

Identification of opportunities for social entrepreneurship in Slovakia to help mitigate long-term unemployment.

A Master's Thesis submitted for the degree of
“Master of Business Administration”

supervised by
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Affidavit

I, **DIPL. ING. VALÉR DUNDA**, hereby declare

1. that I am the sole author of the present Master's Thesis, "IDENTIFICATION OF OPPORTUNITIES FOR SOCIAL ENTREPRENEURSHIP IN SLOVAKIA TO HELP MITIGATE LONG-TERM UNEMPLOYMENT.", 103 pages, bound, and that I have not used any source or tool other than those referenced or any other illicit aid or tool, and
2. that I have not prior to this date submitted the topic of this Master's Thesis or parts of it in any form for assessment as an examination paper, either in Austria or abroad.

Vienna, 30.06.2019

Signature

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Abstract

Main objectives of this master thesis are to identify good practices and challenges in social entrepreneurship and describe social entrepreneurship business models and thus help to support the development of social entrepreneurship in Slovakia. Actors in the social economy, which are not necessarily covered by the term “social enterprise” as defined by law, but which are not only socially but also entrepreneurially driven, are in the minority, and the social entrepreneurship in Slovakia is still in its nascent phase.

Contrary to the fact, that Slovakia has a massive network of social service providers, many social challenges are addressed marginally, ineffectively or remain unaddressed at all. The author hopes that the findings of the paper might contribute to decreasing long-term unemployment – the persistent problem of the Slovak economy.

The author has decided on an international literature review, as well as one-on-one personal interviews with social entrepreneurs from the Central European region and Slovakia and hopes to give practical recommendations to existing and aspiring social entrepreneurs.

Keywords: social entrepreneurship, long-term unemployment, Slovakia, business model, opportunities, good practices, challenges

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List of Abbreviations

| | |
|------|--|
| SE | Social Entrepreneurship / Social Entrepreneur / Social Entrepreneurial |
| NGO | Non-Government Organisation |
| KPI | Key Performance Indicators |
| SIA | Social Impact Assessment |
| OECD | The Organisation for Economic Co-operation and Development |
| EU | European Union |
| CSR | Corporate Social Responsibility |

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1 Introduction

1.1 Background

Slovakia, as one of the countries of Central and Eastern Europe, experienced 40 years of a centrally planned economy with no space to discover the potential of social economy. The word 'social' was pronounced countless times in the communist language, but without the principle of being voluntary open or democratic. After the fall of the Communist regime, we have seen significant growth of the organizations engaged in work and social integration, social services, and community care. The social community was also historically shaped by the traditional influence of the Catholic Church and its network of charity organizations. These third sector organizations created a good foundation for the future development of social economy and its eco-system.

The term "social enterprise" first appeared in Slovak legislation in April 2008, when the amendment of the Act No. 5/2004 on Employment Services was adopted. It came into force in September 2008 and the legal possibility to set up a social enterprise became real. However, this legal effort to design, manage and support social businesses has failed and led to the corruption scandal with 8 social enterprises in 2008-2009. As stated by Strečanský (2012), they received a start-up contribution ranging between 300.000 – 2.000.000 EUR from the European Social Fund, which in some cases represented 95% of their total income. These funds were used not just for operating but also capital expenditures (luxurious SUVs among other things). The initial intention to support the implementation of social enterprises as a new instrument with the emphasis on employment was misused opportunistically by inappropriate recipients linked to high profile government members. The case was broadly published in media and very negatively influenced the public perception of the social enterprise concept. Even today, 10 years later, the perception of social enterprise label is not very attractive. Despite above-mentioned legal, managerial and conceptual failures with pilot social businesses, the structural nature of high long-term unemployment in Slovakia and other social problems mainly in the regions called for further improvements in the concept of social economy.

In 2018, significant legislative development, the enactment of the awaited Act on social economy and social enterprises was adopted. The government believes the new act will provide a more enabling legal frame for the development of social entrepreneurship. It came into force in May 2018, therefore its impact on the development of social economy remains yet to be seen.

1.2 Statement of the problem

In spite of the fact, that Slovakia has a huge network of social service providers, many social challenges are addressed marginally, ineffectively or remain unaddressed at all. There is enormous space and call inside society for empowering social services, because public and private sector has failed to distribute social goods and answer social needs in the country. Actors in the social economy, which are not necessarily covered by the term “social enterprise” as defined by law, but which are not only socially but also entrepreneurially driven, are in minority. The social entrepreneurship in Slovakia is still in its nascent phase. One of the reasons can stem from the cultural and social norms in Slovakia, which are in general not very favourable and supportive to enterprising activities. According to the latest report on entrepreneurship in Slovakia as part of the Global Entrepreneurship Monitor, business sector suffers from a low motivation to start business based on perceived opportunities. In the monitored period also a significant decline in entrepreneurship rate for this reason was observed. (Pilková, 2017) People lack entrepreneurial experience and skills; therefore integration of entrepreneurial behaviour into the existing third sector and social ecosystem in general is a challenge. Social economy historically relied mostly on state help. Although the state must be present in the social economy and co-financing its structures, there is strong need to stimulate the development of sustainable and dynamic structures, the structures of social entrepreneurship.

Apart to the challenge mentioned above to the growth of social entrepreneurship, there are many others. European Commission (2014) in its Country report on social economy identifies the following factors constraining the start-up and development of social enterprises in Slovakia:

- Low awareness/understanding about the concept of social enterprise;
- Weak business models/low investment readiness of social enterprises;
- Insufficient and inadequate form of funding.

In the updated European commission Country report, it is stated: ‘In general, it seems that barriers to development are still more pronounced than potential opportunities.’ (European Commission, 2016, p.9) The updated report adds barriers as limited stakeholder participation and engagement and persisting controversies.

Weak business model, as one of the barriers, is also identified by Strečanský (2012, p. 27): ‘At the moment, many organizations possess weak business models, an overriding characteristic of the sector. There is, however, sluggish but consistent emergence of new organizations that match the traditionally strong focus on social objectives with sound business plans.’

2 Objective of Master Thesis

2.1 Research GAP

As has been outlined in the previous section, Slovakia has not yet discovered the potential of social entrepreneurship for social and economic development. One of the reasons might also be an insufficient discourse on the social economy within the academic community. Strečanský (2012) confirms that only a few academics are reflecting upon this concept, mostly from a sociological and economic point of view. Author's literature review of research on social entrepreneurship in Slovakia reveals that there are only three institutions producing research outputs on the development of the concept. Since 2011, the Faculty of National Economy of the University of Economics in Bratislava and the Department of Sociology at Comenius University in Bratislava provide several courses in social entrepreneurship. Faculty members have published several publications and textbooks on relevant subjects. Center for Research and Development of Social Economy and Social Entrepreneurship at the Economic Faculty of the University of Matej Bel in Banská Bystrica has opened in 2007. Apart from research and publication work, it also provides some of the service and support for social enterprises in form of networking (e.g. conferences) to support the exchange of ideas, practices, and reflections about the social economy. As the field of social entrepreneurship matures, the expectation is for more university researchers to turn their attention to the systematic research in Slovak conditions, leading to more productive interactions between academia and practice. There is a great opportunity for academics to support practitioners' efforts for the benefit of not only specific supported communities but for the whole society and economy. As also argued by Strečanský, 'the role of academic reflections is crucial for a critical understanding of the potential of social economy in Slovak societal and cultural context and also for capturing and disseminating learning that is produced through experimenting and experiences of different actors.' (Strečanský, 2012, p.90)

2.2 Research question

The main objective of this paper is to identify good practices and challenges in social entrepreneurship and describe social entrepreneurship business models and thus help to support the development of social entrepreneurship in Slovakia. The author hopes that the findings of the paper might contribute to decreasing long-term unemployment – the persistent problem of the Slovak economy. In order to reach the goals of this study, the following research questions have been defined:

- **What are social entrepreneurship business models, which could be successfully replicated under Slovak conditions?**
- **What are good practices in addressing long-term unemployment through social entrepreneurship in Slovakia?**
- **What are the most significant challenges when starting and running a social business in Slovakia?**

This paper uses academic studies, books, scientific journals, research papers, and other supportive materials as well as one-on-one personal interviews with social entrepreneurs from the Central European region and Slovakia. The author hopes to give practical recommendations to existing and aspiring social entrepreneurs.

3 Theoretical part

3.1 Long-term unemployment

One of the destructive features of the European labour market is the high incidence of long-term unemployment. OECD definition of long-term unemployment refers to people who have been unemployed for 12 months or more, while actively looking for a job. The long-term unemployment rate shows the proportion of these long-term unemployed among all unemployed. Unemployment is usually measured by national labour force surveys and refers to people reporting that they have worked in gainful employment for less than one hour in the previous week, who are available for work and who have sought employment in the past four weeks. One problem with this definition is that it underestimates true unemployment by omitting discouraged workers. These are people who are not working and say they want to work but have not actively sought work in recent weeks because they do not believe any jobs are available. (Dooley, 2003)

3.1.1 Causes of long-term unemployment

Literature divides the causes of long-term unemployment into two groups – cyclical and structural. The massive rise of cyclical unemployment originates in a recession (e.g., years 2000-2010). Structural unemployment occurs when some groups lose their jobs as a result of economic restructuring – this applies in particular to older people and people employed in declining sectors. Workers' skills simply no longer meet the needs of the job market. Cyclical and structural unemployment are firmly linked. Lack of vacancies caused by slow growth and budget cuts during economic recession imprisons people in long spells without using their skills, which might become obsolete or lost at all - contributing to structural unemployment.

There are strong associations between education level and incidence and duration of unemployment. Farber (2004) finds that job losers with higher levels of education have higher post-displacement employment rates and are more likely to be reemployed full-time.

3.1.2 Consequences of long-term unemployment

There are several reasons why this feature of the labour market has to be regarded as a severe problem. Long-term unemployment has both negative consequences on the individuals themselves as well as vast implications for the whole economy.

Perhaps not surprisingly, it is one of the key drivers to poverty, as people cannot rely on their savings or family/friends help as during shorter spells of unemployment. Financial strain

depression occurs. One's physical and mental health suffers. Due to an extended absence from the labour market, people experience social exclusion, and as a result, the rates of depression, anxiety, and even suicide can increase. Drug use also becomes more likely, and life expectancy often declines. Whole families are being devastated. Stevens and Schaller (2009) in their study show that children with at least one unemployed parent perform worse in school than children whose parents benefit from stable employment. They are also 15 % more likely to repeat a grade. Ghayad R. and Dickens W. (2012) paint an even grimmer portrait of long-term unemployment. Finding a job becomes only more difficult the longer one looks. In other words, the terrible effects of long-term unemployment are increasingly difficult to remedy as time passes. They found that 'the longer one is unemployed, the longer one will be unemployed. For example, someone facing unemployment for longer than six months has only a 3% chance of being called back after submitting an application in a similar profession to their previous one, compared to 17 % for those who are short-term unemployed. This is where unemployment becomes chronic.' People are discouraged and stop looking for work at all and the majority of them they stay permanently in the social welfare system.

Employment can be considered as a backbone of the economy, so if there is a long-term fracture to this bone, it directly affects country's economic growth because of following impacts: lower GDP of the economy, lower spending power of unemployed, fall in tax collection, higher government spending on unemployment/housing benefit and income support, outflow of young talents, loss of human capital, social problems (especially linked to youth unemployment) and crime, political instability (rise of extreme parties), poverty and potential homelessness.

3.2 Long-term unemployment in Slovakia

3.2.1 Long-term unemployment rate

Slovakia has gone through a strong recovery. The labour market situation improved due to strong economic growth and in recent years, notably in 2016 and 2017, thousands of new jobs were created. The current unemployment rate of 5,8 % is under the EU average of 6,5 % - the lowest since the start of the EU monthly unemployment series in January 2000.

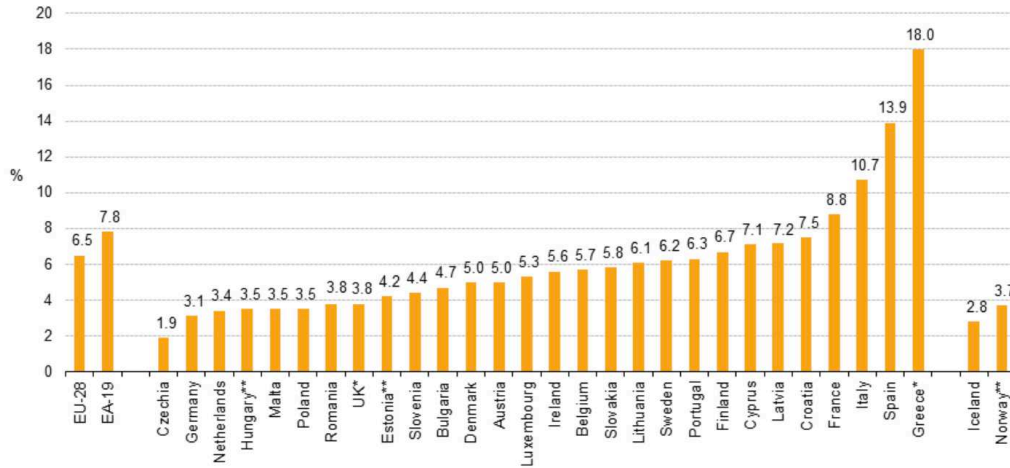


Figure 1: Unemployment rates in EU countries, February 2019, (Eurostat).

