

SOCIAL SCIENCES

SOCIAL ENTREPRENEURSHIP AND ITS DEVELOPMENT POSSIBILITIES

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Abstract. Social entrepreneurship promotes not only business development but also social and economic processes in the country. This means investing not only in economic development, but also reducing social problems in parallel. The aim of the study is to assess the role of social entrepreneurship in the social and economic context. The most important novelty of the study may be the assessment of the possibilities of development of social entrepreneurship in Latvia, updating the main aspects of its provision.

Key words: economy, entrepreneurship, social enterprise, social entrepreneurship, social innovations.

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Introduction

Topicality of the research is based on the fact that today social entrepreneurship not only facilitates development of entrepreneurship, but mostly reduces society's social problems related to poverty alleviation helping people who lack social protection. Solving the mentioned issues, wellbeing level of society improves, which is a significant factor in the context of ensuring state's development.

The main aim of social entrepreneurship is to solve social problems, therefore, to reach the goal it is crucial to involve socially sensitive groups of society in social entrepreneurship. Social entrepreneurship facilitates not only development of entrepreneurship, but also social and economic processes in the country. It means not only contribution into economic development, but also concurrently social problems are solved.

The goal of the research is to evaluate the importance of social entrepreneurship in social and economic context.

Research methods: monographic method, logical and constructive method, analysis method, comparative method for opinions and conceptions.

As the most important **novelty** of the research can be emphasized the evaluation of development opportunities of social entrepreneurship in Latvia, raising the main aspects of ensuring it.

Concept of Social Entrepreneurship and its Essence

Nowadays social entrepreneurship is raised as a process when goods are produced or services are provided with an aim to solve social problems thus ensuring a certain benefit for a society. In contrast to traditional entrepreneurship, social entrepreneurship is not positioned to gaining maximum profit. Consequently, it is important to emphasize that types, forms, goods, services of social entrepreneurship can be very different, namely, social enterprises can be big, small, international, local, however, they have a united desire to create high social added value, using business methods applied nowadays.

The concept of social entrepreneurship has not been defined unambiguously, as there is no single definition neither in Europe nor in the world, answering a question – what social entrepreneurship is. The authors emphasize that problems arise due to lack of single understanding of precise social entrepreneurship boundaries: entrepreneurship or social goals. To classify the concept of social entrepreneurship, 3 elements are put forward: process (social entrepreneurship); business unit (social enterprise); individual (social entrepreneur).

It should be emphasized that if social entrepreneurship describes a process, then a social enterprise is a specific type of entrepreneurship. The opinion of the authors conforms to the definition of a social enterprise by B.Gidron, that it is an organization which pursues a social task using market mechanisms (*Gidron et al., 2017*). This definition consists of 3 dimensions:

- 1) Economic and business dimension, proving that a company carries our commercial activities, selling goods or services and competing in the market;
- 2) Social dimension, which is related to contribution into society;
- 3) Participation dimension, ensuring manifestation of community's proprietorship.

In the concept of 'social entrepreneur', the greatest accent lies on an individual or group of individuals who found an enterprise and skills they have. The authors agree with a definition elaborated by L.Dobele – a social entrepreneur is a socially and ethically motivated person who while doing business solves the social and economic problems and creates positive changes within a society (*Dobele, 2013*).

In general, social enterprises differ from other organizations, such as non-profit, non-government, charity or philanthropic organizations in the fact that social enterprises have to directly evaluate a social need using their products or services, what separates them from other social institutions. However, it is emphasized that several social enterprises believe their goals to be social, whereas they are more motivated to gain profit (*Galvin et al., 2015*).

In literature sources, interpretations of social entrepreneurship and social enterprise differ. Some believe that they are interrelated, irrespective of whether the whole profit is invested in development of a company or not (K. Conney). Nevertheless, it is deemed that profit should not be the main factor of social entrepreneurship (A. M. Peredo).

The authors of the research agree with the view that a social enterprise may differ from social entrepreneurship if a social enterprise's goal is just to generate profit instead of solving social problems. However, if a social enterprise benefits the unprotected part of society then profit factor has no significant importance.

