

A close-up photograph of a hand holding a lit sparkler. The hand is wearing a grey, textured knit sweater. The sparkler is bright and glowing, with many sparks flying outwards. The background is dark and out of focus, showing a blurred face of a person in the upper right.

EDUCATIONAL MODULE FOR SOCIAL
ENTREPRENEURS

SOCIAL ENTERPRISE GUIDE

BE THE CHANGE YOU WISH TO SEE IN THE
WORLD

Social Enterprise Guide

Educational Module for Social Entrepreneurs

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Introduction

Target audience:

- people who are interested in entrepreneurship and especially in creating social impact;
- experienced entrepreneurs who want to expand their skills to change society;
- anyone who wants to use business skills to create a social impact.

Required level of prior knowledge: no specific prior knowledge is required, but basic knowledge in business will make it easier to acquire specific knowledge.

Language: description of Educational module is available in English, but online training materials – Polish, Russian and Latvian

Training requirements:

- there is no formal requirement for the acquisition of the training course;
- the training course is free.

Design and use of the training module:

The training module is designed to provide a step-by-step insight into social business. Each section contains:

- introduction;
- Cognitive Guide (Key Issues Explained by the Unit);
- training video materials;
- additional training materials in the form of videos, articles or presentations;
- checklist for more in-depth awareness;
- materials for a more in-depth study of the topic.

You can browse all sections in a series or in a freeway - each section is individual; the previous sections are not required to access the next sections.

In the case of the use of material or parts of it, please refer to the project and the team of authors.

1. Introduction in Social Entrepreneurship

1.1. A general introduction to social entrepreneurship

Social entrepreneurs are motivated by the desire to make changes for the better. It is a phenomenon that is gaining more national and international attention. If you want to change the world, you need to act. As Gandhi said: “Be the change you wish to see in the world”.

All over the world lots of social entrepreneurs are developing innovative, creative solutions to some of the world’s most significant challenges. Some have found solutions to bring affordable, clean and renewable energy to large numbers of poor people in developing countries (A) and some have found answers to create jobs to empower different kinds of disadvantaged people and to give them a livelihood (B). Others choose to combine the work for a sustainable course with the social course to include, support and empower excluded or poor groups.

(A) <https://global.bioliteenergy.com>

(B) www.theclothingbank.org.za

If you feel the same drive to make a positive difference, we would like to welcome you to this course. We will present you with some of the key competencies, that you will need to develop and start your social entrepreneurship/social enterprise. We will go through issues like business development fundraising, communications legal frameworks, etc. You will meet inspiring examples of how different social entrepreneurs are solving societal challenges all over the world.

In this way, we hope to give you a better foundation to create positive changes in the world. The rest you will have to learn from practical experience. But first, let us take a closer look at “social entrepreneurship” as a concept.

Learning objectives

- In this section, you will be introduced to social entrepreneurship; how it is defined and how it differs from traditional entrepreneurship and philanthropy.
- You will be presented with the concept of “social value” and understand why it is a critical element in social entrepreneurship.
- You will read about two cases of social entrepreneurs, creating social value on a global scale.

1.1.1. What is social entrepreneurship and social enterprises about?

Social entrepreneurship can be and is defined in many ways. The discussion on finding the “right” definition is an ongoing process among academics and actors in the field. But in general you can say that social entrepreneurship contains four elements:

1. It creates social value
2. It is taking place in or with the civil society - the civil society as a critical actor
3. It has an element of innovation
4. It has an economic significance

This means you could define social entrepreneurship as: “An act that creates social value, using innovation, where the civic sector plays an important part as initiator or co-producer, and that has an economic significance.”

Social entrepreneurship can also be defined by how it differs from traditional entrepreneurship. The word entrepreneurship comes from French and means, “one who undertakes.”

According to the Austrian economist Joseph Schumpeter, an entrepreneur is a person who has the force required to drive economic progress. It is a person that identifies a commercial opportunity – whether a material, product, service or business – and organizes a venture to implement it.

More simplified one can say that while a traditional entrepreneur is defined by the ability to run an enterprise and make a turnover, making a profit is a success criterion, a social entrepreneur is determined by the wish to create social value for a target group or society in a broader sense.

1.1.2. What is social value, and why is it important?

Creating social value is a key element in social entrepreneurship. Therefore, it is essential to look at what is meant by social value.

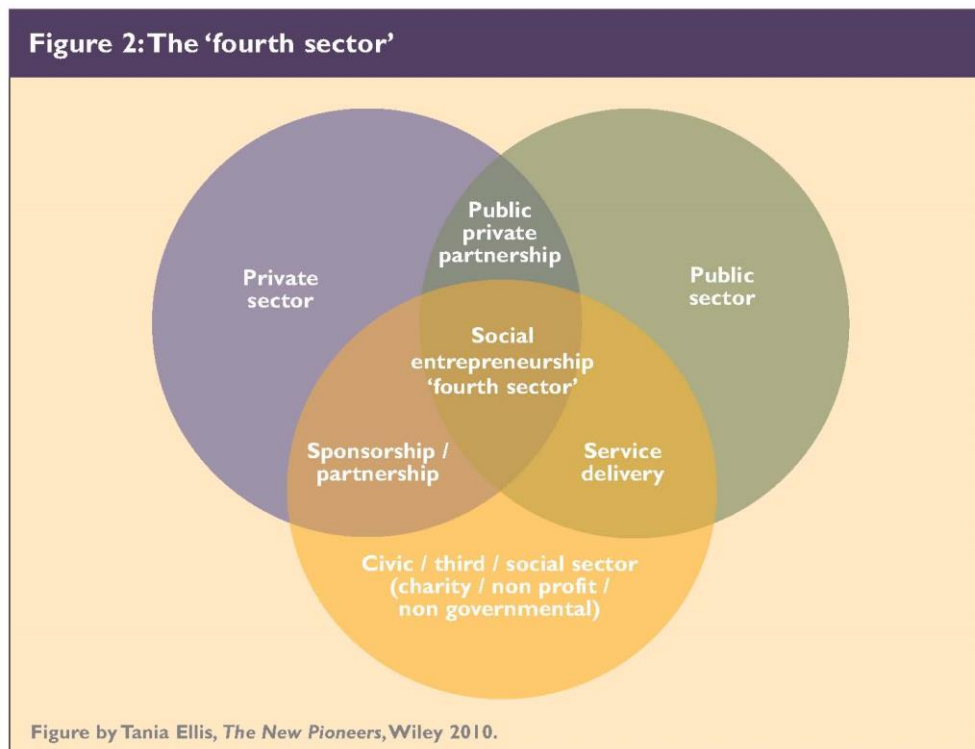
Creating jobs for disadvantaged people or organizing people to collect plastic garbage to clean a beach are both creating social value. But if the plastic you collect to clean the beach is burned on fire and creates air-pollution, you might create positive social value one place, but you create negative social value in another place. So it is important, that we see social value in a holistic perspective as something that benefits the society at large.

Roger L. Martin and Sally Osberg (2007) express the difference like this:

- “The distinction between entrepreneurship and social entrepreneurship lies in the value proposition.*
- *For the entrepreneur, the value proposition anticipates and is organized to serve markets that can comfortably afford the new product or service, and is thus designed to create financial profit. From the outset, the expectation is that the entrepreneur and his or her investors will derive some personal financial gain. Profit is essential to any venture’s sustainability and the means to its ultimate end in the form of large-scale market adoption and ultimately a new equilibrium.*
 - *The social entrepreneur, however, neither anticipates nor organizes to create substantial financial profit for his or her investors – philanthropic and government organizations for the most part – or for himself or herself. Instead, the social entrepreneur aims for value in the form of large-scale, transformational benefit that accrues either to a significant segment of society or society at large.”* (Source: www.ssireview.org spring 2007 / STANFORD SOCIAL INNOVATION REVIEW 35)

1.1.3. Social entrepreneurship works in and between sectors

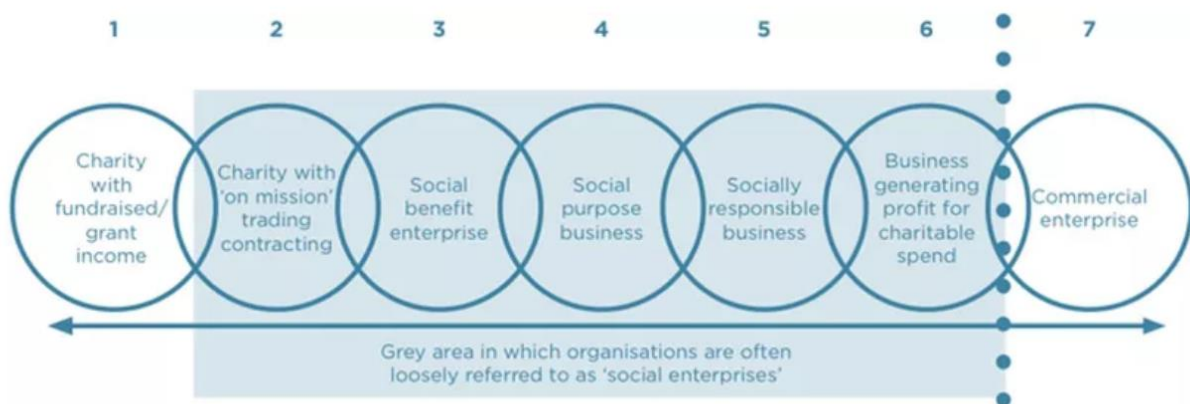
EMES, which is a European Research Network (<http://www.emes.net/>), emphasizes, that social entrepreneurship is a hybrid taking place in the cross-filed between the public, the private and the civil sector. It is often called “the fourth sector,” covering parts of all the three sectors. In most cases, social entrepreneurship has its starting point in the civil sector.



1.1.4. Social entrepreneurship - charity work and traditional enterprise work

When defining social entrepreneurship, you can also distinguish between social entrepreneurship and philanthropy: Both have a social mission and want to make a positive difference to the world. And both charities and social enterprises tend to reinvest their profits into a social purpose that benefits a part of society, or society as a whole. But while charities often fund their excellent work through donations and fundraising, social enterprises often sell products or services, to be able to reinvest their profits.

Some would also say that the question is not about the source of funding streams, but whether they are reliable. If you as a social entrepreneur can succeed by combining a steady income from different beneficiaries with donations and grants, this can be at least as stable as any social enterprise purely based on revenue from sales to customers. In reality, social entrepreneurship has a diversity of forms between entities purely based on donations and grants and entities solely based on sales.



Source: *Financing Civil Society*; Venturesome, (2009)

The most important is that your social entrepreneurship/social enterprise creates social value and is

financially sustainable – so you can continue creating social value efficiently.

The UN Sustainable Development Goals - a common framework for social enterprises

To work with social enterprises with a holistic perspective, where social value is approached as something that benefits the society at large, the UN Sustainable Development Goals (SDG) can serve as a common framework and tool for understanding and communication.

Furthermore, the framework of the SDG's can help, support and ensure the social enterprises in the communication, negotiation, and cooperation across sectors, that is with municipalities, states, as well as with traditional (private sector) companies and actors and organizations of the civil society.

The SDG's is 17 goals that 193 countries have agreed upon reaching before 2030. If you wish to ensure, that your social entrepreneurship create social value, that benefits the society at large – it is crucial that Sustainable Development is your overall framework, and that your social entrepreneurship is contributing to reaching the SDG's. We will go deeper into the SDG's later in a section below.

Social Entrepreneurs are part of a movement - they act on the course of the problem

If you go to the core of social entrepreneurship, a social entrepreneur is not just a person, who starts a social enterprise to solve a social problem, but the course of the problem: A social entrepreneur wants to create solutions to change the reason, the structure or the system, that creates the problems.

As pointed out by Bill Drayton, the founder of Ashoka – the world's largest network of social entrepreneurs: *“Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry.”*

Being a social entrepreneur sometimes feels hard and lonely. Doing new things, one can meet different challenges, and different kinds of resistance, so it is good to remember that you are not in this alone, but part of a movement: Nationally and all over the world, you have supporters, colleagues, and peers, who also are working to create positive change in new ways. At the end of this section, you will find a list of links to organizations, networks, etc. where you can find further knowledge and support.

1.1.5. Cases - Social enterprises from practice

To illustrate how a social entrepreneur often is driven by resentment to do something about a social problem, you can here read about two cases below:

The case I: Muhammad Yunus – Grameen Bank

Muhammad Yunus is an economist from Bangladesh, founder of the Grameen Bank and father of microcredit, for which he received the Nobel Peace Prize in 2006.

Yunus saw that the poor in Bangladesh had very little options to develop and change their lives and had insufficient options for securing even the tiniest amounts of credit. So their only possibility was to loan from loan sharks, that they were never able to repay because their salary was so low that they were only able to pay the high rent on the loans. In that way, they were kept in a vicious circle of slavery-like conditions.

Yunus saw that even a small credit on fair terms could change that. So in 1983, he established the Grameen Bank in Bangladesh, fuelled by the belief that credit is a fundamental human right. His objective was to help poor people escape from poverty by providing loans on terms suitable to them

and by teaching them a few sound financial principles so they could help themselves. Yunus found that with even tiny amounts of capital, women invested in their capacity for generating income. With a sewing machine, for example, women could tailor garments, earning enough to pay back the loan, buy food, educate their children, and lift themselves up from poverty.

Grameen Bank sustains itself by charging interest on its loans. The profit is reinvested in the bank to help other women.

Grameen Bank is owned by the borrowers of the bank, most of whom are poor women. Of the total equity of the bank, the borrowers own 94%, and the remaining 6% is owned by the Bangladesh government. As of 2017, the Bank had about 2,600 branches and nine million borrowers, with a repayment rate of 99.6%. 97% of the borrowers were women. The Bank has inspired similar projects in more than 40 countries around the world.

More on: <http://www.grameen.com>

See a video with Muhammad Yunus sharing the story of Grameen Bank and microfinance: <https://www.youtube.com/watch?v=6UCuWxWiMaQ>

Case II: Torkild Sonne – The Specialists

When Torkild Sonne's son Lars was 2½ years old, he and his wife noticed that his development began to differ from that of his older brothers and they eventually found out that Lars had infantile autism – a life-long invisible handicap in the category of Autism Spectrum Disorder (ASD).

Sonne knew that Lars would face a life, where he would continuously be misunderstood and isolated because it would be difficult for him to interpret what others expected of him. Most likely, Lars would never have a normal working life.

Sonne became involved in the Danish Autism Association. He learned that very often families with a child with ASD have a high risk of disintegration, because of the invisibility of the handicap. Consequently, the family had to struggle to have the outside world recognize and understand the need to provide timely support.

With the support of his family, Sonne re-mortgaged their home and established social enterprise, The Specialists, in an attempt to tailor a working environment geared towards autistic people, enabling them to use their specialist skills to act as consultants to the business sector, at market terms. Today The Specialists have operations in 13 countries all over the world including Europe, USA and Australia, and Sonne's vision - to create new possibilities for autistic people and to influence society to adopt a more positive attitude towards people with autism - is happening.

More on <http://specialisternesfoundation.com>

See video with Torkild Sonne on founding The Specialist: <https://youtu.be/uDXCtMmjpHc>

Reflection objectives

- How did you get interested in Social Entrepreneurship and what is your definition of Social Entrepreneurship?
- Find examples of a Social enterprise from your country. How does this Social enterprise create social value and why do you like this enterprise in particular?

Further reading and references

International:

Ashoka

www.ashoka.org

Ashoka is the worlds largest network for social entrepreneurs founded by the American Bill Drayton in 1980. Ashoka has supported more than 3.000 social entrepreneurs for the last 30 years.

The Schwab Foundation for Social Entrepreneurship
<http://www.schwabfound.org/>

The Schwab Foundation for Social Entrepreneurship provides unparalleled platforms at the regional and global level to highlight and advance leading models of sustainable social innovation. It identifies a select community of social entrepreneurs and engages it in shaping global, regional and industry agendas that improve the state of the world in close collaboration with the other stakeholders of the World Economic Forum.

The Skoll Foundation
<http://skoll.org/>

The Skoll Foundation drives large-scale change by investing in, connecting, and celebrating social entrepreneurs and the innovators who help them solve the world's most pressing problems.

UN Sustainable Development Goals SDG 's
<http://www.un.org/sustainabledevelopment/>

Latvia:
The Social Innovation Centre
<http://socialinnovation.lv/en/>

The Social Innovation Centre in Latvia aims at strengthening and disseminating the knowledge, promoting the international and national experience exchange and establishing the networking for social innovation thus enhancing the sustainable development of society.

Social Entrepreneurship Association of Latvia (SEAL)
<http://www.socialauznemejdarbiba.lv/eng/>

Social Entrepreneurship Association of Latvia is a member organization for organizations, enterprises, and individuals who want to promote social entrepreneurship in Latvia. The SEAL was founded in November 2015 by five organizations and enterprises.

Poland:
Baltic Institute for Regional and European Concern (BISER)
www.biser.org.pl

Russia:
COBUCE
<https://www.salto-youth.net/tools/otlas-partner-finding/organisation/krauslab-cobuce.11708/>

OUR FUTURE Foundation
<http://www.nb-fund.ru/>
IMPACT HUB Moscow
<http://www.impacthubmoscow.net/>
Centre for Social Entrepreneurship and Social Innovation Studies
<https://socentr.hse.ru/en/>

1.2. The UN Sustainable Development Goals, SDG's

Social entrepreneurship is primarily about creating a positive change – for people, society, and environment. And ultimately it is about making the world a better place. But what does it mean to make the world a better place in practice? The Sustainable Development Goals of The United Nations are a plan, that tells us what needs to be done, and exactly how to do that.

Learning objectives

- In this section, you will have a short introduction to the SDG's and the history behind them.
- You will be briefly introduced to each of the 17 individual goals.
- We will look into why the goals are essential for social entrepreneurs.
- You will learn how social entrepreneurs can use the goals, and help fulfill them by 2030
- Finally, you will be introduced to cases, where social enterprises work with SDG's.

1.2.1. The history behind the UN Sustainable Development Goals

On 25 September 2015, the 193 countries of the UN General Assembly adopted the 2030 Development Agenda titled "Transforming our world: The 2030 Agenda for Sustainable Development". This agenda has 92 paragraphs. Paragraph 51 outlines the 17 Sustainable Development Goals and the associated 169 targets.

In short, they are called the Global Goals or the SDG's. They are a development of the Millennium Development Goals (MDG's) from 2001. They consist of eight goals. They range from halving extreme poverty rates to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015.

The world has succeeded in fulfilling the Millennium Goals, for example, extreme poverty has been more than half since 2001. Building upon this success, the SDG 's are even more ambitious, but also even more essential for our future, since our world still faces immense challenges and for the first time in history the survival of the human race is threatened by our activities. The climate effect, plastic pollution of the oceans and the loss of biodiversity is just a few of these challenges.

The SDG's are the result of an intensive development and negotiation process, where millions of people have been asked through surveys. It is also a fact that lots of compromises have been made for so many countries to agree on the SDG's. Not all ideas and visions have been possible to integrate: For instance do the SDG's not included population reduction, nor the need to improve democracy since some countries could not accept these issues to be involved.

However, the SDG's are a considerable achievement, and it is the first time in the history of the world, that so many nations have agreed on a common and highly ambitious plan, which includes all of us. It is only successful if everyone succeeds; as the subtitle of the 17 Goals states, we should: "Leave no one behind." If we are to reach the SDG's by 2030, we all need to contribute; states and public authorities, businesses, organizations, civil society and also social entrepreneurs and social enterprises. The SDG's are a joint plan, a "to do list" and if it is fulfilled, it will make the world a better place.

1.2.2. The 17 Goals

- **Goal 1: No Poverty** – End poverty in all its forms everywhere
- **Goal 2: Zero Hunger** – End hunger, achieve food security and improved nutrition and promote sustainable agriculture - Ensure healthy lives and promote well-being for all at all ages
- **Goal 3: Good Health and Well-Being** - Ensure inclusive and quality education for all and promote lifelong learning
- **Goal 4: Quality Education** - Achieve gender equality and empower all women and girls
- **Goal 5: Gender Equality** - Achieve gender equality and empower all women and girls
- **Goal 6: Clean Water and Sanitation** - Ensure access to water and sanitation for all
- **Goal 7: Affordable and Clean Energy** - Ensure access to affordable, reliable, sustainable and modern energy for all
- **Goal 8: Decent Work and Economic Growth** - Promote inclusive and sustainable economic growth, employment and decent work for all
- **Goal 9: Industry, Innovation and Infrastructure** - Build resilient infrastructure, promote sustainable industrialization and foster innovation
- **Goal 10: Reduced Inequalities** - Reduce inequality within and among countries
- **Goal 11: Sustainable Cities and Communities** - Make cities inclusive, safe, resilient and sustainable
- **Goal 12: Responsible Consumption and Production** - Ensure sustainable consumption and production patterns
- **Goal 13: Climate Change** - Take urgent action to combat climate change and its impacts
- **Goal 14: Life Below Water** - Conserve and sustainably use the oceans, seas and marine resources
- **Goal 15: Life on Land** - Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
- **Goal 16: Peace, Justice and Strong Institutions** - Promote just, peaceful and inclusive societies
- **Goal 17: Partnerships for the Goals** - Revitalize the global partnership for sustainable development

Each of the 17 Goals has some targets, and progress on each of the total 169 targets is measured using 230 indicators. For example Goal 12 "Responsible Consumption and Production" has 11 targets. One of them is 12.3 "By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses" and the indicator to measure progress is 12.3.1 "Global food loss index."

There is a link to the full list of 17 goals 169 targets and 230 indicators under "Further reading and references."

Figure: Illustration the 17 SDG's



The SDG's work across sectors - and public and private sector use them

SDG's goes across sectors and nations and can work locally and globally at the same time. They offer a common international language of change, which is understood on a national and international scale. The states are to live up to the standards of the SDG's and the companies and enterprises, working small level or in a larger, international level also have to follow up.

It all takes place now; both in and across sectors. So the SDG's may also work as a door opener to do dialogue and cooperation, both with local and national municipalities or government agencies and with the private business sector. Many companies are now in a transition changing their work with corporate social responsibility, the CSR-work, to the SDG's. It has become a competitive factor to have and act glocally on the social and environmental values, that the SDG's represent.

1.2.3. Why are the goals important for social entrepreneurs?

To create social change locally and on a small scale, as many of the social entrepreneurs do, is important. But for social entrepreneurs and everybody else, that is trying to create a better world, it is equally important to see this change in a larger and global context and make sure that the efforts are in fact part of and aligned with a common global effort and plan.

The SDG's offers such a common plan which 193 countries have agreed upon. It is a common language and a common detailed description of, what we mean, when we are talking about a better world - a sustainable world. By connecting your social entrepreneurship to the SDG's, it is possible to connect to broader agenda and a broader range of actors, and strengthen the course, the mission and means of your social entrepreneurial project.

