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# **HOW CAN A LATVIAN SOCIAL ENTERPRISE IMPROVE ITSELF IN THE CHALLENGING ENVIRONMENT?**

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# **How Can a Latvian Social Enterprise Improve Itself in the Challenging Environment?**

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# Abstract

Social entrepreneurship in Latvia is a relatively new term and still is undeveloped. External environment is unfavourable and cannot be influenced by the social enterprises. In order to improve in such environment, the social enterprises must act themselves. The paper presents how Latvian social enterprises can improve themselves by identifying the hindering actions they take, and provide suggestions on how to solve those issues, hence improve on their own.

Case study is carried out with 10 Latvian social enterprises to identify the actions taken that hinder the performance. Furthermore, Swedish experience is taken as a benchmark for suggestions on how to eliminate these inadequate actions. In order to analyse and adjust the Swedish experience, a case study of Swedish social enterprises and support mechanisms is performed.

The paper identifies *lack of commitment and versatile skills, unwillingness to cooperate; unclear, not innovative and not tested concept of the social enterprise; unbalanced and not self-sustainable business model, lack of collaboration with public sector and other social enterprises, unmotivated employees with no interest in the social mission, and lack of social impact measurement* as actions that hinder the performance of Latvian social enterprises. Consequently it is suggested to *join business incubator, work with mentor or take part in accelerator program, employ those affected by the social issue, apply social performance measurement, get involved and cooperate, and consider other municipalities* in order to solve the identified issues. Explanation on how these solutions lead to performance improvement is given.

Any Latvian social enterprise can use these results as guidance for eliminating the issues or avoiding the potential hindering actions.

# 1. Introduction

It is hard to find someone who has never heard the term *social enterprise*, however, for many the story behind is ambiguous and unclear. A social enterprise is not only a profit generating business like any other traditional enterprise but it also aims to solve a social issue, for example, youth unemployment or integration of a disadvantaged group of the society. All over the world social issues become more serious as well the awareness of them in the societies is increasing. Therefore, social entrepreneurship is growing and becoming more and more popular entrepreneurship type (The Economist, 2006). The social entrepreneurship is evolving and the social enterprises take more substantial role in the economy every year (Anonymous 7, 01.02.2016), thus it is important to nourish the social enterprises in order to sustain the future economy.

Latvia is no different, and social entrepreneurship is growing, while lagging behind the swift of global development. Since in Latvia the concept of social entrepreneurship is new and not well understood, the external environment that social enterprises operate in is unfavourable (Wilkinson, 2014). The issues of these external forces have been extensively researched both in global and Latvian context. Nevertheless, the performance of social enterprises is affected not only by external forces, but also by internal factors. While social enterprises have no influence on the external factors, internal factors are the ones which can be affected by the social enterprises themselves. Moreover, these internal issues for Latvian social enterprises have not been looked at. Consequently, it is not clear how the internal side affects the performance of Latvian social enterprises.

Taking into account the current challenging environment and the need for improvement, it is important for the Latvian social enterprises to address the situation by themselves. To improve and develop in the current environment, hindering internal actions must be realized by the social enterprises today. Therefore, our first research question follows:

**RQ1: How do Latvian social enterprises hinder their performance internally?**

The acknowledgment of the internal issues alone is not enough for improvement. The social enterprises must understand how to address these issues. By eliminating the hindering actions, Latvian social enterprises improve their performance. Therefore, our second research question follows:

**RQ2: How can Latvian social enterprises improve themselves in the existing environment?**

None of the Latvian social enterprises have reached full potential as any social enterprise in Latvia can take actions that hinder its performance. Therefore, the purpose of this study is to present the potential hindering actions or behaviour and corresponding solutions that can be used by the Latvian social enterprises as a guideline what actions and behaviour to avoid.

In order to answer the proposed research question one, we carry out a case study of ten Latvian social enterprises to identify the performance hindering actions. We base our analysis on theory of social entrepreneurship success factors. We achieve this by looking for actions not in line with the presented theory.

Further, a case study of Swedish social enterprises and support mechanisms is carried out. We adjust the Swedish experience to the case of Latvia and use it as a benchmark for suggesting Latvian social enterprises what actions to take to solve their issues, hence we answer the research question two.

We structure our research in four parts. First, we explain the concept of social entrepreneurship and present the external and internal factors affecting social enterprises in Literature Review. Second, we outline the Methodology that we use to answer the proposed research questions. Third, we present the findings of our research by answering the two research question in section Results. Lastly, we summarize the findings and present the implications in Conclusion.

## 2. Literature Review

### 2.1 Definition and characteristics of a social enterprise

In order to find out how Latvian social enterprises hinder their own performance, firstly, an understanding of the concept of a social enterprise is needed. Although the characteristics are common for social enterprises globally, there is no single and generally accepted definition of a social enterprise, and every institution, organization and government apply their own interpretation of social enterprise. In the following paragraphs, different definitions are discussed and main characteristics are listed, indicating similarities and differences of a social enterprise from an ordinary enterprise.

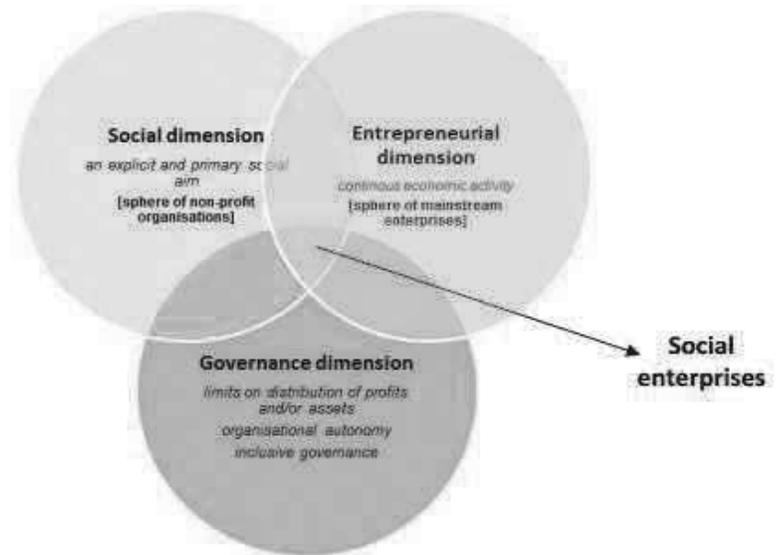
#### 2.1.1 Definitions, criteria and key dimensions

In the United States of America and Europe, the concept of a social enterprise started to emerge in the 1980s, when trying to find funding for solving social problems, such as poverty and social protection (Lesinska, Litvins, Pipike, Simanska, Kupics, Busevica, 2012). In late 20th century, Nobel Laureate Professor Muhammad Yunus played a big role in popularization of social entrepreneurship concept. Nowadays he is one of the most visible figures in this field, and is called “the father of social entrepreneurship” (Yunus Centre). Although the concept of social enterprise in different countries has developed differently over time, which also explains for different definitions, common characteristics and tendencies can be observed (Lesinska, et al, 2012).

The Social Business Initiative of the European Commission, launched in 2011, defined its own understanding of social enterprise, which incorporates three key dimensions – entrepreneurial, social and governance. An entrepreneurial dimension distinguishes social enterprises from non-profit organizations since social enterprises engage in business activities and are generating self-financing. Whereas, a social dimension distinguishes social enterprises from traditional for-profit enterprises, since they pursue a social aim. A governance dimension illustrates the specific conditions for social enterprise on the governance level, and differentiates it even more from the traditional and non-profit enterprises. Each of the dimensions has shaped the core criteria,

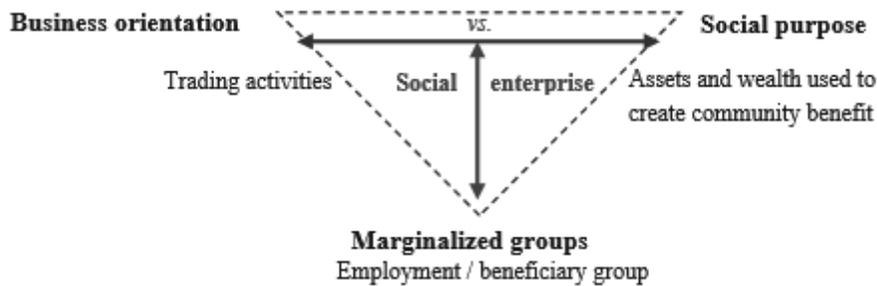
which a social enterprise in European Union must fulfil. Those criteria are - engagement in economic activity, pursuing a primary social aim that benefits the society, setting limits on profit distribution, independence from the state and other businesses, and the governance should be characterized by democratic decision-making process. In the diagram below all the dimensions and core criteria are summarized (ICF Consulting Services, 2014).

L. Dobele, a Latvian researcher focusing on social entrepreneurship, in research papers uses her own developed model to identify social enterprises. Similarly as the EU definition, the model has three key dimensions - social purpose,



*Illustration 1. Three Key Dimensions of Social Entrepreneurship. (ICF Consulting Services, 2014)*

business orientation and marginalized groups. The primary aim for a social enterprise is to have a social purpose or purposes. Secondly, the social enterprise has to involve in trading activities. Thirdly, the social business needs to employ or benefit the marginalized people. Based on this model, L. Dobele (2011) has defined a social enterprise as “practical, innovative and sustainable business creating primarily social value, as well as economic value by employing (or making them as a major beneficiary group) marginalized or excluded people in a business where income generation has an important supporting role” (Dobele, 2011).



