

# How to create Social Entrepreneurship (SE)

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# Family firms and their success implementing SE strategy:

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- (1) “Winners”—firms with the capacity to increase their turnover and profit over the three years considered much more than the industry average (28.1% of the firms interviewed);
- (2) “Runners”—firms able to increase their turnover with respect to other firms, however with negative consequences on their profits (lower than the industry sector average: 22.1%);
- (3) “Cautious firms”—firms aiming at maintaining their operative profitability higher than those of other firms, but reducing their growth (22.1%);
- (4) “Loser”—firms not able to develop both their turnover and operative profitability better than the industry performance (27.4%).

# Information of SE projects (Social Business initiative):

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Social businesses combine a social, ethical or environmental mission with the entrepreneurial flair and innovation of a business perspective. They can face some specific challenges in getting investments. The Commission announced in the Single Market Act work to explore how private investment funds (europa.eu).

Legal aspects - ***Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds***

# Information of SE projects:

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- ❑ National Development Agencies;
- ❑ EU European Observation Network, Territorial Development and Cohesion (ESPON);
- ❑ USAID;
- ❑ United Nations Development Programme (UNDP);

# HOW TO START SE PROJECT!!!

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1) IDEA

2) DESCRIPTION;

3) FINANCING PLAN;

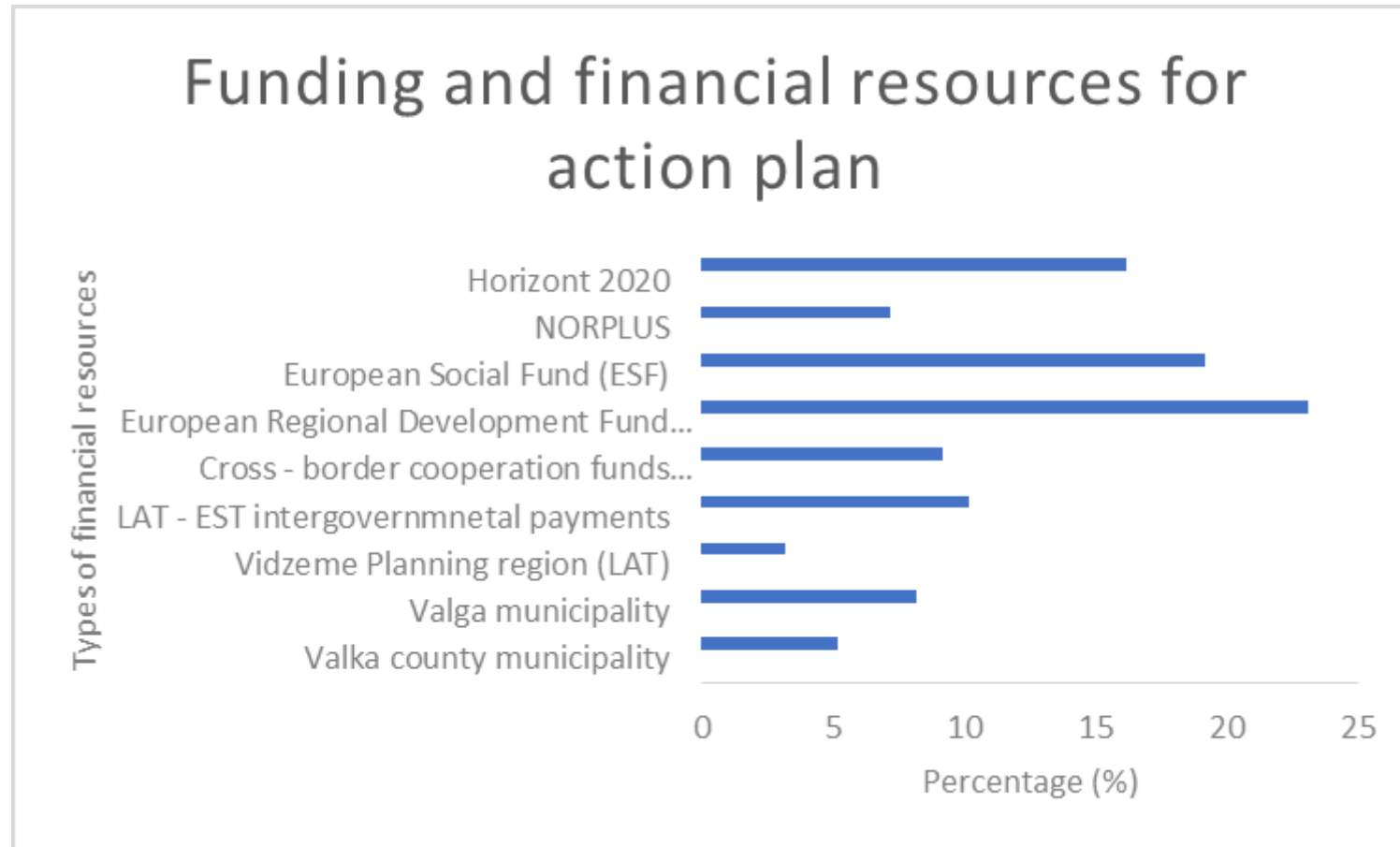
4) POTENTIAL CREATORS AND ACTORS, WHO WILL BE INVOLVED IN THE PROJECT;