However, long-term unemployment remains a key challenge with a significantly high long-term unemployment rate of 3,90 % (third quarter of 2018), which is considerably above the EU average of 2,9 %. On top of that, the average length of unemployment belongs among the highest in the EU (ca 30 months).

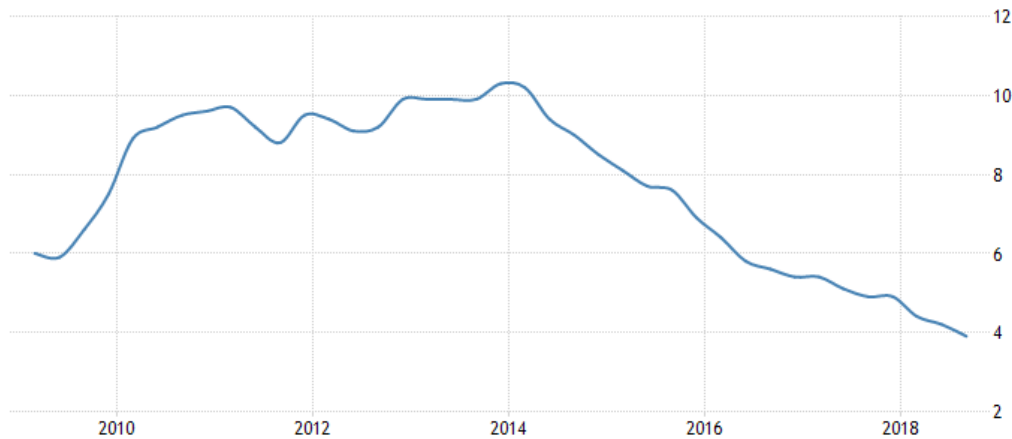


Figure 2: Long-term unemployment rate in Slovakia (Tradingeconomics.com)

National Reform Programme of the Slovak Republic 2018 recognizes this phenomenon as well: ‘Supplementary indicators imply that the long-term unemployment and the employment of low-qualified jobseekers is the main challenge for the labour market. Long-term unemployment and the related loss of skills represent another barrier impeding better outcomes on the labour market.’ (Ministry of Finance 2018, p.6)

European Commission has recently issued the Country Report Slovakia 2019, in which it appreciated the low unemployment rate but it pointed to the very high long-term unemployment rate and expected the declined demand for new workers (due to an expected slowdown of economic growth). 'It is unlikely that the recent pace of job creation can be sustained in view of widespread labour shortages, an already high activity rate and high long-term unemployment reflecting mismatches between companies' needs and the available workforce.' (European Commission, 2019, p.3) The report also pointed out on scarce job opportunities for disadvantaged groups and on the remaining large regional disparities among regions.

Central Office of Labour, Social Affairs and Family registers more than half of the unemployed as long-term unemployed. According to the Statistical Office of Slovak Republic and Statistical office of EU – Eurostat, this rate is even higher, and 60% of all unemployed are without the job for more than 12 months. Differences in measures stem from different calculation methodology.

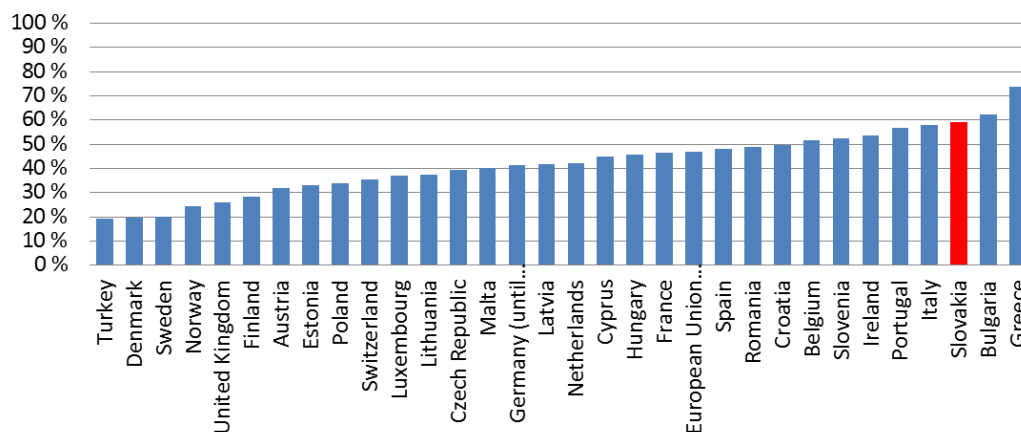


Figure 3: Percentage of long-term unemployed in EU countries, (Eurostat).

3.2.2 Regional disparities

The country remains in the list of countries with the largest regional disparities in the EU, which is mainly due to income and employment gap between the capital of Bratislava and the rest of the country. Although several regions (Bratislava, Trnava) and industries (automotive industry) are currently confronted with a shortage of qualified workers, unemployment in the regions of Eastern Slovakia remains high.

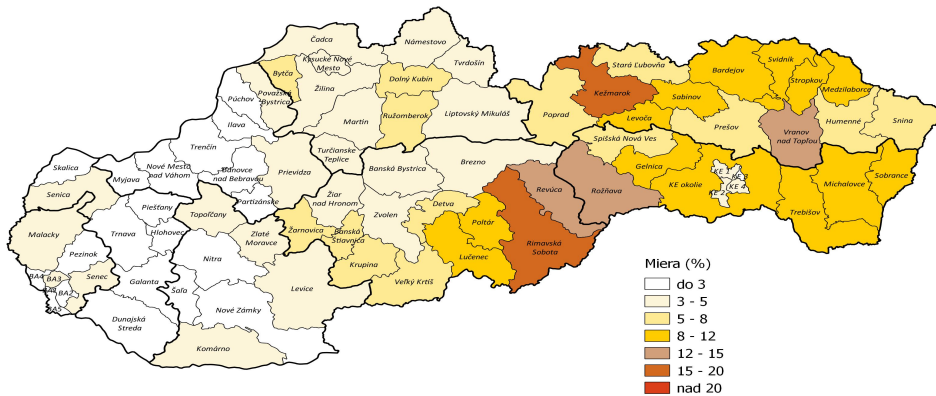


Figure 4: Measure of registered unemployment per district, February 2019, (Central Office of Labour, Social Affairs and Family in Slovakia)

According to OECD statistics, Slovakia is one of the worst in the EU in terms of regional work mobility, to a great extent caused by the high rate of home ownership. Slovakia is on the top from EU countries regarding home ownership, with only Romania ahead. There are several reasons for this fact, from cultural belief (I have to own my house, I will not pay to the other) to fiscal reasons in the form of advantages for one's own housing versus renting (financial support of mortgage for young people, state support of building society savings). It is also one of the dimensions of well-being. However, the main reason is definitely the privatization of the housing after regime change. (Iness, 2017)

Structural challenges causing long-term unemployment to persist, and their solution rely on more than economic growth. Economic convergence among regions and labour mobility has to be supported by regional policy programs and intensive use of development strategies and reforms. According to the National Reform Programme of the Slovak Republic 2018 effective as of May 2018, more attractive conditions for eligibility for the commuting allowance and the labour mobility allowance will be implemented.

3.2.3 Disadvantaged groups of long-term unemployed

Roma unemployment

In Slovakia, there are certain communities, which are stuck in long spells of unemployment, long spell here implying to years and even decades. Generation after generation is being excluded from the labour market. This phenomenon, one of the drivers to poverty, is called chronic employment and appears to be a lifetime problem for workers who drop out of the labour market and never return. This is the case of the Roma people. Per latest performed

field finding in 2013, this second largest minority is estimated to make up to 8 % of the total population and is anticipated to increase to ca 11% of the total population (amounting to ca 600.000 people) by 2030. (Šprocha, 2014)

The Roma predominantly live in rural areas and in marginalized communities. The unemployment rate among the Roma population was estimated at 48 % (FRA, 2016). There is a dominance of temporary and seasonal jobs, which require no or very low education and are poorly paid. Few studies have examined the causes of labour market gaps between Roma and non-Roma population but generally stated obstacles are first of all discrimination (linked to prejudice of employees) and insufficient education. Little progress has been done over the years to increase the employment of marginalized Roma communities and help them escape from a vicious circle of despair, poverty and terrible living standard.

Women unemployment

Women's labour market participation in the EU has significantly increased over the recent years; however, women's employment is still lower in almost all EU countries. The main reason is that motherhood has a much higher effect on female employment in Slovakia compared to other countries. The indicator measuring the difference between the employment rates of men and women is called the gender employment gap and is annually published by Eurostat. In Slovakia, it has decreased by 1.4 p.p. to 12.8 % in 2017 but is still above the EU average of 11.5 %. The gender employment gap is most noticeable during the years of care for a child aged 6 or less and reaches as much as 45.2 p. p. (42.7% for women and 87.3% for men aged 15 to 64 years), while the difference in the EU countries is well below that figure on average (only 26.8 p. p.)

The main obstacle for mothers is an insufficient network of childcare services. We can expect further improvements as the new legislative framework for childcare (the so-called nursery law) entered into force in January 2018, which will allow for the improvement of the availability of quality, sustainable and affordable childcare facilities for children up to three years of age and will extend access to childcare to unemployed mothers. Slovakia has also committed to using EU funds in 2014- 2020 to build or renovate 500 childcare facilities, with a focus on access to childcare for the marginalized Roma.

Another obstacle is the unwillingness of employers to offer flexible work arrangements such as contractual work or part-time jobs. On top of that, the salary gap between men and women amounting to 19% is one of the highest in Europe and naturally is decreasing the willingness of mothers to return back to work – they rather stay at home and devote their time to children and household.

Youth unemployment

The youth unemployment rate of 14,9%, as the number of unemployed 15-24 year-olds expressed as a percentage of the youth labour force, is above the OECD average. According to the Central Office of Labour, Social Affairs and Family in Slovakia, 25% of the registered job seekers are aged less than 24 years, with the largest age group 20-24 years. Another source of data – European Commission (2019) in the graph from its Commission Staff Working Document: Country Report Slovakia 2019 is stating, that less than 60% of Slovak men aged 20-24 are employed and only 40% of Slovak women in the same age category is employed.

A lot of these young people are mainly fresh graduates from the secondary schools, which is demonstrating the fact that the Slovak education system is producing graduates in professions, which are not demanded on the labour market. According to the Ministry of Labour, Social Affairs and Family the imbalance between labour market needs and education system is mostly present in underdeveloped technical education. 'All of the abovementioned deficiencies of the educational system are reflected in the mismatches in the labour market and the structure of graduates leading to a paradoxical situation in the labour market, where, despite the high number of unemployed persons per vacancy, there are professions lacking a skilled workforce.' (Ministry of Labour, Social Affairs and Family of the Slovak Republic, 2014, p.14)

Elderly unemployment

Population aging is a global process, mostly typical for developed countries. In Slovakia, we are witnessing a very intensive population aging, which will transform this country from a relatively young European country into one of the oldest countries in Europe within 40 years. Following characteristics lead to the current demographic trend (Bartosovic, 2014): persistently decreasing crude birth rate, stagnancy in mortality, increasing life expectancy, changes in the age structure, growing group of very old people, the feminization of aging, changes in demographic indices.

The aging is visible in the whole country, not only at regional levels, with the average age increasing in all Slovakia's districts. As the older workers (55-64) are most at risk becoming long-term unemployed or inactive, we can anticipate a rapidly increasing long-term unemployment rate in this age category, unless concrete supportive initiatives are built.

There is a high inactivity rate among workers above 55, which represents a huge potential pool of candidates – some of them may be able to find employment, provided the right training/coaching/networking and opportunities to change sector and/or work design. Especially vulnerable and discriminated group is that of older women, who have to reconnect

with the labour market after having worked informally as a carer for children, grandchildren, and older family members. Job offers for them are inexistent.