As a social entrepreneur, you do not need to and should not work alone. The SDG's offer a common 'glocal' language and understanding to approach local and global challenges. It makes it easier to

work together with other actors across sectors, and across countries: That is covering the state, national agencies and government and the local municipalities, as well as the sector of civil society and the business sector. Furthermore, it makes it easier to connect to external partners, outside the country.

Using the SDG's can help social entrepreneurs to be sure to contribute to a sustainable future in all areas. It helps a broad perspective and a holistic approach that covers all areas. This avoids that you are not working to help reach the SDG's in one area and are unconsciously working against reaching the SDG's in another or the same area. You might, for example, run a Café that creates jobs for poor people and thereby helping to reach Goal 1 "No Poverty" – but if the sold coffee, the and cocoa comes from suppliers, that exploits workers and pay low wages to maximize their profits, you are working against the same Goal.

The SDG's gives social entrepreneurs a possibility to contribute to something bigger in a very concrete way, but it also gives social entrepreneurs a possibility to feel and experience, they are part of a community across sectors and countries, working on the same agenda.

1.2.4. How can social entrepreneurs use the goals and help fulfil them by 2030?

It might seem like a huge and complicated task to take on the responsibility to help reach the SDG's. So first of all, it is important to emphasize, that every contribution, small or large, that is helping to reach the SDG's is welcome. Also, remember that your social entrepreneurship does not have to solve all the problems in the world and do not have to help to reach all the 17 Goals right away.

Start looking at the 17 goals and find the one or the ones that appeal to you and is relevant regarding the social challenge, you have chosen to tackle with your social entrepreneurship or social enterprise and start with that.

It might be food waste - then Goal 12 target 3 (12.3) is relevant for you, and it is ok to keep your focus on that Goal. Social enterprises often combine fighting food waste with fighting hunger. So you might consider also to address Goal 2 is relevant for you also.

If you want to further your work with the SDG's you can make a total mapping of the activities of your social enterprise to identify all areas where you can contribute to reaching Goals and targets. A more detailed guide on how businesses can work with the SDG's is described in the SDG Compass. The guide can also be used by social entrepreneurs and social enterprises.

The link to the SDG Compass can be found under "Further reading and references." 90% of the world's population is not aware of the SDG's. So social entrepreneurs can meet first of all study the Goals and help to teach others about them.

But most importantly they can promote the SDGs by showing how innovative social business models can be used as a driver for good and create a sustainable economic, social and environmental development, and in that way inspire traditional businesses to act sustainably.

1.2.5. Cases - How social entrepreneurs work with the SDG's

Goal 5: Gender Equality

According to UNICEF one in 10 schoolgirls skips school or drops out of school entirely due to a lack of menstrual products and poor access to proper sanitation. **Afripads** is a social business based in Uganda that locally manufactures cost-effective, reusable sanitary pads, which are then distributed globally. It has so far reached 750,000 girls and women

worldwide with its products, either through being distributed by NGOs and relief agencies or by direct customer purchases.

More on Afripads: <https://www.afripads.com>

Case-description from Pioneers Post, Global Perspectives on Social Enterprise by Ellie Ward.

Goal 7: Affordable and clean energy

4.3 million people die from inhaling indoor air pollution on average every year, adding up to more deaths than malaria, tuberculosis, and AIDS combined.

Biolite has developed a low-cost stove that burns easily to source renewable biomass (twigs, pinecones, and wood pellets) as cleanly as gas. The HomeStove dramatically reduces carbon emissions that result from smoky, open wood fires and requires 50% less fuel than conventional open fires. The HomeStove also generates electricity to power lights and increasingly critically mobile phones.

More on Biolite: <https://www.bioliteenergy.com/>

Case-description from Pioneers Post, Global Perspectives on Social Enterprise by Ellie Ward.

Goal 2 Zero Hunger, Goal 12 Responsible Consumption, and Production

Too Good To Go is a hyper-local environmental, social enterprise dedicated to reducing food waste. The mission is to save food, save money and save the planet by placing the lost value back onto food as humankind's most valuable energy resource, and not something that should just be carelessly throw in the bin. Why? Because if food waste were a country, it would be the third largest emitter of greenhouse gases, while recovering just half of the food that is lost or wasted could feed the world alone. It's a problem that doesn't need to exist – and we're determined to help solve it. Founded in Denmark at the end of 2015 by a group of friends, Too Good To Go was soon able to grow thanks to the diversity of its team internationally. Currently is also working in the UK, Norway, Germany, France, Switzerland, Austria and United States.

More on To Good To Go the App against Food Waste on <http://toogoodtogo.dk/lang/>

Reflection objectives

- Is there any of the 17 Goals and the 169 targets, that you mainly feel you could help achieve?
- If you run a social enterprise or if you have an idea for a social enterprise, that you want to start – try to identify which of the 17 Goals your enterprise is addressing.
- Find a social enterprise I your country, and try to identify which of the 17 Goals and belonging targets it is helping to reach.

Further reading and references

List of 17 goals 169 targets and 230 indicators:

<https://sustainabledevelopment.un.org/content/documents/11803Official-List-of-Proposed-SDG-Indicators.pdf>

United Nations webpage on Sustainable Development and UN and its partner's efforts to build a better world with no one left behind.

<http://www.un.org/sustainabledevelopment/>

World's Largest Lesson introduces the Sustainable Development Goals to children and young people everywhere and unites them in action.

<http://worldslargestlesson.globalgoals.org/>

SDG TOOLKIT – a webpage that aims to engage European environmental NGOs at a National and European level on the Sustainable Development Goals.

<http://sdgtoolkit.org/>

SDG Compass - The SDG Compass guides companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs.

<https://sdgcompass.org>

(link for English SED Compass publication: https://sdgcompass.org/wp-content/uploads/2016/05/019104_SDG_Compas_Guide_2015_v29.pdf)

Global Goals - Project Everyone and the Global Goals Campaigns webpage on the SDGs and how to take action.

<http://www.globalgoals.org/>

Introducing the Global Goals

Presenting the Global Goals is a resource to educate and inspire employees about the role they can play in advancing the Global Goals at work and in their community. The material is created by the private sector led initiative Impact 2030 that works with UN to achieve the SDGs.

<http://www.impact2030.com/employeesforsdgs>

1.3. How to spot how social problems become social business opportunities

Intro

It may be a bit of a challenge to see how a social problem can be transformed and opened up to a new opportunity for social business. It is necessary to go deeper into the issue and call for reflection: Social entrepreneurs can approach various kinds of social problems in different ways, and make solutions, but which of them may work economically, as part of a business model?

Is it enough to be alone with a solution, or is it possible to partner up with someone, and help them do a better job together? Do one work within or across sectors? In the following we will go to a how one can spot and work out business models for different themes and target groups; for instance disadvantaged people or environmental issues.

Learning Objectives

- In this section, you will learn about how to understand what a social problem is about
- You will learn about how social issues can be tackled and approached, so it opens up new opportunities, and make way for new solutions using social entrepreneurship and social enterprises.
- You will be presented to cases that illustrate this; how a social problem can be approached in various ways; with different partners and where the target group have different roles and tasks and may be mixed or not. The methods to solve problems and make social value differ, but they all share the wish to make a change and do good.
- You will learn that a social entrepreneur should not only care about cracking the specific social problem, but be aware of the courses of the social problem, and also care about how to change these courses.

1.3.1. The concepts of social problems and social enterprise

The many kinds of social problems call for many different types of solutions. How to deal with and approach a social problem, depends on several things: How the social problem is understood and what kind of context, conditions, and people, that are in part of it. It is not only about which circumstances *are* in play but how they *can be* put into play: What is possible directly and indirectly? Which other people, companies or private or public actors can support or need to be part of a solution? And what role will the target group have? - In the following is a brief introduction to 'social problems' and 'social enterprise.'

1.3.2. What is social problems about?

- ***A general or a specific social problem:*** It can cover many or all people, and be about loneliness, drugs or alcohol for instance, or it covers only some, a specific target group. It could be a social, religious, or cultural group or minority. It could be living with a handicap and have difficulties getting a job and having an income. It could be being stigmatized, being homosexual or having to leave prison, returning to society, but without employment and housing.
- ***Social business is most often about including and empowering social groups*** into the society, the workforce or a local or national setting.

- **Social problems are common problems**, that is problems of the society as well as of the individual. Social issues go across issues and sectors; such as poverty, environment, healthcare, education, housing, refugee, and climate urgency, etc.
- **The features of social problems vary**: What may seem like a problem from the outset, is not all ways a problem from within, that is for the people it's all about. It is therefore important to explore the theme and its' field, and involved with the target group, so the kind of problem-solving to develop makes sense for them too.
- **Twisting the problem**: Very often a case can be twisted and pin-pointed, so the target group carrying the problem, becomes the solution of the problem, but often with the need and support of others.

1.3.3. What is social enterprise about?

- **Social enterprise (social business) is about creating social value and an impact on the target group and society**. In contrast to traditional business and enterprises, social business is not merely about the economy, but about creating social, environmental, and sustainable value. The dividend of a company is reinvested into the work and common good. According to Professor Muhammad Yunus (2017), social business is “**A non-dividend company that is created to address and solves a social problem.**” (Source: <http://socialbusinessearth.org/definition/>)
- **Seeing the social problem in a larger perspective** is also important, meaning to work upon the causes of the social problem: The reasons for it, i.e., the structural, institutional, and political reasons to the social problem. It can be done in various ways. Most often a way to approach these issues is to explain and argue for the cause and the needed change. To consider and work with the causes of the social problems may be hard work also to cover, but is necessary to take this into account and reflect upon.
- **The target groups may have a significant role as a change maker**, becoming visible and raising their voices, but it may also be a point of reference, that others take up the call and responsibility to make a change. The element of empowerment is important - supporting and strengthening a minority or a suppressed group; giving them the own voice or space of action, and a way to participate and be included in society. The methods can vary, and be more or less individually or collectively, which depends on many aspects.
- **The purpose of the investment is not for personal gain, but to achieve the social objectives** using the activities of the company. The social value and the social impact (change) is the goal. The money is invested, so the entrepreneur and owner and do not take any dividend out. Investors may have their money back or reinvest. The company cover the costs and work financially sustainable while achieving the social objective. Once the original investment has been recouped by the investors, profit stays within the company to expand its outreach and increase the social impact.

1.3.4. Social enterprises: Examples of a mixed or specific target groups

General social problems, such as loneliness, social and psychological vulnerability, violence, and alcohol, cover across age and social class. These issues can be connected and dealt with in various ways. Often a social entrepreneurial approach and solution can be, that the target group either produce a product or a service. It could be running a café or a restaurant, or work with services such as laundry or organizing a stock at a warehouse.

A. Prisoners and ex-prisoners

How do men, after years of criminal violence, debt and lack of network and educational skills move on after imprisonment? It could be using a company, which offer them hard labor work within the field of housing and construction. Tearing down old buildings is hard, but concrete labor work. Being part of the social workforce, while following rules, the common practice, and routines can be a challenge.

- In **Norway**, such a company was set up, and it helped men start all over with their life, while also sharing a common background and a new identity. using the company they also received help in dealing with housing and economy.
- In **England**, a similar kind of company was also set up too. It worked and developed gradually, and gained new ground too, meeting and solving new problems too: Many of the former prisoners needed cheap but safe housing, and it was very hard to find. Hence, the company approached housing enterprises, landlords, and the municipality to find a suitable business model and a new space for proper construction work. They succeeded in gathering interest and taking common action, so the workers could also build housing, not only for their use but to others use too.
- In **Denmark**, a former employee, who worked within the prison, and experienced how many men continuously returned to prison again, and again, started up an alternative to change their way of life. He established café and restaurant for the men to work, and gradually train their social skills and working skills, learning to master their everyday problems and life in general. It prevented them from going into crime, using drugs and violence, etc. New skills and experiences also helped them develop hope, identity, and strength to fight the challenges and break with the past and make a better future. The café - where people came in to visit - was promoted as a social workplace, a source for inspiration and knowledge: Eating there was an act of supporting the course, and dealing with the taboos around criminals and ex-prisoners. Local and national papers shared the stories of the café and its' men, and they thus become change agents, front drivers, and role models, sending out a call for change to people and society in general, as to prisoners and politicians.
- **The transnational action** was taken up by a social entrepreneur in Denmark: She took up the challenge of changing the awful conditions for women in prison in Thailand: By giving them work in prison, they could feed and secure themselves and their children and the family, left behind. By recycling clothes, they could sow new clothes to be sold and used. In this way, the project empowered the women, gave them skills and resources to help themselves to a job and an income. If also needed after the prison, they could establish their clothes production, securing their family, and live more independently of the social control of men and society.

B. Room for Tea - Acting upon loneliness and the need of housing

Room for Tea is an English, social enterprise which connects people who need short-term rentals at affordable prices with hosts who have rooms left in their homes that they do not use.

In today's England, there are very few jobs for young people, and internship has become an essential source of experience needed to get into work. People living outside of London are often excluded from taking internships in the city because they can not afford to pay the rent at current market prices. Room for Tea aims to offer housing opportunities, regardless of where they come from, thus helping to give them a fair chance to pursue their career dreams. It is often young people with short-term working conditions.

The company offers an easy way to use unused passive housing rooms. As a host, one can get an extra tax-free income (for rental income up to 4,250 pounds - then pay taxes) for helping young people to

work. All renters are approved by Room for Tea and checked through references and are all responsible and working persons.

The background is the following: Milena Bottero is the founder and director of the Room for Tea. When she completed her studies in 2011, she had difficulty finding work. As a step along the way, she managed to get an internship at an environmental organization, working unpaid work three days a week, which made it difficult to meet the expensive living costs in London.

She investigated the legislation and opportunities about empty homes. She found out that in England there are approx. 25 million rooms and rooms not in use, often because older people stay in their childhood homes, rather than move to a smaller home. Alone in London are extra unused spaces in about 23% of the properties. It equals 769,000 households, which could potentially help a young home-seeking intern. Thus, the idea was born, and the company itself came to the world at a Social Innovation Camp in London in 2011.

Room for Tea acts as a "part-help network." It aims to make use of technology and existing resources to encourage people to help each other. Elder people open their home space as an affordable accommodation to younger interns and receive company, social and helpful safety, an extra income in return. Young people can find accommodation for as little as £ 160 a month in London. Many older people have responded very positively to being hosts at Room for Tea. They express the joy of having young people - "they are going to feel younger - because they think younger." This also applies to older people, who have become alone after losing a marriage.

The business model of Room for Tea secures both the host and tenant, offering free registration: When a tenant decides to stay with a host, they pay a subscription fee of £ 35 a month. This applies if the rental stay is more than one month. If it is a rental stay for a month, you pay a 10-pound subscription fee per week. Also, the guest pays the rent that you agree with the host. In practice, the entire rent is paid to Room for Tea, which retains the subscription fee and pays the rest of the amount to the host. When a host decides to offer rent to a tenant registered with Room for Tea, they pay a 20-month subscription fee per month, if the rental period is more than one month. In the case of rental periods of less than one month, the subscription fee is 10 pounds per week. The accommodation offerings, are inclusive of subscription costs for both host and tenant.

<https://www.roomfortea.com/>

<https://www.theguardian.com/social-enterprise-network/2014/may/15/intern-to-young-social-entrepreneur-employer>

<http://sociale-entreprenører.dk/room-for-tea.html>

<https://www.positive.news/2015/economics/good-business/18629/good-business-milena-bottero-room-for-tea/>

Reflection Objectives

- Think of a social problem, and which social business solution could solve it
- How can the target group played a significant role?
- In which way can the social business be sustained and secured?

Inspiring links

<https://www.ubs.com/microsites/social-investment-toolkit/en.html>

Social entrepreneurs seeing problems as opportunities:

<https://www.weforum.org/agenda/2015/12/social-entrepreneurs-seeing-problems-as-opportunities/>

Coursera: Identifying Social Entrepreneurship Opportunities with Kai Hockerts:

<https://www.class-central.com/course/coursera-identifying-social-entrepreneurship-opportunities-7029>

1.4. Social Entrepreneurship in The Baltic

Learning objectives

- In this section, you will learn about possible support mechanisms and organizations, different actors and rising interest in social business in Latvia, Russia and Poland.
- In this section, you will learn about the key actors of social economy in respective countries.
- This chapter also gives you a short introduction to the foundation of social economy entities and the reason for their emergence.
- In this chapter, you will learn about the various type of social enterprises.

1.4.1. Social Entrepreneurship in Latvia

1. Intro

In Latvia 2017 and 2018 two important turning points have been taken to develop the social business environment. For almost 10 years there have been different initiatives to establish a legal framework for social entrepreneurship. Finally, in autumn 2017 the Social Entrepreneurship Law was adopted, aiming to create a favorable environment for social entrepreneurship. The law came into force April 2018. Meanwhile, a pilot project was launched by the Ministry of Welfare, involving ALTUM as a Cooperation Partner to administer the grant scheme - a new program to support social entrepreneurship, which will make 12 million euros available until 2022 and also his own regulation. These new regulations will define social business context – definitions and aims.

The goal of setting up a social enterprise is to address social or societal challenges, which is:

- a market operator, who produces goods and services;
- the profits made are reinvested in achieving the social goal;
- employed employees;
- employ or plan to employ target groups - disadvantaged unemployed or disabled people, or mentally disabled (social integration of work integration)

Both mentioned regulations provide necessity of evaluation of social impact and sustainability by social enterprise. The state also will provide certain support to each social enterprise, which, in turn, will not be allowed to distribute profits to its owners, but reinvested in attaining the objectives of the company, that is, the creation of public good.

The law also defines the activities in which social enterprises are not allowed to engage, such as the production of and trade in arms and ammunition, alcoholic beverages, tobacco, as well as gambling and betting, and financial and insurance services.

The new law also provides a list of support instruments as the right of the state and local authorities to grant certain relief and support, namely, the right to donate movable property, to grant real estate tax credits, and to provide social enterprises with their property to be used free of charge. Social enterprises will be able to engage volunteers to perform tasks other than managerial duties, accounting, or the basic functions of the company.

2. Organisations supporting and representing social enterprises in Latvia

In Latvia, there are not so many organizations promoting and supporting social business development, but those who do, are engaged and involves young social business ideas owners and provide practical support for acceleration and incubation.

There are 3 main organizations open for new entries.

(How to facilitate the development of social business incubation for youth, Guidelines for youth organizations; <http://socialinnovation.lv/en/outputs-of-the-project-impactyouth/>):

New Do(o)r Riga is an international platform of social innovations with the center of activity in Riga, initiated in 2013. It works in Latvia with the support of the cultural and educational society Migrash, bank Rietumu and the Embassy of Israel in Latvia. The platform is also supported by some public and commercial organizations in Latvia, Sweden, Israel, Ukraine and other countries. New Do(o)r Riga opens social business accelerator for new entries every year, and it is free of charge.

Webpage: <http://newdoor.lv/en/>

Reach for Change Latvia is an international organization, which supports SE ideas to improve the lives of children. Reach for Change Latvia provide social business acceleration and incubation, as well as financial support. Individuals or organizations can apply for support from Reach for Change every year in the open contest.

Webpage: <http://reachforchange.org/en/>

Creative Industries Incubator under Investment and development agency of Latvia (LIAA) is one of the incubators established under LIAA. It provides support for social business ideas and calls for social business start-ups to apply for incubation and pre-incubation support. The purpose is to support the creation and development of new, viable and competitive businesses, to provide natural persons and entrepreneurs with the environment necessary for starting a business or developing an idea, consulting, training, general business issues, mentor support, and grant co-financing.

Web page: <http://www.liaa.gov.lv/lv/fondi/2014-2020/biznesa-inkubatori>

In Latvia, there are also organizations, which support the development of social business, by offering services, such as information support and public education.

Social Entrepreneurship Association of Latvia (SEAL) is the primary SE organization. It is a member organization with the aim is to create an “eco-system” of SE. At the moment SEAL unites more than 50 members – NGOs, foundations, social enterprises, activists, experts, and individuals.

Webpage: <https://www.socialauznemejdarbiba.lv/>

Social Innovation Centre (SIC) provides non-formal learning about social innovation, SE, political processes, and policy formation for disadvantaged society groups, integration and increase of society participation in social and political processes. The primary goal is to promote the idea and movement of social innovation and entrepreneurship as strategic tool for sustainable development. Since 2010 SIC has brought social innovation lectures, SE and social change events to local authorities, youth, school teachers, students and other interested parties, interested in social growth and positive changes in society and developed number of educational materials for social business start-ups and municipalities.

Web page: <http://socialinnovation.lv/en/>

Youth Center for Self-Development, Competence and Social Business - (OiSTABA) is a multifunctional, organic, attractive and progressive place, where young people can acquire and improve their skills and competences in social business. Through various kinds of activities, they

gain new experience and spend their free time entirely by developing personal capabilities, professional skills, learning and teaching competences, communication and social competences, as well as management and process activity competences. The center organizes various activities - training, creative workshops, competitions, specialized clubs (business, language, photo, video, games, etc.) - youth-focused topics, consultations on the opportunities offered by the European Union programs and support for their acquisition, different youth organizations Initiated measures, acquainted with the business opportunities of the Ogre region.

Webpage: <https://oistaba.lv/>

Sum up: Social Enterprises in Latvia

At this point, Latvia has an environment and support system for successful development of social business. The social enterprises are now facing new challenges – to think more about the evaluation of own work; which impact do they create and how to secure a positive, sustainable financial flow to ensure the status of the enterprise.

The new regulations forces existing identified and unidentified social enterprises to understand and adapt to the new requirements and invest in self-education and education of society in general.