*Illustration 2. Social Enterprise Triangle. (Dobele, 2011)*

International organization EMES Network defines a social enterprise based on four economic and five social criteria. These criteria characterize the ideal social enterprise and can be used in order to differentiate a social enterprise from any other kind of organization or business. The economic factors are: continuous activity of producing goods and/or selling services, high degree of autonomy, significant economic risk, and minimum amount of paid workers (limiting the number of volunteers). The social factors are the following: aim to benefit the community, initiative launched by a group of citizens or organizations, decision-making power not based on capital ownership, participatory nature involving various parties affected by the activity of the social enterprise, and limited profit distribution. (Lesinska, et al, 2012)

Taking into account all the factors and dimensions, Organization for Economic Cooperation and Development (OECD) identifies a social enterprise as “any private activity conducted in the public interest, organized with an entrepreneurial strategy but whose main purpose is not the maximization of profit but the attainment of certain economic and social goals, and which has a capacity of bringing innovative solutions to the problems of social exclusion and unemployment”. (OECD, 2000)

To start the discussion about social enterprises in Latvia, Soros foundation in cooperation with Centre for Public Policy PROVIDUS in the year 2012, released a research and proposed a concept for a social enterprise, which is based on the already existing models, such as EMES Network and Social Business Initiative. The concept describes a social enterprise as “a company, sole trader, self-employed person, farmer or farm and a cooperative; whose aim is to solve social problems by producing measurable and useful public benefit; which reinvests its profits in pursuit of its social aim; which

organizes its activities and governance according to a business model”. (Wilkinson, 2014a)

Latvian government has not agreed upon a single definition of a social enterprise which would be adjusted specifically to the Latvian ecosystem and environment. However, a working group set up by the Ministry of Welfare is working on adjusting this definition and setting the following criteria for social enterprises: social aim, economic activity, reinvestment of profits, fair and proportionate remuneration of employees, and participatory governance. (Wilkinson, 2014a)

### 2.1.2 Classification of Social Enterprises

Due to the inconsistency in the definitions of social enterprises, it is also hard to understand what the social enterprises do. However, broad types of activities can be found, and social enterprises can be classified based on their activities. There are two main types of social enterprises: social enterprises focusing on work integration of the disadvantaged and excluded, and social enterprises providing social care services (care for the elderly and for people with disabilities). However, social enterprises also undertake such activities as public services (community transport), strengthening civil rights and democracy, and environmental activities (waste reduction, renewable energy). It is also possible that some of the activities are combined, for example, social care services with work integration. (Borzaga and Defourny, 2004)

The most visible activity of a social enterprise is classified as work integration of disadvantaged groups. It is also the dominant class of social enterprises in Latvia. (ICF Consulting Services, 2014)

### 2.1.3 Social Enterprises in Latvia

In Latvia the concept of a social enterprise is still new, and this market is undeveloped and not well understood. European Commission's report “A Map of Social Enterprises and Their Eco-systems in Europe. Country Report: Latvia” by Wilkinson (2014a) takes a closer look at the social entrepreneurship situation in Latvia, and gives a full picture of social entrepreneurship ecosystem and its support mechanisms. The paper provides very broad and specific information about social entrepreneurship sector in Latvia, and it is the first paper of this kind which maps the social entrepreneurship sector

in Latvia. In the report it is stated that there are no state policies in Latvia that would support the work of social enterprises. Even though some support structures for social enterprises exist, and they can offer only limited amounts of support. Moreover, the growing number of social enterprises in Latvia significantly outperforms the number of investors, therefore also the social investment market is non-existent in Latvia, and there is currently no need for intermediaries between a social entrepreneur and banks or investors. Social enterprises are not treated differently from regular businesses since there are no special financial products or special intermediaries which would be particularly suitable for social enterprise's needs. (Wilkinson, 2014a)

## 2.2 Assessing the performance of social enterprises

The focus of this paper is the internal side of social enterprises. The external environment that Latvian social enterprises face has been excessively researched, and the effect that it has on the performance have not been explained. On the other hand, the internal effects and performance has not been looked at. This paper takes the next step and looks at the internal side - how the behaviour and actions of social enterprises hinder their performance, also combined with the findings about the external environment and, concludes on how Latvian enterprises can improve themselves in the existing external environment.

First, we aim to understand how Latvian social enterprises hinder their own performance internally. In order to do so we chose to identify internal factors that affect performance of social enterprises, to further structure and analyse the inadequate actions and behaviour of social enterprises within these factors. In further sections, the internal factors are listed, and the description, of how a social enterprise should behave and what actions it should take to succeed within these factors. Therefore, we analyse Latvian social enterprises according to these factors to understand how the behaviour and actions that the enterprises take hinder the performance within a factor and thus overall.

Second, it is important to understand that the factors that affect social enterprises differ from the ones that affect regular enterprises. These differences arise from the fundamental dissimilarities between social and regular enterprises. Austin, Stevenson and Wei-Skillern (2006) point out four main aspects that differ for a regular and social enterprise - market failure, mission, and resource mobilization and performance

measurement. One might argue that social enterprise still is a business and some factors are the same for both, however, due to significant characteristics that differ, this dissimilarity must be acknowledged. Therefore, in this paper we look at the factors that influence the performance of a social enterprise. While some factors still can be applied for regular businesses as well, this paper focuses on social enterprises in particular. Thus all of the factors described in this section are researched in resources on social enterprises and their performance.

Third, a social enterprise is affected both by the external and internal forces, and the space for the improvement can be found in both. External factors have to be taken into account as all the factors are linked and do not affect the performance independently. Austin and Network (2006) emphasize that there is no simple factor that will guarantee the success of a social enterprise; it is a combination of many. From the previous sections, one can understand and conclude that the social entrepreneurship concept in Latvia is rather new as well as the market for it is not as developed as it could be. Both the enterprises and the whole environment have a lot to grow. Therefore, we identify how exactly Latvian social enterprises can improve on their own, without negative effect from the external environment. In order to understand how to improve without the negative effect from the external environment, it must be looked at as well. Thus, we also research the existing material on external factors affecting social entrepreneurship in Latvia.

Further, we list the external factors and present other authors' examination of these factors in Latvia. Second, we present a list of internal factors and the adequate behaviour and actions social enterprises should take consider on the existing literature on social entrepreneurship, in order to examine them in case study. These factors have not been discussed in the context of Latvia; however, the existing global research can be applied to the case of Latvia as well.

| <i>External factors</i>                        | <i>Internal Factors</i>   |
|--|---------------------------|
| Legislative framework                          | Leadership                |
| Society's awareness of social entrepreneurship | Concept of the enterprise |
| Access to financing                            | Business planning         |
| Access to market                               | Partnerships              |
| Support platforms                              | Employees                 |
| Network between social enterprises             | Performance measurement   |
| Common measurement for social impact           | Resource allocation       |
| Skilled workforce                              |                           |
| Education on social entrepreneurship           |                           |

*Table 1. Internal and External Factors Affecting Social Enterprises. Made by the authors.*

### 2.2.1 Defining external and internal

The table above presents all the factors analysed in this paper. Furthermore, it is important to understand what is meant by internal and what by external. For the purpose of answering the research questions, we define and consider a factor internal if the company itself can affect it directly or if it is an inner strength or weakness. On the other hand, in this paper a factor is considered external in a case when it deals with the market conditions or the environment the business operates in.

### 2.2.2 External factors

#### *Legislative framework*

Most social enterprises operate either as a limited liability company or as an association/foundation. Those who operate as non-profit organizations find it difficult to grow and expand, as these organizations cannot focus on the entrepreneurial side of the business. On the other hand, those enterprises operating as limited liability companies have to face tax rates as well as the unfair competition in the market (Pukis, 2012). Therefore, in order to improve and accelerate the performance, a common social entrepreneurship law is necessary (Pancencko, Ivanova and Jasko, 2012). Azmat, Ferdous and Couchman (2015) complement the work by going further to prove that social

enterprises, associations, academia and other known parties should be involved in the process of creating the legislation about social entrepreneurship.

Dobele (2012) emphasizes that defining social enterprise and its privileges in the legal acts on businesses is necessary for social entrepreneurship development in Latvia as the existing possible forms of business are not perfectly suitable for social enterprises. According to her, taxes are too high, costs that social enterprises face are higher; for example, some social businesses face extra costs as it is time-consuming to train people with disability. Lesinska et al. (2012) complement other papers by emphasizing that social enterprises also must have privileges in the public procurement process, as there are countries where social enterprises are supported in the procurement processes.

#### *Society's awareness of the concept of social entrepreneurship*

Investors, individuals and government officials all lack understanding how social enterprises operate. Most do not realize and understand the fact that social enterprise both solves a social problem and generates revenue; most people still believe that it is an unsustainable form of business that works like a charity. Investors do not believe that a social enterprise can be a good investment opportunity as they do not realize the benefits and returns that investing in social enterprises could bring. (ICF Consulting Services, 2014)

Dobele and Pietere (2015) confirm this in relation to the social enterprises in Latvia. They state that Latvian society does not believe that it is possible to both generate returns and solve a social problem at the same time. Lesinska et.al (2012) adds that even though both are not mutually exclusive, people in Latvia tend to believe they are because of lack of knowledge and understanding. These gaps in knowledge and understanding also apply to the government officials.

#### *Access to financing*

Access to financing is particularly important when starting a business or scaling it up; and according to the European Commission report it is harder for social enterprises to gain access to financing because of the specific business model (ICF Consulting Services, 2014).

Dobele (2013) complements the idea by pointing out that there is limited access to financing in Latvia in particular. In Latvia right now the most common external

financing available is from foundations in the form of grants (Wilkinson, 2014a), which encourages the development of social enterprises. However, Dobele (2012) argues that one of the main barriers to development is exactly this dependency on grants and the public sector in general, because for a social enterprise to operate in the long term, grants are not sustainable and appropriate financing. Nasruddin and Misaridin (2014) also emphasize that it is important to diversify the income sources to avoid dependency on only one source. Such situation for businesses might work in short term, but is not sustainable for long term survival. Therefore, one must keep in mind that it is important for the market that there are several possible financing options.

#### *Access to market*

According to Pukis (2012), social enterprises face several barriers when it comes to accessing markets. First, procurement procedures are unfavourable to social enterprises because of contract sizes and pre-qualification requirements. Pukis (2012) confirms this for the case of Latvia as well by stating that social enterprises should have certain advantages in public procurement procedures. Second, according to Dobele and Pietere (2015) the competition is unfair to social enterprises as the prices they provide to customers are usually higher than the prices offered by regular profit-seeking competitors due to the extra expenses and the time needed for training employees with special needs.