Apart from already described harmful effects of long-term unemployment on individual and the whole economy and society, elderly people are even more sensitive from a health perspective. Being made redundant in the late fifties or early sixties has a negative long-term impact on people's health, as measured by decreased longevity in the study by Coile C.C., Levine P.B. and McKnight R. (2014). Authors found that people who become unemployed at age 58 have their life expectancy reduced, on average, by 3 years (from 22 years to 19 years). Authors also present evidence that unemployment shocks in older population lead to much longer spells of reduced employment and income compared to younger age groups, because potential employers may view these workers as a poor investment, often leading to involuntary retirement.

Handicapped people

Even without specific data on unemployment of persons with disabilities, it is obvious that they face the same predicament everywhere. Many employers do not consider them potential members of the workforce. Factors, which contribute to limited acceptance and understanding of disability in the workplace are ignorance, distorted perception, fear, myth or prejudice. The role of the government to support the work inclusion of disabled is therefore necessary. In Slovakia, there is the obligation of employers with more than 20 employees to employ disabled persons imposed by Labour Code as well as by Act on employment services. A very positive finding was presented in the latest Research on the development of the social situation of persons with disabilities (Institute for labour and family research, 2016); almost two-thirds of employers prefer to employ persons with disabilities rather than pay a penalty for non-compliance with the quota.

Despite that, still, most persons with disabilities are economically inactive. In 2016, the employment rate of persons with disabilities in Slovakia was 17 %, compared to 67 % employment rate of the non-disabled population. Similarly, to the non-disabled population, in terms of labour market participation, women with disabilities are more disadvantaged than men. Besides that, people with disabilities younger than 24 and older than 55 are more disadvantaged than the rest of the population with disabilities. (Institute for labour and family research, 2016)

3.3 Introduction to social entrepreneurship

Social entrepreneurship is gaining massive popularity in recent years as there are numerous growing social and environmental challenges that are hard to be solved using existing systems, structures and approaches. According to Sommerrock (2010) there is evidence that needs for a new and innovative social solution is required in developing countries; however, developed countries face the issue of the permanent solution for pressing social problems as well. Society relied on governments and businesses to meaningfully address the challenges, but it is not happening. The private and public sector now face new social challenges resulting from aging, demographic shifts, new family roles, high unemployment, immigration, cultural and regional differences. On top of that, these are also affected by globalization, internationalization, social, demographic, and environmental changes. The third sector as the group of voluntary organizations, to the great extent dependant on the grants and donations from the government and private sector, is also not able to address challenges mentioned above sufficiently. In many cases, it faces missing resources and inefficiency within its operational, financial and managerial structures and on top of that have to abide by lots of legislation.

As a result, there has been a growing search for an innovative approach to solving social problems over the last decade. Social entrepreneurship with its concept of applying business techniques and market mechanisms to fulfil its primary social mission has been introduced as a solution. Social entrepreneurship has also been promoted by influential people/organizations through heroic stories of entrepreneurs changing the world and trying to make global change. In reality, most of the social businesses aspire to create positive change at the community or city level. Regardless of the size of their social impact, they want to move away from a charity-based model toward more sustainable sources of funding that leverage their activities to generate revenue.

An important and distinctive aspect of social entrepreneurship is its second part, which is entrepreneurship itself. Academia does not have an exact term for entrepreneurship, not because there are few terms, but contrary, many of them. In order to capture the goal of this master thesis called 'Identification of opportunities for social entrepreneurship in Slovakia to help mitigate long-term unemployment', the author considers it important to mention 3 selected definitions of entrepreneurship. They have one characteristic in common and that is recognition of opportunity and the need of its implementation.

Shane defines entrepreneurship as 'an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously had not existed' (Shane, 2003, p.4) Entrepreneurship as the process of recognizing opportunity by shifting

resources from an area of lower to an area of higher productivity, involving some element of innovation and risk is defined by Sommerrock (2010). Another author - Harvard Business School professor Howard H. Stevenson calls entrepreneurship 'the pursuit of opportunity beyond the resources you currently control' (Stevenson, 2000, p.5)

The author shares these views and believes that every successful business must begin with the identification and pursuit of entrepreneurial opportunities. It is the same with the social business, as supported by Mort (2003), who assigns features such as having a social mission, seeing opportunities to create social change, being innovative, and being sustainable to social enterprises. Next section will allow more in-depth look into social entrepreneurship and its various definitions.

3.3.1 Definition of social entrepreneurship

The concept of social entrepreneurship means different things to different people and researchers (Dees, 1998). His promoted perspective is for the social entrepreneurs to create and sustain social value, recognizing and pursuing opportunities, innovating, taking risks and displaying a sense of accountability.

According to Mair and Martí (2006) we can divide researchers into 3 groups. One group refers to social entrepreneurship as not-for-profit initiatives in search of alternative funding strategies, or management schemes to create social value (Austin et al, 2003; Boschee, 1998). A second group understands it as the socially responsible practice of commercial businesses engaged in cross-sector partnerships (Sagawa and Segal, 2000; Waddock, 1988). And a third group views it as a means to alleviate social problems and catalyze social transformation (Alvord et al., 2004).

Mair and Martí (2006), as before mentioned authors Mort (2003) and Dees (1998), primarily highlight the need to explore and exploit opportunities to create social value by stimulating social change or meeting social needs.

Although social entrepreneurship can have multiple shapes and therefore many definitions of social entrepreneurship exist, there is certain convergence regarding the fact that in social entrepreneurship both social and economic values are involved.

Dacin et al (2011) present social entrepreneurs with a different balance between social and economic values in their mission. There are social entrepreneurs being largely altruistic in their activities, placing social values above profitability on one hand and entrepreneurs who focus on the symbolic management of social values to achieve their political and/or economic

objectives on the other hand, with entrepreneurs who seek to maximize both social change and profitability in the middle.

To conclude, the field of non-profit organizations has provided its own definitions with two of the largest networks of social entrepreneurs around the globe (Skoll and Ashoka) coming up with their own definition of social entrepreneurs who are “motivated by altruism and a profound desire to promote the growth of equitable civil societies”.

3.3.2 Commercial vs social entrepreneurship

As already outlined above, social entrepreneurship involves the application of for-profit business practices in pursuit of a social or environmental mission by implementing principles of entrepreneurship to the social sector. What differentiates social enterprises from commercial ones is their main objective. The core commitment of the social entrepreneur is to provide social value and welfare for society whilst the core commitment of commercial entrepreneur is to gain financial value for shareholders. Whilst it is relatively easy and straightforward to measure financial value, to measure social value is a real challenge because of its qualitative nature, intangibility, and relativity. Social businesses balance between these two opposing objectives and values as can be seen in Figure 5:

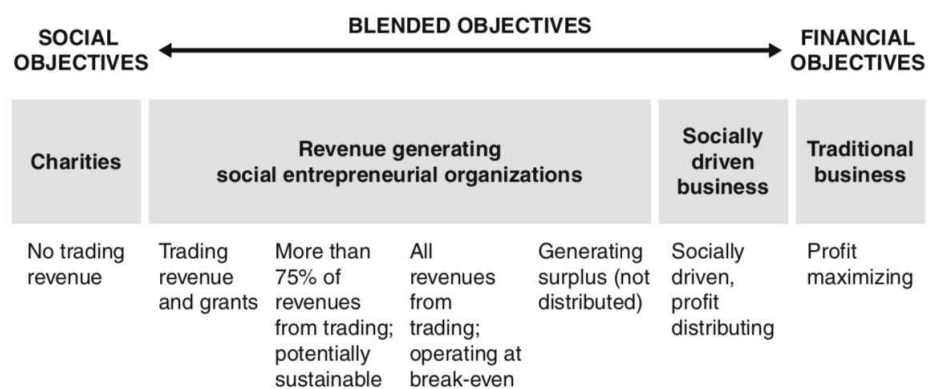


Figure 5: Continuum of organizational objective, (Sommerrock, 2010).

According to how successfully they are able to balance their social and economic objectives, we can form four main categories of social enterprises, as defined by Iyigun (2018):

- traditional charities and NGOs,
- not-for-profit social entrepreneurships,

- for-profit social entrepreneurships and
- traditional businesses.

Another view is looking at social entrepreneurship through its meaning. As defined by Sommerrock (2010), there are four different meanings of social entrepreneurship:

- rendering the management of public or non-profit entities more efficient
- increasing social orientation of for-profit companies
- non-profit sector adopting more entrepreneurial approaches
- operation results directly from their social mission

First two meanings are better to be called social intrapreneurship as their both act within the organization. In the first example, there is evident adoption of managerial techniques on the part of non-profits, which is not enough to call them social entrepreneurial, contrary to established for-profit organizations which implement social meaning to their for-profit business. There is also evidence in the third example to separate profit-generating entity and non-profit generating entity and reduce the dependency of donations. Social entrepreneurship in forth meaning involves business to solve a social problem and bring innovative approaches to create social impact.

It is essential to mention that social entrepreneurs are not forced to not use donations, state or philanthropy money as part of their income. However, in the majority, they prefer earned income strategies to reduce the dependency of outside funding, which could harm their social mission.

3.3.3 What is not social entrepreneurship

Huybrechts (2012) points to four most repeatable expressions exchanged by social entrepreneurship.

First of all, it is not a **discrete sector**. Social entrepreneurship is a set of hybrid organizations and processes, which take place in different institutional spaces across existing sectors.

It is not a synonym for **social business**. Nobel Peace Prize winner Muhammad Yunus mainly described the term social business. By his definition, which is more restrictive than social entrepreneurship and can be understood as a subunit, he suggests that profit distribution is prohibited in social business. This approach is more typical for a non-profit organization. On top of that, he argues that social businesses are required to raise all their incomes and recover

all their costs through the market. Some authors argue that well known Yunus definition was based mainly on partnerships between the Grameen Bank and multinational business such as Danone, Veolia, and Siemens.

It is not a new form of **Corporate Social Responsibility** (CSR). Some authors argue that social entrepreneurship can be incorporated into commercial organization too, as so-called corporate social entrepreneurship. However, CSR is not innovative neither necessarily entrepreneurial. The commercial organization, however responsible with its CSR program, sets profit maximization as the main goal.

It is also not the **Only Model of Social Innovation**. Social innovation concept tends to consider innovation in a much broader way, and it is not necessarily market-based.

3.3.4 Challenges of social entrepreneurship

As the research of Battilana (2012) reveals, it is possible to integrate social and commercial activities sustainably. This integration can, however, struggle in the following fields:

Legal structure

Social enterprises are often struggling with legal frameworks that can both sufficiently define social enterprise itself as well as structure it. Currently, a number of countries are seeking to implement appropriate legal frameworks that can support and stimulate the development of social enterprises through the creation of new legal forms and regulations. However, there is still a lot of space for improvement. Also, demotivating tax and income tax legislation should be mentioned. For example, if a non-profit organization starts to sell products or services, it loses eligibility for tax advantages and is therefore discouraged to do so. The same applies to donors, who can't deduct their donations from tax base or company cannot sell the share to investors. Some organizations establish profit and non-profit subsidiaries to take advantage of both, but it may result in too much complexity.

Financing

For-profit organizations developed sophisticated processes for financing through equity and debt. Non-profit organizations, on the other hand, have a legal frame for donations. It seems that it is easier for donators to donate money into non-profit and on the other hand, it is easier to get investment into profit organizations, where one can predict financial goals or return of investment. Many social enterprises collect first capital from the non-profit sector as a form of

equity and debt, but there are also opinions that to finance hybrid organization as start-up might have a higher chance to sustain the business. The biggest challenge is to find a business angel whose values follow the social mission of the organization, a so-called impact investor, who must accept a return below market rate.

Customers and beneficiaries

Hybrid organizations, in many cases, do not distinguish between customers (for-profit) and beneficiaries (non-profit). The fact that customers and beneficiaries are the same is the essence of growth of many hybrid organizations because it does not take away resources from beneficiaries. The challenge arises for social enterprises, which are not able to integrate social value creation with earning commercial revenue in a single transaction.

Organizational culture and talent development

Another challenge is to remain focused on the mission. At the early stages, it is more natural and comfortable because the initial passion of founder is present. Over time the direct influence of the founder is diluted, and thus, it becomes harder to keep the initial mission statement and culture. This fact is visible mainly when managers are forced to balance economic and social values. As there are few people experienced from running hybrid organizations, managers hire people from standard corporations or the non-profit sector. The experience shows that a combination of both is the answer and helps bring the best practice from both worlds.

3.4 Social entrepreneurship business model

One of the ways for companies to protect their position on the market is through business model differentiation. The business model, in general, may be understood as operational of strategy into processes and structure and one of their reason is to 'formulate the competitive strategy by which the innovating firm will gain and hold an advantage over rivals' (Chesbrough, 2007, p.13). There is a general association that all novelty is related to product or services only but shortening product lifecycle, as costs of developing new products or services become very expensive and it is harder to get profit in the time before commoditization of products. There is an opinion that besides R&D, companies should look at the innovation of business model as well, which might have a higher return on investment and has a more significant impact on innovation.

