

## Social Entrepreneurship: a study of successful practices

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**Abstract:** Social entrepreneurship now has different opportunities for growth and development worldwide. In many cases, there are very creative solutions for reaching the best results for social enterprises. This article aims to analyze global successful practices in the field of social entrepreneurship. On the example of several countries experience in social entrepreneurship, comparison of implementation social entrepreneurship practices is analyzed. Research methods used 1) analysis of scientific findings; 2) analysis of policy documents related to social entrepreneurship and social enterprises in several countries; 3) analysis of statistics on social entrepreneurship and social enterprises in Latvia in comparison with other countries; 4) evaluation of publicly available information on social enterprises and digital marketing tools used in social enterprises in Latvia. Research results have indicated that several countries have a different experience in social entrepreneurship and are rather moderate in the application of modern tools of digital marketing: websites and social networks. Regarding digital marketing tools, social enterprises in Latvia have a moderate activity, it is not used as the main tool for field promotion.

**Key Words:** Social Entrepreneurship, Social Enterprise, Marketing Tools for Social Enterprises, Digital Marketing

### 1. INTRODUCTION

The field of social entrepreneurship has attracted attention from many different areas, like policymakers, scientists, businessmen, and the general public. This concept is an important tool to solve social issues: on the one hand, to involve part of the society usually having different problems entering the labour market, on the other hand, to make those people involved in social entrepreneurship more satisfied them as persons giving some contribution to the society. Moreover, the social entrepreneurship sector is able to respond to a certain issue even when the market and government cannot do that. What is social entrepreneurship? According to OECD social entrepreneurship is "entrepreneurship that aims to provide innovative solutions to unsolved social problems. Therefore, it often goes hand in hand with social innovation processes, aimed at improving people's lives by promoting social changes" (OECD, 2010). The aim of this article is to analyze the successful practices of different countries in order to provide countries with less developed social entrepreneurship with suggestions for improvement.

Why is it important? Social enterprises (SE) help to tackle social, economic, and political issues. For example, as a solution to social issues, SE applies social inclusion. It provides opportunities for people with disabilities to find a place of work, and at the same time become included in society. As an economic improvement, it is the creation of new job

opportunities, goods, and services to people who cannot afford them, etc. From a political perspective SE help to reduce a governmental burden in many ways. In addition, social entrepreneurship opens a lot of topics that are not usually discussed widely but analyzed in academic research. Therefore, in general, social entrepreneurship helps to become more independent and satisfied with life for every person in society. The aim of the paper is to analyze successful practices in the field of social entrepreneurship. A comparison of the implementation of social entrepreneurship in several countries is analyzed. For current paper there are used 1) analysis of scientific findings; 2) analysis of policy documents related to social entrepreneurship and social enterprises in the Republic of Latvia in comparison with other countries; 3) analysis of statistics on social entrepreneurship and social enterprises in Latvia in comparison with other countries; 4) evaluation of publicly available information on social enterprises and digital marketing tools used in social enterprises in Latvia.

### 2. MATERIAL AND METHODS

For current paper there are used research methods 1) analysis of scientific findings on social entrepreneurship and social enterprises; 2) analysis of policy documents related to social entrepreneurship and social enterprises in Republic

of Latvia Latvia in comparison with other countries; 3) analysis of statistics on social entrepreneurship and social enterprises in Latvia in comparison with other countries; 4) evaluation of publicly available information on social enterprises and digital marketing tools used in social enterprises in Latvia; 5) definition of further steps, reasons and questions to social enterprise managers on needs in their skills update for better management of social enterprises. Materials used for the current research are information of Social Enterprise Register, Republic of Latvia, publicly available information on the application of digital marketing tools by social enterprises in Latvia.

### 3. THEORETICAL FINDINGS

As international organizations have indicated that in Latvia there are problems with income inequality (OECD, 2017) and there have to be taken serious policy decisions for the improvement of the situation. One of the steps taken is support for social enterprises. Experiences in social entrepreneurship in many countries have shown good results. This experience is analyzed in academic research worldwide putting attention to several aspects in this field: for example, researchers from Australia (Weerakoon et al., 2020) have studied the entrepreneurial orientation and knowledge creation by investigating the ways on opportunities, motivations, and abilities to knowledge exchange and knowledge creation which drive entrepreneurial orientation in social enterprises. The researchers have used a pretested and pilot-tested survey questionnaire, data were gathered from 112 Australian social enterprises (Weerakoon et al., 2020). Path analysis results (Weerakoon et al., 2020) have identified that opportunity and motivation influence ability which affects knowledge exchange. Researchers (Weerakoon, et al, 2020) have concluded that knowledge combination is preceded by knowledge exchange which consequently influences entrepreneurial orientation; research is looking for balancing care and work (Blonk et al., 2020); several researchers are concerned on legal and ethical issues in social enterprises which have manifested primarily through human resource management practices (Magrizos, Roumpi, 2020); financial aspects are counted as very important (Guo, Peng, 2020); priorities, practicalities, and legitimacy are important also (Bradford, Luke, Furneaux, 2020); some authors are pointing out several problems (Child, 2020) and having a critical view on social enterprises.