References:

How to facilitate the development of social business incubation for youth, Guidelines for youth organizations; <http://socialinnovation.lv/en/outputs-of-the-project-impactyouth/>

Law on Social enterprise, <https://likumi.lv/doc.php?id=294484>

1.4.2. Social Entrepreneurship in Poland

Social entrepreneurship is perceived in Poland as a part of the social economy and can also be called the social economy, solidarity economy or reciprocal economy. The concept is understood as any initiative oriented not solely on the profit but containing some social good or social cause. The essence of social entrepreneurship is an economic activity exploited to achieve social goals. In the catalog of entities not aiming profit only, but engaged in social activities we may find:

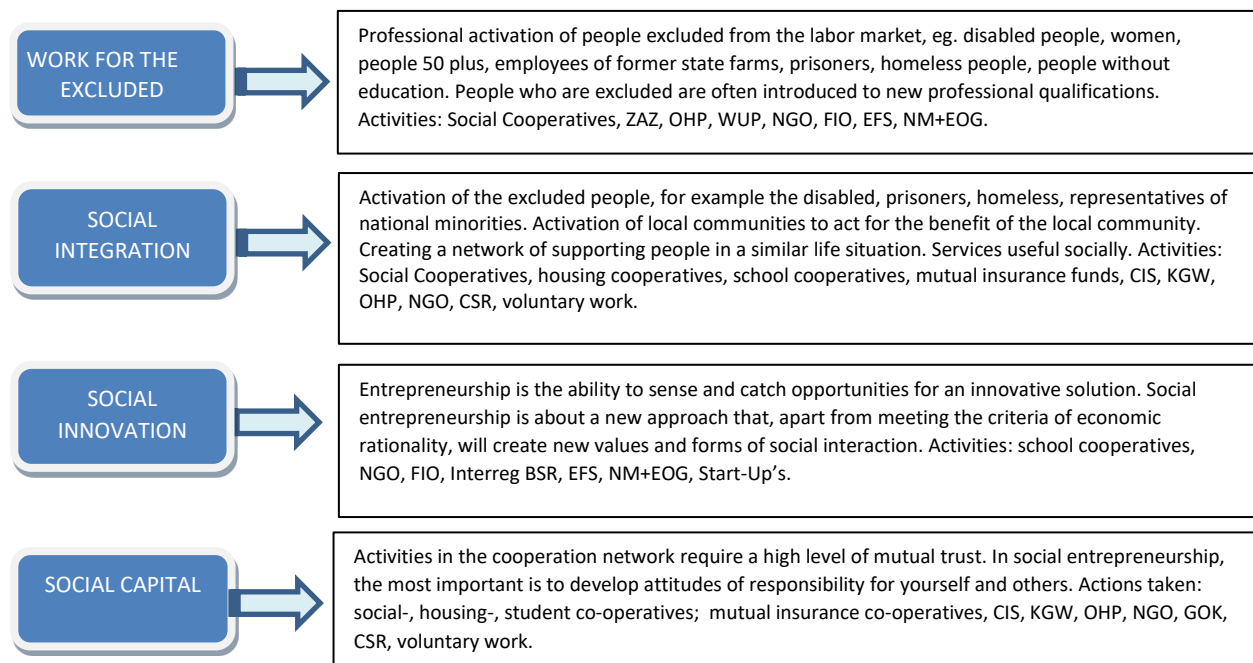
- cooperatives (housing, social, school or student's cooperatives),
- philanthropic activities,
- hybrid forms:
- companies that mix pursuit of profit and social purpose as part of their corporate social responsibility;
- the organizations who are leading business and non-profit activity with a mission aimed at specific social groups.

Social enterprises are institutional and legal solutions at the crossroads between sectors, often named as "borderline entities." The lack of a statutory definition of a social enterprise meant that its construction was based mainly on the guidelines of the Minister of Development, and the only statutory law was the act on social cooperatives.

In assessing the nature of enterprises with the characteristics of social entrepreneurship, the primary goal of the business activity is essential. The analysis of the scope of this entrepreneurship can be divided into four main themes. The main goal or motive, however, is to seek professional activation with the accompanying pursuit of social integration and, as a result, strengthening social capital.

The motive for the pursuit of social change, which creates new values and form of social interaction, releases the trapped potential, provides a better future for the target group and even the whole society is less well implemented in Poland. The characteristics of social entrepreneurship entities in Poland can be summarized in the following list.

Figure 1. DIRECTIONS OF SOCIAL ENTERPRISE IN POLAND (W. Toczyski, 2018)



Abbreviation of institutions and funds	
NGO`s	Nongovernmental Organisation
ZHP	Polish Scouting Association
MOPS	Municipal Social Welfare Centre
WUP	Voivodship Labour Office
FIO	Citizens' Initiative Fund

Abbreviation social economy entities	
CSR	Corporate social responsibility
CIS	Centre for Social Integration
ZAZ	Professional Activation Betting
WTZ	Workshops of Occupational Therapy
KGW	Circle of Country Housewives

The development of social entrepreneurship was influenced the most by the law on social cooperatives from 2006. It was a response to the situation of long-term unemployed and disabled people who could not find a place in the market economy.

The newly created social enterprise's main task was to professionally activate people excluded from the labor market and excluded from the community, for example the disabled, women, people 50 plus, employees of former state farms (PGR), prisoners, homeless people, people without education, representatives of national minorities, etc. These were groups for which the standard activation methods used by employment services turned out to be ineffective. The additional effect of reintegration of its members is to maintain the ability to participate in the life of the local community.

Confirmation of mainstream aimed at excluded people was draft of a legal act on the social entrepreneurs of 2015, which emphasized the necessity of action for the professional reintegration of employees as well as maintaining the ability to perform work on the labor market independently.

Elements of the social impact of market enterprises may be found in the ISO 26 000 standards. It calls the CSR or the organization's responsibility for the impact of its decisions and actions on society and the environment, provided by transparent and ethical conduct that contributes to sustainable development, including well-being and public health. This certificate and the activities that follow it, significantly increase social trust, which is the basic component of social capital.

An important and underestimated subject of social entrepreneurship are housing cooperatives, unfortunately, burdened with a low culture of activities after the socialist era. The communities of cooperative blocks are increasingly initiating economic activities aimed at building local and neighbourly communities.

The initiation of social entrepreneurship with a small element of economic competitiveness in Poland can be found in:

- Foundations
- Associations
- Organizations operating in various areas of social intervention, such as:
 - Social integration centers (CIS)
 - Professional activity establishments (ZAZ)
 - Occupational therapy workshops (WTZ)

They meet social criteria but do not meet economic criteria, although they may run a business. Institutions and non-governmental organizations, as well as extensive volunteering, are invaluable. It is worth mentioning Voluntary Labor Corps (OHP), which is a school of work for socially lost youth; Wheels of Country Housewives, which have a great cultural influence for the integration of local communities.

The most important, though very scattered, activity can be found in thousands of associations and foundations which, thanks to communal funds (also support of European Union funds, Norwegian and EEA funds, and, most importantly, public funds of the Civic Initiatives Fund FIO) initiate specific projects in local communities, that trigger changes reducing the level of social exclusion as well as creating new relationships in the culture of social behavior, which foster the increase of social trust and thus build social capital.

Social entrepreneurship is addressed primarily to those furthest from the labor market; those who in addition to the unemployment experience also other threat: Social exclusion or poverty. This is in line with the National Program for the Development of Social Economy and the idea of social entrepreneurship. Thus, the state does not subsidize an ordinary workplace for anyone willing, but only a place of work for people who require special support. This is a basic condition of the Polish social economy, flowing from over a dozen years of experience in Poland.

1.4.3. Social Entrepreneurship in Russia

The term “social entrepreneurship” is very popular in Russia. But there is still no strict definition used by all stakeholders. Due to the national and historical characteristics, “social” is more important for the public than “entrepreneurship.” Earning money “on good” is often considered as being non-ethical, you have to run a charity or non-commercial organization instead.

In 2011 the Ministry of economic development had mentioned “social entrepreneurship” for the first time in Russian legislation. The Ministry gives a broad definition, focused on small and medium

businesses related to the solving of social problems. From 2016 the bill on social entrepreneurship is under discussions in State Duma.

Russian legislation does not provide a special legal form for a social enterprise. In fact, most of them are limited liabilities companies, NGOs or cooperatives.

By the way, the state has introduced some support measures for social projects. There are special regional programmes providing grants for “socially oriented NGOs,” financial sustainability is not required. Moreover, from 2016 there is a possibility to get a contract from authorities for social services (mostly healthcare, nursing homes, childcare). In some regions, the Centers for social initiatives were established by the regional governments.

There are also several private foundations that support social entrepreneurship such as Our Future Foundation, Rusal Foundation, Timchenko Foundation.

2. Organisations supporting social entrepreneurship in Russia

Here is the short list of the most important organizations, supporting the development of the social entrepreneurship:

Our Future Foundation

<http://www.nb-forum.ru>

This player was recognized as key, based on the findings of the expert poll and the initial acquaintance with the field players. The core line of business for the Foundation is an annual contest of social entrepreneurship projects, loans, and grants. The Foundation comprises consulting and outsourcing centers, that are currently implementing two programs – Small Business Infrastructure Development and Personnel Potential Development.

As part of these programs, the Foundation’s employees provide advisory services on financial and legal issues and provide micro-office lease services. The Foundation provides information support for business including public events (conferences, workshops, exhibitions, etc.).

The Foundation announces the following priorities for the projects:

- implementation in the Russian Federation and promotion of positive social changes in the society;
- focus on settlement and/or mitigation of existing social problems, on achievement of long-term, stable, positive social changes, improvement of the life quality of the regional population in general and/or representatives of socially disadvantaged categories and/or population groups and people who need special support to develop their abilities and for self-actualization;
- a certain degree of innovation in the approach to resolving social problems or the innovative component evidenced by a patent;
- the potential for replication to other Russian regions;
- focus on the creation of financially stable business models capable of independent operation when the Foundation stops funding.

Impact Hub Moscow

www.impacthubmoscow.net

Impact Hub Moscow is a business incubator, innovation lab and community of entrepreneurs, part of an international network of over 80 centers around the world (www.impacthub.net).

It was founded in 2010 (globally) and 2014 in Moscow. Here it provides working/meeting space and access to resources for social entrepreneurs at all stages of operations. The Impact Hub Moscow also runs the Social Impact Award programme, that includes training course, acceleration programme and the investment support for SE start-ups.

The Centre for Social Entrepreneurship and Social Innovation (CSE)

<https://socentr.hse.ru/en/about>

The Centre was founded in 2011 as a part of the Higher School of Economics. The Centre's key tasks are research, expert analysis and consulting in the fields of social entrepreneurship, social innovation, and social economics. HSE already has some advantage in this area compared with other educational and research institutions. Over the last 4 years, it has become an informal center for discussions, experts, applied and theoretical research in social entrepreneurship and social innovations. All of this has now been institutionalized in the new Centre of Social Entrepreneurship and Social Innovation. HSE students are also starting to participate in this work actively.

The main organizational idea of the CSE is to combine in one team academic researchers in social entrepreneurship, corporate social responsibility, innovations and social innovations alongside working professionals. This includes experts from international and Russian foundations with experience in developing, attracting and evaluating social projects in commercial and non-commercial organizations. The aim is to solve specific social problems and to focus on innovation and search for resources for social and financial sustainability in implemented social projects.

Reflection objectives:

- Why is it important for the state to support social economy entities?
- What type of social capital do they form?
- How do you see the importance of NGO sector in pursuing social economy in your country?

2. Themes

2.1. Making a social enterprise by developing a social business plan

In this section, you can read about how a social business plan can help you focus and develop your social enterprise. This includes many aspects, such as selling a product or giving a service, developing a market, while covering costs and balances. But first of all, you need to have an overview of it all, to grasp and act upon it all, and not least, to communicate to others, and show you have thought through the different aspects and can deal with it.

Developing a social business gradually will often mean bring it forward; from a pilot project to a more settled and supported project, that not only involve a few people, but several, and which over time seeks to upscale. Here you will read about different kinds available tools. It is important to underline that the value of a social business should be developed as such, including the commercial elements and terms.

Learning Objectives

- You will understand, why you need to start with the planning of your business
- You will be introduced with a business model definition
- You will be introduced to business modeling tools and business model canvas
- You will go through each step and shape of your business, according to specific segments and answer the questions helping yourself identify gaps un strengths of your model.

2.1.1. Business planning - why do we need it?

The business plan process is simply the steps you go through, and actions you take when producing a business plan and the business planning process is extremely important for entrepreneurs. The process of producing a business plan forces entrepreneurs to examine areas of their business that typically may not be subject to much scrutiny. For example, entrepreneurs do not tend to produce cash flow forecasts routinely, so the requirement to produce one as part of the business planning process forces them to consider the impact of cash on their business.

A business plan is a written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement.

A business plan is also a roadmap that provides directions to a business can plan its future. The time you spend making your business plan thorough and accurate and keeping it up-to-date, is an investment that pays big dividends in the long term. A business plan also helps to understand better and choose the right business model.

2.1.2. Business model

Social enterprises operate by applying a business approach to solve social problems, and that is not an easy task in a lot of cases. The situation is tough, and that means that the only way to success is

to apply a proper business model. Besides business model, there are a lot of other elements, which influence the successful development of social entrepreneurship.

In a few words the business model defines what a business does and how it makes money doing that. A very simple and easy explanation he gives concerning business models is that they have all something in common. All business models are designed to address the same question: “How do we sustainably deliver value to our customers?”

The business model for a social enterprise differs from the classical business model: As aside from showing a roadmap how to generate economic value, it has to show also how to create social value measurably. In other words, the social impact also has to be a part of an SE business model.

Social impact can be measured in Social & Environmental Cost and Social & Environmental Benefit. In other words, it means placing results within their broader context - clear thinking around what kind of social impact you're creating and how it could be measured.

To categorize business models, the simplest way is to categorize those into two categories: traditional business models and new or innovative business models.

- **Traditional business** - typically ones creating goods or services. This is the most fundamental business model. Create a product or service and sell it – either directly to the customer or a distributor. The primary challenge here is building the right product and finding the right channel partner.
- **New and innovative business models** - often encapture or relate to the use of technology and new communication platforms, that have changed consumer behavior, and have left conventional businesses struggling to keep up with market requests.

The planning of social business should not ignore the rapid development of trends in technology and communication sectors and not be afraid to identify own new, innovative business model.

2.1.3. Elements of the business model and business modeling tools to help you

One of the ways to define elements of the business model is proposed by Zott & others (2011) in the article “Business Model Innovation: Creating Value in Times of Change.” These main elements are following:

- A business model should illustrate how a firm is doing business.
- The business models should show how business is conducted followed by an illustration of how this conduction creates value.
- A business model conception should concentrate on possible partners that can enable these essential activities.
- A social business model should also include a social impact measurement, description, and illustration.

Four Business Modelling Tools – illustrating aspects of business modelling

Tool 1: Business Model Canvas (by Alex Osterwalder)

One of the most recently popular approaches to structuring the business model concept and propose components is so-called business model canvas (BMC).

The Business Model Canvas is the most widely used business model design tool across the globe. Alexander Osterwalder has developed a powerful method to capture all elements of a business model: propositions, partners, activities, resources, customer relationships, channels, customer segments, costs, and revenue streams. It is about creating a business model from scratch on a single sheet of paper. This concept is also applicable to existing companies who want to visualize or even change their business model.

Canvas is built of 10 segments. While building own business model, all questions should be answered, evaluated and analysed.

Social Business Model Canvas				
Key Resources <small>What resources will you need to run your activities? People, finance, access?</small>	Key Activities <small>What programme and non-programme activities will your organisation be carrying out?</small>	Type of Intervention <small>What is the format of your intervention? Is it a workshop? A service? A product?</small>	Segments Beneficiary	Value Proposition Social Value Proposition Impact Measures
Partners + Key Stakeholders <small>Who are the essential groups you will need to involve to deliver your programme? Do you need special access or permissions?</small>		Channels <small>How are you reaching your beneficiaries and customers?</small>	Customer <small>Who are the people or organisations who will pay to address this issue?</small>	Customer Value Proposition <small>How will you show that you are creating social impact?</small> <small>What do your customers want to get out of this initiative?</small>
Cost Structure <small>What are your biggest expenditure areas? How do they change as you scale up?</small>		Surplus <small>Where do you plan to invest your profits?</small>	Revenue <small>Break down your revenue sources by %</small>	

Inspired by The Business Model Canvas

Social business model canvas with questions; <https://bmttoolbox.net/tools/social-business-model-canvas/>

Tool 2: Plan Cruncher – Crunch your business plan on 1 page

With Plan Cruncher you can create a one-page summary of your business plan in need of investment. The Plan Cruncher tool asks you some of the standard questions that a business plan must answer, and formats your answers in a set of icons. The icons are a visual representation of the key ideas in your business plan, such as ‘advertising revenue model’ or ‘in need for seed funding.’ In contrast to the other two tools, Plan Crunchers incorporates broader business plan elements in addition to the business model.

Idea



We have an elevator pitch. We want you to sign an NDA. We have a proven idea. It is a high-risk idea.

Ever have the nagging feeling you left a light on at home? LightWatch allows you to control the lights in your house remotely via your phone

Team



We have a business network. We are not going to build it. We have an entrepreneur.

One man and a bright idea.

Product



We do not have a prototype yet.
Merely a lightbulb above my head right now.

Revenue



We will monetise later. We have a revenue forecast.
Pay to install smart monitors in the home and then give away the remote software

Funding



We need €250k We need 24 months We are bootstrapping. We need seed funding.

I need £250k in seed funding to develop the prototype with a potential 100x return.

Partnership



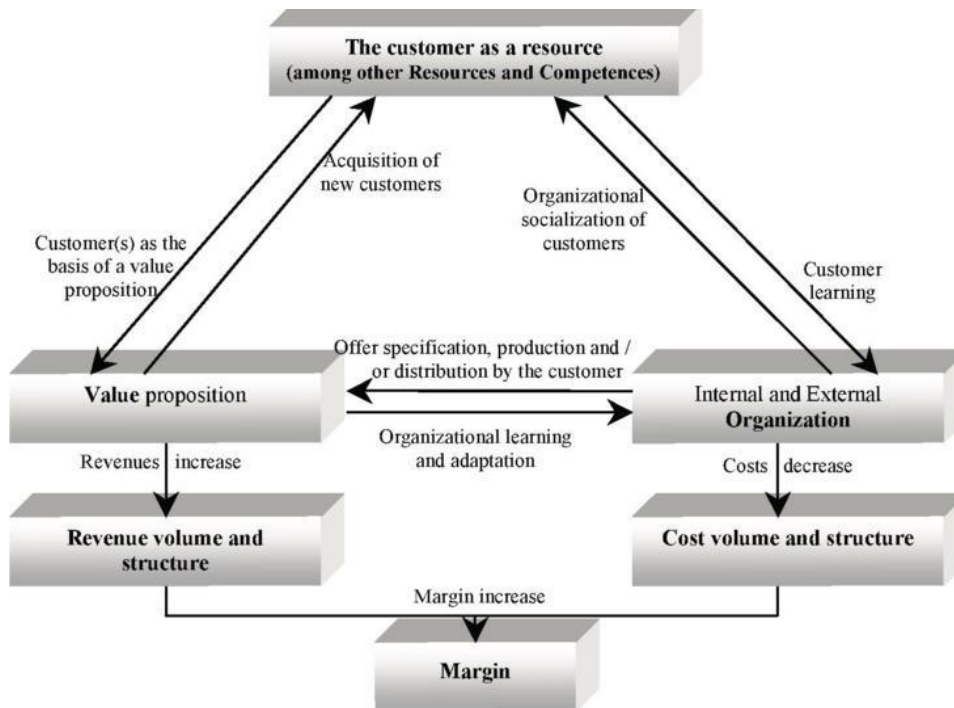
We offer 30 per cent. We offer a shares deal. We want sweat-equity.

Equity offering depends on finding the right investors to lend a spark to this business

Plan Cruncher template; <https://thenextweb.com/apps/2010/03/03/plan-cruncher-business-plans-readable/>

Tool 3: RCOV framework

Resources and competencies (RC), the Organization (O) and the Value Proposition (V) of the company are the main components interacting with each other. The RCOV framework does not concentrate on activities as such, but on components and how they are related to each other as illustrated by the figure.



RCOV framework; <https://www.cairn.info/revue-management-2010-4-page-226.html>

Tool 4: 10 Blocks To Design Your Business Model

This tool defines a common, visual language to present business models with 10 Building Blocks. We believe it is an intuitive tool to visualize transactions between actors in a business model and to specifically explore different revenue models (please take into account my involvement having co-developed this tool). On the other hand, the Business Model Canvas provides a broader base to capture the HOW of a business model regarding infrastructure, resources, and key processes.

Reflection Objectives

- How do you evaluate your business plan?
- Which knowledge gaps have you covered?
- What do you need to research and know more about?

Further reading and references

International

Canvas adapted for social business needs: <http://www.socialbusinessmodelcanvas.com/>
 Knowledge game project: helps to visualize your business model by game:
<http://businessmodelalchemist.com/2010/01/mappingbusiness-models-a-knowledge-game.html>

Variety of business models described:

<http://theagni.com/2011/12/02/how-to-build-revenue-24-types-of-major-businessmodels-with-examples/>

How to Master the Business Model Canvas for Social Entrepreneurs

<https://www.tbd.community/en/a/business-model-canvas-social-entrepreneurs>
<https://www.tbd.community/en/a/business-model-canvas-social-entrepreneurs>

Successful business models, different stories,
<http://www.socialenterprisebsr.net/library/successful-business-models/>

Educational material about business model, the role of social media and the general prerequisites for starting a social business. Multilanguage,
<http://www.socialenterprisebsr.net/library/project-outputs/>

<http://socialinnovation.lv/LV/projekta-socialas-uznemejdarbibas-attistiba-baltijas-juras-regiona-izglitojosie-materiali/>

Start Social Enterprise Guide:
<https://www.socialenterprise.org.uk/Handlers/Download.ashx?IDMF=708e8d72-b13e-43c4-9e58-1973ff4d4a89>

Latvia

Sociālās ietekmes izvērtēšanas materiāls latviešu valodā: <http://socialinnovation.lv/LV/projekta-socialas-uznemejdarbibas-attistiba-baltijas-juras-regiona-izglitojosie-materiali/>

Pirmie soļi sociālajā biznesā, R.Lukjanska,
<https://www.socialauznamejdarbiba.lv/petijumi/2014/10/27/pirmie-soi-socilaj-biznes>

Russia

Internet entrepreneurship

<https://www.coursera.org/learn/internet-predprinimatelstvo>
How to use the business model canvas
<https://netology.ru/blog/ostervalder-segmenty>

2.2. Product development

This unit will present you the basic approaches for developing product or services which deliver value to customers. The product development process includes the identification of customer`s needs and expectations, development of a value proposition and the list of features, building up a prototype, testing it and delivering the product.

Learning objectives

- You will go through the process of product development focusing on design thinking methodology.
- You will understand why product development is an iterative process
- You will answer the key questions about your product.
- You will be introduced to the concept of a value proposition.

2.2.1. Product development process

Product development is described as the process of the transformation of a market opportunity into a product available for consumption. In general, the process includes several steps from ideation to manufacturing. To develop a product an entrepreneur needs to answer three groups of questions:

1. **Client.** Who need the product, what problem do they want to solve and how it is solved by now? In fact, an entrepreneur must prove that there are clients with the problem (need) and they are willing to pay for the product (demand).
2. **Product.** Does entrepreneur can produce the product with all features demanded by customers. If we have the technology, resources, staff, is it legal?
3. **Business-model.** Could we earn the profit by selling the product, does entrepreneur have access to financing, is it reasonable in comparison with other ways of investing time and money?

To answer these questions, teams often start with Lean Canvas by Eric Rise, based on Osterwalder`s business model canvas. Lean canvas focuses more on customer needs (problem and solutions) than on company`s resources and technologies. This tool helps to formulate the message to customers, employees and investors.