Yunus (2010) describes social business as a new form of business, basically the same as profit-maximizing, but the objective is different from a profit-maximizing company. He believes that owners should never intend to make profits for themselves and that is why there are no dividends, but they are entitled to get their money back if they wish to do so. The gain is passed on to beneficiaries in the form of lower prices, better service or greater accessibility. He believes that investing in a social business is different from philanthropy, so it allows the business to remain self-sustaining and investors to get their money back. As shown in Figure 6, he suggests a social business model has four main components.

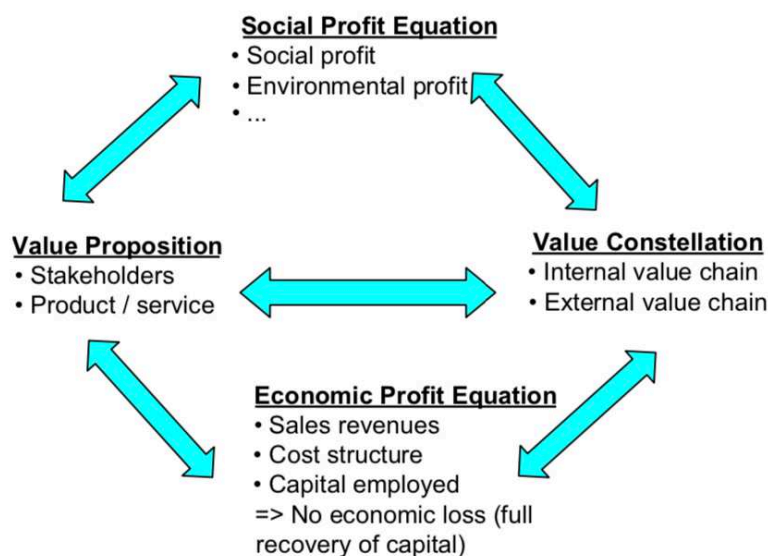


Figure 6: The four components of a social business model, (Yunus, 2010).

Value proposition

Who are our customers and what do we offer to them that they value? The value proposition for the customer can be also defined as a satisfied need. It is not focused solely on the customer but is expanded to encompass all stakeholders. The value proposition in social business is an essential aspect. Product or service comes afterward.

According to Sommerrock (2010), even though SE organization's primary focus is on its target customer or beneficiary group, there are other stakeholders like third-party payers, donors, volunteers, and workers needed to be motivated to contribute resources. When creating social value with the target group, the target group is also integrated into their value chain. Typically, the target group is employed to generate the mean of the social goal itself. SE attract customers to support their goal. In many cases, SE is not able to operate by themselves and needs to attract investors. Also, they need to attract other stakeholders, like companies to provide human resources to them, e.g., once the employment or training has finished. When creating social value for the target group, the product or service is sold to the target group or bought by other stakeholders for the target group. In this incentive strategy, SE fight with two factors and these are an unwillingness to pay or inability to pay. They must find ways how product or services be allowed for a target group or market a social goal why target group should invest in product or service. Both strategies may also be combined into one to create a kind of mixed model.

Value constellation

How do we deliver this offer to our customers? This also involves a company's value network with its suppliers and partners.

The central aspects are resources, which can be people, economic resources, physical resources or social capital. The internal value chain represents the plan for transforming these resources into the final product or service. One of the good practices against for-profit organizations is their ability to deal with human and physical resources. The ideal approach is to integrate current or former beneficiaries into value creation and keep utilization of physical resources and enhancing their use. According to Sommerrock (2010), sustaining financial resources for operations of SE organizations is the most challenging part of the entrepreneurship. There are two approaches, and these are creating a generation of income or attracting external capital.

The external value chain, on the other hand, represents a part, which is not in direct control of the organization, but it can influence it. It consists of customers and value creation partners. For customers, it describes the relationship between customers and organization, distribution,

and communication. We may see customers from both perspectives: involved in the value creation process as a workforce or as consumers of product or service.

For partners, it describes how necessary resources are controlled for the value-creating activity of the business. One of the characteristics of SE is its great and very diverse network of partners and allies to achieve a social goal. This approach helps SE to mobilize all kind of resources. According to Sommerrock (2010) the most important group for attracting are private investors, who could be attracted by developing their relevant market or offering them access to it through the social entrepreneurial business model or clarifying the benefits of the social initiative to them and letting them share the costs.

Economic Profit equation

Financial translation between the two above mentioned components, including how value is captured from revenue through value proposition, how costs are structured, and capital employed in the value constellation.

Social Profit equation

The way companies create social benefit in combination with recovering costs and passing financial resources fully or partially on to beneficiaries, who may benefit from adequate service, lower price, or better access to maximizing social profit equation.

3.4.1 How to build SE business model

According to Yunus (2010), business model innovation is about finding novel value proposition/value constellation combinations and thus creating new sources of profit. Based on his experience, he identified five lessons in building a social business. Three of them have some similarities with conventional business model innovation: challenging conventional wisdom and basic assumptions, finding complementary partners, and undertaking a continuous experimentation process. Two of them carry specificities of social business models: favouring social profit-oriented shareholders and clearly specifying the social profit objective.

Challenging conventional wisdom: This is about to create a new strategy that modifies the current game in the industry. It is one of the major challenges, and it requires revisiting of underlying assumptions.

Finding complementary partners: The second step is to identify partners and thus leverage expertise and resources. For social business, collaboration is a crucial factor to succeed.

Undertaking continuous experimentation: Experimentation provides a good base for rolling out a concept. When innovating, there are only a few data based on which you can predict, whether the model will work or not. Running a couple of small experiments will minimize risk and maximize the learning experience.

Favouring social profit-oriented shareholders: It is imperative from the very beginning to not mix profit and non-profit strategy of the social entrepreneurship. To pretend that related social activities help generate more revenue is not the correct interpretation of social orientated project. Shareholders should be informed clearly about investment.

Specifying social profit objectives clearly: When the objective is to build a social business, only non-profit-oriented shareholders should be involved in the project. Social business models need to define their goals clearly against financial profit. There is always a conflict between economic profit and social profit objectives.

3.4.2 Competitive Advantage

The success of any organization depends on the fact, how effective they can mobilize resources and gain a competitive advantage. Although it might sound that SE rather collaborates than competes, the reality is that for example, they must fight for many limited resources compared to commercial business, especially talents and volunteers. Iyigun (2018) outlines two approaches when considering a competitive advantage, and these are Industrial organization view and Resource-based view.

Industrial organization view: A big advocate for this approach is Michael Porter, who claimed that industry forces primarily determine organizational performance. That is why companies should join an attractive industry and be aware of crucial factors like entry barriers, scale economies, technological advances, product differentiation, the level of competition, etc. The main idea is to focus primarily on an internal value chain where they create more value than its competitors.

Resource-based View: Opponent of the Industrial organization view is Resource-based view in its vision of unique resources. The competitive advantage is based on the internal resources (physical, human or organizational). Organizations should strengthen these resources and make them unique, so they are not easily imitable.

3.4.3 Financial capital for social entrepreneurs

One of the most challenging parts of the business for social entrepreneurs is to get financials for their start-ups and projects. Typical sources, as shown in figure 7, are from governments, corporations or investors. The figure shows a framework for action in social enterprise development and compares the source of capital against rationale, strategy, and approaches.

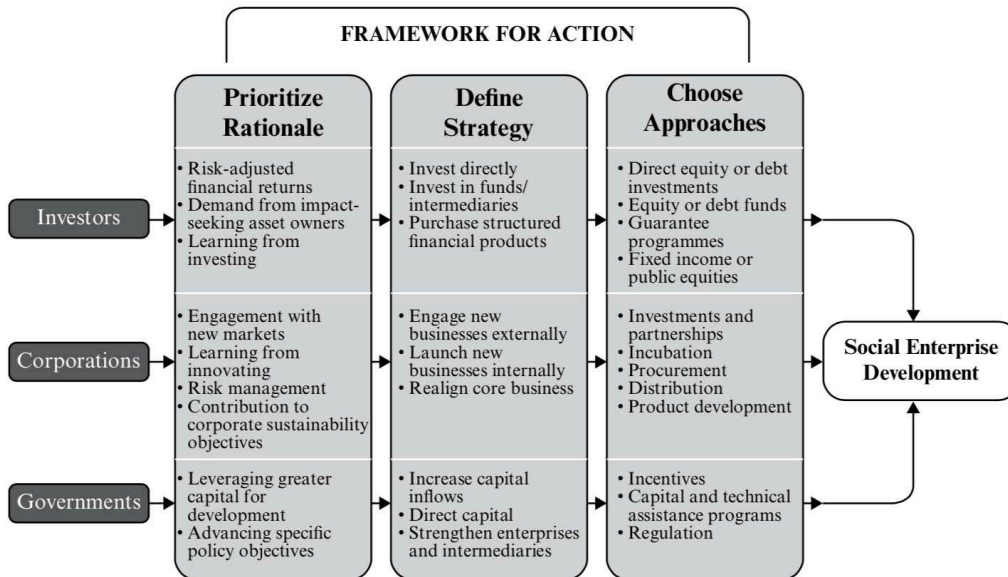


Figure 7: A framework for action in social enterprise development, (Foundation for the Global Compact & The Rockefeller Foundation, 2012).

According to Phillip (2014), social ventures are unfortunately unable to match financial returns requested by commercial groups or individuals; however, in recent years the trend is that social impact attracts more and more donors and investors. Social entrepreneurs are not dependent on government grants or traditional forms of philanthropy anymore. Among many others, three attractive funding options are worth mentioning:

Crowdfunding: Users (the crowd) act as problem solvers for the individuals or organizations that present the problem. The motive in crowdfunding may be from altruism to financial gain. Each member typically donates a comparatively small amount of money and the whole process of donation is managed online.

Private foundations: One of the differences between private foundations and public charities is the source of support for their operations. Public charities are assumed to be serving public

interests with the financial backing from the public. Private foundations are financed instead by a few wealthy benefactors. Within the category of private foundations, there are two main types, and these are non-operating foundations and operating foundations. The difference is in activities and how they distribute the income. A private operating foundation must spend a significant portion of funds in direct charitable programs. Private non-operating foundations typically grant funds to other organizations that deliver social programs.

Impact Investing: In impact investing capital is targeted to create a positive social or environmental impact in combination with a financial return for investors. Typically, it is provided through either debt or private equity instruments. In contrast to traditional venture capital firms, impact investment firms evaluate opportunities based on their social or environmental impact as well as their potential financial performance.

3.5 Social Opportunity

'The common view suggests that the entry point for any discussion on social entrepreneurship processes must begin with the identification and pursuit of entrepreneurial opportunities leading to social and economic value creation.' (Phan, 2014, p.35)

Hockerts (2010) understands four distinct parts in the process of opportunity recognition, and these are the source of opportunities, the discovery of opportunities, evaluation of opportunities and exploitation of opportunities (Figure 8).

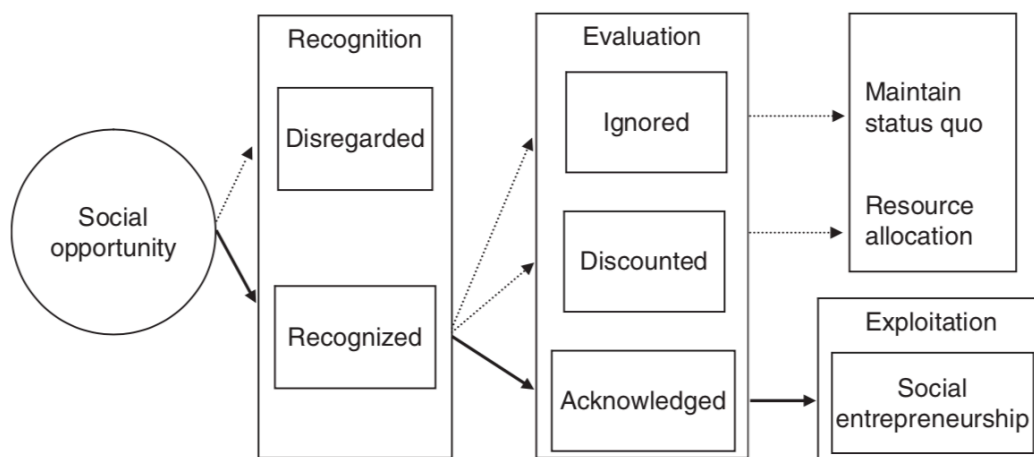


Figure 8: Social opportunity identification process, (Hockerts 2010).

According to Hockerts (2010), there are five primary classes of market failure, which form the possible source of opportunities for social business:

Imperfect information: Missing information on the consumer side is one of the sources of social opportunity identification (e.g., products developed by child labour, which would dissuade consumers from purchasing if they were aware of it).