5) FINANCIAL SOURCES;

6) ALL THE CAPITALS – PHYSICAL, SOCIAL, CULTURAL...

7) START TO BUSINESS

# FUNDINGS FROM ORGANIZATIONS



# Financial resources for SE project:

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1. State or governmental financial resources (subsidies) -
2. Municipal and local government resources (decentralized financial resources)
3. International and regional funds - Foreign Direct Investment (FDI) is in a investment in a foreign company where the foreign investor owns at least 10% of the ordinary shares, undertaken with the objective of establishing a „lasting interest” in he country, a long – term relationship and significant influence on the management of the firm. FDI firms include equity capital, reinvested earnings and other direct investment capital (Blatter, 2000).

# Financial resources for SE project:

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4. Private funds (investments) - local entrepreneurs and
5. The Cross – border funds - ESTLATRUS (Estonia – Latvia – Russia transborder cooperation programme) strategic objective of the Programme is to promote joint development activities for the improvement of the region's competitiveness by utilising its potential and beneficial location in the cross roads between the EU and Russian Federation (ESTLARUS, 2011). Estonia - Latvia Programme is implemented according to the principles of European Territorial Cooperation and it supports cross-border cooperation between Estonia and Latvia. It is funded by the European Regional Development Fund (ERDF), the Republic of Estonia and the Republic of Latvia.



# Five Stage Strategic Planning Process (Futo, 2013)

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Organizing the Effort



# Five Stage Strategic Planning Process (Futo, 2013)

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Doing the Local Economy (Competitiveness) Assessment

# Five Stage Strategic Planning Process (Futo, 2013)

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## Creating the LED Strategy

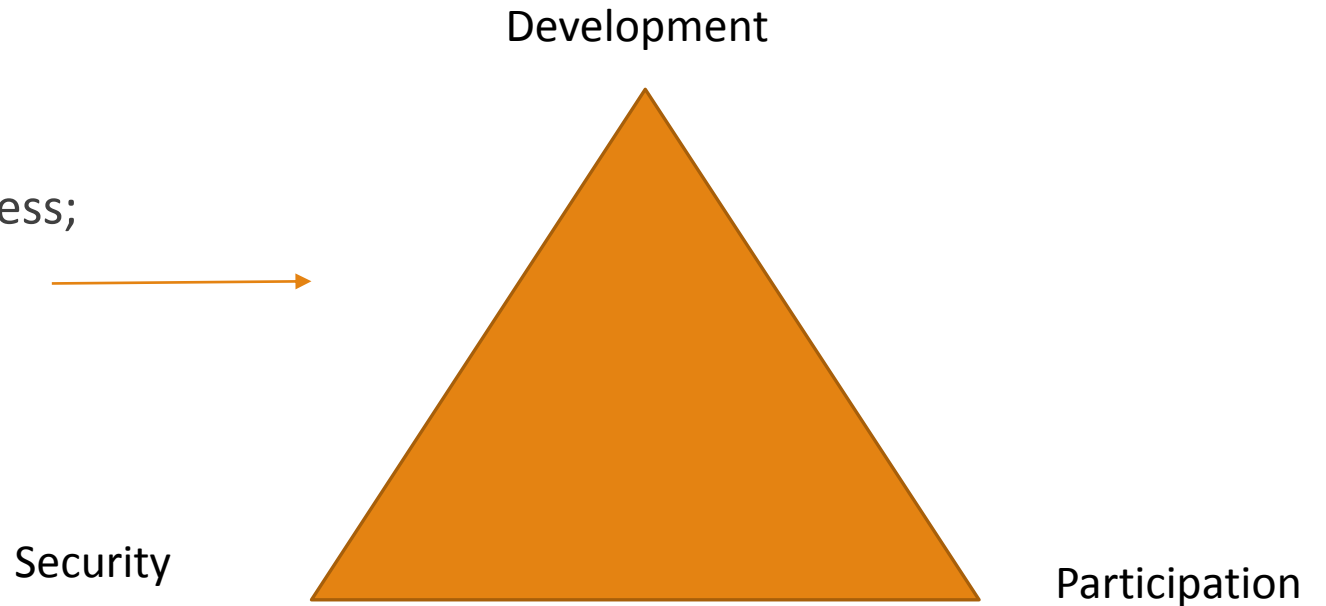
- ❑ Responsibilities;
- ❑ Who will do what (participants and actors);
- ❑ How should to look the plan;
- ❑ Expectations