#### *Support platforms*

Business development services and support schemes help the enterprises in many ways, according to European Commission report, some of them being investment readiness support, specialist business development services and support and alike. In order to operate a sustainable long-term enterprise, social entrepreneurs need this help due to the specific business model and characteristics that regular profit-driven businesses do not have. (ICF Consulting Services, 2014)

In her results, Wilkinson (2014a) does not recognize the lack of informative, learning support platforms as a setback in Latvia. On the other hand, Dobele (2012) points out insufficient help provided to establish and develop social enterprises. She acknowledges the important role of the incubators, however, still argues that in Latvia there is still a need for special support instruments and the existing are not enough. Dobele and Pietere (2015) stress that there are no support mechanisms designed for social

enterprises in particular.

#### *Network between social enterprises*

Network between social enterprises that enable social enterprises to support each other by sharing knowledge, contacts and experiences make the social entrepreneurship ecosystem stronger. These enterprises can help each other to grow as well as to raise awareness by forming associations or umbrella organizations. (Austin, Stevenson, Weiskillern, 2006)

Wilkinson (2014a), however, notes that there are no such networks in Latvia and presents her findings that the enterprises from the capital city do not express a necessity for them. On the other hand, those enterprises established in the rural areas or established recently do reveal that such networks could be helpful to achieve faster development.

#### *Common measurement for social entrepreneurship and its impact*

Lepoutre, Justo, Terjesen and Bosma (2013) bring out four arguments why common measurement of social entrepreneurship is necessary, however, they emphasize that there is no such thing at the moment. First, due to non-existent measurement system, there is no data on the impact and improvement. Second, the lack of common measuring system leads to very different interpretation and understanding of social entrepreneurship between both social entrepreneurs and the society. Third, it is difficult to compare social entrepreneurship between different countries as there is no way how to measure it and, last, if there was such a system, it would be easier to identify the trends. This means that if there were a common measurement system, possible future social entrepreneurs would have a better way how to understand the market and the demand. (Lepoutre, Justo, Terjesen and Bosma, 2013)

Moreover, non-existent common measurement and reporting leads to the lack of awareness in the society about the social entrepreneurship and its benefits to the community (ICF Consulting, 2014).

#### *Skilled workforce*

Social enterprises come across difficulties to find the employees with necessary qualifications and skills. More qualified and skilled people choose to work for regular businesses which focus only on profit making as the wages there are higher and so are growth perspectives. Therefore, people working in social enterprises need to have strong

willingness to work for social aim, which again requires specific skills and capabilities. (Bruneel, Moray, Stevens, 2015)

Dobele (2011) confirms that Latvian social enterprises face difficulties to hire skilled people due to lack of competitiveness. In addition, in the case of Latvia, this issue is particularly familiar to those social enterprises operating in the form of associations or foundations because of limited administration costs (Wilkinson, 2014a).

#### *Education on social entrepreneurship*

Howorth, Smith and Parkinson (2011) explain how learning about social entrepreneurship leads to reflective thinking that is relevant for the leader of the social enterprises, and helps to balance between the business and social side of the enterprise. The authors believe that one of the most appropriate and successful ways for the entrepreneurs to learn is to do it jointly with other social entrepreneurs.

On the other hand, Wilkinson (2014a) describes higher education on social entrepreneurship as a support for the social entrepreneurship and its development due to both educating the next social entrepreneurs as well as raising awareness. Moreover, Dobele et.al (2010) state that the majority of Latvian social entrepreneurs lack education or knowledge for leading successful social enterprise.

### 2.2.3 Internal factors

#### *Leadership*

Leadership is mentioned as an important success factor for social enterprises in most researches on the topic. Boyer, Creech and Paas (2008) emphasize that the leader must have commitment and continuity to their job as leading the enterprise. In the study, it is revealed that many leaders are so committed that they are working for free. What is more, in their paper the authors find out that the leader must be capable in all sectors starting from running the business to successfully communicating and cooperating with the government.

In addition, Bruneel, Moray and Stevens (2015) emphasize that the leader is the one who creates a common culture in the organization and sets the values and the mission.

Wronka (2013) in his research find that strong leadership is the most important and significant factor according to their respondents. He supports his findings by stating that a strong leader is the one who is highly motivated and supports changes.

Meanwhile Austin, Stevenson and Wei-Skillern (2006) identify that leadership contributes to the success when the right skills, roles and tasks are combined with the corresponding phase the enterprise is in. However, not only the timing is important; a social entrepreneur must be able to manage a wide range of relationships, starting with employees and volunteers coming from different backgrounds, till investors, partners and other organizations. (Austin, Stevenson, Wei-Skillern, 2006)

#### *Concept of the enterprise*

In most researches on the topic, it is emphasized that a clear and innovative concept is necessary for a social enterprise to succeed. For example, Boyer, Creech and Paas (2008) state that external validation for clear, innovative concept must be in place from people outside the company. This is due to the fact that it is easier to start an enterprise which provides a product or service that is well known and demanded, than to start when the service must be introduced, explained and promoted. Thus, awareness in the market is extremely necessary. In Boyer's study, in a case when a project was found to have negative press or lack of awareness, the enterprise immediately started marketing across the country to change the wrong perception.

While external proof is necessary, Wronka (2014) states that having an attractive and innovative concept also helps to gain financing from private investors.

Azmat, Ferdous and Couchman (2015) take a different view on the business idea and the concept and state that there are cases when the business idea is improved and polished when a social enterprise comes across problems with lack of skills or unsupportive legislative framework.

#### *Business planning*

Having a clear business plan which indicates all enterprise's objectives, supply chains, marketing channels, products, planned revenues and necessary financing is essential for any enterprise. Furthermore, serious business skills are necessary for successfully executed business planning and a clear business plan. Therefore, the leaders must have these business skills, if not, then there must be people in the enterprise who have these skills or the enterprise must have partners outside the enterprise with the

necessary skills. These skills are important for a social enterprise to succeed. Moreover, not only having the business skills but constantly learning new ones is important for the growth of a social enterprise. (Boyer, Creech and Paas, 2008)

Besides successful business planning, the business model must be clear and stable. It must be made clear in the business plan what the economic and social objectives for the enterprise are. Alegre (2015) in her work explains that there are social enterprises who succeed to harmonize the social and economic goals, while there are also social enterprises that have tension between the social and economic objectives, and these enterprises struggle to find a balance between them.

Both Boyer, Creech and Paas (2008) and Wronka (2014) as one of the factors in their studies have “Triple bottom line planning” which means that it is important for enterprises to have economic, social and environmental benefits aligned and set clear in the business plans in order to better succeed with the business planning.

However, it is important to understand that there is not yet a single perfect way how to balance between the two and how to measure it. Therefore, it is important for each social enterprise to know and follow its values and balance. (Bruneel, Moray, Stevens, 2015)

In addition, Azmat, Ferdous and Couchman (2015) emphasize that in order to succeed and create value, a social enterprise has to be open and ready to constantly innovate, adapt and change. In their paper they further state that innovation is the key to successfully accessing the market and that social enterprises cannot exist without it.

Lastly, a business model of a social enterprise should be constructed in a way that it drives the enterprise to be self-financed and profitable (Pancencko, Ivanova and Jasko, 2012).

### *Partnerships*

Communicating and keeping relationships with other parties as well as ability to negotiate with them is one of the core success factors according to Boyer, Creech and Paas (2008). Different partnerships can bring support and knowledge in almost every sector, starting from legal advice to very technical and industry specific, which can save money and time. In their research Boyer, Creech and Paas (2008) emphasize that realizing the benefits from the partnerships is important for both sides and especial focus

should be on those partnerships that do not directly bring revenue, but knowledge and experience as they tend to be forgotten. Furthermore, Azmat, Ferdous and Couchman (2015) explain that cooperation with other stakeholders is necessary for a social enterprise to create value because of the specific form of the business it has. They state that cooperation is what creates value; it is inevitable for a social enterprise. In addition, they state that friends and family in particular are important due to the possible financial support at the beginning.

Wronka (2014), on the other hand, emphasizes the importance of the collaboration with the public sector. By that meaning fundraising, exchange of information and outsourcing of assignments. The main argument is that strong collaboration with the public sector can improve the social services.

#### *Employees*

When it comes to personnel there are many aspects that are important. First, Wronka (2014) states that people working for social enterprises should be extremely motivated and committed as gaining profit for these enterprises is not the main or the only goal. Second, the employees working in frontline service delivery should have several key personal qualities. (Wronka, 2014)

Further, Smith, Gonin and Besharov (2013) raise the problem for employers when hiring new staff. Employers must either focus on or look for qualities and skills in the potential employees that support the social mission or such skills and qualities that enable more profit driven behaviour. This choice must be in harmony with the business model and culture of the enterprise, if it is not the case, contradictions might arise and thus also miscommunication, and misunderstanding. The authors state that the enterprise's culture is one of the things that determine whether an employer will hire a new employee for a skill that embodies caring for the social mission or profitability. (Smith, Gonin and Besharov, 2013)

It is also typical for social enterprises to employ volunteers. Even some core functions of social enterprises may be done by volunteers, however, mostly volunteers are assigned to do smaller and not so frequent tasks. (Austin, Stevenson, Wei-Skillern, 2006)

### *Social performance measurement*

Austin and Network (2006) in their book recognize such important factors for development and success of social enterprises as leadership, financing, human resources, governance, social value creation and such forces as political and social environment. Even though some of their arguments are not valid for today's definition of a social enterprise, we believe that it is important to keep in mind Austin and Network (2006) view on performance measurement. According to them, many social enterprises have the right initiatives and spend a lot of time and resources on realizing them, however, fail at realizing and measuring the impact they leave. Certo and Miller (2009) emphasize that measuring the social outcome is as important as measuring the financial one. It is recognized that it is much harder to measure the social impact than the financial one, however, it must be done to realize whether the business model is working and the set objectives are reached.

