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Trends of social entrepreneurship

Abstract

The aim of the abstract is to investigate the role of social business and its contribution to the development of a modern society. Definition, types and representatives of this business area are investigated in this article as well. Resources for social entrepreneurs available on market are analysed, both with current trends and issues of social business. Tools to accelerate social business are offered with the conclusion that appropriate education may boost potential of this entrepreneurial activity and some already elaborated programs observed in this article could become a basis for equal courses implementation in the other countries as well.

In this article, the authors are going to examine the phenomenon of social entrepreneurship, and to give a definition of this concept on a basis of opinions of various researchers. Stated research problem is to analyze the development of social entrepreneurship, current issues and trends with an aim to clarify main tools of accelerating social entrepreneurial activity. The development of the social entrepreneurship as a separate growing part of a modern business process is the main objective of the paper. The research on challenges and benefits social entrepreneurship brings to its stakeholders in different countries and regions is made, existing relationships within the system and the environment are analysed, foundations and available resources are mentioned to be used by the entrepreneurs with an aim to get a support. Main conclusions of the research are: the need to change legislation according to the needs of the social entrepreneurs, wide work with publics should be provided to stimulate its activity and readiness to participate in the process of social entrepreneurship as it brings wider outcome for a society at large and to establish its sustainability, educational process should foster the social business development offering education opportunities within the field at several study levels and in different forms.

1 Introduction

Research problem is to analyse the development of social entrepreneurship, current issues and trends which will underpin main tools of accelerating social business.

Main objective of the abstract is social entrepreneurship, its development.

For the study of the problem of social entrepreneurship the following methods were used: analysis of scientific and business literature, observations and interviews.

Keywords

social business, NGO, Erasmus+, education

Methodological basis includes the following methods: system analysis - used to assess the challenges and benefits of social entrepreneurship in US, Europe and Latvia, the system of relationships between suppliers of services and publics, foundations and resources offered by the European Union.

Research results: the development stages of social entrepreneurship were analysed, tools to accelerate the social business were offered, education process as one of the most beneficial aspect to contribute the implementation of social entrepreneurship was

offered to be taken into a consideration.

Research limitations: limited access to information for a truly complex evaluation and the fear of executives to reveal particularities of their business, which are connected to social entrepreneurship services in Latvia.

Originality/meaning: this article aims to identify challenges and benefits of social business in different countries and identifies the educational aspect among most beneficial tools of accelerating social entrepreneurship.

It seems obvious the development of our civilization reached self-actualization level (according to the Maslow's pyramid hierarchy) at the beginning of the 21st 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, including tools of accelerating this field of a business.

2 Definition, types, representatives

The phenomenon of social entrepreneurship is attracting more and more of attention in today's world and its popularity is increasing rapidly among economists, politicians and researchers.

The importance of social entrepreneurship is enormous. In the focus of social entrepreneurship there are social gaps that are forming over stiff competition in the business environment. Social entrepreneurs should carry out a phase shift in the direction of social entrepreneurship to improve the lives of the population at large.

There are some already successful examples of social entrepreneurship. For instance, Nobel laureate Muhammad Yunus came up with the idea of giving out money to the poor without collateral. He had started a microcredit project with a loan of \$ 27 to 42 people, and created the Grameen Bank

with an annual loan portfolio of \$ 10 billion and a customer base of several million people. The example to follow is the Shaukat Khanum Cancer Hospital in Pakistan. Although the hospital also receives charitable funds, owners of the hospital have launched a large network of medical laboratories that helps to provide free / subsidized the treatment of cancer.

It is important to understand that the launch of social enterprises means that the implementation of social work, the organization cannot rely on charity only. Investors have their own model of work and, as a rule- social projects must comply with this. It is necessary to realize its mission and ideas for the social entrepreneurs, which may be in a conflict for a charity funding. This makes difficult the task of the social entrepreneurship as the businesses have to apply their own funds for self-financing and to be independent.

So, what it is social entrepreneurship. One of the authors had defined the social entrepreneurship as a new type of business that is successfully developing in the world, through the creation of social wealth, but generation of economic wealth is not the main aim of social entrepreneurship [Dees, 2008; Leadbeater, 1997]. Other researchers argue with the statement, as the activities of social entrepreneurs have far-reaching economic implications for strengthen economic growth, reduce poverty and improve social development scale [Zahra, SA, Gedajlovic, E., Neubaum, DO, Shulman, JM, 2009]. As a result of the intensity and complexity of the social and environmental issues, social entrepreneurship is becoming increasingly important. In the commercial sector, social entrepreneurship is closely related (although a difference) with the concept of corporate strategy and the main areas such as corporate social responsibility, corporate social innovation. In the public sector, social entrepreneurship is associated with experiments in social policy and planning, which have been implemented in European countries and the EU since 1980. [Dees, 2008].

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. [The Power of Unreasonable People, 2008].

By the year 2015, Forbes magazine 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, 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), 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), provides unparalleled platforms at the regional and global level to highlight and advance leading models of social business.
- 3) Ashoka (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), helps the world's poorest, especially women, gain access to financial services, life-changing information and unique business opportunities.

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

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

- 1) The Global Social Venture Competition (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.