Henton, Melville, and Walesh (1997) wrote that a social entrepreneur should:

1. have the personality of an entrepreneur,
2. see every opportunity,
3. be a team player,
4. provide a team with collaborative leadership,
5. be strongly committed to the community he or she represents (Douglas et al., 1997). The first pillar that is needed for well-functioned social entrepreneurship is municipal support. It can be applied in different ways: raising awareness, help in the acquirement of resources for social entrepreneurs, and coordination of efforts among social entrepreneurs and others program realization (Korosec, Berman 2002). Municipalities help to raise awareness in society about the issues of social entrepreneurs (Lewis, 1980). This strategy works for a long time, as municipalities started to support social enterprises in that way from the very beginning of the existence of the field. Today there are a lot of modern ways to approach certain communities without applying to municipalities, for example, use of affiliate marketing, to be more exact cooperation with public figures or bloggers on social networks. In general, now social entrepreneurs have more channels of promotion for their business even in comparison with 10 years ago.

Social Economy theory lied in the basis of European social enterprises (Kerlin, 2006; McManus, 2004). According to this theory, the third sector is one of the most important and well-developed parts of society. The third sector should provide people with a broad variety of welfare services. Central and local governments of European countries collaborate with the third sector on a regular basis, as a result, more jobs created, and welfare provisions provided by third sector (Dees, 1998; Evers and Laville, 2004; Aiken and Spear, 2005; Defourny and Nyssens, 2009; Young, 2003).

On the other hand, the U.S. government has used a different approach in relation to social enterprises it does not interfere with the sector. Instead, the third sector cooperates with the market as a result, a venture friendly market promotes philanthropism and donations (Campbell, 1998; Salamon and Sokolowski, 2006; Lovelock, *et al*, 2008).

In South Korea, social enterprise appeared only in 2000, and there was a lot of debate on this matter. At the end of the day, the Korean government started to support social enterprises only in 2007.

They choose the model of the United States and the United Kingdom as a benchmark. European path does not applicable for South Korea, because of a weak third sector, cooperation between second and third sectors also not as strong as in the case of Europe. So how South Korea develop social enterprises so fast? The answer is governmental policies that sponsored social enterprises by providing them with financial and non-financial support. In addition, mass media were actively used for social enterprise promotion. Also, the third sector influences the situation in South Korea even if it is not as developed as in European countries (Lee, 2015). Researchers have identified that in management of social enterprises are involved more woman in comparison with management of regular enterprises and have concluded that "...the belief that personality and gender matter in the decision to launch a new social venture" (Bernardino et al., 2018). Researchers have concluded from their research results that social enterprises need to pay more attention to innovations (Aksoy et al., 2019) and marketing activities for social enterprises (Bandyopadhyay, Ray, 2019; Rathore et al., 2016) recommending "firms may learn how to innovate their business models in ways that go beyond current conceptualizations, making their mission profitable, rather than making profit their only mission" (Alberti, Varon, 2017).

#### 4. POLICY DOCUMENTS

For social entrepreneurship realization in different countries, legal regulations are different in many extents depending on historical development, traditions, and needs. Latvian Social Enterprise Law target group are "population groups at risk of social exclusion" (Saeima, 2017). The purpose of the law is to improve the quality of life and social inclusion of the target group. Ministry of Welfare governs social enterprises in Latvia in the following subjects:

1. Aid mechanisms information;
2. Activity report forms methodological recommendations;
3. Methodological recommendations for enterprises in order to receive a status of social enterprise;
4. Resume of good practices
5. An informative report on the activity and development of social enterprises
6. Control the application of the conditions for aid to commercial activity (Saeima, 2017).