Monopoly Power: When there is only one seller on the market, there is a tendency to maximize profit through the under-provision and over-charging the goods.

Public Goods: Public goods are non - excludable. This fact disqualifies those, who cannot consume it because of access or any other reasons.

Externalities: Externalities are side effects of one individual's actions on the utility of another individual and can be positive, but also negative. Externalities are one of the most significant and most pervasive deviations from classical economics.

Flawed pricing mechanisms: Firms aim is to get the highest possible profit from every item sold, and they ignore opportunities from the demand from people who are not able to pay those high prices. This especially applies to developing countries.

One of the factors for market failure is also the government. By redistributing welfare, they cause market failures, which contributes to economic under-performance and poverty. Government failures are mainly: the pursuit of self-interests, short-term solutions, and imperfect information.

Opportunity Recognition

Shane (2000) identifies three major dimensions of prior knowledge important to the process of opportunity recognition and that is prior knowledge of markets, ways to serve these markets and prior knowledge of customer problems.

Opportunity evaluation

The main concern of social entrepreneurs is the creation of social value, so they seek opportunities to create social value to both existing and potential clients. A crucial aspect of opportunity evaluation is access to sources, like finance, people, etc. At this stage and mainly because of missing resources, SE may decide not to pursue the opportunity or choose not to continue with a social entrepreneurship approach.

Opportunity exploitation

Access to resources not only affects the evaluation phase but also provide future direction for the creation of implementation strategy. Another aspect at this stage is the question, whether the opportunity can also create economic value besides social value and thus remain sustainable.

3.6 Social Impact

'In general terms, the social impact can be defined as the change that occurs as a result of an activity or the consequences of an action/activity/project/program result on different people.' (Iyigun, 2018, p.207) Social impact refers to the change that was created by corporations on all stakeholders, especially society. Because SE operates in many different fields and they are challenged with a wide variety of social issues the impact they create is complex.

According to Grieco (2015), to fully understand the concept of impact, it is vital to understand the difference between the output perspective and the outcome perspective. Outputs results are those, which can be measured directly (e.g., number of employed people), while outcome results are more extensive changes, visible mainly in the medium and long term (e.g., decrease in inequalities).

Another division was defined by Volkmann (2012), who identifies two aspects of social impact - static and dynamic. The static impact has solutions, goods, or services at a given point in time. The dynamic impact is more about how social entrepreneurs change the environment around them, so also other actors begin to provide solutions to a social problem. While the static impact is more about efficiency, the dynamic is more about innovation.

When comparing SE, charitable NGOs, government and for-profit organizations from a static perspective, there are advantages and disadvantages in their approach to solving social challenges. SE has a less static impact when it comes to providing short-term relief against, e.g. NGOs, on the other hand when it comes to large-scale social problems with the potential to have an impact on big social groups, SE seems to be the best option. There are cases where for-profit organizations can deliver needed goods and services more efficiently because they can take advantage of economies of scale, and thus be more sustainable financially. Also, when comparing static social impact between government and SE, it might turn for government better in many cases, because states have infrastructure and procedures on how to be an instrument for providing public goods. When considering the static impact, SE in many cases has the potential to be the second-best option, on the other hand, it seems to be an ideal solution when considering the dynamic impact.

Dynamic impact of charitable NGOs vs. Social Entrepreneurship: SE offers several systematic comparative advantages against NGOs when talking about innovative and sustainable solutions to social problems. SE is self-sufficient and independent in the long run. Creative and transformative solutions are the result of constant processes of trial and error and build on productive feedback on what worked and did not in the arena.

Dynamic Impact of For-Profit Companies vs. Social Entrepreneurship: Social change takes time, what is missing when solving a social problem with the approach of for-profit organizations. SE tends to be stubbornly committed to a specific issue, what might not be the case of for-profit organizations, because of KPIs or financial goals planning. The last advantage is access to critical resources, such as trust, that for-profit company cannot access as easily.

Dynamic Impact of Government Provision vs. Social Entrepreneurship: SE compared to Government Provision is good at working with feedback, and its success is significantly related to successful learning processes. On the other hand, governments face substantial barriers to adaptive efficiency. Another advantage is that SE works with locals or affect specific minorities, which is not possible for the government and that is why they are not as successful in solving problems. The last advantage of SE is their ability to take a risk, which is not the case of public authorities.

There are various tools on how to approach social impact from the assessment point of view. 'Impact assessment can be broadly defined as the prediction or estimation of the consequences of a current or proposed action (e.g., project, policy, technology). The application of this concept to the field of social impact has led to the development of an extensive body of literature in which there is no generally agreed-upon definition of the phenomenon.' (Grieco, 2015, p.46) The term assessment has in this concept a special meaning as it is used not to look at the process performed after the impact occurs, but also before the effect occurs. The idea of social impact assessment was considered as a tool to predict and mitigate the estimated social consequences of actions and as an ex-post assessment to monitor the impact. SIA must be understood as a lifelong process, as seen in Figure 9.



Figure 9: SIA as a lifelong process, (Grieco 2015).

According to Iyigun (2018), no measurement tool can be used universally for all organizations. SEs are in many different sectors and serving many different social needs, and thus stakeholders have different expectations. Two popular theories can contribute to social measurement, and they are The contingency theory and The multiple-constituency theory.

The contingency theory rejects the concept of universal management principles, strategies or organizational structures. The structure of the organization, the management strategy, and management style is different based on the conditions. Companies should determine the most accurate and most efficient ones for themselves. Instead of generalizing individual organizations, each company should be examined by reducing them to situations they are.

Multiple-constituency theory says that to be able to measure the social impact, social enterprise managers must first identify the stakeholder groups and then select the appropriate measurement tool as needed.

4 Methodology

This study aims to answer research questions using the following research steps:

4.1 Literature overview

In the first step, the literature was reviewed to enable a good overview of theoretical knowledge on social entrepreneurship and long-term unemployment. Relevant and up-to-date data was gathered on the topic of long-term unemployment with the focus on the most disadvantaged and vulnerable groups of the Slovak labour market. Apart from textbooks and scientific journals, also different statistical resources were used to support the theory such as Infostat, OECD, Statistical Office of Slovak Republic and statistical reports of Ministry of Finance and Ministry of Labour, Social affairs and family of Slovak Republic.

As stated by Strečanský (2012), Slovakia is one of the countries that are almost invisible in the European map of social economy. Very limited public and academic research have been conducted in Slovak conditions, resulting in limited scientific literature and other theoretical sources. Therefore, a theoretical background on social entrepreneurship was drawn mostly from foreign sources.

4.2 Research method

In the second step, the appropriate research method was chosen. As the research question is of qualitative rather than quantitative character, the qualitative research method called was identified as the most appropriate. A qualitative approach has its focus in the text instead of numbers, as it is in a quantitative approach. It was developed in social science in order to study social and cultural phenomena. A qualitative research approach can also provide in-depth descriptions and explanations of the phenomenon, processes, and relationships, and allows to 'preserve chronological flow, assess local causality, and derive fruitful explanations' (Miles and Huberman, 1994, p.15).

The sampling technique used in this thesis belongs to the category of non-probability techniques, because 'the number of participants or cases does not need to be representative, or random, but a clear rationale is needed for the inclusion of some cases.' (Taherdoost 2016, p.22)

A clear rationale for the inclusion of participants is essential because of the fact that only a limited number of cases can be studied through a qualitative approach. Participants in the sample are selected because they are likely to generate useful data relevant to the research

question and because they are accessible and willing to cooperate. This sampling strategy is one of the most common sampling strategies and is called judgmental sampling. 'Purposive or judgmental sampling is a strategy in which particular settings, persons or events are selected deliberately in order to provide important information that cannot be obtained from other choices. It is where the researcher includes cases or participants in the sample because they believe that they warrant inclusion.' (Taherdoost 2016, p.23)

The sample analyzed in this study consists of 5 participants, which were carefully selected from the list of 18 pre-selected social enterprises based on the following criteria:

- ***They must conduct social business at least for 5 years.***

According to author's entrepreneurship experience, 5 years is period long enough to evaluate if the company's business model is functional, it also has the history of measurable metrics such as the development of a number of employees, revenue, profit, and costs. Besides financial indicators, also the social impact of the social entrepreneur efforts should be visible.

- ***They must address long-term unemployment in their social mission.***

The author has tried to create a sample of participants addressing all vulnerable groups of people threatened by long-term unemployment as they are described in theoretical section 3.4.

- ***They must be designed to be financially viable.***

The initial search for participants was focused on the countries of The Visegrad Group, a cultural and political alliance of 4 Central European states – the Czech Republic, Hungary, Poland, and Slovakia. These countries have a number of interests and challenges in common, they share similar cultural and social values based on common roots in religious tradition. The serious issue of long-term unemployment is present in their labour market. The sample involves social businesses from all 4 Visegrad Group countries (2 from Slovakia, 1 from Hungary, 1 from the Czech Republic and 1 from Poland).

The different searching approach was applied in each of the above-mentioned V4 countries. While the author does not speak Hungarian or Polish, he could not use local resources written in Hungarian or Polish language.

Search in Slovakia was driven mainly by a personal professional network of the author. There were a couple of great contacts from non-profit and profit area, which pointed to the same resources. The author used all variety of communication channels, like email, social networks,

face-to-face connections or telephone. From 8 recommended healthy companies meeting given criteria, only 2 were willing to participate in the interview.

The Czech Republic was chosen as the second country for the research. Because of similarities with Slovak language, it was possible to find information in the Czech language. There is a register of social businesses published on the webpage <https://ceske-socialni-podnikani.cz/adresar-socialnich-podniku/seznam-podniku>, which is maintained by the Ministry of Labour and Social Affairs of the Czech Republic. Companies contact details are published there. Besides meeting the given criteria, the companies were chosen to complement the sample with a different group of beneficiaries. 4 contacts were addressed, out of which 1 was willing to participate in the interview.

Because of the language barrier in Hungary and Poland, the author used the NESsT website to identify successful social businesses. 'NESsT invests in social enterprises that generate dignified jobs for people most in need. We use an engaged approach providing tailored financing and one-on-one business development support to social entrepreneurs in emerging markets.' (NESst, 2019). The author assumed that companies, which received financial funding from NESsT organization, fit to selected criteria what was double-checked with interviewees as well. 6 companies were contacted and 2 of them were willing to provide an interview, 1 from Hungary and 1 from Poland, which successfully complemented the regional attribute of the sample and also variedness of the beneficiary group.

Table below summarizes the key characteristics of the selected participants:

| SE | Legal structure | Country | Established | Social problem | Beneficiaries |
|-----------|--|----------------|--------------------|---|---|
| #1 | Cooperative society | Slovakia | 2014 | High rate of unemployment in the region | Roma community, long-term unemployed, women after maternity leave, lonely mothers with kids, physically disabled people, youth people, elderly people |
| #2 | Limited Liability Company with Sheltered Workshops | Slovakia | 2007 | Unemployment of disabled people | Long-term unemployed, mentally and physically disabled people |

| | | | | | |
|----|---|----------------|-------------|---|---|
| #3 | Limited Liability Company | Czech Republic | 2012 | Unemployment of excluded groups | Roma community, former prisoners, long-term unemployed, former alcoholics |
| #4 | Limited Liability Company / Non-profit Organization | Hungary | 2012 | Cultural heritage, elderly women unemployment | Women, small producers, artisans |
| #5 | Limited Liability Company in combination with Non-profit organization | Poland | 2013 (2016) | Imperfect education | Disadvantaged youth mainly from orphanages and foster families |

Table 1: List of selected participants (Own work).

4.3 Data collection

The third step of the research covered decision on the way to generate data. Semi-structured interview - one of the most common data collection methods was used to gather reliable and comparable textual data. It was preferred to a straightforward question and answer format, because open-ended questions allowed for a further discussion with the participant and for the new ideas to be brought up.

Overview gained from the previous literature study was used to put together an interview guide to follow during the interviews. It contains 11 key questions and 34 sub-questions.

For business model related questions, a business model from Yunus as described in section 3.4. was used. Interviewees have been explained the principle of the model and author used his knowledge to discuss and analyze their model in more depth from the perspective of value proposition, value constellation and profit equation (social and economic). While interviewees were able to describe their value proposition and profit equation, they had a more challenging time to explain their value constellation model. The experience of describing and analysing their model, helped both author and interviewees to consider their business model functional parts and to prove why their business model works for them in their environment.

The interviews were recorded, and transcripts made afterward, as the author realized it would have been difficult to be focused while taking notes during the interview. Interviewees were informed about the objective of the study as well as the purpose of the interview. Agreement to record the interview and permission to use and publish the data was sought and granted by all participants. The interviewees are kept anonymous.