TABLE 1 Useful Resources, Established in Order to Support Social Entrepreneurship in EU

	Name of the resource	Website	Remarks
1.	Technet	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	A network of researchers and graduate students on social entrepreneurship
3.	Le Mat	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	Page of the European Commission on Social Entrepreneurship

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 organize 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 prospecting 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. [European Social Entrepreneurship Funds, 2011].

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.

3 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” [Providus, 2014], founders of the online portal socialauznamejdarbiba.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.

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:

- 1) Baltic sea countries joint program INTERREG;
- 2) Programs of Society Integration Foundation, as Non-government organizations project support program (2009-2014), dedicated to micro projects;
- 3) Programs of Society Integration Foundation, as Non-government organizations co-finance program 2014-2016;
- 4) Riga City Council department of education, culture and sport program;
- 5) Association of Women with disabilities “Aspazija” in association with Teterev foundation.

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)r 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 and since 2015 also internationally (www.newdoor.lv), [New Do(o)r, 2015].

4 Education

Tools to accelerate social businesses are following:

- public organizations, governmental programs, EU programs in the frames of Erasmus + (Key Action 2 programs and others);
- private foundations with programs, boot-

- camps, courses and seminars supporting social businesses as Presentence (Israel), New Do(o)r (Latvia) and others;
- investing organizations, as Ashoka;
- online crowdfunding platforms, as kickstarter.com;
- platforms, supported by educational institutions, both public and private, (as ISMA Business Incubator, Latvia);
- zones, announced by government entrepreneurial friendly (with reduced taxes or other positive conditions);
- business parks, where companies could pay less for manufacturing and consumption;
- meeting points, where social entrepreneurs can meet together discussing their ideas, with free WiFi (as Tsiferblat chain of free space cafes in Russia, public libraries etc.).

However, there should be better involvement of higher education institutions into this process. It is more than clear already that social entrepreneurship as a field of a business has very sustainable trend to develop. That is why one of most beneficial tools to develop this business area is to deliver to its market experienced professionals. Appropriate education should contribute to this process.

Growing interest to this area of business is noticeable and many universities are starting to implement educational programs and platforms in relations with this entrepreneurial activity. For example, Harvard Business School (Harvard Business School, 2015) provides different enhancement activities for MBA, also offers Strategic Perspectives in Nonprofit Management program (SPNM), which provides thousands of nonprofit leaders with the tools and strategies to help them better deliver on their missions and make a difference in the world. Each summer, SPNM brings together some 150 leaders of nonprofits from across the globe for an intensive six-day program designed to strengthen the capacity of nonprofit CEOs and executive directors to lead their organizations effectively. SPNM provides a conceptual approach to shape the direction, mission, policies, and major programs of nonprofit organizations.

The other famous HEI, Oxford University (Oxford University, 2015) in the frames of continuing education, offers online course "Social Entrepreneurship", which lasts 1 semester.

The potential of the program is wide and some sources on its implementations could be taken from ERASMUS+ program funding. For example, there could be elaborated Joint Master Degree program in the frames of the ERASMUS MUNDUS call. Erasmus Mundus Joint Master Degrees (EMJMD) are delivered by an international consortium of higher education institutions and, where relevant, other partners with specific

expertise and interest in the areas covered by the program. An EMJMD is a high-level integrated international study program of 60, 90 or 120 ECTS credits, i.e. from a minimum of 12 months, to a maximum of 24 months. Study must take place in at least two of the Program countries represented in the consortium. Part of the studies can also take place in a Partner country if there is a partner-country institution involved (ERASMUS+, 2015).

Other impact where HEIs could be involved might be traineeships at social business enterprises. These internships of international students are also financially covered by ERASMUS+ funding and the help of these 2-12 months participants could be a noticeable shoulder for social businesses, sometimes with limited profit or even non-profitable organizations.

ERASMUS+ program guide, published by European Commission (Erasmus+, 2014) states that social businesses could be receiving organizations for such traineeships: "Eligible participating organizations, the receiving organization can be: ... any public or private organization active in labor market or in the fields of education, training and youth. For example, such organization can be: a public or private, a small, medium or large enterprise (including social enterprises)".

5 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. Social entrepreneurship is a new but sustainable way able to combine both successful business and decrease of negative social effects. To contribute its acceleration, following tools should be involved: public organizations, governmental programs, EU programs, private foundations with programs, boot-camps, courses and seminars, investing organizations, online crowdfunding platforms, platforms, supported by educational institutions, zones, announced by government entrepreneurial friendly, business parks, meeting points. Educational process must also be involved, different courses and programs should be developed to contribute successful run of social entrepreneurship. Especially significance for the business of preparing young people are IT technologies [Nenkov, Momchev, 2011, Nenkov, 2014].

Summarizing the need of implementation of social entrepreneurship program into the process of HEI offered education, we can state following:

- There should be a clear understanding of a purpose and motivation of learners and the course should be elaborated accordingly.

- Main topics should cover an introduction with explanation of definition for social entrepreneurship, students should be able to apply business models, to target exact social problems and to be able to create value proposition to interest potential investors.
- The course could differ on its length, content and destination. It could be boot camps, online and or distance studies, semester courses or full time MBA programs.
- Full time MBA programs can be elaborated in cooperation between ERASMUS+ eligible participants applying for funding in the frames of ERASMUS MUNDUS.
- The connection between HEIs and social businesses could be even tighter with student`s involvement into this field of entrepreneurship thanks to their participation as being trainees during their traineeship, also covered by ERASMUS+ funds.

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