In the United States different legal entity forms are allowed, which creates some difficulties for the state of social enterprise, also not all the social enterprise statues are the same. Therefore, the US does not have a unified law for social entrepreneurship, but there is noticeable legal support for them. However, New York University School of Law representatives Shawn Pelsinger and Robert Esposito have created the Social Enterprise Law Tracker (New York University, 2020). Using this tool every person can find relevant legislative actions across fifty USA states and the District of Columbia. Using this tool, it is possible to see the legal structures used by certain states, so depending on the structure different policies will be applied. In general, there are four types of structure in the US (Thai et al., 2018):

1. Benefit corporations
2. L3Cs (low-profit limited liability company) – it is a for-profit companies similar to LLC, but they by law must align their profit with its charitable purpose
3. SPCs (the social purpose corporation)
4. BLLCs (the benefit limited liability company)

Each legal forms provide its own statutes, so it means that each form has different policies, aid programs, recommendations, etc. in comparison with the Latvian system, where is one uniform law US system provides a more competitive solution. However, it is difficult to compare these two countries, because the legislation system is totally different. Therefore, it would be more effective to investigate the case studies, rather than law policies in case of comparison to the US and Latvia.

The United Kingdom has a unified law system regarding social entrepreneurship. The UK government has set up goals for helping social enterprises to achieve their purposes easier and more effectively starting from 2015. A new legal structure was introduced for social enterprises in order to set up a business and run it more easily – it is called a Charitable Incorporated Organization (CIO). The main benefits are:

1. Legal personality (charity enterprise can sign contracts, hold property, sue, etc. in its own name).
2. Limited liability (their liability in the event of bankruptcy of a charitable organization is limited or equal to zero).

The main aim of this legal form is to avoid unnecessary bureaucracy for social enterprises, which is making this field more attractive to enter

(UK Government, 2015). In Latvia, social enterprises are registered as limited liability companies (LLC), and there is no special legal structure for them. Taking in the consideration experience of the United Kingdom, it is possible to consider the implementation of a special legal structure for social enterprises. As mentioned, this step can reduce unnecessary bureaucracy, and add more benefits for companies (for example, reduced tax rate).

According to Social Enterprise Scotland (an independent, Scottish, membership-led organization) – (CEIS, 2019) there are over 6000 social enterprises in Scotland, this field is well-developed and well-managed there. In addition, to a great number of enterprises, the GVA (gross value added = GDP + Subsidies on products - Taxes on products) economic contribution is £2.3 bn in 2019. Besides, social enterprises provide 88,318 full-time working places, 33% of them are located in a rural area of Scotland, and only 20% of income is covered by grant funding. 6% of social enterprises in Scotland export their goods and services abroad. The typical profitability for social enterprises in Scotland is 4.1% ((CEIS, 2019). So, what are the practices Scotland use in order to achieve such impressive results?

As it was already mentioned for the UK in general, Scottish social enterprises use special forms of regulation (legal structures), which encourage good management. In addition, the interesting fact that 60% of board members in Scottish social enterprises are women, and this number is growing. So, the output here is that leadership opportunities in the sector should be equal for everyone. The third point of the well-functioned sector is the principle of fair payment, the difference between the lowest and the highest pay is 1:2.5, which is definitely not a big gap, this difference is constant since 2015. Social enterprises in Scotland are progressive employers, and it is the last business tip that leads to the sector success. There is a balance in hiring local and foreign labour, also 56% of all enterprises in the field hire people under the age of 25, meaning young labour (CEIS, 2019).

Australian state Victoria is a leader in the social entrepreneurship of the country. There are around 20,000 social enterprises in Australia, and a quarter of them are in the state of Victoria. The strategy of development in this field includes three big steps (Victoria State Government, 2017):

1. Increase impact and innovation;
2. Develop business capacity and necessary skills;
3. Improve market access for enterprises.

Aims for increasing impact and innovation are (Victoria State Government, 2017):

1. Promote field significance for customers, government and investors;
2. Social entrepreneurship ecosystem should be more coordinated and connected to a broader business environment;
3. Support social entrepreneurship innovation culture.

Aims for building business capacity and skills are (Victoria State Government, 2017):

1. Provide social enterprises with skills and capabilities in order to prepare them for investment and tender opportunities;
2. Support intermediary services that help social entrepreneurship ecosystem;
3. Enlist support of the government in the sector development.

Aims for improving market access are:

1. Reduce barriers for functioning of social enterprises in the state of Victoria;
2. Create better access to capital via boosting investment possibilities;
3. Create opportunities to deliver goods and services using innovative approach with social outcomes.

PwC independent evaluation showed that between 2009 and 2014 the social return on government's investment in Social Traders (one of the leading organization supporting social enterprises in Australia, providing a diverse range of services sector growth and development) and social enterprises were \$3.65 for every \$1 invested (Victoria State Government, 2017).