4.4 Data analysis

This is the fourth step of the research and also the most difficult one, because qualitative data can be very confusing due to its unstructured nature. They capture subjective opinions and feelings and often contain a description of certain situations or features of storytelling. The correct approach of examining, organizing and interpreting data is the key to formulate a meaningful conclusion or solution to the problem.

According to Bricki (2007), for most applied projects a thematic, descriptive approach to data analysis is sufficient. Its aim is to identify the common issues that recur and identify the main themes that summarize all the views collected. The working procedure was as follows:

As the very basic step, the preliminary observations by reading and annotating transcript were made. The main themes were identified, and the list of these themes was prepared, in order to develop the coding scheme. The coding scheme is a list of identified themes and the codes that apply to them. The next step was the application of these codes to the whole set of data, by simply writing codes on the margin of transcripts. There is special software available to help in this step of analysis but for the small data set as in this research, it was not needed.

After coding all the data, the data extracts with the same codes were put together to start looking for patterns. The patterns and relationships found under these themes formed the basis of the analysis output.

5 Empirical part

5.1 Description of interviewed organisations and interviewees

Organization #1:

Organization #1 is a cooperative society type of the business established in 2014 in Slovakia. The social mission of the business is to help the disadvantaged and long-term unemployed in one of the poorest regions of Slovakia with the high rate of unemployment by including them into the working process and subsequently into society. It employs about 25 people from the region, the majority belonging to Roma minority, but it also covers whole other disadvantaged long-term unemployed people such as women after maternity leave, lonely mothers with kids, physically disabled and elderly people. The business provides dry cleaning, ironing, and laundry services and produces tailor-made bedding mainly for customers in the tourism industry, such as hotels and restaurants, but also for government institutions and municipalities. It is a typical B2B model, where service is carried out in the mentioned region and delivered to businesses located in radius up to 200km – this means to more developed regions. The similar business model providing the same service and product was observed in the Western European country and successfully replicated in Slovakia. In 2018, the business was recognized as the social enterprise as defined by the new Act on social economy and social enterprises.

Interviewee #1:

Interviewee #1 is a man in his middle age with a university diploma in social work. He is the founder of the business and chairman of the board. Prior to running the business, he was and still is active in a non-profit organization trying to mitigate social differences between Romani community and other citizens of Slovakia, especially among young people with higher chance to be transformed. Besides active social work and running his own business, he is also active in other business and non-business organizations as an advisor. For example, his expertise was used in the process of preparing the new Act on social economy and social enterprises, where he was part of the working group led by the state secretary.

Organization #2:

Organization #2 is a Slovak limited liability company with affiliated sheltered workshops established in 2007. The sheltered workshop is legally defined organization which can benefit from state allowance provided for compensation of the total work price of employee and also

allowance for the settlement of costs which are unavoidable for assurance of work performance of an employee. On top of that, labour law also defines term known as “substitute performance”, where the obligation to employ a concrete ratio of disadvantaged people may be exchanged by purchasing goods produced by sheltered workshops (e.g. purchase of Christmas presents). The social mission is to help long term unemployed people mainly with mental but also physical disorder in Bratislava by providing them employment and thus increase their chances of full participation in social life. It runs 5 sheltered workshops (3 x coffee houses, 1 x bakery, and 1 x patisserie), where 70% of employees are disabled (out of total number 30). The cafeterias are run in the premises of two IT corporations – main customers, which also subsidy part of the market coffee price. Employees have cheaper coffee and corporations also fulfil their “substitute performance” obligations. The organization also provides catering services for governmental and for-profit organizations. The motivation of starting a social business stemmed from the personal experience of the founder (the situation of her friend with health disability). The organization was publicly recognized and awarded with several awards as a socially responsible company, socially innovative company and for philanthropy.

Interviewee #2:

Interviewee #2 is a woman slightly before retirement age with a university diploma from business school. She is the only founder and managing director of the business. She was employed as an accountant prior to running the business, but her personal experience motivated her to think of the social aspect of the entrepreneurship. Her good friend became tied to the wheelchair and as a result of her diagnosis also unemployed. Starting the sheltered workshop was the way how to return the lost self-esteem and self-value of her friend and integrate her back to normal life and society.

Organization #3:

Organization #3 is a limited liability company established in 2012 in the Czech Republic. The social mission is to create job opportunities for socially excluded groups like long-term unemployed, ethnical minorities and former prisoners. Besides work opportunities, the business also provides professional supervision, mentoring and psychological coaching of their employees. The business provides a wide range of services from simple services such as cleaning, mowing grass or trimming wood to more sophisticated services like pavement, painting or mason related technical work. Thanks to proper training, mentoring and coaching, the majority of their employees are capable to find a job on the commercial market within 1-2

years. Majority of services are delivered for the district of the capital city Prague. The company was cofounded by the interviewee, his partner and one of the Prague district municipality as a solution for long-term unemployment in the district. The company has the official status of social business as defined by the Czech legislative. The company does not only provide work for long term unemployed and socially excluded, but also offers city accommodation and even established a center for children of their employees.

Interviewee #3:

Interviewee #3 is a middle-aged man with a diploma in social work. He is a co-founder and co-owner of the company. Prior to his activity in social business, he was the owner of a commercially designed company, member of the board of a non-profit company and also worked as a social worker. His initial motivation to engage in social business was the fate of his acquaintance – former prisoner and consequent alcoholic, who fell through the net of social help after his release.

Organization #4:

Organization #4 was established in 2012 as a limited liability company in Hungary. After two years of existence, it was transformed into a non-profit organization because of the possibility to apply for EU incentives. This initial funding in the amount of 10.000 EUR was the only one coming from the public sector. The social mission is to create employment opportunity for local women in one of the least developed regions in Hungary with approximately 80% unemployment rate in rural areas. One-third of the Hungarian population lives in small, isolated villages with little opportunity for dignified job and livelihood. The organization employs about 15 people, mainly elderly women from the mentioned region. They produce clothing decorated by the beauty of traditional embroidery and craftsmanship, which is sold via web shop and via tourist shops in more developed regions of Hungary. They combine the social mission of providing work in the least developed region with a cultural mission of keeping and spreading cultural heritage. The traditional motives used on their clothing are protected by UNESCO. Every item is unique and original and provides a buyer with a sense of exclusivity. The organization also collaborates with local artisans and artists on the product design and thus supports the local community.

Interviewee #4:

Interview #4 is a middle-aged woman with a diploma in social work. She is the owner and founder of the business. She spent her childhood in the small, countryside village of the mentioned region and then moved to the capital. It was the contrast of urban and rural life that she drew inspiration from. Her first beneficiary was her nanny who found herself in a very poor economic situation.

Organization #5:

Organization #5 is for profit organization with a legal form of limited liability company, in combination with a non-profit organization located in Poland and established in 2013. The main business of the for-profit company is to provide IT education for people who are considering changing their carrier path for some reason, have low or no IT qualification and want to start their carrier in IT industry. Majority of their students are young people aged 19-34. The company is very successful in the market and is also expanding abroad. As part of their CSR policy, they run non-profit organization with the social mission to provide high-level education for unqualified (from IT perspective) people from disadvantaged groups. The extensive and intensive courses enable them to apply for vacancies in local and global IT companies and give them a chance for the promising carrier. This social mission is fulfilled through two approaches. One lies in providing useful information on how to apply for financial support to cover course price from programs such as Labour Office Subsidy, the Knowledge Education Development Operational Programme, the National Science Educational Programme or the Development Services Base. The second approach is to search for financial support for students from commercial organizations directly. Their goal is to improve the situation of young people raised in orphanages and foster families and through education increase their chances on the labour market and thus help them lead an independent life. The opportunity was identified by two founders, who recognized the high demand for IT professionals in recent years and at the same time the inability of academic institutions to produce them.

Interviewee #5:

Interviewee #5 is a young woman responsible for running the non-profit part of the organization. She is a regular employee with a volunteer background and work experience from another social enterprise.

5.2 Business model

When analysing social entrepreneurial business models of selected companies, a Yunus Social business model was used as described in section 3.4. Different components of the business model were integrated into 4 major business model dimensions: value proposition, value constellation, profit equation, and social equation.

5.2.1 Value Proposition

Social Problem and Social Mission

The common attribute of all interviewed businesses, based on which they were selected into the sample, is a social mission focused on the problem of long-term unemployment in one of the following disadvantaged groups: Roma minority, women after maternity leave, lonely mothers with kids, mentally and physically disabled people, young people, elderly people and former prisoners.

#1 “To give the opportunity to handicapped and uneducated people, mostly from Roma minority, to provide for their families and escape from the vicious cycle of poverty...”

#2 “We focus on handicapped people, concretely with hearing, nervous and psychical impairment and their social and work inclusion.”

#3 “Unemployment and social exclusion of ex-prisoners, people with alcohol and drug addictions and also homeless people.”

#4 “High rate unemployment in the region of northern-east Hungary and disinterest in the cultural heritage of local handicraft made by locals, especially elderly women.”

#5 “We have identified several problems where our activities could be useful, let me name you one by one: 1) Promotion of employment and work activation of those unemployed and at risk of losing their job.....4) Support of local communities.”

There are lot of causes why these groups are excluded from labour market, like discrimination (linked to the prejudice of employers), insufficient education, insufficient network of childcare services, unwillingness of employers to offer flexible work arrangements, age biases, distorted perception of handicapped people, education system producing professions, which are not demanded. 2 out of 5 businesses stated that the social problem of unemployment was caused by the regional disparities and unwillingness to labour mobility. Low labour mobility is to a great extent caused by the high rate of home ownership and also by strong family and cultural bindings. The same as in Slovakia, instruments to support the labour mobility such as the more attractive commuting allowances or allowances for the moving costs should be introduced. On

the other hand, these allowances would be probably only motivating for the younger generation, not older people with much stronger bindings to the place of their location.

Two social missions shared among all selected businesses were identified, and these are the inclusion of disadvantaged groups into society through employment and providing opportunities for a dignified life of identified groups. Social mission is strongly present in all 5 cases. 4 out of 5 businesses were originally designed as social enterprises driven by social mission; one business (#5) was first established as a commercial business, gradually approaching the social dimension of the entrepreneurship.

#1 “We not only offer them stable financial income, but also build their self-confidence, self-esteem and in many cases, we present the only stable base they can build on. We give them the opportunity to change for better.”

#2 “Inclusion of handicapped people into life, give them opportunity to lead full life. To those who live alone, the workplace often compensates their missing family relations and background.”

#3 “Our idea was to set up a company which will provide complex solution to social exclusion – this means not only unemployment, but also accommodation and education of our unemployed and their children...”

#4 “Inclusion of old people, mainly women into community and provide them work opportunity.”

#5 “The main mission of the foundation is to create the path of career for young people aged 19-26 years, which will improve their living situation and enable further development. We support people also from orphanages and disadvantaged families.”

Customers

3 out of 5 cases have an apparent distinction between customers and beneficiaries, meaning that their beneficiaries deliver services for their commercial customers under the standard market conditions.

#1 “Our customers are mostly governmental institutions, which we reach via public auctions. We also cover private sector including big and small businesses or sole traders, e.g. small guesthouses.”

#2 “IBM employees in this coffee house can buy coffee at reduced price. Their employer compensates the rest of the market coffee price to us.”

“We also provide catering to offices and various events for our 2 main customers IBM and Accenture. We are currently in negotiation with ING and also with the capital city of Bratislava.”

#4 “Our customers are mainly foreign tourists (80%), who want to have a unique memory from Hungary...”

Business #3 also provides commercial services of renting apartments to its employees - beneficiaries, and thus the same people from the group of beneficiaries as well as customers.

#3 “[Our customers are:] The city part we operate in – Prague 14, physical persons and our employees as tenants. There are also building companies, which order us as subcontractors for smaller auxiliary, building or demolishing works.”

Business #5 designed its model as a hybrid, beneficiaries being also customers for whom the IT courses are provided.

#5 “We integrate people from disadvantaged groups supported within our foundation into the courses with paying customers, so they can also be called customers, as well as beneficiaries.”

The common characteristic of all businesses is that they provide services or products on the same market, as is their physical location. Only business #5 is looking for options to expand abroad in the form of franchising.

#5 “[We scale the company] by selling franchisees, also to foreign countries, for example the licence fee is 20.000 EUR for Slovakia.”

Business #4 has also great potential to deliver its products outside the border without moving its physical operations. As the nature of services provided by other 3 businesses has lower added value, they are not able to design delivery model outside of their region, without building the same concept on other markets.