In addition, if a common measurement system was introduced and if it was mandatory to report the measurements, it would lead to more transparency within social enterprises. Society would realize the positive impact social enterprises leave, as well as, it would make investors better understand the social enterprise's performance and increase their willingness to invest. (ICF Consulting Services, 2014)

### *Resource Allocation*

What a social enterprise should do with its earnings is broadly discussed topic and the opinions drastically differ. This is mostly due to the fact that social enterprise is a relatively new term and has not been defined. Dacin, Dacin and Mataer (2010) in their work present the different approaches by other authors on how to allocate resources and state that there are so many different opinions and definitions that new ones are not necessary. First, they present a view that all profits are reinvested in the business and do not bring profits to the shareholders or the owners. Second option is that a social enterprise does not keep the profit, but passes it on to a social group in need. The third most popular option is that the social enterprise simply operates as a regular business, however, by solving a social problem in the meantime. It is up to the enterprise which model to apply. (Dacin, Dacin, Mataer, 2010)

## 2.3 Social Entrepreneurship in Sweden

The social issues in Sweden for a long time have been responsibility of the Swedish Government, and still many Swedes are of the opinion that the government is fully liable for solving these issues. However, the most innovative and effective solutions may not always be initiated by the government. Therefore, in the recent years, Sweden has experienced a rapid development of social entrepreneurship sector. Although this happened rather late if compared with other countries, Sweden has achieved a very developed social entrepreneurship environment and social enterprises in Sweden already play an important role in solving social problems (Alamaa, 2014). Currently, there are about 300 social enterprises operating in Sweden (Persson and Hafen, 2014).

Similarly as in Latvia, the concept of social entrepreneurship itself is relatively new in Sweden and there is still no common understanding about it in the Swedish society. Also there is no legal framework created by the government specifically for social enterprises, therefore, social enterprises in Sweden operate as non-profit organizations, limited liability companies or cooperatives (Wilkinson, 2014b). However, a rapid development of networks and support organizations for social enterprises can be observed in Sweden. These organizations are either intermediaries between social entrepreneurs and investors, networks between social enterprises or incubators for social entrepreneurship. All these mechanisms supporting social enterprises create a more nourishing environment for social enterprise development (Alamaa, 2014). In addition, there is a significant interest in introducing new courses about social entrepreneurship at the higher education level (Wilkinson, 2014b). Currently, there are three courses at Swedish universities, which have a social entrepreneurship focus (Persson and Hafen, 2014). Social investment market, however, in Sweden is in an early development stage and special financial products adjusted to the social enterprise needs still are undeveloped. Social enterprises in Sweden are still strongly dependent on public funding (Wilkinson, 2014b). Most of the social enterprises in Sweden individually use different methods to measure social impact they leave, and no common measurement system is introduced in the whole country (Alamaa, 2014).

As one can see from the previous paragraph, the external environment of social entrepreneurship in Sweden is very similar to the one in Latvia, respectively, there is no

legislative framework for social enterprises, the concept itself is not well perceived in the society, and no common social impact measurement system is introduced. However, Swedish social enterprises are more developed and have a larger scale than Latvian social enterprises. The difference comes from both the slightly different external environment (support platforms and networks for social enterprises) and the internal side. Nevertheless, as we have laid out, the external side is only slightly different, we believe that the behaviour and different actions taken by Swedish social enterprises contribute to making them more successful and the whole sector more developed. Therefore, while taking into account the slightly different external environment, the internal actions and behaviour of Swedish social enterprises can be taken as a benchmark to answer the question of how the Latvian social enterprises can improve themselves.

## 3. Methodology

### 3.1 Method

#### 3.1.1 Latvian Social enterprises

Qualitative research design was used to find out the necessary information in order to answer the research question one. Qualitative research design helped us to determine how Latvian social enterprises hinder their performance with their behaviour within the internal factors described in the literature review. As the internal performance and actions taken by social enterprises independently had not been studied, we considered qualitative approach as the most suitable. Overall, the internal factors had been explained in theory; however, as the behaviour and actions that the enterprises take within the factors are enterprise-specific, results of other countries could not be applied to the case of Latvia. These actions within factors are what hinders or improves the performance, as the actions combined define the whole factor. As the goal of the second research question is to identify how Latvian social enterprises can improve their performance in the existing environment, the actions that Latvian enterprises take, had to be analysed in detail in particular. Thus, the qualitative research design was chosen as appropriate.

Case study design was chosen because we used multiple sources of evidence (in-depth interviews and already available information from both printed and online sources),

and concentrated on intensive analysis of one subject (social enterprises in Latvia) within real-life context. Yin (1984) states, that the major advantage of data collection with the case study design is the use of multiple sources of evidence. Therefore, case study is suitable method when the second research question was answered as we needed insight information about behaviour and actions taken by each enterprise that could not be gained from the outside sources. This was used to study the performance of enterprises within these internal factors and later analyse in detail how appropriate and adequate they behave to succeed internally. In addition, Creswell (2013) explains that case study is appropriate when the research explores a process, which is the case for this paper as our goal was to explore how Latvian social enterprises hinder their own performance. What is more, case study is very suitable if further recommendations and propositions are desirable, thus, making case study more attractive research design type for this paper (Yin, 1984).

Since we looked at several social enterprises, and according to Yin (1984) the same study can contain more than one case, multiple case study design was used. Further we identified the embedded approach as appropriate for the research. This was done because we analysed the actions and behaviour according to different internal factors, thus we had multiple units of analysis for each enterprise. All identified inadequate behaviour or actions under all internal factors are relevant, consequently all contribute to answering the research question. Therefore, embedded approach was chosen to be able to include all units of analysis in the results. (Yin, 1984)

### 3.1.2 Swedish Experience

In order to answer the second research question, example of Swedish experience was used; meaning that we suggested how to improve the identified inadequate behaviour or actions by learning from the Swedish social enterprises and using the results from them as a benchmark.

Sweden was chosen as a benchmark for answering the second research question due to several reasons. First, the social entrepreneurship in Sweden is also in an early development stage; however, the Swedish enterprises have managed to perform more

successfully. Second, the activities in social entrepreneurship sector are more progressive and visible. Third, Sweden is allocated in the same region as Latvia.

In order to address the issues identified with the first research question, we made sure that the specific Swedish social enterprise behaviour and actions could be applied to the case of Latvia; therefore, qualitative approach was necessary. Further, Swedish experience for the second research question was obtained with the help of case study of most successful Swedish social enterprises and Swedish social entrepreneurship support platforms and networks. The goal of the case study was to understand how and with what resources the Swedish enterprises have achieved the adequate actions and behaviour for their success as well as to understand how these support platforms have benefited the process, thus a qualitative case study approach was chosen as appropriate.

## 3.2 Data collection

### 3.2.1 Latvian Social Enterprises

We used the gained data from the sample of Latvian social enterprises to generalize and apply the information for the whole social entrepreneurship sector in Latvia.

Data were collected from 10 face-to-face in-depth interviews with representatives from social enterprises in Latvia. Interviews were conducted in a semi-structured form and had an open end due the possibility that other questions could have arisen during the interviews, taking into account the depth of data that had to be collected. This gave us the possibility to clarify the details as well as control the process (Creswell, 2013).

The questions for interviews can be seen in the interview instrument (Appendix A), they are structured in three parts. The first part is General Information where we aimed to find overall information about the enterprises that is not available elsewhere that was useful to understand the enterprise itself. In order to take external factor influence into account in analysis, the second part External Factors aimed to confirm the external factor influence described in the Literature Review. Taking into account how rapidly the sector is changing, there was a possibility of outdated finding, thus a conformation was necessary. Finally, the third part is Internal Factors, where the questions are formed in

order to understand how the behaviour and actions that social enterprises take within the internal factors hinder their own performance according to the literature review.

### 3.2.2 Swedish experience

The goal was to, first, understand the behaviour and actions of Swedish social enterprises and identify how they have dealt with issues that Latvian social enterprises face now. Second, to understand how the support mechanisms have been developed, how the difficulties have been overcome and how they add value to social enterprises. Therefore, data were collected from six in-depth face-to-face interviews with Swedish social enterprises or support mechanisms.

Questions for the enterprises were the same as the ones for the Latvian enterprises (Appendix B). The questions provided a possibility to understand how internal and external factors affect the social enterprises in Sweden, how Swedish social enterprises achieve the actions and behaviour within the internal factors, thus we were able to provide suggestions for Latvian social enterprises on comparative basis. The questions for the support networks and platforms (Appendix C) were designed in order to obtain information on how the support organizations operate and how they help social enterprises to reach the adequate actions and behaviour.

## 3.3 Sample

### 3.3.1 Latvian Social Enterprises

Sample for the interviews consists of nine Latvian social enterprises, the list of social enterprises can be found in Appendix D.

First, taking into account the fact that a social enterprise is not defined in Latvian legislation and there are many definitions available for it, we selected those enterprises that classify themselves or are classified by European Commission (Wilkinson, 2014a) or PROVIDUS (Lesinska, et al, 2012) as social enterprises, non-governmental organizations or businesses.

Second, all of the sample enterprises are based in Latvia and solve a social issue relevant for the Latvian society. This paper focuses on, while not only studies the internal side, but also takes into account the external environment, thus only Latvia based

enterprises were taken into account. Social enterprises based in other countries, but providing services in Latvia were not researched. On the other hand, enterprises that are based in Latvia, while provide services both in Latvia and abroad, were taken into account (for example, *MAMMU*).

Last, as we sought to find detailed inside information, the interviews were conducted with representatives from the sample companies that are in leading positions, preferably the founders of the enterprises.

Social entrepreneurship is a relatively new type of business in Latvia and to our knowledge there is no database of social enterprises available as well as there are not many organizations that consider themselves as social enterprises. Since the population is not known, we used non-probability sampling; therefore this chosen sample is representative of the whole Latvian social entrepreneurship sector.

### 3.3.2 Swedish Experience

We interviewed three successful Swedish social enterprises and three support platforms/networks. The sample was created, first, based on the research on Swedish social entrepreneurship, where the successful enterprises and acknowledged support mechanisms have been recognized. Further, we consulted expert in this field in Sweden to finalize the sample. The list of sample enterprises and support mechanisms and their description can be found in Appendix E. The interviews were conducted with founders or high position representatives in order to gain most detailed and accurate information.