Development of Social Entrepreneurship

The beginnings of social entrepreneurship can be traced back already to the 17th century, but initially its activity was procrastinated. Development of social entrepreneurship is divided into three periods (Figure 1):

1) **Philanthropy period (18th – beginning of the 20th century).** Manifestation of the activity can be observed in philanthropy and in the religious movement. The development of the open market promoted its rise. The most famous representatives of this period are R. Owen, F. Nightingale, and H. Durant. Industrialisation and the development of the open market promoted formation of social entrepreneurship, which facilitated the establishment of welfare for a particular society’s part, as well as the rise of poverty. In this period organisations did not have the condition to gain profit.

2) **Global Social Movements period (50s to early 90s of the 20th century).** The development of society gave rise to social and political movements that protected the rights of vulnerable groups of society. In this period the concepts of “social entrepreneurship” and “social enterprise” are used for the first time. Its primary representatives are considered to be J. Durand, M. Silbert, etc.

3) **Social Entrepreneurship period (from early 90s until today).** New business methods are employed in solving social and economic problems. The most famous representatives are M. Yunus, M. Young, etc. (Dobele, 2013).

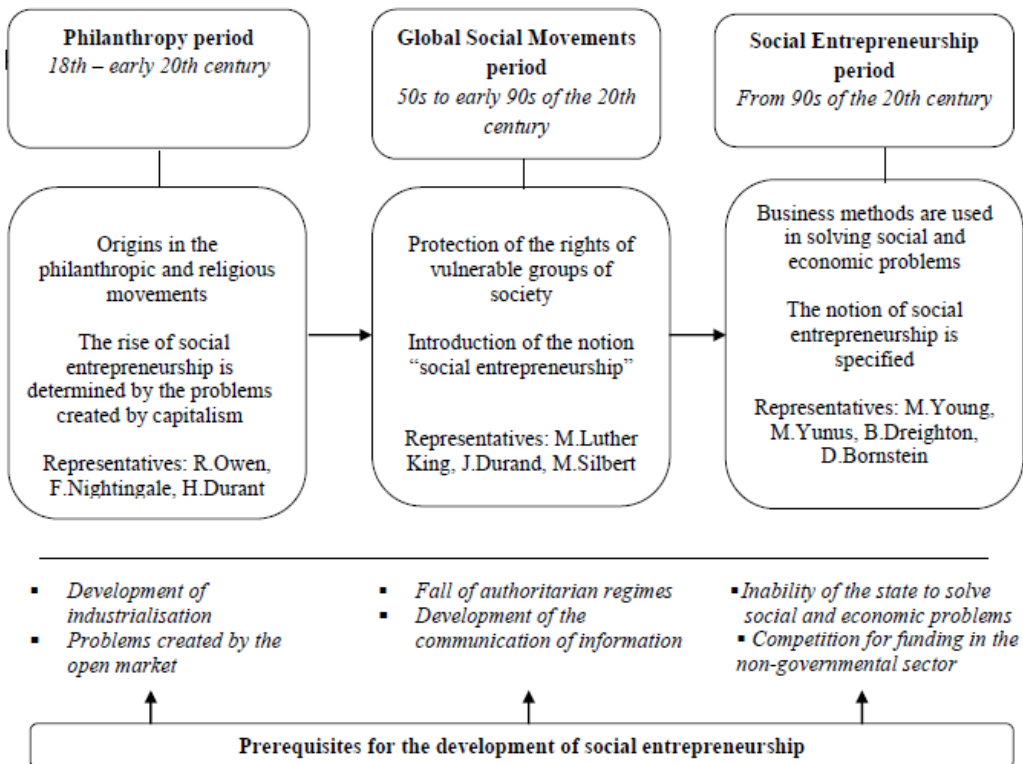


Fig. 1. Prerequisites for the Development of Social Entrepreneurship
 Source: created by the authors according to (Dobele, 2013)

The authors conclude that social entrepreneurship was already important in the 18th century, but the activity did not have a specific definition, which was introduced in the 20th century. Overall, we can conclude that social entrepreneurship plays a significant role in solving social, economic and political problems. Thus, such scientists as M. Yunus, M. Parke-Follett, etc. gave a significant contribution into the study of social entrepreneurship.