PROBLEM Top 3 problems 1	SOLUTION Top 3 features 4	UNIQUE VALUE PROPOSITION Single, clear, compelling message that states why you are different and worth buying 3	UNFAIR ADVANTAGE Can't be easily copied or bought 5	CUSTOMER SEGMENTS Target customers 2
	KEY METRICS Key activities you measure 8		CHANNELS Path to customers 9	
COST STRUCTURE Customer Acquisition Costs Distributing Costs Hosting People, etc. 7		REVENUE STREAMS Revenue Model Lifetime Value Revenue Gross Margin 6		

Lean Canvas is adapted from The Business Model Canvas (<http://www.businessmodelgeneration.com>) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

2.2.2. Design thinking

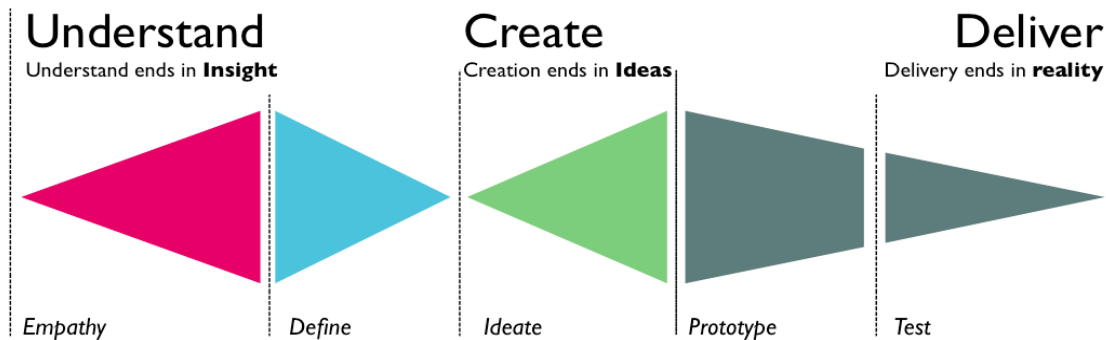
Design thinking is another tool to build a product (service) that fulfills the customer need. It employs several divergent and convergent methods focused on understanding the customer, creation of product ideas and testing the results.

Design thinking employs divergent thinking to ideate many solutions (possible or impossible) and then uses convergent thinking to prioritize and realize the best solutions.

Design thinking does not start with strict boundaries like product, technology or market. Instead, it focuses on people, understanding them, defining the problem and then creating solutions for problems and customer segments.

Design thinking includes the following principal stages:

1. Empathy – customer research, discovering the actual needs and wants by interview, persona models, observations.
2. Define – formulating the actual problem to be solved by the product or service by developing insights, points of view models, etc.
3. Ideate – use a lot of methods to develop possible solutions to the problem – brainstorm, etc.
4. Prototype – choosing several product ideas to be further developed by prototyping and building minimal viable products (MVP).
5. Test – delivering successfully prototyped products to real customers for testing.



Understand

During this phase, the goal is to develop background knowledge through learning your users. Use and develop understandings as a springboard to address design challenges.

Create

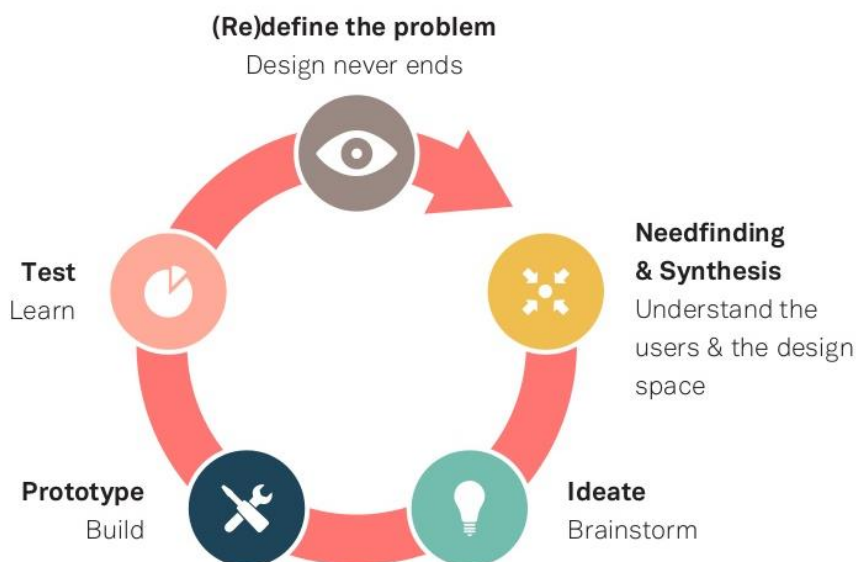
Now you are challenged to brainstorm a myriad of ideas and to suspend judgment. They become silly, savvy, risk takers, wishful thinkers and dreamers of the impossible...and the possible.

Deliver

Now its time to analyze how you can generate ideas faster; design, evaluate, and test them faster. Most importantly, you can deliver value to your customers faster.

www.trndmrkr.com

The crucial principle of the design thinking is iteration: We should step back and repeat, or even do the process from the beginning several times.



By University of St. Gallen

Moreover, iteration is a part of the most of modern business and product development concepts. This helps to reduce the fear of failure, promote experimenting and to think “out of the box”. To keep the product development process in the budget entrepreneur, need to make iterations faster and cheaper. So, pitching, prototyping, customer development interviews and other interactions with

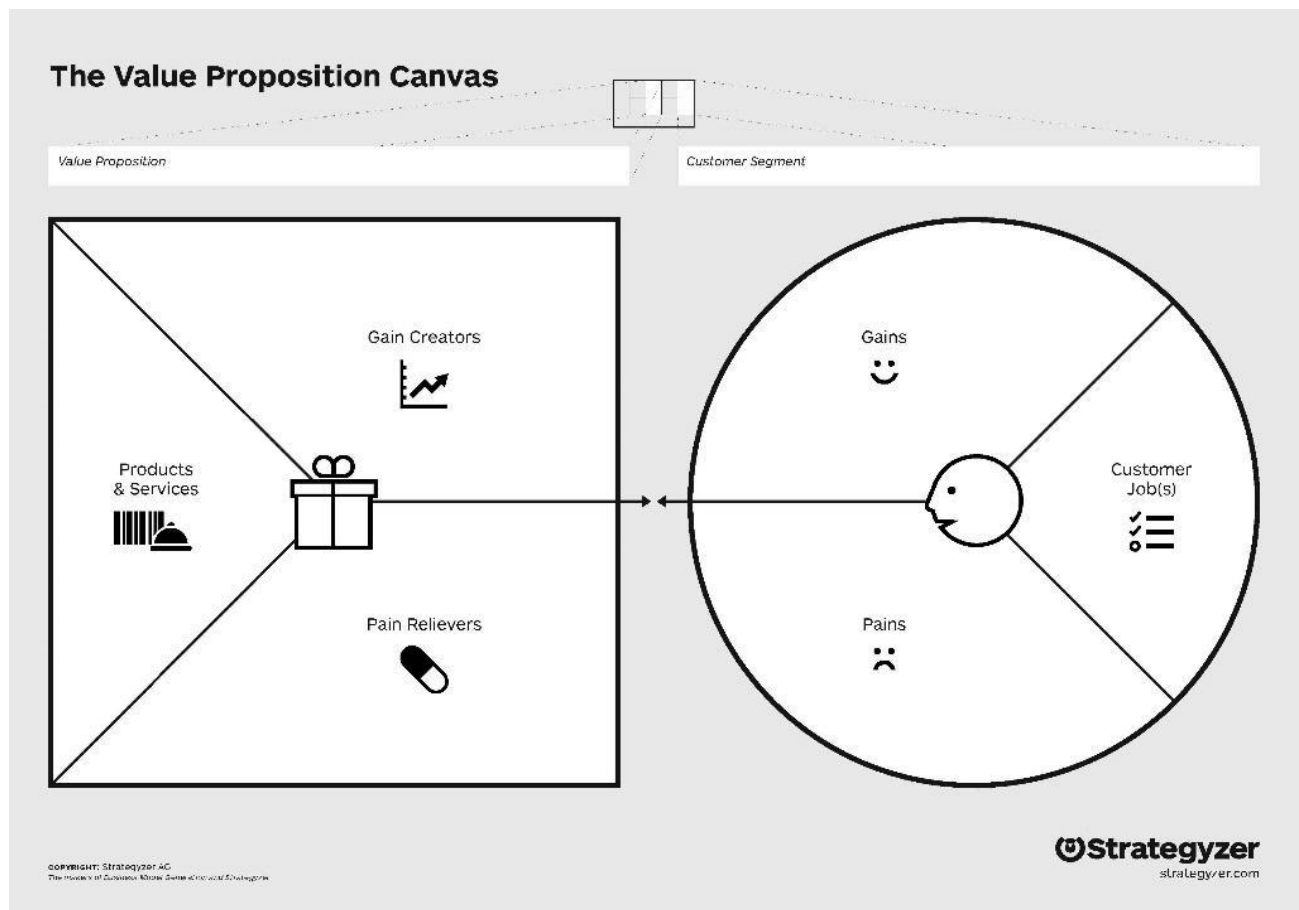
customer and experts help us to get faster feedback and, finally, to spend less money on the worthless idea or to deliver faster the right product to the market.

2.2.3. Value proposition

The central part of the product development is the value proposition, describing the product:

- Solve customers' problems or improves their situation (relevancy)
- Deliver specific benefits (quantified value)
- Explain to the customer why they should buy from you and not from the other suppliers (unique differentiation)

A value proposition is not a slogan, not an advertisement. That is the description of the actual characteristics of your product and service in connection with real customer needs. Alexander Osterwalder and co-authors have introduced the value proposition canvas. This tool algorithmizes the designing the right mix of the product features.



Value proposition canvas has two sides: the customer profile (right) and proposition map (left). The task is to connect product and customer needs and design the mix that fits customer and business model.

The filling up the customer profile starts with the description of customer jobs your customers are trying to complete. Customer jobs involve functional, social, personal and supporting factors. Every customer may play several jobs at the same time: to be a boss, a friend, a father, a team leader etc.

Moreover, this mix depends on real context: your visit to a cinema with friends much differ from going for a movie with kids.

Entrepreneur as a product designer must identify the most important jobs and then research what pains and gains are there. Pains are the negative aspects customer may face while trying to complete the jobs. It involves undesired outcomes, obstacles and risks. Gains are positive outcomes which your customers may have. It can be classified into required gains, expected gains, desired gains and unexpected gains.

To complete the customer profile, we need to prioritize the gains (look at Kano model) and pains (more serious have more priority). Now we have the kind of specification for the product – requirements that customer demands from it.

Value proposition map describes how every product feature and services meet the demands. Pain relievers show how your services and products can soften the specific pains your customers face. Gain creators demonstrate how customers can benefit from the product. The product is valuable if the features of the value proposition map match the demands characteristics of the customer profile.

Note, that the same product can deliver different value propositions for different segments of clients. In fact, that means that you produce several products/services.

2.2.4. Kano model

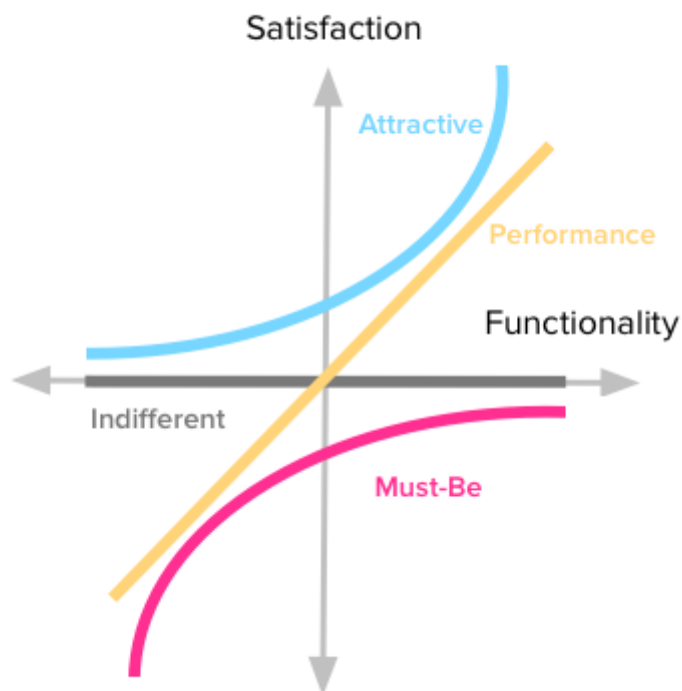
Designing the product and business model an entrepreneur must define the optimal set of product features. Noriaki Kano has introduced the techniques that help us determine our customer`s satisfaction with product features.

The model is based on the following suggestions:

- Customers' **Satisfaction** with our product's features depends on the **level of Functionality** that is provided (how much or how well they're implemented);
- **Features can be classified into four categories;**
- You can **determine how customers feel about a feature through research.**

For satisfaction Kano proposes a dimension that goes from total satisfaction (also called *Delight* and *Excitement*) to total dissatisfaction (or *Frustration*). Satisfaction is balanced by functionality that represents how much of a given feature the customer gets, how well we've implemented it, or how much we've invested in its development. Functionality goes from no functionality at all, to the best possible implementation.

A designer may classify features into four categories, depending on how customers react to the provided level of functionality: must-be, performance, indifferent, attractive.



Some product features (Performance) lead to the linear output: the more we provide, the more satisfied our customers become (like with storage space in your Dropbox account).

Other product features (*Must-be* or Basic Expectations) are simply **expected** by customers. If the product doesn't have them, it will be incomplete or just plain bad. We cannot make customers happier with must-be features, they just won't be dissatisfied. Your phone must be able to make a call, no options.

There are also unexpected features (*Attractive, Exciters* or *Delighters*) which may cause a positive reaction. The classic example is the iPhone, or your first experience with cloud storage. Even some level of attractive functionality leads to increased satisfaction, and how quickly it rises. Finally, there are also features towards which customer feels **indifferent** - their presence (or absence) doesn't make a real difference. Do we really need to spend money and time to develop it? The challenge is that even attractive features tend to become must-be.

Reflection Objectives

- Assess which of the stages of the company's development is the most important to apply to each of the canvas considered, and what exactly can they contribute to business planning, re-planning, or even product deployment?

Recommended reading

Lean Canvas

1. How To: Create A Lean Canvas. <https://xtensio.com/how-to-create-a-lean-canvas/>
2. Eric Rise on lean principles <http://theleanstartup.com/principles>

2.3. Financing and fundraising

Learning objectives

- You will learn about different ways of financing and fund social entrepreneurship
- In this section you will learn about various types of public and non-public financial help available to social enterprises;
- You will also know the most common sources of financing for entities engaged in the social economy.
- You will read about which possibilities there exist for global and local funding

2.3.1. Introduction

Social entrepreneurs usually are the small enterprises, employ a small number of employees, but are able to produce the necessary things for society, as well as provide various social services. Most of these companies have emerged in the non-governmental sector by initiating or expanding their activities through donations and grants. In order to work smoothly further, they need to become independent and build a sustainable financial model to achieve their goals by developing their activities and attracting investment.

The investment attraction is obviously possible in several ways, however, taking into account the specifics of the social enterprise and the ultimate goal – making impact rather than making money, as well as the fact that not all financiers have a sufficient understanding of what social business is and, therefore, the financing of such business is being identified as risky, the classic ways of attracting funding are often cumbersome or impossible.

The attraction of funding for social business is the most challenging and most complex position during the journey in the social business world. Who can help social enterprises to raise capital and what to start with?

First of all you have to answer the following questions:

1. Is there a clear understanding of the most appropriate form of legal entity?
2. Are there clear financial goals - how much money you need and what exactly is needed, what for the money will be spent?
3. Are estimates, cash flow, planned earnings planned?
4. Is there a clear business model and business plan?

Experience has shown that social enterprises have used various forms of financing at the same time, such as loans, investments, incomes from own business, grants. In this section we will revise the main appropriate and accessible specifically for social business funding possibilities.

2.3.2. Different funding ways

Investment

In a very easy way – investment is the action or process of investing money for profit. According to the Investopedia is (the world's leading source of financial content on the web – Auth. Investopedia.com): "An investment is an asset or item that is purchased with the hope that it will generate income or will appreciate in the future. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will be sold at a higher price for a profit."

Nonprofits rely on contributions from donors, and companies rely on capital investment from investors. While it may sound like "contributed capital" refers to a contribution or donation to a nonprofit, it actually refers to the cash investors give companies in exchange for stock or equity.

Read more: [New Issue](#) <https://www.investopedia.com/terms/c/capital.asp#ixzz54xBF4AY4>
Follow us: [Investopedia on Facebook](#)

Crowdfunding

Crowdfunding is the process of raising money to fund what is typically a project or business venture through many donors using an online platform. Crowdfunding is typically done through an online platform that allows the fundraiser to set up a public campaign for accepting donations. The campaign will advertise details such as the nature of the project or venture, the amount of money the company is hoping to raise and the campaign's fundraising deadline. People can donate a specified amount through the fundraising campaign's website and often receive some sort of acknowledgment or reward in return for their donation. (Source: <https://www.entrepreneur.com/topic/crowdfunding>)

Loans

Loan as explained in Oxford dictionary, is "a thing that is borrowed, especially a sum of money that is expected to be paid back with interest." (source: <https://en.oxforddictionaries.com/definition/loan>) Basically, we all know what does it mean, but in terms of a social business, it is not such an available funding tool. Such a loan may be done by a private individual, legal or natural, or a government-subsidized loan company, but the most attention should be paid on interest conditions and time limits.

Grants

According to the Business dictionary, the grant is a "bounty, contribution, gift, or subsidy (in cash or kind) bestowed by a government or other organization (called the grantor) for specified purposes to an eligible recipient (called the grantee). Grants are usually conditional upon certain qualifications as to the use, maintenance of specified standards, or a proportional contribution by the grantee or another grantor (s)." (Source: <http://www.businessdictionary.com/definition/grant.html>). Grant is a one-way contribution which means there is no need to return it, but it is necessary to meet certain standards or implement specific process or product.

Global funding possibilities

Baltic Funding - an inventory of more than 300 funding instruments is making cooperation possible in the Baltic Sea Region. <http://funding.balticsea-region.eu/>

D-Prize - award dedicated to expanding access to poverty-alleviation solutions in the developing world. Many solutions to poverty already exist; the challenge is distributing these solutions to the people who need it most. D-prize tackle this by challenging social entrepreneurs to develop better ways to distribute proven life-enhancing technologies, and funding early-stage startups that deliver the best results. <https://www.d-prize.org/>

BMW Foundation - Cooperate with and support organizations that seek to improve the environment for social enterprises by providing financial support and consultancy to social entrepreneurs, by studying the topic academically or scientifically or by carrying the concerns of social entrepreneurs into the political and social sectors. <http://www.bmw-stiftung.de/en/>

Ananda Ventures social venture fund - one of the leading venture capital investors for social enterprises in Europe. Ananda invests in social change 'on its own doorstep' - in high growth companies based in Europe and targeting social issues in the region. <http://www.socialventurefund.com/en>

The Employment and Social Innovation (EaSi) programme - a financing instrument at EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection combating social exclusion and poverty and improving working conditions <http://ec.europa.eu/social/main.jsp?catId=1081>

The Skoll Foundation - drives large-scale change by investing in, connecting, and celebrating social entrepreneurs and innovators who help them solve the world's most pressing problems. <http://skoll.org/>

Ashoka - Social entrepreneurs are the engines of social change and role models for the citizen sector. Ashoka identifies and invests in leading social entrepreneurs and helps them achieve maximum social impact <https://www.ashoka.org/>

Crowdfunding platforms:

1. <http://impactyouth.eu/> - a first crowd-funding platform for youth social business ideas of Baltic states
2. www.kickstarter.com
3. www.StartSomeGood.com
4. www.Indiegogo.com
5. www.RocketHub.com
6. www.Pozible.com
7. www.Causes.com
8. www.Razoo.com
9. www.Crowdrise.com
10. www.Fundly.com
11. www.Plumfund.com

2.3.3. Financing and fundraising in Latvia

Sources of Finance and Funding in Latvia

- YoungFolks crowd-funding platform which helps to fulfill kids and youngster dreams <http://youngfolks.lv/home/?lang=en>
- www.impatyouth.eu first crowdfunding platform for social business ideas owned by young people up to 35 years old and minimums funding to start a campaign is 500 eur, minimum collection to get funding – 75% of the requested amount.
- Projektu bank is a local platform for collection of crowdfunds for different types of projects/ideas <https://projektubanka.lv/>
- <http://fundwise.lv/>
- From 2017 to 2022, the Latvian Ministry of Welfare (MW) in cooperation with the financial institution Altum implements the European Social Fund project Nr.9.1.1.3 / 15 / I / 001 "Support

for social entrepreneurship", in which the MW performs recognition of social entrepreneurs and distribution of grants (NOT a loan) for both existing and newly created social enterprises in amount up to EUR 50 000. More information

<https://www.altum.lv/en/services/enterprises/grants/Social-Entrepreneurship-Programme/about-the-programme/>

- The project is implemented by the Ministry of Welfare, involving ALTUM as a Cooperation Partner to administer the grant scheme.
- Requirements for the grant scheme will be developed in the first quarter of 2017 and ALTUM will start issuing grants in the first half of 2017.
- Merchants, associations and foundations that are already social enterprises, as well as private individuals planning to start social entrepreneurship, are the target group for the aid.
- Business plans submitted by those starting social entrepreneurship will be assessed.
- The aim of the project is to promote the environment and development of social entrepreneurship and increase the opportunities for employment for those unemployed who are in less favorable conditions, persons with a disability and persons with mental disabilities.
- It is planned that 200 social enterprises and social entrepreneurship start-ups will be supported within the framework of the programme. The programme will operate until 2022.
- The programme financing will be provided as a de minimis aid in line with the Commission Regulation (EU) No. 1407/2013 of 18 December 2013, the Commission Regulation (EU) No 717/2014 of 27 June 2014 and the Commission Regulation (EU) No. 1408/2013 of 18 December 2013.

Further reading and references

[Investment https://www.investopedia.com/terms/i/investment.asp#ixzz54xAEFoBW](https://www.investopedia.com/terms/i/investment.asp#ixzz54xAEFoBW) Follow us
[Investopedia on Facebook](#)

2.3.4. Financing and fundraising in Poland

Currently, the basic problem related to the functioning of social economy entities in Poland, who value social goals over any other, is their financing. To basic sources of raising funds by social economy entities includes:

- ✓ Commercial markets on which economic activity is carried out, and income they are obtained from the sale of goods and services;
- ✓ Non-marketable resources, which include public subsidies and donations of private persons;
- ✓ Non-cash resources, e.g., volunteer work.

Another division classifies the sources of funds obtained by social economy entities for:

- ✓ Sources of financing non-investment projects in the form of non-returnable subsidies
 - Operational Program Knowledge Education Development for 2014-2020;
 - Operational Program Civic Initiatives Fund;
 - Regional Operational Programme financing non-returnable subsidies for social enterprises granted as part of the/ and via Social Economy Support Center (OWES);
- ✓ Sources of financing investment projects in the form of non-returnable instruments
 - Operational Program Knowledge Education Development for 2014-2020;
- ✓ Public administration budgets as a source of financing for social economy entities
 - The act of 24 April 2003 on public benefit and voluntary work;

- Contracts for the supply of services with public administration social clauses.
- ✓ returnable financing by the private sector (loans);
- ✓ state funds available for social economy entities:
 - National Fund for Rehabilitation of Disabled People;
 - Labour Fund;
- ✓ capital investments;
- ✓ bank guarantees and similar instruments¹;
- ✓ fundraising sources of financing of social economy entities like:
 - 1%
 - public collection
 - sponsorship
 - donation.