## 3.4 Data analysis

### 3.4.1 Latvian Social Enterprises

We used *Relying on Theoretical Propositions* as the strategy for case study analysis. In order to understand how Latvian social enterprises hinder their own performance, the data was analysed based on the internal factor description. We examined the behaviour and the actions taken by social enterprises within each of the internal factors to identify the inadequate actions and how exactly they hinder their performance. By inadequate we mean inconsistent with the theoretical propositions described in literature review part *Internal Factors*. As the actions are taken by social

enterprises on their own, it was considered that the social enterprises hinder their own performance by the identified inadequate actions or behaviour. (Yin, 1984)

### 3.4.2 Swedish Experience

The data collected from the Swedish social enterprises and support mechanisms were used to find solutions how to improve the identified issues in research question one. Swedish experience was analysed based on *Internal Factors* and compared with Latvian social enterprise case study results. We looked at the inadequate behaviour or actions of Latvian social enterprises as setbacks and compared these issues with corresponding cases from Swedish experience that were taken as a benchmark. From this comparison, we proposed ways how these hindering actions can be improved or eliminated, thus the performance of Latvian social enterprises improved.

## 3.5 Limitations of the Methodology

First, Social Enterprise has not been defined in the legislative framework; hence, the understanding of what is or is not a social enterprise differs from one enterprise to another. What is more, the total number of social enterprises in Latvia is unknown. Therefore, sample selection and validity might be questioned. We did not try defining social enterprise for this paper on our own due to, first, numerous existing definitions and, second, to avoid possible biases that could have arisen from our own definition. Still, as the total number is unknown, a limitation for the sample and the data collected is the possibility of exclusion of a representative case. Consequently, the results for research question one might be incomplete, meaning that not all inadequate actions can be identified. However, the results are still correct as existing sample can be analysed and conclusions on hindering internal actions can be drawn.

Second limitation of the methodology is the interviewee bias. The interviewees might have chosen to answer so that their enterprise seems more successful, while hiding small details. We constructed unbiased interview questions in order to avoid interviewee bias, the questions did not involve possible bents for the answer and the interviewees had to share their experience not personal preferences or emotions. Due to the interview questions, the data collected can be considered valid, however, there is a possibility that

some details have been left out by the interviewees and, consequently, slightly incomplete answers are possible.

In order to validate results or, in some cases, consult for the more appropriate and reasonable suggestions, we consulted with two experts. We were consulted by the director of Latvian Social Entrepreneurship Association and Foundation DOTS (previously Soros Foundation) manager (Appendix F). Both can be considered experts in social entrepreneurship in Latvia as due to their positions, they have worked closely with the social enterprises in Latvia, are aware of the environment and current situation in social entrepreneurship in Latvia as well as understand the possible setbacks and most common issues in this sector. Their input helped to eliminate unrealistic or inapplicable suggestions when analysing how Latvian social enterprises can improve themselves. However, the suggestion for social enterprises to involve in the Latvian Social Entrepreneurship Association was not asked for experts to validate as it might create biases, taking into account that both experts are engaged in the association.

## 4. Results

### 4.1 How do Latvian social enterprises hinder their performance internally?

In the following paragraphs we discuss the results and findings for the research question one. The identified inadequate actions and behaviour is presented factor by factor, and interpretation of how these actions hinder the performance is given, thus the first research question is answered in this section. As the goal was to explain how the enterprises hinder the performance, the identified actions and behaviour in line with the proposed theory are not discussed in this section.

Each of the identified hindering action is presented and described using the most graphic example in order to best explain the hindering effect that the inadequate actions leave. However, these actions are present in more enterprises, not only is the analysed example enterprise. Summary of all hindering actions identified and the corresponding count of enterprises can be seen in Appendix G.

With the following findings we do not imply that all enterprises in Latvia hinder their performance with all of the discussed issues, yet we present the current setbacks that

are possible in the existing environment based on the identified examples. Any social enterprise in Latvia can come across any of the inadequate actions that affect the performance; consequently any Latvian social enterprise can hinder its own performance by executing these inadequate actions. Thus, the following findings are relevant for all existing and potential social enterprises as to succeed each Latvian enterprise must realize how the actions they take might affect their performance. The findings can be used by the Latvian social enterprises as a guideline what actions and behaviour to avoid.

In the first paragraph of each factor the main takeaways from theory presented in the Literature Review are summarized, and in the following paragraphs we present the discovered issues.

#### 4.1.1 Leadership

Leader of a social enterprise must be committed, have versatile skills, be open to cooperation, support change and set the values within the enterprise.

First, with our research we found shortcomings in commitment. *LuDe* and *Oma Bike* leaders both proved to have commitment issues when it came to their enterprises. Lack of time due to other projects or full time job in a different city distracts both leaders from full commitment to their social enterprises (Anonymous 1, 23.03.2016). This leads to lack of attention paid to the enterprises, possible issues might have been neglected or opportunities missed, consequently the enterprise's performance was negatively affected. In case of *Oma Bike*, the lack of commitment consequently lead to pause in the enterprise's activities, possibly even the end of it (Anonymous 2, 09.03.2016).

*"The problem in our case definitely was the fact that we ourselves were in Riga, and coordinating everything in Sigulda and being there, while working 8 hours a day in Riga, was not easy. We were not willing to be there, in Sigulda, during the week."* (Anonymous 2, 09.03.2016)

Second, leader's lack of versatile skills combined with unwillingness to cooperate with other stakeholders was identified as issue for *PINS* that affected the enterprise's performance. The founder refused asking for help or advice due to the scepticism towards government and other social enterprises. The cooperation not only would have led to more efficient use of time and resources, but also would have provided the enterprise and founder with set of skills that he lacked. (Anonymous 3, 04.02.2016)

In addition, entrepreneurial knowledge was identified as the most common skill that the leaders of enterprises were lacking. *Rūpju Bērns* faced difficulties when an idea of a new social enterprise project arose due to the fact that they had no previous entrepreneurial experience (Anonymous 4, 15.03.2016). The enterprise still has not developed the potential project and thus is delaying its own growth and expansion.

#### 4.1.2 Concept of the enterprise

The concept of the social enterprise must be clear, innovative and previously tested, in order for social enterprise to succeed.

Clear enterprise concept was detected as an issue for *Oma Bike*. The founder of this social enterprise admitted that she had the social mission to employ seniors and integrate them into the society; however, the execution of the mission was not defined due to unclear concept of the enterprise. The concept of this enterprise was adjusted to each project they applied for; therefore the focus was shifting from one idea to another. Consequently, the time and financial resources were misused, hindering the growth of the social enterprise. (Anonymous 2, 09.03.2016)

After assessing the concept of *Otrā Elpa*, we determined the lack of innovation (Anonymous 5, 26.01.2016). Charity store as such is not an innovative concept and is present in most cities. We see the lack of innovation as an unused opportunity, which would help the enterprise to reach full potential. *Otrā Elpa* has a potential to create the concept of the store more interesting and more attractive, thereby raising awareness about the enterprise and gaining new customers.

The concept of the social enterprise was not tested by *LuDe*. The founder of *LuDe* proved the importance of previously tested business idea. (Anonymous 1, 23.03.2016)

*“If we had made an analysis before, we would have been where we are now already three years ago.”* (Anonymous 1, 23.03.2016)

By this inadequate action, the social enterprise has lost time and therefore also financial resources spent in these years. If the market analysis were made beforehand, the social enterprise would have developed faster.

### 4.1.3 Business planning

Successful business planning includes balancing between the social and financial side of the enterprise, having entrepreneurial knowledge, the business plan must be in line with the values of the enterprise and enterprise must be self-sustainable.

We came across two different ways how the social enterprises in Latvia hinder their performance by inadequately balancing between the social and financial sides of the enterprise. First, *LuDe* chose to stop renting premises for their operations and continue production from senior's homes due to too high costs. As the initial social goal was to increase socializing between the seniors by bringing them together, this change draws the focus away from the social mission and represents purely financially oriented decision (Anonymous 1, 23.03.2016). On the other hand, *PINS* actions present choosing the social mission over financial stability. The enterprise has made several products that cannot be sold in order to simply employ the disabled (Anonymous 3, 04.02.2016). Both of these enterprises, by taking these actions, have impaired themselves, either from the social or financial side.

Being dependent on external sources of financing and not being self-sustainable was determined as an issue for *ManaBalss.lv*. *ManaBalss.lv* CEO confessed that there is uncertainty about the donations (which is the only income source), however, the organization is approaching the point where it can cover its daily operations only by the donations. As the organization's growth is fully dependent on grants, he further expressed a strong belief that, in case of need, the necessary funding would be easily fundraised. (Anonymous 6, 02.02.2016)

*“We will need grants for growth and creating new, interesting projects. Grants are for these fun and new projects and if necessary, we will get the funding.”*  
(Anonymous 6, 02.02.2016)

We believe that this uncertainty of donations and dependency on grants for new projects hinders the possibility of growth and the stability of the organization. If the enterprise faced a new business opportunity, it first would have to apply for the grant and there still would be a possibility of not receiving the funding, consequently the opportunity could be missed. Moreover, if the amount of donations unexpectedly dropped, the enterprise would face problems with covering the daily expenses.

#### 4.1.4 Partnerships

There are three kinds of partners a social enterprise must collaborate with - public sector, other social enterprises and other stakeholders.

The partnership with other social enterprises was absent in the case of *Rūpju Bērnis*. This social enterprise has recently started a new project where the disabled are employed. Since the managers have no experience in marketing products or accessing the market, the experience from other social enterprises is necessary (Anonymous 4, 15.03.2016). In our view, without the partnerships, and therefore without the experience-sharing, process of learning and succeeding in the market is more costly and time-consuming.

Another issue discovered was the lack of collaboration with public sector. The creative director of *MAMMU* strongly believed that government is not capable of contributing to his enterprise. (Anonymous 7, 08.01.2016)

*“Government administratives start talking about what they think is social business. They and their task force group define it, but it is not connected with reality. One minister was talking about social business, and it was just embarrassing because it was nonsense.”* (Anonymous 7, 08.01.2016)

By not cooperating with government, *MAMMU* is taking away its own opportunity to reach more mothers in need, as collaboration with municipalities would allow the enterprise to have more substantial social impact. In addition, it would also hasten the production process.