It is necessary to stress that the concept of social entrepreneurship becomes current in 2006 when Bangladeshi economist Muhammad Yunus and the Grameen Bank he had founded received the Nobel Peace Prize. The bank has been providing microcredits to poor residents and investing its profits into development of the organisation since 1983 (Kalve, 2012). M. Yunus has defined 7 primary principles of social entrepreneurship (Grameen Health Care Services Ltd., 2011):

- 1) The goal of social entrepreneurship is not to gain profit but to mitigate some social problem;
- 2) Financial and economic sustainability;
- 3) Investors receive back their investment only, without additional interest;
- 4) When the initial investment is paid off, company profits are used for its development;
- 5) Responsibility towards the environment;
- 6) Employees receive wages corresponding to the labour market and good working conditions;
- 7) Do the job with pleasure.

It should be emphasized that social entrepreneurship not only has basic principles, which determine its operation, but also basic criteria, which are used to determine what social entrepreneurship is not, and these are as follows (Prindulis, 2018):

- Social entrepreneurship is not a traditional company where the activities of social corporate responsibility take place. For example, an educational programme implemented by a bank is not social entrepreneurship unless it is implemented and performed in the form of a separate, individual, financially and substantially independent company;
- Social entrepreneurship is not charity where something is donated or given for free. This can only be done if based on a sustainable business model, in the framework of which it generates income fully or partially covering the activities of the charity;
- Social entrepreneurship is not state or municipal social aid activities.

Figure 2 reflects the basic criteria for the identification of a social enterprise.

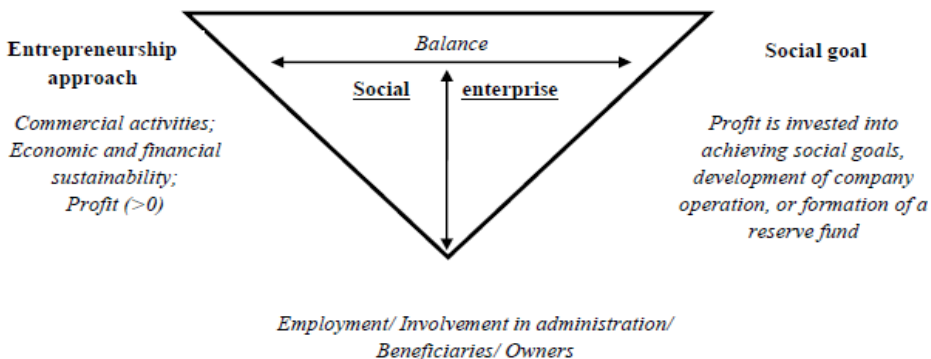


Fig. 2. Basic Criteria for Identifying a Social Enterprise

Source: created by the authors according to (Dobele, 2015)

The authors conclude that all three basic criteria are interrelated and complement one another. A social enterprise could not exist without any of these criteria. Overall, the authors of the paper agree with the opinion that the goals of social entrepreneurship and social enterprise activity and operation process help solve social and environmental problems, reduce poverty as well as help socially vulnerable and weak people. Thus, solving these social problems promotes the improvement of welfare in the state.

Importance of Social Entrepreneurship in the Social and Economic Context

Nowadays social entrepreneurship is important in the social and economic context since not only does it promote the development of entrepreneurship but also mitigates social problems. The innovation factor is important to any form of entrepreneurship. Thus, the authors believe that social entrepreneurship and social innovation are closely interrelated and complement each other. The authors agree with the opinion that social innovation is a new form of thinking, which makes to reflect on common interests and development of society, and these should become a part of the new culture's components to introduce significant social changes; but to achieve this, it is necessary to initiate social activity among people (*Howaldt et al., 2016*).

Social innovation, although it is not a direct form of social entrepreneurship, cannot ensure full achievement of the goals set without social entrepreneurship by its side – such form of business activity where social goals and objectives are a priority. Thus, social entrepreneurs and their companies play a crucial role, which is why we have to agree with the theses summarised below (*Laizāns*):

- A social entrepreneur is believed to be one of the most important sources of social innovation.
- Social entrepreneurs are those who find resources that have not yet been used to the full – people, buildings, equipment – and through their ability they achieve that these resources start fulfilling some social function the society (municipality) needs.
- It is typical of social entrepreneurs to create new services, and through innovation give new approaches to already existing services.
- Such socially oriented entrepreneurs are found in the public sector and in private companies; however, most often social innovation arises in the sectors of social benefit or non-governmental organisations;
- Social entrepreneurs are the catalysts of change.