Beneficiaries

In 4 out of 5 cases, the main benefit that beneficiaries derive from the social business consists of their job placement and a regular salary. Interviewees agreed that it usually takes longer to train those people, their efficiency and productivity is lower, and it costs more to retain the quality of their work. It was also mentioned that even though qualification process and stabilization of the personnel is arduous, once established, personnel adhere on rules, have a significant sense of responsibility and justice and are even more reliable than non-disadvantaged employees (taking into consideration their level of disabilities). Following groups represent beneficiaries in the sample:

#1 *“Different groups of long-term unemployed, usually young women and fresh graduates from Roma communities but as minority we also employ some physically handicapped.”*

#2 *“We focus on handicapped people, concretely with hearing, nervous and psychical impairment...”*

#3 *“...homeless people, former prisoners, people from Roma minority, in most of the cases suffering from alcohol and even drug addiction.”*

#4 *“Our beneficiaries are primarily elderly women. However, we have impact on the nearest region as well, mainly three nearby villages.”*

#5 *“...individual persons, not necessarily unemployed, but coming from disadvantaged groups of people, for example children brought up in orphanages and young female candidates which are not given chance on the commercial labour market.”*

Business #4 also serves with its cultural mission - to present and transfer ethnographic culture to next generations and thus save the cultural heritage of the region. From that perspective, customers buying the products as well as the overall community in the region form the group of beneficiaries.

Product/Services

In 4 out of 5 businesses, the preference is to deliver services instead of products and even the product-oriented business (#4) is planning to supplement complementary services as well. Business #2 also produces products - sweet and salty snacks, which are distributed through their coffee houses as well as via catering.

#1 *“[We provide:] laundry services”*

#2 *“We offer coffee and hot beverages together with hand-made sweet and salty products which you can see in the vitrine over there. These products are freshly prepared in 2 separate kitchens and sold in 3 coffee houses in Bratislava. We also provide catering to offices and various events...”*

#3 *“Gardening services such as grass and bush cutting, flower and trees care, pavement winter maintenance and regular cleaning, fence painting and easier technical works including demolishing works.”*

#4 *“We sell clothes decorated by the beauty of traditional embroidery and craftsmanship.”
“...we started to produce some cloths by our own means and we wish to continue with our own production of all types of cloths.”*

#5 *“We provide two main services - programming language trainings and soft skills trainings, which is of peripheral importance.”*

The approach taken by 4 out of 5 businesses when designing their service is to tailor the service to existing capabilities and skills of their employees rather than to search for demands on the market and search for employees who meet the requirements of this demand. The skill-

matching approach also has to offer the service demanded on the market, but the type of the service has to be adjusted to the employees available and their capabilities (representing also target beneficiaries' group in 4 out of 5 interviewed businesses). A different approach is used by business #5, where the strategy of product/service is defined by apparent market demand and a market gap in the learning industry. The service provided has high added value (IT courses for developers), which means beneficiaries cannot deliver it from the rows of long-term unemployed; it has to be delivered by senior professionals.

5.2.2 Value Constellation

Structure / Constellation / Growth

The legal forms of the interviewed businesses vary from legally recognized non-profit to profit organizations. 2 businesses (#1, #3) have the status of social enterprise as defined by Slovak and Czech legislative, business #2 is a limited liability company with affiliated sheltered workshops. Business in Poland (#5) is a combination of profit and the non-profit organization, where the non-profit foundation is part of the CSR policy of the for-profit business, but also has its own financing initiatives. Business in Hungary (#4) was originally designed as a traditional for-profit business, but was later on transformed to a non-profit organization, to be eligible for EU donations. It can be concluded, that there is no preferred legal form or structure, which can better balance the economic and social mission than the other.

Business #1 is legally recognized as social enterprise according to brand-new Act on social economy and social enterprises and its leader is well aware of the benefits it brings:

#1 "First of all we can benefit from tax relief. Secondly, as we have recently gained the status of social enterprise according to brand-new law from 2018, we can apply for state orders without the need to take part in public competition. This means public institutions can directly assign the order to us. Next thing is the possibility to apply for grant in line with European sources in the area of employment, social affairs and inclusion and also to apply for ir retrievable loan.

State provides certain allowances to sheltered workshops in Slovakia, as already mentioned in section 5.1. Description of interviewed organizations and interviewees and also recognized by interviewee #2:

#2 "State compensation of initial costs is possible when setting up the sheltered workshop and also law guarantees donation of each workplace amounting to around 5000 EUR."

Interviewee #2 had also negative experience with state bureaucracy which might have had financially ruined the business and also demotivated her in further social activities. Fortunately, it did not happen:

#2 “I had to return the state dotation because they didn’t accept one of my employees as handicapped – this almost ruined me financially, but thanks to my husband we managed.”

Only one interviewee expressed the wish for more financial advantages from the government, the rest 4 did not show dissatisfaction with the intensity of state help. They rely mostly on their own capability to financially stabilize the business or express their effort to search for a private investor.

#4 “Apart from the initial funding there was no support. I would expect more support in terms of funding, but also compensating salaries from our government.”

In terms of internal structure, all companies have already built some kind of supervision or team leaders’ structure. It enables them to keep operations going smoothly and maintain the required quality. All businesses have the potential to further growth but the level of the growth is limited to the capability of a supervisor to take over the control. To further scale up the business, it is necessary to recruit second – level management, which is the challenge in more details described in section 5.4. Challenges.

Internal value chain

When considering the internal value chain, the main focus is on internal resources (social, economic and human) and how they are used and combined in order to deliver value. A common feature of interviewed social businesses dealing with the unemployed disadvantaged people is their ability to transform them (beneficiaries) into valuable human capital. This type of human capital would not be fully utilized without having also regular employees on board, but the success of mentioned social businesses is in their ability to reach high ratio between disadvantaged and regular employees.

#1 “We hire people, who have hard time to find a job. It is not a difficult job at laundry, but you have to understand that for them it might be challenging. Once they are trained and proved as independent employees, it goes well.”

#2 *“As mentioned, we specialize in production of hand-made sweet and salty products, which we serve in coffee houses and via catering. We do own or rent all physical resources needed for production and preparation of food and beverages; our partners provide the rest.”*

#3 *“We offer patience with unskilled persons so that they are able to produce value for which our customers are willing to pay. Until they learn everything necessary to carry out their job, they need time - somebody needs 1 month, another one needs 6 months.”*

#4 *“...our women produce embroidery as their main activity. We provide them with place suitable for production, which we call design centre.”*

“Marketing is another area, which is driven by us.”

#5 *“Our founder provides instructors, technical equipment, classrooms, learning materials.... beneficiaries receive exactly the same course standard as our paying customers. We also receive support from different departments of our founder, especially marketing.”*

Another common feature of interviewed social businesses is their ability to build a stock of social capital. It consists of bonds, connections, and relationships with people and organizations that share the same norms, values, and understandings. Investing time and energy into building social capital is one of the necessary conditions for the operation of all interviewed businesses. Some businesses showed great examples of benefiting from their social capital:

#2 *“We are currently in negotiation with ING and also with the capital city of Bratislava. I see great interest in our products, also owing to the social context we represent.”,*

“Moreover, it [getting award] was a huge step forward for us at the time, because also thanks to the award we gained the huge contract with its partner - Orange Slovakia. We prepared Christmas gifts for all their employees, which was a huge challenge for us, but we succeeded.”

All 5 interviewees showed the capabilities necessary to optimize the potential of their latent social capital, but not all of them realize its importance to the business. Great collaboration demonstrating social capital is when companies can connect government, customers, partners, and the local community in order to make a social impact. These connections were visible at some level in every company.

It is important to highlight, that the social entrepreneurs themselves have to demonstrate consistent and true altruistic behaviour for a longer period in order to be able to address and impress others and thus generate social capital. This character prerequisite of the social entrepreneur is in more details described in section 5.3. Good Practises.

There is nice evidence of three businesses (#2, #3 and #5) and their ability to effectively use physical resources provided to them for free or at discounted rate by their stakeholders.

#2 *“We have a great advantage in form of very symbolic rent (1 EUR/m2) and we also split the initial equipment investments of the coffee house.”*

#3 *“For example when we organize cultural events, we do not pay rent for the premises.”*

#5 *“Our founder provides instructors, technical equipment, classrooms, learning materials... beneficiaries receive exactly the same course standard as our paying customers.”*

Each interviewed business wishes to be financially independent and financed only by its own profit. However, commercial income is not 100% sufficient to cover its budget. As already mentioned in previous sections, sheltered workshops have the advantage of government allowances for salaries of their disabled employees and allowance to cover initial costs related to working place establishment. Social enterprises, as defined by local laws, have the advantage of tax reduction and direct incentives into capital expenditures. None of them are disqualified from being funded by socially oriented commercial investors, EU funds or government/municipality support programs - these supplementary financial resources are not considered to be regular, but rather occasional income.

External value chain

When considering external value chain, the main focus is on customers (relationships, distribution, communication) and value creation partners. If beneficiaries are directly involved in the value creation process as employees, an organization has maximum control of achieving social goals for their benefit. Distribution and communication channels are managed as part of the internal process, which makes the whole chain more straightforward. On the other side, their customers contribute to the success of the mission, which has to be communicated with them via various channels like website, social media, face to face conversations during the sales process, labels on products describing the production story of an item or through partner's network. Discussions with interviewees showed that they have organic relationships with their customers, but there was no evidence of a strategically managed relationships or communications with their customers as an essential aspect of the business. The author believes there is more space to improve communication of the social mission and thus to keep customers involved in its fulfilling.

A typical characteristic of social entrepreneurs is that they are great at the mobilization of networks, which are generally large and very diverse networks of different partners and allies. All selected businesses demonstrated the ability to involve value-added partners in their external value chain process. Business #1 by its structure, as cooperative society type was set up with the purpose to involve stakeholders in the organization. Business #2 was able to

involve international IT companies not only as customers but also as stakeholders bringing value to the business. Initial equipment costs in 3 coffee houses were split between the partner (equipment in seating area) and social business (equipment in the kitchen including bar). Mentioned IT companies subsidize each product offered in the coffee house for the benefit of their employees. Business #3 shows a great example of collaboration between the municipality, government and the company. Besides the fact that one of the municipality districts is a shareholder of the company, the mentioned district uses the company to mitigate local long-term unemployment and also criminality in collaboration with local labour office, serving as the source of potential employees/beneficiaries. The district is also one of the main customers ordering gardening and cleaning services. Management of municipality flats is another area of cooperation. Flats are owned by the municipality, run and maintained by the social business and are offered to the employees of the business for the advantageous rent for a certain period until they are able to find “normal” accommodation. Community center for their children is also located in these premises. Business #5 finances partially its non-profit foundation but also lets it look for other funding partners. Besides direct financing and providing of premises and technical equipment for free, it also provides valuable know-how and experienced management in areas like HR, marketing, procurement, finance or legal.

It can be summarized that interviewed social entrepreneurs were able to build their external value chain to a certain level, but there is still tremendous latent potential. Involving more stakeholders and building community is the challenge in more details described in section 5.4. Challenges.

5.2.3 Economic profit equation

The aim of this section is not to provide in-depth financial analysis, but rather to find out if companies are financially sustainable and independent from financial resources other than those generated by their economic activities. All interviewees were willing to share financial information, but the financial data provided were very rough, not exact but rather assessed. Because of the nature of its business, the financial overview of business #5 was even not needed. The for-profit part of this business has thriving financial results, scaling their business via franchising model also into foreign countries. Its foundation is therefore financially secured to the agreed level – operational, marketing costs and salary costs for 2 employees of the foundation are covered. The foundation has to look for other financial sources, because the more donors and investors it addresses, the more courses it can offer to students. As can be seen in Table 2, the annual revenue of the first 3 interviewed businesses (#1, #2, #3) corresponds with the number of their employees. Regarding the business #4, the declared

annual revenue does not financially correspond to the number of their employees. As the annual salary costs were not shared, the author can only assume that the reason for this disproportion is in the height of the average salary paid. However, this paper does not evaluate, what is the reasonable remuneration of the employee according to region and type and hours of work delivered.

| Business | Number of employees | Annual revenue 2018 | % of revenue generated from commercial activities | % of revenue from donations | % - of revenue from other income |
|-----------------|----------------------------|----------------------------|--|------------------------------------|---|
| #1 | 25 | 380.000 EUR | 75% | 10% | 15% * |
| #2 | 30 | 720.000 EUR | 88% | 0% | 12% ** |
| #3 | 15 - 20 | 295.000 EUR | 75% | 5% | 20% *** |
| #4 | 15 | 49.000 EUR | 100% | 0% | 0% |
| #5 | 2 | 50.000 EUR | n/a | 100% | n/a |

Table 2: Income source of selected participants (own work).