#### 4.1.5 Employees

Social enterprise employees must be motivated and interested in the social mission. Moreover, Employees not being interested in the social mission was identified as an issue for *Otrā Elpa*.

*“During these seven years, last employee selection [for salesperson] which we had was 2 months ago, that was the first unfortunate selection. For this last selection we had three or four candidates from which we had to select one no matter what.”* (Anonymous 5, 26.01.2016)

When looking for new employees, the enterprise is looking for many important qualities in the potential candidates, while interest in the social mission is not the one of them (Anonymous 5, 26.01.2016). We see this approach as a drawback, the salesperson is the one who interacts with the customers and can directly affect the purchase. If the

salesperson is not interested in the social mission, the communication with the customers lacks the enterprise's story, which can negatively affect the purchase.

*LuDe* and *Oma Bike* are both having difficulties with keeping their employees motivated. Both enterprises employ seniors, and both stated that the seniors do not take their work as serious as employees below retirement age would as this working opportunity for the seniors is for their own hobby (Anonymous 1, 23.03.2016; Anonymous 2, 9.03.2016). Such behaviour leads to inefficient production and negatively affects the growth of social enterprises since the employed seniors do not reach full working capacity.

#### 4.1.6 Social performance measurement

Social impact measurements are not one of the priorities for social enterprises in Latvia. *Rūpju Bērns* found it difficult to measure the social impact they leave, since they do not know the proper ways how to do that and the models that would be appropriate for them, therefore, they are not measuring it. (Anonymous 4, 15.03.2016)

What is more, *HOPP* founder did not even understand why social impact measurement is important to her enterprise development (Anonymous 8, 16.03.2016).

*"We do not report to anyone, therefore we do not measure it. I do not need it. If I had to report it, I would start thinking about it. If there was a legislative framework for social enterprises and I got some benefits, then I would need to prove the social impact, but right now it is not necessary. It takes my time, why should I report to anyone?"* (Anonymous 8, 16.03.2016)

In this case *HOPP* founder is not aware of how substantial the enterprise's social impact is, which means that there is possibility of both unfulfilled potential or inefficient processes. Respectively, there can be both possibility to grow by increasing the social impact that *HOPP* leaves or possibility of gradually decreasing the social impact to minimum. In either of cases this behaviour negatively affects the performance of the social enterprise.

#### 4.1.7 Resource allocation

All of the social enterprises in Latvia we researched can be categorized in one of the three advised resource allocation forms. There were no social enterprises that do not reinvest their resources in the enterprise to develop and ensure growth, which is the

common characteristic for all three resource allocation types and the only definite action that the social enterprises must take according to theory on resource allocation.

Therefore, no hindering effects within this factor can be observed.

## 4.2 How can Latvian social enterprises improve themselves in the existing environment?

In the previous section we identified how Latvian social enterprises hinder their own performance by taking inadequate actions opposite to the theory proposed in Literature review. In this section we answer the second research question by explaining how Latvian social enterprises can improve themselves in the existing environment.

The enterprises can improve their performance by eliminating the inadequate actions and behaviour identified before. Here we present how the social enterprises can achieve the extermination of the issues by proposing solutions. However, issues *not committed, not open to cooperation, not innovative concept, lacking partnerships with public sector and other social enterprises* are not addressed with our proposed solutions due to the nature of these issues, which allows eliminating these issues by realization of the opposite action.

The solutions we suggest are based on Swedish example, however, adjusted for the case of Latvia. In addition, one previously unexpected suggestion is described based on Latvian social enterprise case study - *considering other municipalities*.

External environment effect as well as other internal force influence is taken into account for each of the solutions to provide reasonable and applicable results. Additionally, the consulted experts' opinion and validation is provided for each of the solutions.

While the findings above give guidance to the Latvian social enterprises on what to avoid, the following findings can be applied by Latvian social enterprises, which already face these issues, in order to eliminate them, thus improve.

### 4.2.1 Joining business incubator

Joining business incubators is one of the options social enterprises in Latvia can do in order to solve such issues as **lack of versatile skills, unclear concept of the enterprise and financial unsustainability**. This solution is based on the example of

*Centre for Social Entrepreneurship Stockholm (CSES)*, a social entrepreneurship incubator. There are no specific incubators for social enterprises in Latvia, however, business incubators exist. The difference between the two is that a social enterprise incubator in addition to regular business incubator services provides help regarding the social side of the enterprise (balancing, social performance measurement etc.) (Anonymous 9, 22.02.2016).

*“There a lot of things that are equal and look the same, because what we do with the social entrepreneurs is built a lot on the entrepreneurial part. We feel that even if your aim and ambition is to solve a social problem, the way of working with tools in framework of entrepreneurship is a powerful way of creating sustainable solutions for the social problem you have identified.”* (Anonymous 9, 22.02.2016)

As an incubator for social enterprises is still a business incubator, joining business incubator for Latvian social enterprises can still be beneficial and is advised.

Business incubator can provide a social enterprise with skills it lacks, for example, in accounting, marketing, public relations, jurisprudence etc. thus substituting the **lacking skills**. *Svenska Med Baby* director admits that using services of *CSES* helped her gaining the skills she lacked and developed entrepreneurial mind-set (Anonymous 10, 23.02.2016).

*“Incubator helped me to get it a little bit more professional, about things that we, at least me, did not think about at the beginning, like logo. I have been studying social science, I am not from the marketing side. I learned how to present things, how to market yourself to different actors or people you want money from, and to collaborate.”* (Anonymous 10, 23.02.2016)

Business incubators steer social enterprises in the right direction and supervise them in focusing on their idea, and developing the concept accordingly (Anonymous 9, 22.02.2016).

*“There is one thing we normally do with all entrepreneurs – help them to begin this project view, formulating goals for six months and breaking that down into monthly goals, for example, in one month I need to do this in order to reach that goal. That is possibly the one thing we do with almost all entrepreneurs.”* (Anonymous 9, 22.02.2016)

This kind of behaviour solves the issue of **unclear concept** of the enterprise, eliminating the shifting focus, as in the previously described case of *Oma Bike*. However, as the founder of *CSES* stated, focusing on the goals, thus creating a clear concept of the enterprise, is one of the most common issues the incubator is working with, since clear concept accelerate the development process of enterprises and, consequently, no time and

resources are wasted. Moreover, for newly started social enterprises incubator provides help with the **concept testing** and market analysis. (Anonymous 9, 22.02.2016)

Every social enterprise acknowledges the importance of self-sustainability. However, for entrepreneurs it is not straightforward and in some cases seems impossible to achieve. Joining business incubator helps the entrepreneurs to solve **financial unsustainability** by receiving the recommendations on how to build a profitable business model and finding stable cash flow sources. (Anonymous 9, 22.02.2016)

However, to join an incubator, the entrepreneur must be committed. The founder of *CSES* stated that one of the most common reasons why enterprises are rejected is the lack of commitment. Incubator expects to work with the enterprise full working days. (Anonymous 9, 22.02.2016)

The experts approve joining business incubator as an appropriate solution for solving the issues described. However, while there are no specific social entrepreneurship incubators in Latvia, the experts consider the alternative of mentorship or taking part in social entrepreneurship accelerator as a more suitable alternative for Latvian social enterprises. (Anonymous 11, 05.04.2016)

#### 4.2.2 Working with mentor or taking part in accelerator

As an alternative for business incubator, we advise the Latvian social enterprises to seek for a mentorship or social entrepreneurship accelerators. *CSES* apart from incubator program provides social enterprises with mentors. (Anonymous 9, 22.02.2016)

*“We have something called counselling or guidance, where entrepreneurs come and speak to one of our coaches. [...] We also wanted to be the very first step for entrepreneurs, which are to have very, very low thresholds for getting in contact with CSES, so one does not have to go through complex incubator application process. It should be really easy to meet with CSES and get advice or guidance.”* (Anonymous 9, 22.02.2016)

Similarly as business incubator, a mentor can solve the issue of **unclear enterprise concept** by orienting the enterprise towards certain goals. In addition, if the mentor is educated and knowing in social entrepreneurship, she/he can also provide advice on **balancing** between the social and entrepreneurial sides of the enterprise as well as on **social performance measurement**.

On the other hand, taking part in social entrepreneurship accelerator program can help the enterprise to not only find the **right focus**, but also **provide supplementing**

**skills** that the entrepreneur lacks. While mentor not necessarily has the knowledge to provide help with balancing and social performance measurement, a social entrepreneurship accelerator can give advice and tools for **measuring the social impact** and **balancing** between the social and business sides of the enterprise. Therefore, we advise the Latvian social enterprises to take part in social entrepreneurship accelerator programs, for example, projects organized by *New Door Riga*, an organization, offering social entrepreneurship accelerator services in Latvia (New Door Riga, N.a.).

#### 4.2.3 Employing those affected by the social issue

**Lack of motivation** for the employees was one of the ways how social enterprises hinder their success. This was a particular issue for those social enterprises who solve social issue by employing the ones excluded by the society (*LuDe* and *Oma Bike*). This solution is applicable for such enterprises only in order to solve the problem of motivated employees.

Similar to Latvian social enterprises, Swedish social enterprise *Basta* employs ex drug addicts. The employees are sent there by municipalities to recover with help of work, however, the people can leave the enterprise whenever they feel they have reached full recovery. One of the former drug addicts and now employee at *Basta* explained that all of the employees stay because they themselves realize that if they left, they would not have a possibility for socializing and healthy living due to possible exclusion by the society. For all of the employees, *Basta* is a place without which their lives would be worse (Anonymous 12, 24.02.2016). As the employment is necessary for these people and they realize that, *Basta* does not face an issue of unmotivated employees.

In contrast, *Oma Bike* and *LuDe* employees were there for their hobby and because they already were socially active, thus the issue of motivation is present.

*“Then in autumn we understood that it is not that simple, understood that people are not willing to work and continue. Seniors that are active are the ones who join us, and are active elsewhere as well; what is more, they have other things as well in their lives.”* (Anonymous 2, 09.03.2016)

Therefore, Latvian social enterprises with a goal to integrate the socially excluded should make sure that the people they employ truly face social exclusion, not simply fit the profile of the socially excluded. In order to do so the enterprises should pay attention

to how they find the potential employees. Using friends and family, as *LuDe*, for example, is now (Anonymous 1, 23.03.2016), is not an appropriate approach as in such cases the socially active and extrovert would be interested. Contrary, social service providers, municipalities and such should be consulted to reach the people who would benefit from the employment opportunity.