For social entrepreneurship to develop even more, it is also necessary to promote the activity of social innovation, creating three possible scenarios (Figure 3), which would involve the interests of three parties – the state, the entrepreneur, and the society (*Oganisjana et al., 2016*):

- 1) Scenario promoted by society's own initiative — social innovation as work of volunteers;
- 2) Scenario promoted by the initiative of entrepreneurs — social innovation as a significant component of corporate social responsibility;
- 3) Scenario promoted by the initiative of the state — social innovation as a prerequisite for promotion of sustainable development of the state.

The information above is presented in a systematised chart in Figure 3.

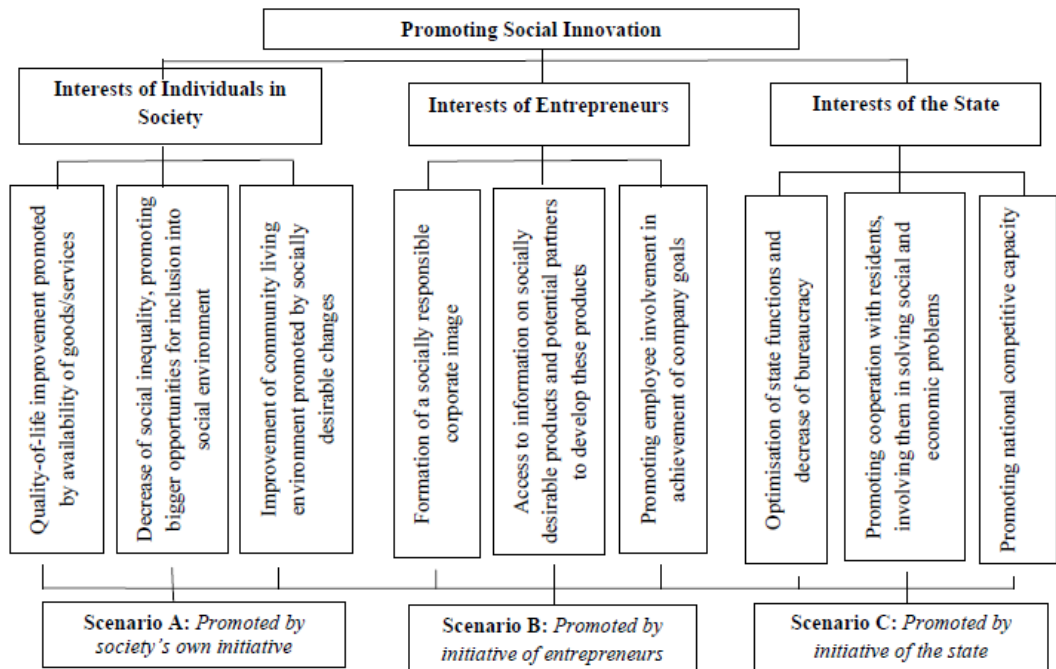


Fig. 3. Opportunities for Promoting Social Innovation

Source: created by the authors according to (Oganisjana et al., 2016)

The chart shows three possible scenarios which would promote the development of social innovations. Each scenario depicts the interests of a particular group – the society, the entrepreneur, or the state. The authors believe that combining all three types of scenario would make the development of social innovation much more effective and fruitful.

Social Entrepreneurship in Latvia

Today, development of social entrepreneurship is gathering pace in Latvia not only in terms of information but also of its active implementation. As it was already mentioned, the goal of social entrepreneurship is to solve social problems. In 2017, Latvian government adopted a *Social Enterprise Law*, which had a positive impact on the existing social entrepreneurs, nongovernmental organizations and those who still consider the idea.

To achieve a social goal, it is important to involve socially sensitive persons in social enterprise. Latvian legislation defines a range of persons who comply with the status of a socially vulnerable person. The authors support the opinion that it would be topical to involve the following groups of people in a social enterprise (Dobele, 2014):

- large families (three and more children);
- incomplete families;
- disabled persons;
- persons older than working age;
- persons, from released from penal institutions;
- unemployed persons;

- homeless people;
- families raising children with disabilities;
- persons who have suffered from violence;
- persons with various addictions and their families.

The most important justification lies in the fact that the major part of all these groups suffer from negative and indifferent society's attitude, which is also a reason for exclusion from labour market. Therefore, exactly this part of public needs to be involved in development of social entrepreneurship creating workplaces or solving other social problems.

There are both social and economic benefits for an individual, entrepreneur and also state, when the mentioned socially sensitive groups of society are involved in social entrepreneurship. Consequently, it follows that social and economic benefits can be evaluated, starting with the most important –the level of an individual up to the level of a state.