Funds coming from the Knowledge Education Development Program are a key financial instrument for many Polish NGO's and other support organizations interested in developing the social economy in Poland. For their purposes, they have special programme offering comprehensive support using financial instruments. Its implementer is State Development Bank (Bank Gospodarstwa Krajowego-BGK) on behalf of the Minister of Family, Labor and Social Policy. The project provides for over PLN 135 million for preferential loans and over PLN 4 million for reparations. The support is carried out equally at both national and regional levels.

Thanks to the use of these funds, until 2020 support will be granted to a minimum of 2,030 Social Economy Entities (PES) and the creation of at least 1,250 jobs in the area of the social economy. Due to the returning nature of the above instruments, the pool of funds allocated for the support of the PES will steadily increase as a result of its funding from the repayment of previously granted loans. The current PO WER project is an extended continuation of the offer available in the pilot of social economy financing also implemented by BGK as part of Measure 1.4 of the Human Capital Program (PO KL) in recent EU financial perspective 2007-2013.

Overall, the chart below presents that the social economy entities in Poland use mostly public financial support and they seem to be very dependent on it. It is also because for traditional, market-oriented financial institutions non-profit enterprises have high credit risks, normally with a limited credit history or no collateral. Thus, financial institutions rarely have an interesting offer aimed at PES.

The main source of funding for the social economy organizations are as follow:

Based on public funds	43%
Based on donations and 1% of taxes	17%
Based on membership contribution	17%
Based on earned income and charges	7%
Practically no resources	11%
Based on the support of other organisations or branches	3%

Source: Polskie organizacje pozarzadowe 2010, <http://civicpedia.ngo.pl/files/civicpedia.pl/public/raporty/pomaranczowka2010.pdf>

¹ Based on: A. Królikowska, Finansowanie instytucji ekonomii społecznej., [w:]T. Kazimierczak, M. Rymsza, Kapitał społeczny. Ekonomia społeczna., Instytut Spraw Publicznych, Warszawa 2007, s. 239

Unfortunately, difficulties in obtaining external finance are still considered as one of the main barriers to PES economic activity in Poland. This deepens the development gap between Polish and other EU member states' social economy entities. Improving access to financial instruments is crucial for strengthening Poland's social economy in 2018 and future years.

2.3.5. Financing and fundraising in Russia

The possibilities for financing social entrepreneurship are limited in Russia due to the still quite contradictory status of such enterprises. The regime differs, for example, for small enterprises, non-profit organizations, and private entrepreneurs.

Nevertheless, in recent years, several instruments for financing new social projects have appeared at once. The main groups of tools can be formulated as follows:

1. State or municipal contract for the social services.
2. Lending by banks and public corporations (available for small and medium-sized businesses).
3. Crowdfunding
4. State or municipal grants (available to social enterprises registered as non-profit organizations).
5. Grants and loans of charitable foundations.

One of the sources of income of a social enterprise are the payments for the implementation of social services under a state (municipal) contract. In this case, the company receives funds from the budget on the competitive basis. The terms of the competition provide for requirements on a quality, the quantity of services, control, financial plan, etc.

A few years ago, it was quite difficult for small enterprises to compete for budgetary deals. For example, it was difficult to bid. However, now the state allocates a special quota (15%) in its expenses for ordering services from small enterprises.

The state implements many programs to support small and medium-sized businesses. In most of them, there is no special offer for social entrepreneurship. However, if you managed to find a sustainable business model, there is a possibility of receiving direct government assistance for commercial companies.

All the features are described in detail on the central portal of support systems "Business navigator for SME" (<https://smbn.ru/msp/main.htm>). Subsidies for training, participation in exhibitions, preferential interest rates on loans - check which support measures are most useful for your company.

Over the past five years, the state and municipalities have significantly simplified the access of social enterprises to competitions in the implementation of social services. In fact, the state provides a steady flow of customers and financing. It should be noted that the list of social services is closed, determined by each region on the basis of the federal standard.

To get the contract, the social company must enter the particular state registry. Any organization and individual entrepreneur can join the registry to receive tax benefits and compensations for the provision of social services. Prices for services are determined by the state, however, a social

entrepreneur may charge a fee for additional services. Subject to specific requirements, the supplier may be exempt from VAT.

In Russia, there are several crowdfunding platforms, but the two most significant are www.planeta.ru and www.boomstarter.ru. Unlike, for example, Kickstarter Russian platforms are not much focused on technological start-ups, but on social and cultural projects. Some of these projects are social enterprises.

An example of several successful campaigns – CoccoBello by Guzel Shanzapova. In an effort to give work to the inhabitants of a small Ural village, Guzel founded a company for the production of cream-honey, tea, sweets, and now extends services to rural tourism. In 4 campaigns to raise money, thousands of people were involved, workshops were built, and the construction of a cultural center was being prepared.

The negative feature of the Russian crowdfunding is a relatively small amount of collected funds, many projects do not gain the critical mass of needed funds.

In many regions of Russia there are programs to support socially-oriented NGOs. In addition, civil society funding is growing every year through presidential grants (<https://президентскиегранты.рф/>). The amounts of regional financing are rather small and usually go for a few activities. The presidential grant is big, it's enough for long-term programs. It should be noted at the same time that financing of the acquisition of equipment is difficult in both cases. To obtain a grant, you must be registered as a non-profit organization.

An additional source of funds are grants and loans from private charitable foundations. Such funds are established by several Russian corporations or their owners (Alikperov, Timchenko, Potanin, Rusal, etc.)

For example, the Vagit Alikperov Foundation "Our Future" (<http://www.nb-forum.ru>) provides interest-free loans to social entrepreneurs. The current project can receive up to 40 million rubles. The amount for start-ups is 2 million rubles. (minimum year of operating activity is required). The maximum period of support is 10 years.

The main requirements for the projects are:

- The project should be implemented on the territory of Russia and promote positive social changes.
- The project should aim at solving existing social problems, improving the quality of life of the population or a separate socially unprotected group.
- The project should be innovative and have replication potential.
- The project should be based on a sustainable business model.

Sources of finance and funding in Russia:

Crowdfunding platform PLANETA

<https://planeta.ru/>

How to find the investor?

<https://te-st.ru/2016/03/22/seeding-mission-driven-startups/>

Our Future foundation

<http://www.nb-fund.ru/about-us/>

Reflection objectives

- How can social economy entities in Russia aim more effectively for financial support offered to them?
- How do you value fundraising and crowdfunding activities as a part of the financial activity of social enterprise?
- Check the “Business navigator” portal to identify the possibilities for your company to get state support.

2.4. Social Impact measurement

Same as in traditional business, in social business it is necessary to measure the success of the product/service it offers. While in traditional business success will be measured by the financial end-year results, in social business it will be the social impact that has to be measured. Therefore, it is important for every social enterprise to know, what I social impact and how to measure it.

Learning objectives:

- In this chapter you will be given a short introduction to what social impact is, and why it is important to measure it
- You will learn about Theory of Change
- You will be introduced to impact measurement instruments and indicators
- You will learn why the baseline is important

2.4.1. Definition of Social Impact

As defined by Michigan Ross Center for Social Impact, Social Impact is: “*A significant, positive change that addresses a pressing social challenge.*” In other words, Social Impact is a difference between the situation before and after your intervention, a positive change. In order to show, whether or not a change occurred, we need to measure it.

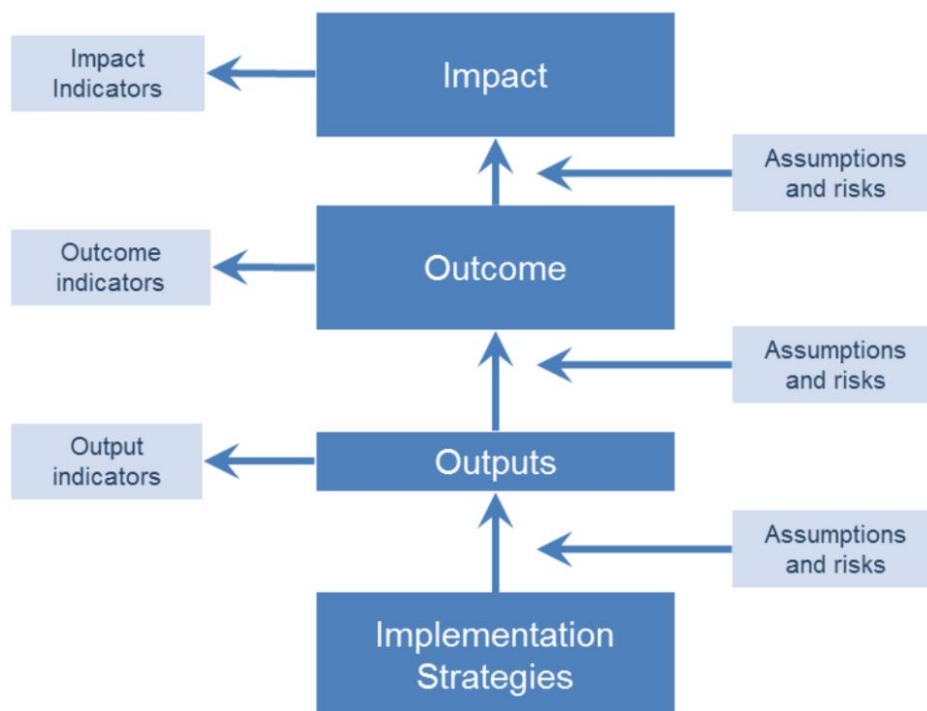
Why is it so important for a social business to measure its social impact and what are the possible risks, if they don't?

Well, for starters, social impact is what makes a traditional business social. By being able to prove that what you do as a business brings a positive change for society will make you a social entrepreneur. It is also crucial to measure the impact to be able to confirm to potential impact investors and partners that your solution really works. You also risk losing the trust and credibility among your beneficiaries and stakeholders if you don't show the results of your work to them. And final, but a most important aspect of why to measure the impact is to prove that your solution works and change is created in the right direction.

2.4.2. Theory of Change

As defined by Patricia Rogers “*A ‘theory of change’ explains how activities are understood to produce a series of results that contribute to achieving the final intended impacts. It can be developed for any level of intervention – an event, a project, a programme, a policy, a strategy or an organization.*” (Rogers, P. (2014). Theory of Change, Methodological Briefs: Impact Evaluation 2, UNICEF Office of Research, Florence.)

The basic Theory of Change (ToC) will consist of basic elements like activities (implemented strategies), outputs, outcomes and intended impact. All the parts of ToC should be possible to quantify and therefore all of them have measurement indicators to support them.



ToC is your Social Impact strategy planning tool, as well as point of reference for communication. Let's discuss separate elements of the ToC and learn about their specifics.

2.4.3. Activities, outcomes and outcome indicators

To be able to start filling in the ToC for your organization, let us try to get clear on definitions and differences between activities, outputs and outcomes. While it is quite clear, what does the activity mean, it is sometimes hard to understand the **difference between the output and the outcome**.

The immediate effects of programme/policy activities, or the direct beneficiaries is called output. For example, the number of swimming lessons attended. Measuring output will give a possibility to show the immediate impact on your target group, but it will not always give you an idea whether or not the desired impact has been achieved. **The outcome** on the other hand is a short-term and medium-term effect of a programme or policy's outputs, such as a change in swimming skills for kids, who attended the class. Therefore, it is safe to say that outcome is a desired positive effect on the challenging problem in society. So let's talk about it in more details.

An outcome can take many shapes and forms but it is always some **changes, benefits, learnings or other effects** that result from the organization's intervention. Some examples of Outcomes:

- The increased amount of recycled plastic goods
- Strengthened knowledge about the implications of HIV
- Reduced stigma towards people with autism
- Improved emotional intelligence (EQ)

However, it is quite impossible to measure the outcomes without setting the right outcome **indicator**.

2.4.4. Outcome indicators

Every outcome is possible to measure and make accountable. To do that it is necessary to set the right measurement item – outcome indicator. In the earlier example in section 2.5.4 about the improved EQ we could possibly measure the level of EQ before and after the training to see if there was any result. And in this case a score of EQ would be our outcome indicator. So we can define indicators as **measurements that objectively show to what extent the desired effect is happening.**

Some examples of outcomes and indicators:

1. **Outcome:** Increased awareness of the importance of recycling plastic goods
Indicator: *Amount of recycled plastic bottles per household after 3 months in the program.*
2. **Outcome:** *Improved stamina*
Indicator: *Number of meters a person can swim after 3 months in the swimming classes*

2.4.5. How to set the right outcome indicator?

Outcome indicators are measures that describe how well we are achieving our outcomes. They help us know whether things are changing in the way we intended, as defined in LEAP Framework, Developing Outcome Indicators. A really good indicator should be specific, observable and have a measurable characteristic of change to be able to demonstrate the intended outcome results. Some examples of good indicators below:

- Number of families participating in livelihood programme after one year of policy implementation
- Number of underage mothers trained in infant feeding practices after 3 months in the programme
- Supply level of safe blood in hospitals measured once every six months
- Number of recycled plastic bottles one year after the start of the program

A really good indicator should not leave any room for interpretation, must contain a measure that can be easily accounted (eg. percentage), it should be realistic to achieve, needs to be viewed as a valid measure for stakeholders and finally, it has to be stated after how much time it is measured.

2.4.6. Baseline

However, without knowing the past, we will not be able to identify, whether the intervention was successful. Therefore, we always need to set a **baseline**. Because, how else will we know that results are not fake? Consider baseline being your **point of reference against which you can evaluate your results**. A baseline, should be a starting point, something to revert to, while evaluating the progress, something **specific, measurable** and **relevant**. Some examples:

- Amount of recycled plastic goods at the start of the program
- Level of knowledge about the implications of HIV
- Current stigma towards people with autism
- Emotional Intelligence (EQ) level at the start of the programme

2.4.7. Point of reference

There is always a chance that even after making sure you have an outcome that you have set correctly, great indicator and a baseline to revert to that there will be a doubt about your intervention being

the one that created an impact. For instance, how do we know that it was in fact the Social Entrepreneurs intervention that reduced water pollution? Perhaps it would have reduced just as much without the intervention, e.g. through the fact that there was a rainy season and polluted water has been replaced.

So to be able to attribute results to your intervention, use a “control group” or a “control area”. So to prove that it was your intervention that reduced water pollution, you need to measure a very similar source of water in the same location (a lake nearby, a same river in a different location, etc.).

Reflection objectives

- As an emerging or existing Social Entrepreneur, do you use or plan to use Theory of Change as a daily tool to measure impact?
- Check if your indicators are specific, measurable, achievable, relevant and time-bound.
- Try to find a social enterprise in your country and check if they measure social impact in a right way.

Further reading and reference

LEAP Framework Developing Outcome Indicators

<http://www.scdc.org.uk/media/resources/what-we-do/leap/Developing%20indicators.pdf>

Rogers, P. (2014). Theory of Change, Methodological Briefs: Impact Evaluation 2, UNICEF Office of Research, Florence.

http://www.entwicklung.at/fileadmin/user_upload/Dokumente/Evaluierung/Theory_of_Change/UNICEF_Theory_of_change.pdf

Definition of Social Impact

<http://socialimpact.umich.edu/about/what-is-social-impact/>

“A Practical Guide to Measuring and Managing Impact” from the European Venture Philanthropy Association

http://www.oltreventure.com/wpcontent/uploads/2015/05/EVPA_A_Practical_Guide_to_Measuring_and_Managing_Impact_final.pdf

OECD definition of the indicator

<https://www.oecd.org/dac/2754804.pdf>

A guide to measuring social impact

<http://www.learningandwork.org.uk/wp-content/uploads/2017/01/A-guide-to-Measuring-Social-Impact-v2.pdf>

Picture was taken from:

http://www.entwicklung.at/fileadmin/user_upload/Dokumente/Evaluierung/Theory_of_Change/UNICEF_Theory_of_change.pdf

2.5. Marketing, communications and technologies

This section will present you the basic understanding of the role of marketing and communication for social enterprise. We will examine several communication and social tools, including social media tools for teams and projects.

Learning objectives

- You will be introduced to the concept of marketing and communications.
- You will go through the customer experience model.
- You will be introduced to the social media for marketing and project management

2.5.1. What is marketing?

Mark DiCristina at MailChimp points out: “Everything is marketing”. By definition, marketing is the process of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. In general, marketing involves the activities on:

- Identifying customers’ needs and desires;
- Understanding (research) of the market size, customer segments and profit potential;
- Developing a value proposition and specifications for the product features;
- Designing the user experience;
- Designing and delivering the message to the customers and public (promotion, packaging);
- Communication with audiences (customers, authorities, civil society etc.), including feedback and co-creation.

2.5.2. Marketing mix

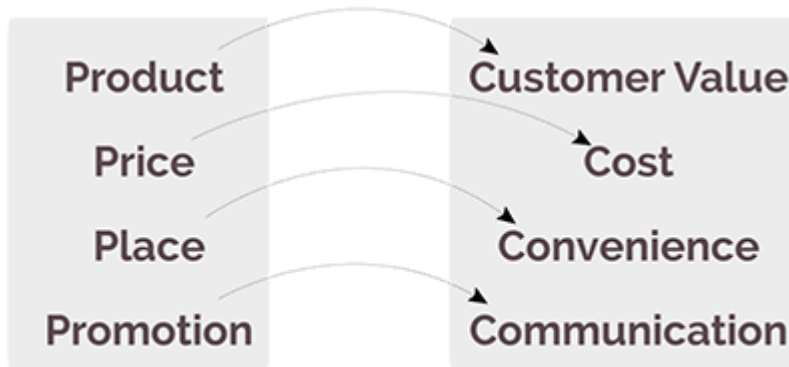
The marketing mix is a set of marketing tools that the entrepreneur uses to deliver the value proposition and product\service to the customer and to finalize the deal. It is about putting the right product in place, at the right time, and at the right price. To succeed, an entrepreneur needs to understand the customer and every aspect of the business model.

Marketing mix has two dimensions: customer-centered and company-oriented:

Company	Customer
Product	Customer (Value proposition)
Price	Cost
Place	Convenience & Experience
Promotion	Communication
Personnel	People

We have already discussed product and value proposition in the previous modules. What are the other ingredients of the marketing mix?

4Ps to 4Cs



Price/Cost. On the one hand, price determines the company's profit and survival: It covers the costs and makes the profit. On the other hand, the price is the indicator for the customer what to expect from the product compared to competitors. Adjusting the price of the product has a big impact on the entire marketing strategy as well as greatly affecting the sales and demand of the product.

But the price is not the only cost incurred when purchasing a product. Maintenance, utilization, logistic costs form together with the price the cost of ownership. The low cost of ownership may be the competitive advantage even for products with a higher price.

Place/Experience. Potential buyers need to have access to the product. Delivering the product from producer to a customer is a part of the services connected with the product. In fact, that is one of the product's features. Doesn't matter who delivers the product – producer or seller – the customer sees it as the whole experience of interaction with the company. Today it includes online and offline stores, payment services, customer support etc. As far as products become more and more similar to specifications and even design, user experience creates emotional relationships between brand (company) and a customer.

Promotion/Communication. Promotion is comprised of various elements like sales organization, public relations (mostly not paid for), advertising (paid for) and sales promotion. Communication is considered as more cooperative practice and the voice of the customer – possibility for open dialog, feedback and collaboration. Social media creates the platform for communications, eliminating the producer-user distance.

For social enterprises public relations and communications become a crucial part of the marketing mix. With limited profit, but a great impact, entrepreneurs built a positive reputation and support from the community. In result, by word of mouth (as well as my likes and reposts, participation in exhibitions, seminars and events) companies spread information all around.

Personnel/People. Even in internet sales the personal contact is still very important. Sales managers, consultants, cashier, manager, copywriters – all these people are touch points delivering service and creating the user experience. The front-office personnel communicates directly with a

customer providing superior service. While the back-office staff delivers the product, space and other resources being invisible to the customer.

Service is a part of the corporate culture of a company. That is why it is much more difficult to copy a service than a product – culture changes very slowly, not like technology. The company needs people who believe in the product, who cares about customers. This is an internal competitive advantage a business can have over other competitors which can inherently affect a business's position in the marketplace.

2.5.3. Branding

The brand is an image, memories, associations by which a customer identifies a product. Entrepreneur creates a brand platform that includes brand position and values, brand message and brand identity.

Your brand is your promise to your customer. It tells them what they can expect from the products and services, and it differentiates it from competitors. Brand explains who you are, who you want to be and who people perceive you to be.

Your customers may believe that the social enterprise is not about just making a sale, but also making the world a better place. It helps them to decide in favor of the company. This is an example of the purpose-based branding which takes the experience from simply transactional (people buying the products and services because they need them) to relational (people buying your products and services because they believe in a greater purpose behind what you do).

Defining the brand requires the understanding of your business:

- What is your company's mission?
- What are the benefits and features of your products or services?
- What do your customers and prospects already think of your company?
- What qualities do you want them to associate with your company?

To communicate a brand company:

- Creates a great logo and places it everywhere.
- Writes down a brand message.
- Integrates a brand into every process and touchpoint of the business.
- Designs templates and create brand standards for all marketing materials.

Branding is about shaping perceptions and telling big stories. If done correctly, it becomes glue that ties together a company's business strategy, its core purpose and its customer experience.

It brings focus to internal and external communications, customer and employee engagement and it helps create a company that everyone wants to work with.

2.5.4. Customer experience

As defined by the Harvard Business Review customer experience is the “sum-totality of how your customers engage with your company and brand.” Company interacts with a customer through its products, advertising, customer support – and every time gets the new impression of the brand.