# Five Stage Strategic Planning Process (Futo, 2013)

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Implementing the LED Strategy

- ❑ Business law;
- ❑ Investment protection;
- ❑ Transparency of decision making process;
- ❑ For implementing process you need



# Five Stage Strategic Planning Process (Futo, 2013)

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Reviewing the LED Strategy

By grantees, investors, cooperators and bankers



# SE project competitiveness (Futo, 2013)

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- ❑ Easy managable;
- ❑ Relatively low costs;
- ❑ Easy process, how to make insolvency;
- ❑ Flexible process for getting loan from bank;
- ❑ Internationalization;
- ❑ Local scale for supply and demand;
- ❑ Supportance from state;

# Obstacles for SE projects:

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- 1.Low level of demand in the local economy
- 2.Lack of access to capital
- 3.Lack of professional experience and qualification among residents
- 4.Cultural obstacles (Undeveloped social and economic networks, Lack of role models to imitate, lack of entrepreneurial inclination)
- 5.Monoculture of industry
- 6.High levels of criminality
- 7.Survival-oriented entrepreneurship
- 8.Bad governance
- 9.Weakness of institutional infrastructure supporting entrepreneurship

# The Struggle to Govern the Commons (by Ostron, 1958)

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1. Human institutions—ways of organizing activities—affect the resilience of the environment.

Critical problems, such as transboundary pollution, tropical deforestation, and climate change, are at larger scales and involve nonlocal influences.

In 1968, Hardin (1) drew attention to two human factors that drive environmental change.

- The first factor is the increasing demand for natural resources and environmental services;
- The second factor is the way in which humans organize themselves to extract resources from the environment and eject effluents;



# Social entrepreneurship step by step

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1. identifying the topical social problems
2. defining possible solution
3. choosing direction of social entrepreneurship
4. evaluation of the business risks
5. funding
6. employee's profile
7. profit and reinvestment

# Identifying topical social problems

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Initial phase – understanding what has to be solved

Detailed analyse of already known problems

Interviews, surveys

Focus on particular social groups

# Defining possible solution

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Setting the main aim

Analyze of various solutions

Setting the tasks

# Choosing direction of social entrepreneurship

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Analyze of available resources – financial, administrative, human

Analyze of legislation – registration as a social entrepreneur

Evaluation of skills

Analyze and evaluation of possible incomes

# Evaluation of the business risks

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Full scale evaluation

Calculation of possible expenses

Economical aspect – activity has to earn

HOW TO SELL THE PRODUCT? – market analyse

Possible investment pay off period

IS IT REALLY WORTH DOING?

# Funding

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Estimated costs – pessimistic and optimistic approach

Exploration of available financial tools – own resources, various funds, state support, loans

Applying for additional funding

Investments – according to the Social Entrepreneurship principles – utopia?

Writing a project proposal – some things to turn attention

# Employee's profile

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Involvement of target groups

Quota system

Involvement of experienced specialists – business consulting

# Profit and reinvestment

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Obligations

Non profit organization?

Profit sharing according to profile of entrepreneurship

reinvestment in development – new technologies and products



# Examples from Latvia

## JŪHŪ



# Žēlsirdības māja

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# Summary:

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Economic structures and the rise of the service economy there has been a growing recognition.

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