to support could be following:
- Environmental protection could be supported by 47% of Latvian inhabitants
- Quality and accessibility of social services – could be supported by 31%
- Protection of human rights – by 31% as well
- Development of regional community would be highly evaluated by 28% of Latvian inhabitants [10].

## 6 Conclusions

The financial crisis unleashed economic fear throughout Europe bringing high unemployment rates, increasing poverty and widening social gap. The pressing economic situation demands a new way of thinking and developing instruments which will bring both prosperity and social welfare and cohesion.

However the level of trust in Latvia to non-governmental organizations is low. Foundations are trusted only by 20% and not trusted by 32%. This means there must be a lot of work on further dissemination of social entrepreneurship ideas and its promotion in Latvia, both on the level of NGO and the state.

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