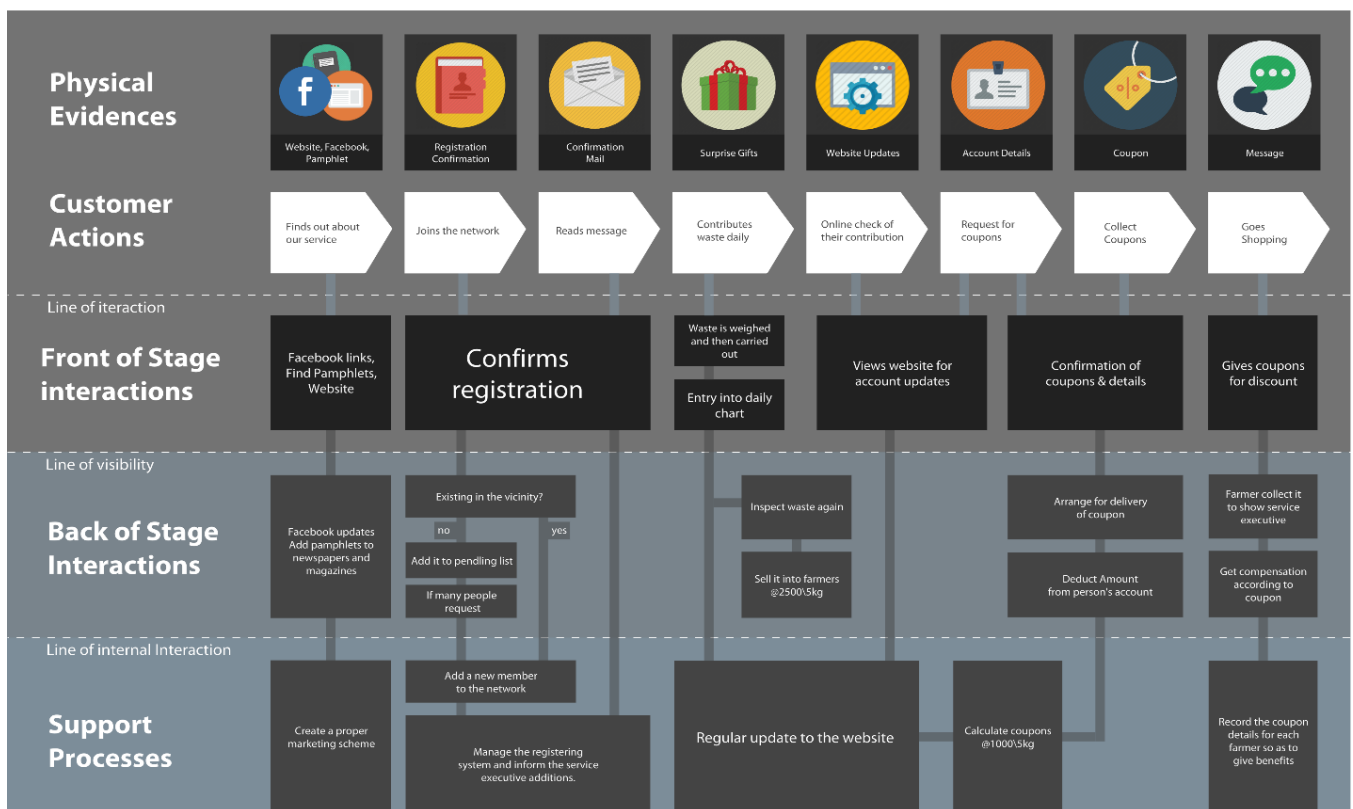
Social media has put the smartphone in customers' hands to tell the story of their experience of your brand.

Design of the customer experience is based on empathy for the customer. That means the importance of accounting for timing, context and the user's goals in the moment of need. It is important, that services are co-produced between the provider and users, it is more about interaction than just production. To analyze customer experience designer or entrepreneur uses the customer journey process which includes:

1. Mapping all touchpoints – places, people, situations, when customer interact with a company, its marketing activities and product.
2. Identifying the most important touchpoints.
3. Designing the user experience for every important touchpoint: customer expectations, emotions, time, actions performed by a customer, front-office personnel and back-office (service blueprint tool).
4. Prototyping, testing, delivering and improving.

To visualize the customer journey a designer may use a service blueprint.

Service Blueprint



2.5.5. Social media for external and internal communications

Social media is a conversation medium that enables people, brands and companies to interact with their target audiences in a meaningful, personalized and helpful way. Social media is still a low-cost tool to communicate with a large audience. Social entrepreneurs use blogs and platforms like

Facebook to attract attention to the problem and at the same time to communicate activities. They start a discussion, educate, share stories, pictures in action, report on their activity. More conversation, more visibility to the audience, more ways to raise awareness or empower the audience to change, to raise money, to boost sales.

Social media's DNA includes at least 5 elements:

1. Content (posting, sharing and using). Deliver real-time news and comments, it boosts communications, keeps the context and raises the level of engagement
2. Conversation (talks, questions, statements). Deliver the message in an engaging way. Social media is not about information – we need to engage people in the dialog by emotions, image, personality.
3. Collaboration (co-creation, discussion, cloud documents and file sharing).
4. Community (members, groups, friends, events).
5. Culture. Community includes values, formal or informal rules, traditions and (often) moderation to keep the peace (life, energy, sense) in your community, to eliminate spam.

The real benefit from social media is that you can measure results. Sample metrics for measuring a social tool aimed at external stakeholders (readers, subscribers, customers):

- Traffic: How much traffic did our social media channels send us?
- Feedback: How much input did we receive from our external stakeholders regarding the project?
- Likes: How many people clicked on the like buttons?
- Shares: How many people shared our messages with their friends?

Social networking is a part of daily life for most of us, now it is also a workplace. Project team or organization may use social media (e.g. Facebook Workplace) for planning, execution and delivery of projects at least in several ways, including:

1. Communication management – messaging text, audio and video, closed groups on Facebook or LinkedIn. Teams benefit from having all communications on the same platform (external with customers and partners and internal), flexibility and no-cost.
2. Project updates management – posting information about project progress, meeting agendas, internal reports etc.
3. Knowledge management – distributing reports, whitepapers, case studies, news, bookmarks etc. Social media allow involvement of everyone in knowledge creation, processing and capture, thus enhancing the use of knowledge for project work.
4. Team building – involving the team members into a group discussion, presenting new members, celebrations and team photos. For virtual or distributed teams, the social media become the crucial tool to keep common vision.

Consider the following questions to choose the platform for your team:

- How sensitive is the content that would be shared? Public or private, secured? For example, Telegram messenger\channels are more secured.
- Is your communication unidirectional or bidirectional? Facebook or LinkedIn is good for conversations, Telegram channels – the easiest way to post with no comments.
- Do you have a social platform budget? Some platforms require payments for non-basic functionality.
- What platforms do your team members use today? Do they want one more? How to transfer contacts and information to a new one? Where are your customers and clients?

- Is it more personal or professional? Will you team members post from their personal accounts (keeping it more personal) or from special professional accounts?

Sample metrics that are appropriate for internally-facing social tools include:

- Reach: Total number of people who logged in and used our social media tools.
- Engagement: we measure actual participation; how many comments, time spent by users reading pages, contributions per user.
- Experience: Did this project allow us to gain the experience we were seeking to gain with a new way of project communication?

Reflection Objectives

- Think about how important it is to understand the customer's desires and expectations, his habits, experiences.
- Is your product or service capable of reaching a customer? Do you know your customer?
- Think about the fact that even Facebook can become an important weapon for reaching customers, as long as it is used purposefully!

Recommended reading

1. Marketing Your Social Enterprise. <http://www.socialenterprisebsr.net/wp-content/uploads/2016/05/Marketing-Your-Social-Enterprise-Social-Enterprise-London.pdf>
2. Marketers customer experience guide <https://www.fullstory.com/resources/marketers-customer-experience-guide/>
3. The Enterprise Guide to Customer Experience <https://www.visioncritical.com/wp-content/uploads/2016/05/Enterprise-guide-to-customer-experience.pdf>
4. How to successfully use social media on your projects <https://www.pmi.org/learning/library/use-social-media-on-project-successfully-9920>

2.6. Leadership and teambuilding in social enterprises

Learning objectives

- In this section you will be introduced to the role of leadership and teambuilding in social enterprises
- You will be introduced to the set of key skills for social entrepreneurs to possess;
- You will find out why team building is very important to consider for a social enterprise

2.6.1. Leadership

Leadership in social enterprise differs in some aspects from the leadership in traditional business-oriented companies, as they often face challenges due to the lack of formal business education. But their biggest value is that the passion drives them for solving a social cause and this they incorporate into their business activity. By their very nature, leaders of social enterprises should be committed to making the world a better place and improving the lives of others.

The core idea behind leadership is to engage the best people in teams and take (or share!) what's the best from those people. But running a successful social enterprise relies not only on ethics, integrity (your actions must match your words!), and expertise but also on empathy and passion.

The good social entrepreneur also needs to be aware that he/she will align commercial purposes with social objectives, which is not always an easy task. Most of the social entrepreneurs have high social skills and great motivation, but they lack economic background. It is important though to possess business skills as well, to make benefit and be able to spend some of it on a social cause.

Thus, according to a global survey of Schwab Social Entrepreneurs², social entrepreneurs shall acquire skills like:

- A. Building a management team
- B. Delegation and succession
- C. Balancing and integrating
- D. Personal and professional development

2.6.2. Building a management team

In social enterprise we should hire people that will match ourselves regarding understanding the social mission of the company. This concerns all the levels in the company, not just the top management, but on every step of the road, we shall seek for adequate people who understand our mission, goal and share our view on the social impact our enterprise has. It is important, to have like-minded people around you. But this does not mean they should be similar to you – try to look for different skill sets, as this will strengthen your enterprise. To secure qualified^[SEP] and^[SEP] driven^[SEP] Individuals to your company, you must define your values first – think what is important to running your social enterprise. And remember - the best working teams are those that trust each other, communicate honestly and simply - like each other. Take your time to getting to know your future

² Heinecke, Andreas, Kloibhofer, Magdalena and Krzeminska, Anna (2014) *Leadership in social enterprise: how to manage yourself and the team*.

http://www.schwabfound.org/sites/default/files/file_uploads/leadership_in_social_enterprise_2014.pdf

co-workers; this will benefit in the future. And remember – as, in any other enterprise, leaders must be able to inspire, guide and develop others to run successful social entrepreneurship.

2.6.3. Delegation and succession

Many say, that succession is perceived to be more challenging than delegation in social enterprise. It is not an easy task and can be challenging to ask for help and let go of control over certain aspects of your company. But we all know, that high leadership skills are only beneficial when shared. When being too focused on the individual, they are likely to be wasted and are no gain for the social enterprise. It only makes sense if skills and knowledge are passed and learning-process is done on a daily basis. As a social entrepreneur, you must learn to look around you and find a suitable candidate ready to step into your shoes. Start with the delegation of the responsibilities.

Taking a decision involves a range of steps such as:

- understanding the problem and collecting information
- preparing possible solutions and actions
- taking the final decision and responsibility for it

Remember less workload for the leader and more capacity for other important tasks. Also, the more interesting tasks you delegate to your team, the more engaged and motivated they become. It is a win-win situation for all in the end.

2.6.4. Balancing and integrating

When being a social entrepreneur, you are constantly balancing conflicting demands – on one side you must act as a traditional business-oriented entrepreneur – run your business, keep the books and make a profit, on the other – you must never forget your social vision and constantly advocate for the bigger cause, that you represent and care for. Often you will have to share your time to help others, to promote your business idea and social aim of your enterprise, do a lot of networking and attend a lot of meeting and conferences. As your company grows, it is impossible to do everything solo – you will end up exhausted, de-motivated and most likely – alone. Share the responsibilities, allow others to take a risk and feel like being a part of the team. This will work out good for everyone in the company.

While running and managing the social enterprise, you must also remember, that there is a relation between social entrepreneurship and ethics and solving social problems – you cannot simply focus on just one of these and forget the others. Integrate, face and address all these perspectives, even if at first they seem not related to you. Afterall, the business must work! To succeed, you must possess the entrepreneurial mindset and align it with your socially focused mindset. Social enterprises must be willing to be innovative, competitive, ambitious and disruptive – this all is required to provide socially responsible goods and services.

2.6.5. Personal and professional development

Being a good leader is all about self-development. Thankfully, most of the social enterprise managers perceive developing their management skills as a key challenge. They are not afraid to invest in themselves and are always looking for the opportunity to learn and broaden their horizon. As mentioned earlier – besides a passion for social change and model for social change which meets needs, you should have business acumen. Among crucial skills for a successful social entrepreneur from the commercial side of their business are:

- Developing exit strategies
- Contingency planning

- Risk management
- Creating a diverse funding mix – including social investment
- Marketing, also in social media
- Market research
- Strategic thinking

To summarize, it is essential to be passionate about your social cause and your enterprise, but do not ignore good ideas for sustainable growth. You should take time and invest in training in leadership, for the benefit of your team and your business.

Reflection objectives

- What are the key mindsets and skill set, that help ton make successful social entrepreneurs?
- Which skills do you find more important for a social entrepreneur – social or business-like skills like project planning, financial and operational knowledge, risk management, etc?

Further readings

Team canvas explained

<https://www.slideshare.net/explanent/russian-team-canvas-on-culture-and-teams>

2.7. Network, partnership, and cooperation

Learning objectives

- In this section you will get a short introduction to the subject of partnership and cooperation undertaken by social entrepreneurs.
- You will find out why cooperation is crucial in running a social enterprise.
- You will be briefly introduced to the basic types and forms of cooperation undertaken by social entrepreneurs.
- You will look at opportunities offered by cooperation, but also you will find out what risks are associated with undertaking cooperation.
- Finally, you will be introduced to fundamental conditions for establishing cooperation.

2.7.1 Why cooperation is important in the social economy?

Cooperation is very important both in a social enterprise and in the social economy, as well as in a commercial enterprise and in business. Regardless of whether our goal is only profit, or we strive to achieve social goals, every social enterprise by definition requires cooperation with other people. Running a social enterprise requires cooperation with employees, customers, suppliers, partners, state and local government officials (tax office, social security office, public employment service, etc.) or representatives of financial institutions (banks). The success of a social enterprise depends on cooperation with all the above-mentioned entities.

An enterprise cannot be a lonely island, but it is always part of a wider social system. It is assumed that a social enterprise operates at the crossroads the public sector, the private sector and the third sector (non-governmental organizations).³ The company should be well integrated with the social environment. On the other hand, the social enterprise should strive to change the world.⁴ The enterprise, especially social enterprise, should bring new value into society. A social enterprise should strive for more than just adaptation to the environment.

Social economy entities have a wide range of cooperation opportunities. They can successfully cooperate even with foreign companies or organizations. An example of this type of cooperation is a Warsaw “The Second Hand Bank Association”, which cooperates - among others - with the giants of the global IT industry: “Cisco” and “Microsoft”. The association also cooperates with the American non-profit organization "TechSoup" (formerly "CompuMentor") based in San Francisco.⁵

³ J. Defourny, *From third sector to social enterprise. A European research trajectory*. [in:] “Social Enterprise and the Third Sector. Changing European Landscapes in a comparative perspective”, J. Defourny, L.Hulgård, V. Pestoff (Eds.), Routledge Taylor & Francis Group, London and New York, 2014, p. 36.

⁴ D. Bornstein, *How to Change the World: Social Entrepreneurs and the Power of New Ideas*, Updated edition, Oxford University Press, Inc., 2007.

⁵ Fundacja Inicjatyw Społeczno-Ekonomicznych, *Atlas dobrych praktyk ekonomii społecznej. Bank Dobrej Ręki nie lubi marnotrawstwa*, Second edition, Warsaw 2009

2.7.2. Types and forms of cooperation

There are many types of cooperation in business. For example, we can distinguish vertical cooperation (cooperation with suppliers) and horizontal cooperation (cooperation with other producers).⁶ A specific form of cooperation is the so-called “competition”. This word is a neologism resulting from combining the words “cooperation” and “competition”. It is a type of cooperative relations between competitors, which occurred - among others - in the Silicon Valley in the United States.⁷

One of the simplest forms of cooperation is networking. Networking is the development, maintenance or use of social or business relationships to exchange information, resources or services.⁸ The notion also refers to the concept of a professional network, understood as the relations between a person (or company) and other persons (or companies).⁹ Networking can occur at interpersonal or inter-organizational level.¹⁰

Networking cooperation can be the result of family ties, friendly relations or colleague relations, but it can also be a consequence of participating in business referral organization, such as Business Network International (the organization also operates in Poland). Business referral organizations are created all over the world so that entrepreneurs can establish mutual relations. It is assumed that the basis of advanced inter-organizational networking is the so-called “network capacity” of the company. Network capacity is the use of the potential of functioning in the inter-organizational network.¹¹

http://www.ekonomiaspoleczna.pl/files/ekonomiaspoleczna.pl/public/Atlas_dobrych_praktyk/atlas_dobrych_praktyk_nowe/12Atlas_Dobrych_Praktyk_BDR_ver052009.pdf [date of entry: January 9, 2018 r.]

⁶ J. Walas-Trębacz, *Kooperacja zewnętrzna w zarządzaniu przedsiębiorstwem*, „Zeszyty Naukowe Małopolskiej Wyższej Szkoły Ekonomicznej w Tarnowie” 2004, (5), p. 147.

⁷ M. Jasieński, *Czy kooperacja sprzyja innowacyjności?* „Przegląd Organizacji” 2012, 12 (875), p. 25.

⁸ Online edition of The Encyclopedia Britannica <https://www.britannica.com/topic/networking> [date of entry: January 8, 2018 r.].

⁹ Online edition of The Encyclopedia Britannica <https://www.britannica.com/topic/networking> [date of entry: January 8, 2018 r.].

¹⁰ M. Mitręga, *Rutyny biznesowe w networkingu - wyzwania pomiarowe*, „Zeszyty Naukowe Uniwersytetu Szczecińskiego. Studia i Prace Wydziału Nauk Ekonomicznych i Zarządzania” 2015, 39 (4), p. 180.

¹¹ M. Mitręga, *Zdolności sieciowe małych i średnich przedsiębiorstw a jakość relacji z klientami*, „Handel Wewnętrzny” 2011, 2, pp. 27–32.

The partnership is a *voluntary association of two or more persons for the purpose of managing a business enterprise and sharing its profits or losses*.¹² A partnership can occur between two or more enterprises, between an enterprise and a non-governmental organization, or between public administration and private enterprise (public-private partnership). The public-private partnership is an innovative form of approach to cooperation between the public and private sectors.¹³

The partnership is associated with so-called “affiliate marketing”, which is often the beginning of partner relations between enterprises.¹⁴ It consists in striving for the market effectiveness of the company by establishing partner relations not only with customers, but also with other market participants.¹⁵ It is worth noting that significant benefits from the partnership can even reach micro-enterprises without formalizing cooperation with other companies.¹⁶

2.7.3. Opportunities offered by cooperation

Cooperation with other people can lead to synergy. Synergy is a phenomenon that a cohesive group is more than the sum of its parts. Sometimes the synergy effect is represented symbolically by means of a mathematical formula ($2+2=5$).¹⁷ This a bit funny mathematical formula means that a group of cooperating people is more than just the sum of these people.

By joining forces with other people you can deal with problems that you cannot handle yourself. This is because people have different talents and personal opportunities. Each person has some deficits in terms of competences. Not everyone, for example, speaks foreign languages, has computer skills or is fluent in accounting. By joining forces with other people, we increase the probability of overcoming potential problems that may arise while doing business.

A social entrepreneur can arrange his (or her) relations with other entities in his (her) environment in many different ways. Generally speaking, it can be assumed that the consequence of mutual relations may be a win-win situation (both sides benefit) or win-lose (one party benefits at the

¹² Online edition of The Encyclopedia Britannica <https://www.britannica.com/topic/partnership> [date of entry: January 8, 2018].

¹³ M. Moszoro, *Partnerstwo publiczno-prywatne w sferze użyteczności publicznej*, Wolters Kluwer Polska, Warsaw 2010, p. 29.

¹⁴ I. Kędzierska, *Marketing partnerski jako wstęp do partnerstwa*, “Studia i prace Wydziału Nauk Ekonomicznych i Zarządzania Uniwersytetu Szczecińskiego” 2011, 24, p. 63.

¹⁵ I. Kędzierska, *Marketing partnerski jako wstęp do partnerstwa*, “Studia i prace Wydziału Nauk Ekonomicznych i Zarządzania Uniwersytetu Szczecińskiego” 2011, 24, p. 65.

¹⁶ I. Kędzierska-Bujak, *Partnerstwo przedsiębiorstw w kontekście ich rozwoju i konkurencyjności*, “Studia i prace Wydziału Nauk Ekonomicznych i Zarządzania Uniwersytetu Szczecińskiego” 2012, 25, p. 327.

¹⁷ I. Kędzierska-Bujak, *Partnerstwo przedsiębiorstw w kontekście ich rozwoju i konkurencyjności*, “Studia i prace Wydziału Nauk Ekonomicznych i Zarządzania Uniwersytetu Szczecińskiego” 2012, 25, p. 318.

expense of the other). Of course, from the perspective of the social economy, the win-win strategy is the best, because social enterprise's goal is to prevent social problems. Thinking in terms of win-lose, that is, imagining social relations as a zero-sum game (that is, one in which the profit of one person means the loss of another) is criticized by psychologists. They claim this type of thinking is associated with social cynicism.¹⁸

The ability of people to cooperate and openness to others is described by researchers as social capital. It is a non-material form of capital that can influence the wealth of entire communities.¹⁹ It can be perceived as a very valuable - although immaterial - resource. The social capital of a person is his (or her) social connections with other people, family, friends, or neighbors. Thanks to interpersonal trust and cooperation, more benefits can be achieved in economic and social life.²⁰

Openness to people is essential, especially when conducting marketing activities because, marketing forces you to present yourself and your enterprise too as many people as possible (potential customers). Many micro-entrepreneurs in Poland have a mental resistance to conducting marketing. Marketing activities are always expansive, even slightly intrusive. It requires going to people and presenting your offer to them. Printing banners or leaflets with your name, creating your own website, compliment your own services or other marketing activities may initially embarrass you if you just start your adventure with business. However, marketing is essential for the survival and development of the company.

Similar mental resistance may arise in the case of beginning non-governmental organizations' employees in carrying out fundraising activities. Fundraising involves gaining financial or material gifts by asking for the support of individual people, companies, charitable foundations or government institutions.²¹ Fundraising also requires considerable openness to people, because fundraiser (a person responsible for fundraising in the organization) must convince strangers to support a particular social purpose. Printing banners or leaflets is not enough, it is also necessary to personally contact and talk to a potential donor. The donor must trust the person to whom he (or she) transfers his (or her) own hard-earned money. Close to fundraising form of financing is crowdfunding. It is an innovative form of financing social, business and cultural projects through an online whip-round in which a large number of interested people usually make small, one-off payments (the so-called *micro-payments*).²² This type of financing is possible thanks to the Internet, which is widely available and which allows you to inform a huge number of people about our

¹⁸ J. Różycka-Tran, P. Boski, & B. Wojciszke, *Belief in a Zero-Sum Game as a Social Axiom. A 37-Nation Study*, "Journal of Cross-Cultural Psychology", 46(4), 2015.

¹⁹ J. F. Helliwell, & R. D. Putnam, *Economic growth and social capital in Italy*, "Eastern Economic Journal" 1995, 21(3), pp. 295-307.

²⁰ R. Putnam, *Social capital: Measurement and consequences*, "Canadian Journal of Policy Research" 2001, 2(1), pp. 41-51.

²¹ E. Prymon-Ryś, *Relacje interpersonalne jako podstawa fundraisingu organizacji non-profit*, „Zeszyty Naukowe Wyższej Szkoły Humanitas. Zarządzanie” 2016, 2, p. 399.