Universities of the state of Victoria provide different opportunities for social enterprises development. For example, Swinburne University is a home for a research centre in the field of social entrepreneurship. Also, this university offers different courses on philanthropy, social impact, and investment in the sector. The University of Melbourne has Melbourne Accelerator Program to support start-ups in the field of social entrepreneurship (Victoria State Government, 2017).

## 5. DIGITAL MARKETING IN THE FIELD

In Table 1 use of the website and social media by social enterprises in Latvia analyzed. In the research

117 companies were reviewed. Availability means the percent of companies that have a certain parameter (website, social media account, provide their email and phone number). According to the results of this analysis, 66% of companies have a website, which is less than expected, as it is 2/3 of the active companies. This channel is of the most important link to provide information about any company in the modern world, therefore, in order to be found every company needs to have a website. Today it is not only about the younger generation because middle-aged people actively use digital tools. Moreover, it is becoming more and more popular to learn computer literacy among the older generations, including the use of the Internet.

Social media are used by 60% of the sample. Some companies prefer to have only social media accounts and do not create a website, that narrows possible auditory. Therefore, fewer people can find enterprise or help to develop and maintain it.

The parameters of email and phone availability correspond to the website and social media availability. This information is very important when

someone needs to directly contact a company. Even if a person finds a website or social media account of the company, he or she should be able to contact a company, that is the reason why phone number and email have to be available for an audience.

In Table 2 social media activity status (situation in August, 2020) is analyzed. It means that among 60% of social enterprises that have social media account there is a part, which does not use it or restrict access to it. Overall, 45% of companies have an active status, they systematically upload new information and stay in touch with their audience. Noticeable that it is less than half of all social enterprises analyzed. 12% for some reason are inactive they do not use social media accounts, and do not interact with their audience. There is a big part of enterprises that do not have social media account at all (40% or 47 enterprises out of 117). Some enterprises create close accounts, so only people of a certain community can see the contents of it. In the case of the present research, there is 3% of closed or uncertain accounts.

Table 1: Use of digital marketing tools in social enterprises in Latvia in 2020

Indicators	Website	Social media	Email	Phone
Availability (absolute number among all companies)	77	70	74	77
Share (in %) of social enterprises (out of 117)	66	60	63	66

Source: Authors construction based on publicly available information in August 2020, n=117

Table 2. Social media activity status

Activity status	Share (in%) of all companies	Absolute number (out of 117)
Active	45	53
Inactive	12	14
Not available	40	47
Uncertain	3	3

Source: Authors construction based on publicly available information in August 2020. Active - 1 or more activities on the account for the last month (last 30 days), inactive - no activities on the account in the last month, not available - no social media account, uncertain - if social media accounts are closed (only available for a certain people)

## 6. RESULTS AND DISCUSSION

Data published by the Ministry of Welfare (Social Enterprise Register) about social enterprises indicate that in the Republic of Latvia on July 27, 2020, there are registered 117 social enterprises and active social enterprises on that data were 112 (Ministry of Welfare of Republic of Latvia, 2020). In Register of Social Enterprises, there is indicated that not all enterprises have their homepages. Homepage and information in social networks is a very important tool for successful entrepreneurship in the 21<sup>st</sup> century and especially in situations with big limitations like the situation of a global pandemic – COVID-19.

As a suggestion for the development of the field based on the example of Scotland (CEIS, 2019), firstly, the board members of the companies should be diversified by gender and age. Secondly, fair payment should be provided without a big gap between the lowest payment and the highest one. Labour force (CEIS, 2019) need to be diversified, balancing the local and foreign employees, include young labour force.

Regarding the legal part of the research, it is possible to consider the implementation of a special legal structure for social enterprises. This step can reduce unnecessary bureaucracy, and add more benefits for companies such as tax reduction.



Education system (especially life-long learning programmes) can support social entrepreneurship in different ways: provide research opportunities, offer different courses for several parts of society involved in social entrepreneurship especially to increase competence in the application of digital marketing and digital skills for social enterprise management, support and encourage social start-ups.

## CONCLUSIONS

1. Social enterprises in many countries have an important role in the realisation of social inclusion and reduction of unsatisfied part of the population;
2. Different countries have chosen different ways and tools to support social entrepreneurship and social enterprises;

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3. Social enterprises in Latvia use only partly recent findings in digital marketing for promotion of their product and services;

4. Education and training to obtain recent findings in the application of digital marketing tools could be useful to make social enterprises more successful and sustainable in Latvia.

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