The experts also identify the issue that some of the social enterprises in Latvia integrating the socially excluded have not chosen the right means of how to find their employees. The experts confirm our suggestion of approaching social service providers and municipalities as suitable for solving the issue. (Anonymous 11, 05.04.2016)

*“There are some enterprises that have very close collaboration with municipalities and social services; these enterprises’ goal is to strongly focus on specific society’s group job integration. Therefore, absolutely, these two [Lude, Oma Bike] could benefit from the suggestion as well.”* (Anonymous 11, 05.04.2016)

#### 4.2.4 Applying social performance measurement

As discussed in the previous section, we observed that most of the social enterprises in Latvia **do not measure the social impact** they leave with their operations. Enterprises either regard the measuring too difficult or do not see the purpose of doing that.

First, Latvian social enterprises do not have the knowledge of how to measure the impact created or think it is too difficult and do not even try to. *CSES* founder advises the enterprises to start measuring the impact by simple measures to get into the right mind-set and realize the impact on a rough scale at least for the beginning. (Anonymous 9, 22.02.2016)

*“Never mind these complex systems; you can still make your own simple model on how to measure social impact. [...] Very simplified. For example, how many people have you met or how many children have been involved in your project. Any kind of quantitative measurements. Also surveying people – if this was good or not. Just start measuring. [...] It is good to have numbers to back up your statements on the solution you provide for the social issue.”* (Anonymous 9, 22.02.2016)

Therefore, we advise to follow Swedish example and start quantitative measuring with rough and simplified measures in order to further develop them and arrive at the best measurement approach in the long term.

Second, some Latvian social enterprises do not even see the purpose of measuring their social impact. *Leksell Social Ventures*, investment company in Sweden that is specialized in social enterprises, emphasizes the importance of impact measurement and its benefits. One of the most important criteria for social enterprises in order to get investment from this investment company is to have performance measurement model. (Anonymous 13, 22.02.2016)

*“One of the criteria is evidence based, so they have some sort of evidence that their model is actually useful and actually produces the results they are trying to get. Measurable and produces social impact. [...] When they measure this, they get operating intelligence that means that they can change the way they work or evolve the way they work, and in that way they can use the same metric to get better and develop their organization. That is important.”* (Anonymous 13, 22.02.2016)

In addition, a practical example from Swedish social enterprise *Kodcentrum* can be applied by Latvian social enterprises. Supplementary to measuring the social impact with a quantitative approach (number of kids the enterprise has educated in coding), *Kodcentrum* measures the social performance with a qualitative approach as well (Anonymous 14, 25.02.2016).

*“We conduct evaluations of the children who have been participating. Firstly, we asked parents about whether their kids have improved their skills or have become more interested in coding or in using computer skills in general. That would be the parents’ reply on these evaluations.”* (Anonymous 14, 25.02.2016)

Therefore, we advise the Latvian social enterprises to introduce qualitative social impact measuring, both for those enterprises employing those in need as well those enterprises who solve a social issue with their services or products. Accordingly, seek for feedback from the employed or from the served. Instant feedback on social services or goods provided by the social enterprise can be further used to improve their operations.

This suggestion is also validated by the experts, what is more, they identify lack of social performance measurement as one of the main and most serious issues. Consequently, according to them, this is the most important and useful suggestion. (Anonymous 11, 05.04.2016)

#### 4.2.5 Involvement and cooperation

With more developed and nourishing external environment comes better conditions for the enterprises within the environment (easier access to market etc.), thus

improving the performance of the enterprises. However, the external effect from the government and other stakeholders is inevitable, and a social enterprise cannot affect it. Nonetheless, with our research we have identified a way how can social enterprises individually benefit the development of the social entrepreneurship environment, thus also benefiting their own performance in the long term.

*Famna* is an association for Swedish social enterprises in the social services sector; the association lobbies enterprises' interests in government, provides workshops for social enterprises, encourages peer to peer learning and raises awareness of the sector (Anonymous 15, 25.02.2016).

*“Famna was founded 12 year ago by 6 large organizations in Sweden. This was a starting point for these large organizations to come together and found Famna with a purpose to work with the political side, work close with organization's internal development, and improving different institutional and regulating factors that affect them in their everyday work.”* (Anonymous 15, 25.02.2016)

Now the association is run by individuals who are not a part of any of the social enterprises, however, it was founded by social enterprises. Current association's coordinator emphasises how important was that these enterprises directed the association's mission and actions in the right direction at the time of foundation, since back then there was no one who could do it for them due to lack of understanding of their issues and essence (Anonymous 15, 25.02.2016).

Likewise, *Social Entrepreneurship Association of Latvia* was founded in autumn of 2015 by 2 social enterprises (*Otrā Elpa* and *Latvian Samaritan association*) and 3 support mechanisms (Social Entrepreneurship, N.a.). Director of *Latvian Samaritan association* expressed that it would be better if he did not have to take such substantial role in the association.

*“For professional association it is easier to take care of the environment than it is for each enterprise individually. It is better if we [social enterprises] do our own professional work and forward these resources [association] to people, who are able to meet and collaborate with ministries on regular basis. Thus, some expertise is developed in the field and we are able to run our own enterprises.”* (Anonymous 16, 01.02.2016)

While this statement is true for the *Social Entrepreneurship Association of Latvia* in the long term, Latvian social enterprises must be involved in the operations of the association now, when the association is new, expanding and only defining its core

principles and mission. Each enterprise can benefit itself by joining and taking part in the association's activities, due to several reasons. First, as *Social Entrepreneurship Association of Latvia* is taking part in the development of the legislation on social entrepreneurship (Anonymous 8, 16.03.2016), each enterprise in the association can share their issues to be addressed in the legislation. Second, the association is a rich network between social enterprises, thus enterprises can learn from each other as the issues they face are similar, thus **substituting the skills they lack**. In addition, as the association is a network of social enterprises, it **eases the collaboration between the social enterprises** meaning that association brings enterprises together and motivates them to discuss the issues, share and learn from each other.

#### 4.2.6 Considering other municipalities

The case study of Latvian social enterprises provided a previously unconsidered and unanticipated finding, from which a suggestion for other Latvian enterprises can be made.

Several Latvian social enterprises that operate only in Riga shared their observations about the difference between Riga and other municipalities. According to them, other municipalities are more interested in collaboration and supporting the social enterprises. As we found out, other municipalities not only had initiated the cooperation and had supportive attitude, but even offered financial help (Anonymous 1, 23.03.2016; Anonymous 8, 16.03.2016).

*“It is very difficult with Riga. Rent is high, it is not possible to get partial funding for them from the municipality. However, municipalities outside Riga are more interested. Recently Ogre municipality offered to open our brunch there, but we were not ready, didn't use the opportunity. As soon as you get outside Riga nor the premises nor funding for the equipment is not an issue.”* (Anonymous 1, 23.03.2016)

We suggest those social enterprises that operate in Riga only to consider this opportunity of expanding their operations in other municipalities as well due to two reasons. First, it can come as a financial relief, since other municipalities are more interested in supporting the social enterprises. Second, by operating in other municipalities, the enterprises not only expand their business, but also enlarge the social impact they leave.

What is important, we do not consider Riga as unfriendly environment for social entrepreneurship; we suggest that if the enterprises have a possibility to expand to other municipalities, it must be considered. Moreover, market research is still necessary as we do not state that this applies to all other municipalities.

Both experts not only approved this finding to be suitable and performance improving, but also strengthened this suggestion by explaining how the future changes in legislation, in which creation they both are taking part, would encourage the municipalities to support the social enterprises even more. Meaning that the support and interest by other municipalities is expected to increase, thus enterprises who decide to expand now can have reasonable expectations of future support as well. (Anonymous 11, 05.04.2016)

*“For municipalities the absence of legal framework for social enterprises is also a problem, because the current law does not state that municipalities are allowed to provide special support for social enterprises. We work on that, so that it is included in the law. Then municipalities could support social enterprises even more actively.”* (Anonymous 11, 05.04.2016)

### 4.3 External factor validity

External factors described in the Literature Review as well as their effect on the social enterprises were justified, meaning that the social enterprises confirmed the existence and influence on their activities of the external environment. Hence, the initial statement that the external environment is challenging and delaying the development is true. Therefore, finding how Latvian social enterprises can improve **themselves** is legitimate and contributing to the existing research.

### 4.4 Limitations

First, there is a possibility that there are other internal factors that are not included in this research. This might lead to undiscovered issues that hinder the performance of Latvian social enterprises. However, all the issues discovered within the existing internal factors and respective solutions suggested are valid, since the absence of some additional internal factors does not influence our results. Therefore, the results can still be applied and are relevant. Consequently, for further research we propose expanding the analysis and looking at more internal factors that indicate the adequate actions and behaviour a

social enterprise should take to succeed. Hence, more ways how enterprises hinder themselves can be identified and more issues can be solved.

Second, another limitation is that for benchmarking we used only Swedish experience, hence only partial results are possible. This was done in order to gain deeper and more detailed findings, which could be further applied for more valid suggestions. However, looking at other developed countries might supplement the findings and add more to the suggestions. Nevertheless, the suggestions made are valid as the Swedish experience was correctly used as a benchmark.

## 5. Conclusion

The social entrepreneurship in Latvia had been looked at only from the external perspective indicating how the environment affects the performance. However, as performance is affected both by internal and external side, our aim was to explore the internal side. The goal of this paper was to find out how Latvian social enterprises are hindering themselves and how can these enterprises improve themselves in the existing environment.