²² K. Kozioł-Nadolna, *Crowdfunding jako źródło finansowania innowacyjnych projektów*, „Zeszyty Naukowe Uniwersytetu Szczecińskiego” 2015, 854, p. 673.

enterprise easily. People interested in your project spontaneously create a community focused on this project.²³ The following crowdfunding websites operate in Poland: beesfund.com, sharedprojekt.pl, wspólnicy.pl, crowdangels.pl, polakpotrafi.pl, megatotal.pl, wspieramkulture.pl, ideowi.pl, wspieram.to.²⁴ Both fundraising and crowdfunding can also be a support for social entrepreneurs and those involved in the social economy.

2.7.4. Threats related to cooperation

Establishing cooperation is always associated with a certain risk. We do not know if our new business partner will turn out to be a fraud. However, without any cooperation with other people, no valuable social enterprise can be created. A social entrepreneur must be open to other people, but on the other hand, he or she cannot be naive.

Cooperation with other people is a great challenge, often underestimated and neglected. People think that cooperation is something simple and that they do not have to learn it. In fact, Polish schools and universities do not teach young people to work in teams, to jointly pursue goals, to negotiate and discuss disputable issues. Therefore, the situation is often such that great cooperation declarations are often accompanied by feelings of disappointment and interpersonal conflicts. A social entrepreneur should consciously learn to cooperate with other people, collect experience and draw conclusions. Learning how to build social relationships (with your family, but also colleagues, employees, clients, etc.) is a lifelong task.

2.7.5. Conditions for establishing cooperation

Trust between people is a necessary condition for cooperation. Trust is the belief that the other person will follow the rules of social life. A trustworthy person is one who keeps his or her word and that respects agreements (even if they are only an oral contract, contract not written!), and that does not work to the detriment of other people or the common good. At this point, the issue of cooperation is closely related to the broader context of work ethic and work ethos.

The ethics of work, understood as honesty and reliability in professional work, is absolutely crucial in the entrepreneur's business, especially in social entrepreneurship. Willingness to cooperate and openness to other people, and even a common goal will not be enough to establish and maintain cooperation if there is no trust between people and honesty in mutual relations.

People need a sense of security in their lives, and dishonest collaborators can effectively undermine them. Dishonesty in social life and business leads to enormous losses and deprivation of society as a whole.

Good cooperation is fostered by the assertiveness of co-workers. Assertiveness is the ability to express your own opinion and care for your own interest without violating the rights of others. Assertiveness is the golden mean between submissiveness and aggressiveness. Both attitudes are negative, harmful to people. An aggressive person harms others, while a submissive person is hurting himself or herself.

²³ K. Kozioł-Nadolna, *Crowdfunding jako źródło finansowania innowacyjnych projektów*, „Zeszyty Naukowe Uniwersytetu Szczecińskiego”, 2015, 854, pp. 672-673.

²⁴ <http://crowdfunding.pl/> [date of entry: January 9, 2018]

A situation in which a person does not care about his own interest, only pursues the interest of other people, is similarly harmful as the situation in which a person pursues his own business at the expense of other people. By working with other people, you cannot permanently take on responsibilities of others. On the other hand, you cannot discharge your duties on others. Assertiveness is an activity based on partnership principles, it assumes honesty and openness in mutual relations, and therefore also an honest division of duties and clear rules for their implementation.

Good communication is also very important in cooperation. It is important to communicate in an honest way, openly express your opinion and expectations towards other people, as well as listening to what the other side has to say about it. You cannot impose your values on other people, but you can set some basic rules that you and your partner want to follow in a joint venture.

Rules should be transparent and understandable for everyone. Many interpersonal conflicts arise from the fact that people do not express directly what is important to them. They only implicitly assume that other people have a similar value system and that they will follow it. It's not always like that. We should remember that people have different rules and priorities in life.

Reflection objectives

- What is the most important thing for you in relationships with other people?
- How often do you tell other people about what is important to you (your values, principles, your life goals and priorities)?
- With whom would you cooperate running your social enterprise?

Further reading and references

<https://www.youtube.com/watch?v=OOMV81uUTrA>

2.8. Employing people and using volunteers in the Baltic

Starting a social business is challenging and not as simple as it might seem at first. The team will be the one who will form a business, so it is important to target people who are not only specialists in their field but who also understand the value of a social enterprise, but this does not mean that the team does not need commercially oriented teammates. These people will best help to understand how to move towards a social goal in a business environment.

2.8.1. Employing people and using volunteers in Latvia

Learning objectives

- You will learn about the different kind of employment possibilities in Latvia.
- You will read about how an employee, volunteer and intern all have different characteristics.

Different kind of employment possibilities

The most effective way to attract team members is to create a like-minded group that becomes a social enterprise employee, by taking over the functions that everyone knows best. However, not everything is always perfect in life, so hiring must be creatively shaped, given the available financial resources and responsibilities.

In reality, employees of social enterprises are involved using different types of engagement - labor legal relations are only one of them. People, who care about the purpose and mission of a social enterprise, may be willing to work for a call, not for profit, so an important form of engagement is volunteer work as well as an internship.

Employee, voluntaries and internship – common and differences

To decide on how to attract each specialist, first you have to answer several important questions:

1. Will the employee be employed full time or only partly?
2. How big is the planned volume of load and can it be combined with another job or study?
3. How much time can you spend on training and employee monitoring?
4. Can a company legally be allowed to recruit volunteers?
5. Do you have the ability and opportunity to motivate a team-member based on vision and social goals?
6. Are the duties to be carried out at a specified time, on a regular basis, is "free regime" allowed?
7. Is this position a high-specialist position?
8. Are you a work integration enterprise?

People are **volunteering** freely and choose to do so on the basis of personal motivation without financial gain. Volunteering is a demonstration of solidarity and the way individuals and associations identify and address humanitarian, social and environmental needs and challenges. The essence of volunteering is more related to moral satisfaction, the public good, the opportunity to realize ideas that cannot be realized during paid work, so it is essential that the social enterprise can offer it all to the volunteer. In addition, it should be taken into account that volunteering is not forced labor, it has no fixed working time.

From a legal point of view, according to the Voluntary Work Law, volunteers should be attracted only to associations and foundations, i.e. NGO's. Commercial companies are prohibited from volunteering except in one case. A social enterprise, that has received such status by law, has the

right to attract volunteers for non-company management and accounting purposes, as well as the core functions of the company, in order to achieve the objectives, set out in the Articles of Enterprise (Statutes).

The internship provides students with the opportunity to practice and improve their theoretical knowledge, which provides more opportunities in the labor market in the future. On the other hand, the place of internship acquires access to potential employees who, when starting a business relationship, will already be familiar with the specifics of the workplace and the culture. Trainees can also help companies in their day-to-day work with simpler work and tasks. The internship is regulated by the law. The internship (practice) is not an employment relationship and is not subject to labor law regulations. However, when “hiring” people in practice, one must expect that the aim is to increase the theoretical knowledge of the student with practical application, that is, it may be necessary to adapt to the trainee's individual goals, depending on the profession or direction being acquired.

Work integration is one of the most common types of social enterprise activities or trends. The goal of job integration is to integrate people at risk of social exclusion, such as the disabled, long-term unemployed, refugees, companies that create jobs for specific groups of people in the labor market. The creation of a job integration company should take into account such essential conditions as tax and duty, social benefits regulation, limited work capacity, the need to adapt workplaces, special working hours - a number of aspects that differ significantly in the employment of people other than those from groups of society. These aspects can affect and affect both productivity and working hours.

However, the Law on Social Business also provides a number of reliefs for companies that can be identified as labour integration companies, namely, the social enterprise does not include the following expenses in the corporate tax base: 1) provision of recreational and social inclusion measures for the employees of the social enterprise included in the target group; 2) integration of the people in the target group into the labour market and improving the quality of life; to ensure social inclusion measures for the members of the target group.

Now you know that there are different ways of engaging and attracting employees, and while planning your company's business plan, answering all of these questions will help you to choose the type of employment that suits you best.

Reflection objectives

- Are there restrictions on social entrepreneurship in volunteering in Latvia?
- If you run a social enterprise, what kind of employment and what kind of legal regulation would you consider? Why?
- Have you gotten acquainted with social work support measures in Latvia? Which of them do you consider most relevant? Why?

References and future readings

Law on Voluntary work <https://likumi.lv/ta/id/275061-brivpratiga-darba-likums>

Law on Social enterprise, <https://likumi.lv/doc.php?id=294484>

Law on Organization of study practice and student insurance policy
<https://likumi.lv/doc.php?id=252862>

Informative auxiliary material for volunteering work for young people <http://ljp.lv/informativs-paligmaterials-brivpratiga-darba-organizetajiem-darbam-ar-jauniesiem>

What you need to know when organizing internship in your company
<http://itiesibas.lv/raksti/darba-tiesibas/darba-tiesibas/kas-jazina-uznemuma-organizejot-macibu-praksi/11558>

2.8.2. Employing people and using volunteers in Poland

Social enterprises play an important role in the society. The predominant characteristic of social enterprises is to counteract social exclusion and more precisely, to put actions for the benefit of the local community over maximizing profit.

Social economy entities are established to prevent social exclusion and to help people in a particularly difficult social, family or professional situation. Their agenda is addressed to homeless, addicted to alcohol or drugs after rehabilitation, former prisoners, people affected by mental illness, intellectually or physically disabled, long-term unemployed²⁵ and refugees. Social enterprises are not only to facilitate and enable participating in a community, entering or re-entering the labor market, but also to restore and maintain the possessed skills. Social economy entities offer so-called *social employment*. Its goal is to help to achieve economic independence, but as much as salary does matter, the therapeutic dimension of the work, i.e. integration, mobilization or acquiring new qualifications and skills cannot be overvalued.

Learning objectives

- This unit is designed to introduce you to the basics of employing people and using volunteers in social enterprises in Poland, which will allow you to understand the country specifics.
- You will acquire a deeper understanding of limitations in employing people and using volunteers.
- You will also be familiarized with things worth to consider when planning employment in a social enterprise.

Legal framework

The employment model in social enterprises differs significantly from the model used in business-oriented companies. The social enterprise's business planning is performed in reverse order, comparing to the regular companies. The adapted business model must primarily take into consideration not only the skills, but also the limitations of the target group, and only then, the commercial sense. Due to the diversity of legal forms of organization of social enterprises, it is difficult to simply specify the rules of employing people and using volunteers in social enterprises,

²⁵ According to the Central Statistical Office, the long-term unemployed are jobseekers looking for a job for 13 months and more (12 months or more according to Eurostat).

since it depends primarily on the adopted form of activity, secondly on the group of people it is dedicated to.

Moreover, it should be underlined that providing the legal framework of social economy in Poland is an ongoing process. First legal regulations concerning social economy were passed over a decade ago. Two acts are especially important for the area of employment and volunteering and should be treated as a core in the discussed area:

- 1) The Act of 13 June 2003 on Social Employment that enabled social employment co-funded by the state and regulates the most important elements of social employment,
- 2) The Act of 24 April 2003 on Public Benefit and Volunteer Work.

Paid work plays only a supportive role for the social engagement of members and volunteers in a vast majority of social enterprises. The most common practice is employing just a few full-time and some part-time employees. Equally popular however is using paid work contracted for a certain amount of time or certain work to be done. The reason for that is that social enterprises usually do not have enough funds secured, therefore are not economically sustainable and might fail to fulfill their social goals. Different forms of employment, offered by the Polish law, allow for the costs to be decreased. Contracted, temporary forms of employment are the least costly, especially when compared to full-time or part-time regular employment since full-time employment bears not only substantial costs for the employer but is also more complicated from the legal point of view and binds the employer with an employee for a longer period of time. Regular employment is governed by the Labour Code and guarantees, among many more, paid leave of absence and sick leave, social insurance and a notice time before termination of employment.

Specifics of employment in social enterprises

In order to characterize the employment policy in Polish social enterprises it is helpful to refer to the already mentioned legal forms those enterprises adapt i.e.:

- A. Social cooperatives
- B. Non-profit organizations that carry out unrelated business activity
- C. Professional Activity Establishments

A. Social cooperatives

These entities are to integrate or re-integrate, both socially and professionally, groups that are being marginalized in the society. In Poland, social cooperatives emerged in the recent years, encouraged by legal framework guaranteeing support for both, setting up and operating of those entities. A great advantage of social cooperatives is that business may be carried out according to the interests and ideals of its members. However, it happens that with time, profit and other benefits become more important than the ideology behind the very project.

It is difficult to reconcile social aims with independence from external funds. Social cooperatives are entitled to various supportive measures such as national insurance and taxes deductions, exemptions and refunds. Social cooperatives consist mainly of their members and usually employ just a few non-members. They are also allowed to use the work of volunteers, since 2010 it is however restricted to activities related to public benefit.

According to the 2006 Act on Social Cooperatives and 2003 Act on Social Employment, there is a possibility of co-financing of the employment by local public institutions, based on an agreement between the cooperative and local public institutions. Public sector uses the Labour Fund for funding part of employees' salaries and social cooperative's cost of employment. Social cooperatives are operating mainly in the field of housing, gardening, construction, and catering business.

B. Non-profit organizations which carry out unrelated business activity

Non-profit organizations such as foundations or associations rarely pursue an economic activity. They are more focused on the social, rather than economic, area. However, economic activity and diversification of income sources are necessary in order to gain financial independence from the state. It should, however, be stressed that profit activities might be frowned upon by the society. In terms of employment, non-profit organizations rely mostly on volunteers, but employ paid staff as well. The State offers income tax exemptions if income is used for the statutory aims.

C. Professional Activity Establishments

Professional Activity Establishments play an important, civic role since they employ mainly disabled as employees, offering not only work, social integration or therapy workshops but also provide social and therapeutic rehabilitation programmes for their beneficiaries. Any surpluses must be used for the rehabilitation process of the employed.

One of the most important legal regulations for Professional Activity Establishments is the Act of 27 August 1997 on Vocational and Social Rehabilitation and Employment of Disabled Persons. Those entities are entitled to supportive measures such as full or partial exemption from taxes, including real estate, agricultural, forestry and civil law activity tax. However, those resources must be used for rehabilitation of the disabled and to the State Fund for Rehabilitation of Disabled Persons.

This State Fund may offer cofinancing, on the basis of an agreement between such an entity and local public authorities, covering the costs such as salaries of disabled employees, salaries of specialized personnel necessary at Professional Activity Establishments or social and health insurance contribution.

Reflection objectives

- Are there any limitations of using the help of volunteers in social enterprises in your country?
- If you were to run a social enterprise which forms of employment, within the limits of your country's legal framework, would you consider and why?
- Are you familiar with supportive measures for social employment offered in your country? Which of them do you find the most appealing and why?

Further reading and references

Social Enterprise, Social Innovation and Social Entrepreneurship in Poland: A National Report. By Praszquier R., Zabłocka-Bursa A., Jozwik E.,

<http://ashoka-cee.org/poland/wp-content/uploads/sites/4/2017/03/EFESEIIS-National-Report-Poland.pdf>

Social enterprises and their eco-systems: A European mapping report. Updated country report: Poland. By European Commission, Directorate-General for Employment, Social Affairs and Inclusion.

<http://ec.europa.eu/social/keyDocuments.jsp?advSearchKey=socenteco&mode=advancedSubmit&langId=en&search.x=0&search.y=0>

Social Economy in Poland. By Brandeleer, C., (2014), The European Think Tank Pour la Solidarité <http://www.ess-europe.eu/sites/default/files/read-more.pdf>

Ustawa z dnia 27 kwietnia 2006 r. o spółdzielniach socjalnych, Dz.U. 2006.94.651, z późn. zmianami. <http://prawo.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU20060940651>

Ustawa z dnia 13 czerwca 2003 r. o zatrudnieniu socjalnym, Dz.U. 2003.122.1143, z późniejszymi zmianami. <http://prawo.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU20031221143>

Ustawa z dnia 27 sierpnia 1997 r. o rehabilitacji zawodowej i społecznej oraz zatrudnianiu osób niepełnosprawnych, Dz.U. 1997, Nr 123, poz. 776, z późn. zmianami.

<http://prawo.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU19971230776>

Ustawa z dnia 24 kwietnia 2003 r. o działalności pożytku publicznego i o wolontariacie, Dz.U.03.96.873, z późn. zmianami <http://prawo.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=wdu20030960873>

2.8.3. Employing people and using volunteers in Russia

Learning objectives

- This unit is designed to introduce you to the basics of employing people, which will allow you to understand the country specifics.
- You will acquire a deeper understanding of the legal status of volunteers in Russia.

Legal aspects of Russian employment

The Russian Labour Code defines procedures for hiring and dismissal of employees, as well as regulations concerning working time, vacations, business trips, salary payment, and so on. Russian labour law applies to all employees working on the territory of Russia regardless of their nationality or country of incorporation of their employer.

The generally accepted standard is a five-day working week with an eight-hour working day, overtime work may only be required in exceptional cases with the written agreement of the employee. Employees have at least 28 calendar days of paid vacation a year.

The monthly salary cannot be less than the minimum wage established by the regional agreement or federal legislation. In most regions, the minimum wage is below wages offered in the market, as it is more a factor for the calculation of state social compensatory payments, rather than a real minimum subsistence level. A written labour contract with an employee must be signed.

Under the labour law, it is normal for an employment contract to be for an indefinite term, since fixed-term employment contracts can only be used in limited cases. An employer hiring an employee may wish to establish a probation period, which can be of a maximum duration of three months.

Every employee must provide the insurance certificate for State Pension Insurance. An employee may terminate the employment relationship at any time with two weeks' prior written notice to the employer. Termination by the employer is restricted to an exhaustive list of reasons. Termination without a specific, expressly stated and valid reason is null and void.

Payers of Russian individual income tax are defined as tax residents of Russia and non-resident individuals who receive income from Russian sources. The personal income tax rules are the same for Russian and foreign nationals. Russian tax residents are taxed in Russia on their worldwide income. 13% rate applies to the most income received by tax-resident.

All organizations must pay contributions to the Russian social funds.

Working as volunteers in a Russian context

Volunteering is a fairly standard way in Russia for participation in public life. The Olympics and the World Cup have formed a considerable community of sports volunteers. Volunteer services in the charitable sector are quite reliable. A particular form of volunteering is pro-bono - the provision of professional services to non-profit organizations and individuals. Companies with high social responsibility support the development of corporate volunteering, including pro bono.

In May 2018, a new law on volunteerism was launched, which creates uniform requirements for the cooperation of public organizations and volunteers. Before this, social entrepreneurs faced uncoordinated demands of different laws and state bodies. The new law gives clear definitions and creates a common legal framework.

For example, the words "volunteer" and "dobrovolets" are equalized. The work of volunteers is now entirely free of charge. The volunteer receives some benefits that support his activities. These, for example, may include food, uniforms, necessary equipment, payment for travel to and from the destination, insurance. Also, the organization can provide the volunteer with information, methodological and consulting support. The new law gives the volunteer the right to participate in contests and programs and receive incentives.

It is possible to register as a volunteer or host organization. However, such registration is not mandatory, and it is aimed at forming a community of volunteers.

Social services and health care are among the areas in which the entire regulatory framework (necessary for effective implementation of the law) will be developed as quickly as possible.

The organization itself chooses to conclude a contract with volunteer or not. If the agreement is signed, then the conditions, including the list of expenditures made in favor of the volunteer, must be fully specified in it. The Tax Code provides that the benefit received by the volunteer not be subject to income tax. Note that this swings volunteers involved in the types of activities attributed by law to the charitable.

It is important that in a contract with a volunteer it is necessary to avoid terms from the Labor code (job, vocations, schedule, duties) - this will exclude the claims of the tax authorities. A volunteer can at any time refuse a contract.

The law provides for the possibility of voluntary organizations to receive state support in the framework of grants for socially-oriented public organizations. Regional and municipal authorities also have the right to create similar support programs.

For volunteers, a single database of all the possibilities has been created (<http://добровольцыроссии.рф>). Volunteers and projects are registered here. The system allows you to connect the motivated volunteers as quickly as possible with those organizations that need them as much as possible. For example, university students in two clicks receive information about the needs of the city where the university is located.

Reflection objectives

- Are there any limitations of using the help of volunteers in social enterprises in your country?
- If you were to run a social enterprise which forms of employment, within the limits of your country's legal framework, would you consider and why?
- Are you familiar with supportive measures for social employment offered in your country? Which of them do you find the most appealing and why?

Recommended reading

1. Ernst & Young Employee aspects <http://www.ey.com/Publication/vwLUAssets/DBIR-Employee-aspects-2012/%24FILE/DBIR-Employee-aspects-2012.pdf>
2. Job options for disabled people (RUS) <https://trudvsem.ru/special>
3. Guide for employer <https://онлайнинспекция.рф/instructions>
4. Volunteer school (RUS) <http://volonter-school.ru/>

2.9. Legal aspects of social entrepreneurship in the Baltic

2.9.1. Legal aspects of social entrepreneurship in Latvia

Learning Objectives

- In this section you will learn about the legal definition and framework for social enterprises in Latvia
- You will read about the main support mechanisms provided by the law
- You will know about different legal forms of social enterprises; NGO vs LLC
- You will hear about the advantages and disadvantages of this

Legal definition and framework for social enterprises in Latvia

The official work on a legal framework for social enterprises in Latvia was initiated in March, 2013. That year The Ministry of Welfare formed a specifically-dedicated working group to deal with the further development of social entrepreneurship in Latvia. A drafting work of a concept and a pilot project was started.

The path towards the legal definition of a “social entrepreneurship” started within the document of the Ministry of Welfare called the Concept: “The introduction of social entrepreneurship opportunities in Latvia” (to be referred to from now on as “The Concept”). It was submitted to the governmental State Secretary meeting in February, 2014 and further on the process of the governmental review was finalized only in October, 2014. The Ministry of Welfare had launched a pilot project of support activities starting from 2017 up to 2022.

For social enterprises it will be a long journey to getting a legal framework in place, but at the same time a positive aspect is the piloting process which will allow assessing in practice different support mechanisms for potential social enterprises. Social entrepreneurship, as such, started being discussed in Latvia ten years ago and a social enterprise law will enter into force in April 2018.

Taking into account the fact that there are no official statistics about social enterprises in Latvia, possibly that piloting process will be able to serve the majority of potential social enterprises, hence finally providing some financial, information and knowledge support.

Regulation - the definition and the social business support program

Social entrepreneurship law which became in force in April, 2018 clearly states the definition of social enterprise: *A social enterprise is a limited liability company, that has received the status of social enterprise pursuant to this Law, and that performs operations with a positive social impact (for example, provision of social services, creation of inclusive civic society, promotion of education, support of science, environmental protection and conservation, animal protection, or safeguarding of cultural diversity).*

The status of social enterprise can be assigned to a limited liability company, the majority stake of which does not belong to one or more public entities, if the target group employment is stated as its purpose in its articles of incorporation.