As the most topical in evaluation and development of social entrepreneurship, it must be emphasized that currently there is no single statistics available on the number of persons implementing social entrepreneurship in Latvia. It is asserted that the diversity of legal forms in the legal regulation of entrepreneurship complicates calculations. However, it is assumed that there are around 120-180 social enterprises operating in Latvia.

Social entrepreneurs, who are members of Social Entrepreneurship Association of Latvia, have provided information about division of activity in different sectors. Nevertheless, these are also only reference results, as target groups often tend to overlap. The information is summarized in Figure 4.

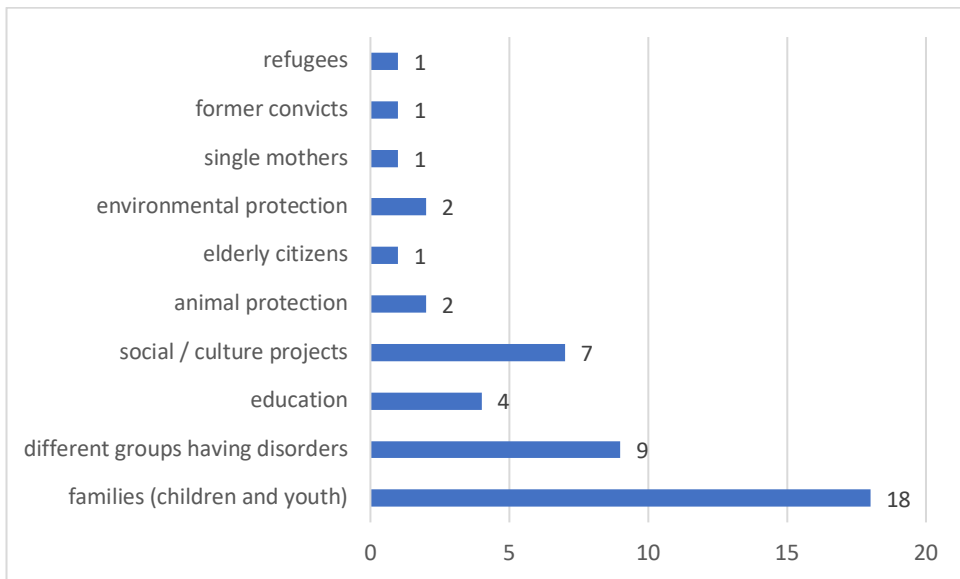


Fig. 4. Social Entrepreneurship in Latvia According to Sectors (amount)

Source: created by the authors, using (Lis, Šuvajevs et al., 2017)

18 members of Social Entrepreneurship Association of Latvia have stated that they operate in family (children and youth) sector, 9 members turned to different groups with disorders, 7 members work with social and culture projects, 4 members act in the sector of

education, and the rest turned to other sectors. The authors believe that each of less protected residents' groups is important, but not all of social enterprises are ready to turn to separate groups which form dual opinions in society (refugees, former convicts et al.).

Conclusions

Currently, the concept of social entrepreneurship has no single explanation; it is used indicating to the different principles and forms of entrepreneurship. In general, the main aim of social entrepreneurship is to solve social and environmental goals, ensuring some benefit for society. The beginnings of social entrepreneurship can be already traced back to the early 18th – 20th century, when the development of open market facilitated it. Social enterprise may differ from social entrepreneurship, if the aim of social enterprise confines to generation of revenue instead of solving social problems. Currently, development of social entrepreneurship is gathering pace in Latvia not only in terms of information but also of its active implementation. Thus, in 2017 the government of the Republic of Latvia adopted a *Social Enterprise Law*, which had a positive impact on the existing social entrepreneurs, nongovernmental organizations and those who still consider the idea. At the moment, there is no single statistics available on the number of persons implementing social entrepreneurship in Latvia, as there are different legal forms how to carry out social entrepreneurship. Consequently, the authors suggest the Ministry of Welfare of the Republic of Latvia to develop a joint accounting of social enterprises, available to anyone who register through single signing in. Currently, homepage of the Ministry of Welfare indicates a register, but it only works as a registration platform, it does not accounts social entrepreneurs. Elaboration of such informative platform would provide an opportunity to find out the total number of social enterprises and consequently to evaluate the situation in the context of social entrepreneurship development.

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