With case study on Latvian social enterprises we identified hindering actions taken by the enterprises, which consequently hinder the performance of the enterprise, hence answered the first research question “How do Latvian social enterprises hinder their performance internally?” By basing the analysis on theory on social enterprises, we identified the following actions or behaviour as hindering: leaders are not committed, lacking versatile skills, not open to cooperation; unclear, not innovative and not tested concept; unbalanced and not self-sustainable business model; lacking partnerships with public sector and other social enterprises; employees are not motivated and not interested in the social mission; not measuring enterprise’s social impact. We provided suggestions on how the social enterprises can eliminate these issues themselves, thus improve their own performance, hence we answered the second research question “How can Latvian social enterprises improve themselves in the existing environment?” Joining business incubator; working with mentor or taking part in accelerator program; employing those affected by the social issue; applying social performance measurement; involvement and cooperation and considering other municipalities were the suggested solutions.

Any Latvian social enterprise must understand how its performance is hindered, even more when it is the enterprise itself that hinders it. When it realizes how it is hindering its own performance, it can further work on eliminating the negative effects by applying suitable solutions. Our paper presents how can an enterprise hinder itself and how can it solve its issues, thus can be applied by Latvian social enterprises to improve in the existing environment.

Taking into account the challenging environment in Latvia, it is more important than ever for the social enterprises to strive for improvement as that is what can be affected currently by themselves.

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# 7. Appendices

## Appendix A. Interview Questions for Latvian Social Enterprises

### *General information*

1. Please describe your business in a few sentences!
2. In your own opinion, please describe the social entrepreneurship situation in Latvia!
3. For your business, is the social impact or financial performance more important? Does this cause any problems or difficulties? How do you balance between them?
4. Under which kind of legal entity form do you operate (limited liability company, NGO, etc.)? Why have you chosen exactly this form?
  - a. How the fact that there is no special business form for social entrepreneurship in Latvian legislation affect you? (For example, regarding financing, costs etc.)
5. Is your business generating stable income?
6. How many employees do you have?
7. How would you evaluate the society's awareness of social business concept? Do you promote this concept and inform other people?
  - a. How does lack of knowledge affect your business? (For example, when it comes to your business idea, partnerships, local communities, workforce.)

### *External factors*

1. When starting your business, did you use any external support? From whom? If not, would it have helped?
  - a. Do you find it useful for your business processes, accessing financing and overall awareness of social entrepreneurship?
2. What barriers or difficulties were there? How did you overcome them?
3. Do you use any external support now? If yes, what kind of support? (For example, business incubators etc.)
4. How do you access the market? Comment on the market potential, please!
  - a. Does lack of knowledge of social enterprise affect accessing the market?
5. How do you finance your business? Have your financing sources changed over time?
6. In your own opinion, is there fair competition in the market? (For example, regarding procurement process or customer attraction.)
7. Do you find it difficult to hire skilled and suitable people? Why?

*Internal factors*

1. What is your education/background?
2. What is your team members' background and education?
3. How do you motivate your team?
4. How do you feel about changes in your organization? Do you support it or prefer to keep things as they are?
5. How did you test your business model and the idea you had? What were the main takeaways?
  - a. Was it useful regarding investor approaching?
6. How do you raise awareness about your business?
7. Do you collaborate with the public sector? How?
8. Have you established any partnerships with external organizations or individuals? For what purpose?
  - a. Do they play a significant role in your business?
9. Do you collaborate with other social enterprises? How?
10. For what do you look for in your potential employees when hiring them?
11. Do you measure the social impact your business has? How? How do you present it internally? Externally?
  - a. Is it useful for your development and necessary for operating?
12. How do you present your business internally? Do you put emphasis on the social or financial aspect of the business? How?
13. How do you allocate your resources?

## **Appendix B. Interview Questions for Swedish Social Enterprises**

### *General information*

1. Please describe your business in a few sentences!
2. In your own opinion, please describe the social entrepreneurship situation in Sweden!
3. For your business, is the social impact or financial performance more important? Does this cause any problems or difficulties? How do you balance between them?
4. Under which kind of legal entity form do you operate (limited liability company, NGO, etc.)? Why have you chosen exactly this form?
  - a. How the fact that there is no special business form for social entrepreneurship in Swedish legislation affect you? (For example, regarding financing, costs etc.)
5. Is your business generating stable income?
6. How many employees do you have?
7. How would you evaluate the society's awareness of social business concept? Do you promote this concept and inform other people?

### *External factors*

1. When starting your business, did you use any external support? From whom? If not, would it have helped?
  - a. Do you find it useful for your business processes, accessing financing and overall awareness of social entrepreneurship?
2. What barriers or difficulties were there? How did you overcome them?
3. Do you use any external support now? If yes, what kind of support? (For example, business incubators etc.)
4. How do you access the market? Comment of the market potential, please!
5. How do you finance your business? Have your financing sources changed over time?
6. In your own opinion, is there fair competition in the market? (For example, regarding procurement process or customer attraction.)
7. Do you find it difficult to hire skilled and suitable people? Why?

### *Internal factors*

1. What is your education/background?
2. What is your team members' background and education?
3. How do you motivate your team?
4. How do you feel about changes in your organization? Do you support it or prefer to keep things as they are?
5. How did you test your business model and the idea you had? What were the main takeaways?
  - a. Was it useful regarding investor approaching?
6. How do you raise awareness about your business?
7. Do you collaborate with the public sector? How?
8. Have you established any partnerships with external organizations or individuals? For what purpose?
  - a. Do they play a significant role in your business?
9. Do you collaborate with other social businesses? How?
10. For what do you look for in your potential employees when hiring them?
11. Do you measure the social impact your business has? How? How do you present it internally? Externally?
  - a. Is it useful for your development and necessary for operating?
12. How do you present your business internally? Do you put emphasis on the social or financial aspect of the business? How?
13. How do you allocate your resources?

### **Appendix C. Interview Questions for Swedish Social Enterprise Support Platforms**

1. In your own words, please describe the social entrepreneurship situation in Sweden!
2. Please tell us about your organization!
3. What is the goal of the organization? The mission?
4. How was your organization founded? By whom? Whose initiative was it?
5. What was the main reason for founding your organization?
6. When you founded it, what kind of external support did you use?
7. How is your organization benefiting the social entrepreneurship in Sweden (awareness, financing, regulation, fair competition, business planning and establishing)?
8. How do you cooperate with social enterprises?

#### Appendix D. Sample Social Enterprise List. Latvia

|    | <i>Social enterprise</i>      | <i>Enterprise Description</i>   | <i>Interviewee's Position</i>                   | <i>Time of the interview</i> |
|----|-------------------------------|---|---|------------------------------|
| 1. | MAMMU                         | Sells design accessories made by young mothers.   | Creative Director and Co-Founder                | 08.01.16                     |
| 2. | Otrā Elpa                     | Charity shop; also supports social initiatives by granting financial support.   | Charity store manager                           | 26.01.16                     |
| 3. | Latvian Samaritan Association | Non-governmental organization that provides social services.  | Director  | 01.02.16                     |
| 4. | Manabalss.lv                  | Online platform for citizens to propose initiatives for the government. Accepted initiatives are submitted to government. | Chief executive officer, User community manager | 02.02.16                     |
| 5. | PINS                          | Employees the disabled in different fields of work.   | Founder   | 04.02.16                     |
| 6. | Oma Bike                      | Enterprise provides bicycle tours around Sigulda led by senior Sigulda citizens.  | Founder   | 09.03.16                     |
| 7. | Rūpju Bērns                   | Support and resource centre for people with mental disorder.  | Executive director                              | 15.03.16                     |
| 8. | HOPP                          | Sells tricycles to those with disabilities.   | Founder   | 16.03.16                     |
| 9. | LuDe                          | Enterprise sells design rugs made by senior citizens on loom. Made from used clothing.                                    | Founder, Co-owner                               | 23.03.16                     |

### Appendix E. Sample Social Enterprise List. Sweden

|    | <i>Social enterprise</i> | <i>Enterprise Description</i>   | <i>Interviewee's Position</i>        | <i>Time of the interview</i> |
|----|--------------------------|---|--------------------------------------|------------------------------|
| 1. | Leksell Social Ventures  | Investment company that supports social enterprises.                                    | Chief Executive Officer              | 22.02.16                     |
| 2. | CSES                     | Incubator for social enterprises.   | Founder and Advisor; Project manager | 22.02.16                     |
| 3. | Svenska Med Baby         | Integrating mothers from abroad into Swedish society.                                   | Director                             | 23.02.16                     |
| 4. | Basta                    | Social enterprise that employs and provides housing for former drug addicts.            | Project manager                      | 24.02.16                     |
| 5. | Kodcentrum               | Social enterprise that gives free education in coding to children.                      | Secretary General                    | 25.02.16                     |
| 6. | Famna                    | Association for social enterprises in the non-profit health and social services sector. | R&D Coordinator                      | 25.02.16                     |

## Appendix F. Expert Summary

|    | <i>Occupation</i>   | <i>Expertise</i>   | <i>Time of the interview</i> |
|----|---|--|------------------------------|
| 1. | Director of Social Entrepreneurship Association of Latvia | Familiar with the concept of social enterprise and knows the current situation in Latvia, has worked with Latvian social enterprises.                              | 05.04.16                     |
| 2. | Director of foundation DOTS (previously Soros Foundation) | Familiar with the concept of social enterprise and knows the current situation in Latvia, has worked with Latvian social enterprises, their funding in particular. | 05.04.16                     |

## Appendix G. Issues Identified in Latvian Social Enterprises

| <i>Internal factor</i>         | <i>Hindering inadequate action or behaviour</i> | <i>Count of corresponding Latvian social enterprises</i> |
|--------------------------------|---|--|
| Leadership                     | Not committed                                   | 2  |
|                                | Lack of versatile skills                        | 3  |
|                                | Not open to cooperation                         | 1  |
| Concept of the enterprise      | Unclear   | 2  |
|                                | Not innovative                                  | 1  |
|                                | Not tested                                      | 3  |
| Business planning              | Unbalanced                                      | 4  |
|                                | Not self-sustainable                            | 2  |
| Partnerships                   | Lacking partnerships with:<br>· public sector   | 1  |
|                                | · other social enterprises                      | 3  |
| Employees                      | Not motivated                                   | 2  |
|                                | Not interested in social mission                | 1  |
| Social performance measurement | Not measuring the social impact                 | 6  |
| Resource allocation            | Not reinvesting                                 | 0  |