On the other hand, the social business support program - launched by Ministry of Welfare and under which the first register of social enterprises has been created - also allows another kind of legal structure to be registered as social enterprises, i.e., non-governmental organizations (NGO).

Both LLC and NGO can claim for financial support, launched by State-backed finance institution Altum to support social entrepreneurship. It will make 12 million euros available until 2022 (The project is implemented by the Ministry of Welfare, involving ALTUM as a Cooperation Partner to administer the grant scheme.).

There is no clear vision of situation after the law will become in force. It is open whether the NGO's will be forced to change the legal status to LLC or continue to operate as NGO and get financial support. The aim of the pilot project is to promote the environment and development of social entrepreneurship and increase the opportunities for employment for those unemployed who are in less favorable conditions, persons with a disability and persons with mental disabilities.

The law ensures the legal framework by providing both the criteria for obtaining the status of a social enterprise and the procedure for state support for this type of entrepreneurship. As a result of extensive drafting-related discussions, the legal framework also enables municipalities to participate in the creation and operation of a social enterprise. However, municipalities should not hold majority stakes in such companies. The companies should aim at employing the target group.

Relief and support mechanisms for social enterprises

Companies that have acquired the status of social enterprise will be able to exclude a number of expenses from the corporate income tax base, such as the following:

- The costs of rehabilitation and social inclusion measures for employees
- The costs of integrating people into the labor market
- The acquisition of assets that serve the objectives set out in the articles of incorporation
- The donations to public benefit organizations

The other part of support instruments is formulated as the right of the state and the local authorities to grant certain relief and support for social enterprises. This includes:

- the right to donate movable property
- to grant real estate tax credits
- to provide social enterprises with their property to be used free of charge

Social enterprises will be able to engage volunteers to perform tasks other than managerial duties, accounting, or the basic functions of the company.

Social enterprises under different legal forms in Latvia

None of the existing legal forms can serve the needs of social entrepreneurship but as there is no other choice, some forms have to be adopted.

Currently self-claimed social enterprises operate under the legal form of non-governmental and not-for-profit and limited liability company. These legal forms are not very favorable, but currently they are the most reasonable for economic activity implementation of social enterprises in Latvia.

Social enterprises under the legal form of limited liability companies currently have to work on the same terms as "classical for profit" enterprises and pay the same taxes.

Social enterprises acting as not-for-profit organizations cannot develop active entrepreneurship due to this constraint of legal form. The not-for-profit organizations are allowed to have economic activity only as supplementary to the main purposes that the organization is established for.

Starting at 1. April, 2018, existing social enterprises are able to continue work under existing legal status – NGO only in case they are not willing to be recognized under social enterprise law nether claim for financial support under pilot project nor defined by Law on the Social enterprise.

Regulation of NGOs

The association consists of members; the foundations are formed by the founders. Associations and foundations are not owners and are not covered by property rights - societies and foundations do not belong to any particular person or group of people, the association and foundation have no shares and cannot be sold.

The law makes it very clear that the activities of associations and foundations are NOT profitable. This does not mean that the activity of an association and foundation cannot result in a surplus of funds, but it is not considered a profit in the sense of business, and these funds should be directed back to the activities, development and achievement of the goals of the association.

Advantages of NGO

1. Possibility to attract donations, grants, financial gifts - it is both legally permitted and there is a practical possibility to do so through various funds, grant offers, attracting private donors, etc.
2. Opportunity to engage volunteers in activities and activities
3. Possibility to obtain public benefit organization status
4. Possibility to receive various preferences and support provided by municipalities (eg real estate tax rebates, etc.)
5. Simpler administration and accounting than enterprises
6. "Non-commercial" image in society

Disadvantages of NGO

1. Full economic activity cannot be performed; the law states that associations and foundations may carry out economic activities only in the form of ADDITIONAL ACTIVITIES. This is a significant obstacle, because, despite different interpretations, a serious social enterprise cannot carry out economic activity in the form of ancillary activities. In order for the company to function normally and develop, the business activity must be a core business.
2. Difficulties in attracting investment, loans, other types of investment in a "traditional" way, as lenders and investors either are not interested in investing in associations or foundations, or they perceive the too much financial risk to do so.

Regulation of enterprises

The Law on Commerce defines several types of enterprises, but all of them are established with the aim to gain incomes for establishers through commercial activities. Commercial activity is an open economic activity, which is carried out by an entrepreneur in the profit on his own behalf. Commercial activity is one of the business types. The main type to be used for social entrepreneurship, is LLC - Limited liability company. Others types, like a corporation, partnership,

individual entrepreneur are not widespread as SE business type in Latvia and future regulation doesn't allow other types of entrepreneurship except LLC.

A limited liability company is a closed company, the shares of which are not publicly traded. A capital company is a commercial company whose share capital consists of the total nominal value of the share capital. They can be sold both together and one at a time. The invested capital is separated from investor's personal capital and liability is limited only with capital invested.

Profit is the main purpose of commercial activity of LLC. The profit can be shared in different ways - back in business and between shareholders. SE DOES'T allow sharing profit among shareholders. Economic activity is the main driver for LLC to exist and develop.

Advantages of LLC

- Easier to attract investments, loans
- Traditional business support tools (grants, participation in incubators, etc.) are more affordable
- According to the Social Enterprise law – support mechanisms, available only for LLC
- Disadvantages of LLC:
- It is more difficult to attract donations, grants, (there are few or very few special programs specifically for social enterprises having LLC status)
- NOT allowed engage volunteers, it will be considered illegal employment and may lead to paying a fine.
- There is no possibility to obtain the status of a public benefit organization.
- It is much more difficult to get various reliefs and discounts (for example, real estate tax rebates, get remuneration for the use of municipal property, etc.)
- More complicated legal framework, more complex administration and accounting
- The "Commercial" image in society is more difficult to explain why the company does not focus on maximizing profits for owners, but to address social benefits and social problems.

Status of a public benefice organization (PBO) can be given to non-profit organizations whose statutory purpose is a public benefit operation. The PBO status at the same time has both a benefit and an administrative burden.

Reflection objectives

1. What is the main difference between conventional and social business?
2. How important is to find the most suitable legal framework, legal structure?
3. What is the most important challenge of an existing social entrepreneur running the business under NGO in the context of Social Enterprise Law of Latvia?

Further reading and references

Social Enterprise Law of Latvia, <https://likumi.lv/doc.php?id=294484>

2.9.2. Legal aspects of social entrepreneurship in Poland

Learning objectives

- In this section you will learn about the legal status of social entrepreneurship in Poland
- You will learn about the KPRES programme; it's aims and main goals;
- You will see an overview of entities engaged in social entrepreneurship in Poland

Social entrepreneurship and social enterprise in Poland

“Social enterprise” is a relatively new term in Poland. The definition often used in Poland - based on the European Research Network (EMES) definition – states that a social enterprise is an entity established for social purposes whose profits are assumed to be reinvested in these objectives or the community. However, it is important to add, that the common definition of social enterprise in Poland has not, to date, been established. The key thing that differentiates social companies from traditional business-oriented enterprises is that their social mission is as core to their success as any potential profit. The Polish legislator has not decided, however, to define the concept of social economy and social enterprise in any law until now (2017).

In recent years, the most important legal regulations which started the legal framework for social entrepreneurship, were the act of law on Public Benefit and Volunteer Work (2003) and the first law on Social Employment (2003). After some time other acts were enacted - the law on Associations and Funds, the law on Professional Activation Centers and the law on Social Cooperatives (2006) with its subsequent amendments.

Polish regulations offer the possibility to choose between numerous organizational forms according to planned activities. According to the National Programme for Social Economy Development, social enterprises can be formed from the following legal types:

- Social cooperatives regarded as social enterprises par excellence;
- Non-profit organizations which carry out the unrelated business activity;
- Professional Activity Establishments.

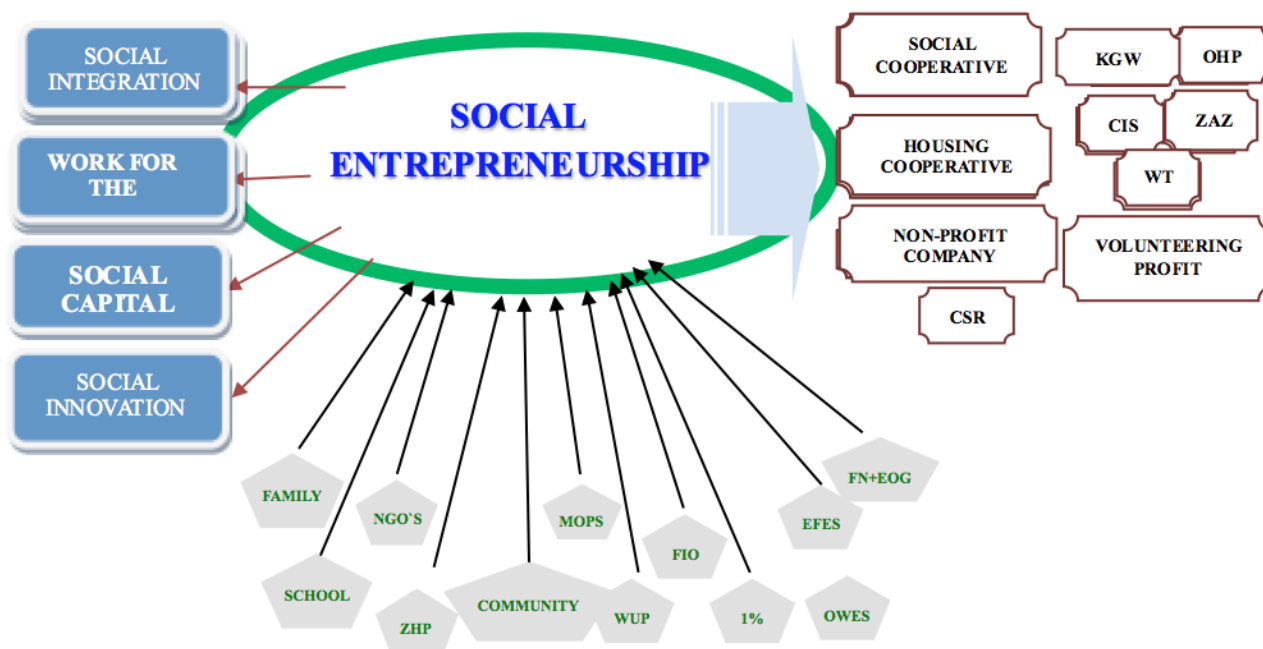
In Poland also foundations may form the social enterprise.

Overview of social entrepreneurship in Poland

Abbreviation of institutions and funds	
NGO`s	Non-governmental Organisation
ZHP	Polish Scouting Association
MOPS	Municipal Social Welfare Centre
WUP	Voivodship Labour Office
FIO	Citizens' Initiative Fund

Abbreviation social economy entities	
CSR	Corporate social responsibility
CIS	Centre for Social Integration
ZAZ	Professional Activation Betting
WTZ	Workshops of Occupational Therapy
KGW	Circle of Country Housewives

Figure: Social entrepreneurship i Poland



The state policy towards social entrepreneurship is stated in two relevant documents: the project of Act on Social Enterprise and Support for the Social Economy (proceeded since 2013, still not adopted) and National Programme for Social Economy Development KPRES (2014).

The KPRES Programme is a governmental document, that defines social enterprise as an entity, demonstrating the following features:

- Carrying out business activity, with clear organizational boundaries and own financial reporting.
The objective of the business activity is either:
 - Social and professional reintegration of people at risk of social exclusion. In this case, it is required to employ a minimum of 50 % staff from among those at risk of social exclusion or at least 30 % who are disabled;
 - Providing general interest services and at the same time fulfilling employment objectives. In this case, it is required to employ a minimum of 20 % staff from those at risk of social exclusion.
- No distribution of profit or financial surplus among shareholders; using profits or financial surplus to increase company capital, and in a certain share for:
 - social and professional reintegration, in the case of enterprises with employment objectives;
 - providing general interest services for the local community where an enterprise operates.
- Democratic governance or at least a consultative and advisory role of employees and other stakeholders, and a salary cap for management staff.

The primary objective of the Programme is that: In 2020, the social economy is an essential factor in employment growth, cohesion, social development and social capital. One of the indicators is the number of established and running social enterprises. The operational objective: "Increasing competence in the field of social economy in society" is to be pursued through the development of competencies both informal (at all levels of education) and non-formal education.

The KPRES has formulated concrete demands as:

1. to restore and develop the idea of student cooperatives in schools, through methodological support, development and dissemination programs for teachers in the field of economy and social entrepreneurship;
2. to support the organization of voluntary practices and professional internships in companies operating in the area of social economy;
3. to ensure cooperation in the vocational education sector of the social economy by serving a mandatory apprenticeship in social enterprises;
4. at universities, to accept “the mission” as a form of social activity and the forum for the promotion of social entrepreneurship within the academic career centers and business incubators.

Support policy for social enterprise in Poland is based on four steps-approach

1. the social enterprise;
2. OWES (Social Economy Support Centers) - providing advice and education on the social economy, as well as financial support via grants and loans, OWES also provide support for associations and foundations that are interested in launching unrelated business activity;
3. on a regional level - Social Economy Centers and Regional Centres for Social Policy under the Marshall Office who is responsible for the funds from the Regional Operational Programme (ESF / EFRR) - currently we observe shifting the power and responsibility to the regions and increasing their role;
4. on the governmental level - the Ministry Of Family, Labour, and Social Policy (State Committee for Social Economy Development).

The KPRES Programme envisages the adoption of the Act on Social Enterprises and Support for Social Economy Entities, which would introduce a social enterprise status and allow various types of organizations to register themselves as social enterprises and benefit from that status.

According to the draft act, conditions to obtain a social enterprise status would include (among others):

- the requirement to employ a minimum of 50 % of staff from among those at risk of social exclusion, or at least 30 % of disabled staff;
- at least 10 % of the profit from business activity shall be dedicated to general interest and or activities for those employed by a social enterprise;
- fiscal benefits for organizations that qualify for the status of a social enterprise.

Until now (Dec 2017) no such law has been adopted in Poland.

Reflection objectives

- What is your reflection on the support policy system for social enterprise in Poland?
- Is the system sufficient and provides enough help for the entrepreneurs?
- Which level do you find the most important – local, regional or state support?
- Why do you think the legal act regulating social enterprise in Poland did not come into force until now?
- How will it change the social economy scene once it is introduced?

2.9.3. Legal aspects of social entrepreneurship in Russia

In Russia there is still no separate special legislation on social entrepreneurship. Mention of it is only in the Federal Law of 24.07.2007 N 209-FZ (edited on June 29, 2015) "On the development of small and medium-sized businesses in the Russian Federation". Based on this law, federal and regional development programs for small and medium-sized businesses are being implemented. In some regions, social initiatives support centers that provide information and advisory services to NGOs and social enterprises are part of the program.

Associations of manufacturers give their definitions. For example, in Order No. 44 of the Chamber of Commerce and Industry of the Russian Federation of May 28, 2012, the following is stated: "Social business is a non for profit organization that carries out entrepreneurial activities in which dividends are not accrued or paid, planned to solve social problems. Social business is a business with a social mission. Investors/owners in the social business can gradually return the invested funds, but can not make a profit from the company's activities over the invested funds. "

The inadequacy of the legislative framework leads to different interpretations of the concept, the impossibility for many enterprises to claim support measures or financing. At the same time, there is an instruction by the President to develop and adopt the special law. Perhaps this will happen in the fall of 2018.

Since 2016, the draft law on social entrepreneurship has been negotiated in the Government and Parliament. The bill contains more precise definitions, is aligned with the Labor Code, but tightens the criteria for social entrepreneurship. The developers shared such concepts as "social entrepreneurship", "social services" and "socially-oriented activities". In addition, the bill lists the areas in which social enterprises operate. The document defines the principles for providing state support to social entrepreneurs, for example, stipulates the possibility of preferential leasing of state and municipal property, access to franchise banks and educational programs.

According to experts, such strict rationing of social entrepreneurship will not allow many enterprises to claim a special status or will lead to imitation of the formal compliance with requirements. However, the state justifies this detail to clearly define the range of companies eligible to apply for grants, subsidies and tax incentives.

Among the requirements of the law will, for example, be the need to calculate the social impact. Today, in addition to commercial law, there are normative and legal acts regulating the activities of non-profit organizations. A social entrepreneur can, for example, choose the form of an autonomous non-profit organization - an analogue of a limited liability partnership. Following Russian law, a non-profit organization can carry out entrepreneurial activity insofar as it serves the achievement of the purposes for which it was created. Such activities are recognized as profitable production of goods and services that meet the goals of creating a non-profit organization, as well as the acquisition and sale of securities, property and non-property rights, participation in business companies and participation in partnerships on faith as a depositor. The legislation of the Russian Federation may establish restrictions on the entrepreneurial activity of non-profit organizations of certain types. For example, non-profit organizations are limited in their rights, especially in the distribution and use of profits. While the opportunities of commercial organizations are broader. Nevertheless, the Federal law of July 3, 2016 No. 287-FZ has introduced a new legal status "NGO - performer of socially useful services".

There are other regulations that directly affect social entrepreneurs. For example, the law "On the Basics of Social Services for Citizens in the Russian Federation" No. 442-FZ of December 28, 2013. It determines the terms of delivery of social services for the state.

The state seeks to stimulate the participation of entrepreneurs in the market of social services. The road map "Support of access of non-governmental organizations to the provision of services in the social sphere" approved by the order of the Government of the Russian Federation of June 8, 2016 No. 1144-r was adopted. Some regions already provide targeted consumer subsidies for the payment of social services, gratuitous or preferential provision of property, concessions.

In Russia, there are several organizations that provide legal support to non-profit organizations and social enterprises. For example, in some regions, public centers for social sector innovation are open (for example, in the Omsk region <http://cissinfo.ru>). These centers provide consulting and methodological support, facilitate the formation of social clusters.

Communities of professional lawyers support NGOs on pro bono terms. For example, the Association of Jurists for Civil Society (<http://lawcs.ru>) in forty cities in Russia advises NGOs and represents their interests in court.

Reflection objectives

- Which legal form is more appropriate for the nature of the activities of your social enterprise?
- Study the legal form in which the social enterprises of your city operate. Explain why.
- Which legal consultancy for NGO is available in your city?

Further readings

Detailed information on the legal regulation of non-profit organizations is available on the portal <http://www.hrrcenter.ru>. The similar portal for commercial organizations - <https://navigator.smbn.ru/st/>

3. Further knowledge

3.1 Listing link and opportunities for further knowledge

Learning objectives

- This part reveals the multiplicity of sources you may refer to in order to enhance your understanding of social enterprises.
- It provides a starting point in social economy research you are encouraged to further conduct on your own.

3.1 Listing existing material - examples

Books and Articles

Country-specific

EN: Grygień J., (2015) "Post-transitional social economy: the case of Poland", International Journal of Social Economics, Vol. 42 Issue: 9, pp.817-829.

<http://www.emeraldinsight.com/doi/full/10.1108/IJSE-03-2015-0053>

EN: Ciepiewska-Kowalik, A., Peliński, B., Starnawska, M. and Szymańska, A. (2015) "Social Enterprise in Poland: Institutional and Historical Context", ICSEM Working Papers, No. 11, Liege: The International Comparative Social Enterprise Models (ICSEM) Project.

<https://www.iap-socent.be/sites/default/files/Poland%20-%20Ciepiewska-Kowalik%20et%20al.pdf>

EN: Cisek M. (2014), Social Enterprises as Civil Society Organisations: A Polish Perspective [in]: Jarosz, A. (2014), Good Governance and Civil Society: Selected Issues on the Relations between State, Economy and Society, Cambridge Scholars Publishing.

EN: Greblikaite J., Sroka W., Gerulaitiene N. (2016), Involving Young People in Polish and Lithuanian Social Enterprises by Fostering Entrepreneurial Skills and Abilities as Entrepreneurial Opportunity at University. 'Entrepreneurial Business and Economics Review' (EBER), Vol. 4.

<https://eber.uek.krakow.pl/index.php/eber/article/view/185>

General links concerning social enterprises

EN: Ridley-Duff R., Bull M. (2016), Understanding Social Enterprise: Theory and Practice, SAGE Publications.

EN: Defourny J., Nyssens M. (2010), a Social enterprise in Europe: At the crossroads of market, public policies and third sector, Policy and Society Journal, Vol. 29.

<https://www.sciencedirect.com/science/article/pii/S1449403510000226>

EN: Kerlin, J.A. (2010), A Comparative Analysis of the Global Emergence of Social Enterprise, VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations, Volume 21, Issue 2, pp 162–179.

<https://link.springer.com/article/10.1007/s11266-010-9126-8>

EN: Borzaga, C., Bodini, R., Carini, C., Depedri, S., Galera, G., Salvatori, G., (2014), Europe in Transition: The Role of Social Cooperatives and Social Enterprises. Euricse Working Papers No. 69|14.

www.euricse.eu/wp-content/uploads/.../1405514708_n2553.pdf

Reports

EN: Praszki R., Zabłocka-Bursa A., Jozwik E., Social Enterprise, Social Innovation and Social Entrepreneurship in Poland: A National Report.

<http://ashoka-cee.org/poland/wp-content/uploads/sites/4/2017/03/EFESEIIS-National-Report-Poland.pdf>

EN: Social enterprises and their eco-systems: A European mapping report. Updated country report: Poland, European Commission, Directorate-General for Employment, Social Affairs and Inclusion.

<http://ec.europa.eu/social/keyDocuments.jsp?advSearchKey=socenteco&mode=advancedSubmit&langId=en&search.x=0&search.y=0>

EN: World Employment and Social Outlook 2017: Sustainable enterprises and jobs – Formal enterprises and decent work, International Labour Organization

http://www.ilo.org/global/publications/books/WCMS_579893/lang--en/index.htm

EN: Brandeleer, C., (2014), Social Economy in Poland, The European Think Tank Pour la Solidarité

<http://www.ess-europe.eu/sites/default/files/read-more.pdf>

PL/EN: Statistical data on Polish social economy provided by Central Statistical Office,

<https://stat.gov.pl/en/topics/social-economy/social-economy-third-sector/>

Websites

PL/EN: Ekonomiaspoleczna.pl

EN: International Labour Organization, <http://www.ilo.org/global/lang--en/index.htm>

PL: Ogólnopolski Katalog spółdzielni socjalnych <http://www.spoldzielniesocjalne.org/>

PL/EN: Department of Social Economy and Public Benefit

<http://www.ekonomiaspoleczna.gov.pl/Social,economy,3418.html>

Knowledge

PL: <http://rops.poznan.pl/ekonomia-spoleczna/baza-wiedzy-o-ekonomii-spolecznej/>

EN: <http://www.ekonomiaspoleczna.pl/x/609046>

PL: Examples of successful social enterprises in Poland:

<http://www.ekonomiaspoleczna.pl/x/433246>

http://www.pes.efort.pl/do_pobrania/2011/dobre_praktyki.pdf

Legal Acts

Cooperatives:

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