* Allowances from social section of municipal office for publicly beneficial works

** Allowances from Labour office to compensate part of salary costs of disabled employees

*** Allowances from social section of municipal office for publicly beneficial works

As can be seen in Table 3, the most significant costs of selected companies are salary costs involving wages, social security, and healthcare transfers. High salary costs are not typical only for social enterprises, but their height in case of personnel with disabilities or any kind of other disadvantages can be influenced also by following factors: longer training period needed, more intensive control (person controlling has to be paid as well), mentoring, need to provide more flexible hours. Moreover, the business has to count with lower productivity of its personnel, which has also significant financial impact.

| Business | Total costs 2018 | Salary costs as % from total costs | Sales and Marketing costs | Material and technology costs | Other costs |
|-----------------|-------------------------|---|----------------------------------|--------------------------------------|--------------------|
| #1 | 380.000 EUR | 55% | 5% | 40% | 0% |
| #2 | 727.657 EUR | 45% | 2% | 53% * | 0% |
| #3 | 262.000 EUR | 70% | 0% | 30% | 0% |
| #4 | Not provided | 50% | 10% | 40% | 0% |
| #5 | n/a | 30% | 5% | | 45% ** |

Table 3: Costs structure of selected participants (own work).

* Including 8% of non-recurring investments costs resulting in financial loss in 2018

** Payments for courses

From financial data provided (comparison between total revenues in Table 2 and total costs in Table 3), it is clear that businesses #1 and #3 have already reached a break-even point. Business #2 has generated profit for all previous 7 years of existence, but in 2018 they invested extensively into new premises and equipment (around 50.000 EUR), which is the reason for generating financial loss:

#1 "We had great investments last year, so we did not generate profit last year, but for all the previous years we did. We always reinvest the profit back into the business, we try to extend and modernize the production".

As of 2018, none of the businesses has long-term liabilities. Interviewee #1 has taken out a commercial loan in 2019 to purchase a building in order to extend their operations as well as to provide social services to the Roma community. In 2018, income tax has been paid by all businesses besides business #2, the reason is already explained financial loss. For 4 out of 5 social entrepreneurs, the income they receive from the business either in the form of salary or dividends is the only financial income. For interviewee #4 the income from her entrepreneurial activities is only supplementary income:

#4 “I withdraw money from the company occasionally, but the rest is reinvested.”

4 out of 5 businesses reinvest their profit back into the business. They use a surplus of financial resources for their personal need in the form of dividends only when needed to cover their reasonable income level. Business #3 reinvests 60% of the profit. As business #5 is a non-profit organization, it cannot by law withdraw any financial resources for the need of shareholders and it does not create profit.

#1 “I work for my company as regular employee. I treat myself fair, means I don’t have huge salary, but I have my standard. I think it is fair towards my employees and myself. All the rest financial resources stay at the company.”

#2 “We always reinvest the profit back into the business, we try to extend and modernize the production.”

#3 “40% of the profit is distributed in the form of dividends and the rest is re-invested back into the company.”

5.2.4 Social profit equation

All interviewees described the motive to start the company as altruistic. During interviews, the author experienced powerful social statements. The main focus is therefore on the social part of the business. The author believes, that interviewed entrepreneurs with their capabilities, experience, and drive would have been able to create much higher financial outcomes if there was no social dimension to limit them. When asking “What is focus distributed between social and economic profit?”, they agreed that there is always a way how to help somebody who wants to work, even if from the short- term perspective it might not be financially reasonable. From the long-term perspective at least social and profit equation should be reached. See the answers to above-quoted question:

#1 “It is very hard to quantify, but in general we only work with people who want to work, we have clear rules valid for all. Not all employees are economically worth hiring, but we give chance to people who show interest and follow the work moral and cultural set-up in our workplace. I would equalize social and economic profit.”

#2 “We are definitely more socially focused. If I see a person who needs help and is willing to collaborate, we hire him/her.”

#3 “Till now we didn’t have to deny a single man, we hired everyone who was recommended apart from few cases where the person had such negative attitude to work and authorities that we realized we could not form him because the person is literally useless.”

#4 “It all started with initial idea to help my nanny, who was my first beneficiary. The nanny of my brother-in-law was my second beneficiary. The main motive for the activity was to somehow support those women and the business idea came afterwards.”

#5 “The Foundation does not run a commercial business; we are focused only on social profit.”

Thanks to their relatively small size, it is not a problem to manage close personal relationships with their beneficiaries/employees and thus retain and daily evaluate the social mission. Interviewees do not use any special approach to retain the culture, but they naturally spread the message first of all by their own example, by their long-term engagement with social problems and in face-to-face personal communication.

None of the interviewees use a sophisticated statistical method to measure their social impact, but they can describe the impact they experience on a daily basis. They like to stay in contact with people even after they leave the company and the greatest reward for them is to hear them and their families are doing well, have proper work and lead “normal” life.

#1 “We process our own simple statistics on the number of people we employed and the percentage of those becoming successful on the “classic labour market” or continuing with their education, even university education. We are happy to hear feedback from our former employees and they really like to share their successes, they are proud. We don’t have any special methods of measuring social impact; as I said we keep internal statistics but I am not prepared to share them right now. It is for our internal use to evaluate if our mission is fulfilled. The most important attribute is if they find a real job!”

#3 “Our success is when the person leaves our company and is able to find a job on his own, usually finds also better accommodation and the quality of his life and life of his whole family is on completely different level. I am in contact with all who are interested and I like to watch their achievements. We do not measure social impact statistically because of lack of time and sources.”

#4 “No [we do not measure social impact], but we can observe it on daily basis. Women can also afford more than before.”

#5 “The only method we use is observation and sustaining in contact with beneficiaries after the trainings. We just keep statistics of students who pass the courses.”

When working with the disadvantaged group, the static social impact is evident in the form of fulfilling the social mission. Besides the benefit for mentioned individuals, it has a direct effect on their closest families, living standard and savings. They pay taxes, are not dependant on social transfers from the government and by keeping themselves mentally and physically healthier, they save resources also from the healthcare system and social security system. By providing the work to disadvantaged, entrepreneurs were also able to decrease homelessness of their beneficiaries and social problems as crime or outflow of young people. An interesting point is also the positive effect of disabled people on their customers. Customers are educated

about inequality, start to appreciate their own health and living conditions, and it helps them to start considering social problems around them and thus integrate into catalysation process.

#1 *“We not only offer them stable financial income, but also build their self-confidence, self-esteem and in many cases we present the only stable base they can build on. We give them the opportunity to change for better. Other aspect is, that the person is much cheaper for state in the social entrepreneurship network than in the social benefit network. Moreover, we know where this person is present from 8:00 to 16:00, we know their children attend school and we therefore believe the social business we are running serves also as prevention of criminal activities.”*

#2 *“Dynamic impact is the change of their nearest environment and families. They save costs of their families and are valuable part of the society.”*

#3 *“By providing our full package, from mentoring to accommodation we have impact mainly to their families, which I believe is the core of healthy environment. We help them to navigate when dealing with court, execution procedures, social offices, lawyers, etc. We help them negotiate better conditions with creditors, teach them responsibility in fulfilling their own, mainly financial obligations and thus indirectly have impact also on creditors.”*

#4 *“Besides direct work generated for women, we try to create a channel also for other products like food, managed as supplementary sale. We help people realize it is possible to capitalize their work outside their region.”*

#5 *“Foundation was created in purpose of helping skilful and passionate young people acquire qualifications, which were unavailable for them because of external conditions. The main mission of the foundation is to create the path of career for these people, which will improve their living situation, enable further development, and help state save money on unemployed. We also have impact to IT industry in Poland as we educate human resources, which were not educated by universities as expected.”*

5.3 Good Practices

High quality of provided services or products

Third sector organizations rely on contributions of volunteers, private donors and government subsidies and their activities sustain because contributors perceive these activities to be worthwhile. The same it is with social enterprises, which financially depend to greater or smaller extend on “contributions” from their customers. Customers have to perceive the products or services to be “worthwhile”, meaning “high-quality” in consumer language. Even though customers by using social enterprises’ services or buying their products express their personal accountability to improve social issues, they still expect high standards and quality. Ethical and social performance of the product has to go hand in hand with its quality.

#1 *“By providing outstanding stable quality, we are able to keep customers for years. We have internal double control of quality and our employees are well aware of the need to provide the quality.”*

#3 *“Public competitions issued by municipality with the focus on social businesses, this means the criteria for winning the order are not the same as in the standard competition. But the price and quality has to remain competitive.”*

“We are not ready to scale the company yet. It would have the impact on the quality.”

#4 *“In general our segment consists of people who want to keep higher quality and personal memory from Hungary....”*

“We focus on high quality material...”

High quality of the service was identified as the key competitive advantage by 3 interviewees.

#1 *“Very high quality of service. Usually big-sized hotels and accommodation chains firstly try our service by “trial order” and in majority of cases we continue our cooperation, they admit the quality is much higher compared to what they were used to before.”*

#2 *“Another competitive advantage, but it is a natural thing for me, is a quality we are able to keep over the years, which goes hand in hand with the trust we gain from the customer.*

#4 *“Our competitive advantage is that we provide something what is missing on the market - cloth which is of high quality, wearable not only in folk festival, but also as a casual dress and is unique for each woman.”*

Social businesses themselves want to show that they are working to high standards and want to demonstrate the quality and consistency of the services they provide. Interviewee #1 mentioned interesting fact that even long-term unemployed from Romani minority, generally considered to be reluctant to the quality of their work, in long-time perspective turn into the very responsible workforce, motivated not to let the employer and customer down.

#1 *“They are well aware of the fact that if one damages the machine or makes customer unhappy, it can have negative effect on the whole company and its reputation and can threaten jobs of others.”*

Focus on training and control

Social enterprises involved in this research employ people with low socioeconomic status who experienced long-term unemployment spell resulting in loss of working habits, skills and motivation. 4 Interviewees described the need for individual, patient and usually longer training time and subsequent control.

#1 *“We have internal double control of quality and our employees are well aware of the need to provide the quality... We educate people from the very beginning; each woman has her mentor who is also supervised and controlled by more experienced mentor. One most experienced woman has 2 subordinates, one less experienced and one inexperienced. She is responsible for their work quality.”*

#2 *“...we have one coffee house serving as a training space, where the most experienced staff member cares for newcomers and devotes them individual time they need to become confident in their duties. Each coffee house recruits at least one not-disabled employee responsible for the others not only in terms of continuous trainings and quality control, but also serving as psychologist and negotiator.”*

“One of the characteristics of mentally disabled people is being quarrelsome and not getting on with everybody, so we have to manage this tricky part of their mentality as well.”

#3 *“We offer patience with unskilled persons so that they are able to produce value for which our customers are willing to pay. Until they learn everything necessary to carry out their job, they need time - somebody needs 1 month, another one needs 6 months.”*

#4 *“Not every woman coming abroad is immediately prepared from her skills point of view, but others are eager to devote their time and share their knowledge. The environment is very friendly and selfless. The skilled employees like to be treated as important so they love to teach and also control others.”*

The level and intensity of the control mechanisms depend on the common characteristics of the people in the beneficiary group. Interviewee #3 works with former alcohol and even drug addicts, so his level of control must be stricter and more consistent than e.g. in the social enterprise #4, whose beneficiary group are elderly retired women.

Interviewees also make it explicit that their “control organs” or “talents” have to be paid competitive salary:

#1 *“The supervisors must be rewarded accordingly.”*

#2 *“We have to pay them salary competitive on the market, we have to pay them well...”*

#3 *“We pay our talents very well, so that they do not run away and also they have autonomy at work – this is my managerial approach.”*

Lean approach

A number of social innovators globally are advocating and implementing the lean start-up approach, which is recently believed to be essential to achieve success with small resources and big goals. It turned to be true also with the social enterprises in the interviewed sample. However, when asked, “*Did you use a lean approach?*” all 5 interviewees wondered what it meant, they have never heard this term before. After an explanation of key lean approach principles (Customer Discovery, Value proposition, Minimum Viable Product & Experiments), they have realized they naturally adopted these principles and skipped lengthy planning and development processes. They got their products and services to customers very quickly;

saving time, earning money and engaging their beneficiaries from the very beginning. In the pilot phase, they considered minimal viable product/service, which was designed to move forward with the business very quickly.

Interviewee #1 - Started providing laundry service for sole-traders and small guest houses

Interviewee #2 - Started to cook and bake for relatives/neighbours/friends on the occasion of weddings, family celebrations or anniversaries.

Interviewee #3 - Started with cutting grass and small gardening works in family houses

Interviewee #4 - Started with the sale of embroidered cloths

Interviewee #5 - Started with couple of students in the course, investing only 20.000 PLN (cca 4.700 EUR)

By getting out of their office to the real world, they got the intimate understanding of their beneficiaries' daily lives, needs, concerns, abilities and their role in the community. A certain segment (#1-Roma unemployed, #2-disabled, #3-former prisoners and addicts, #4-elderly women) from the wide group of beneficiaries (long-term unemployed) has been isolated and clearly set apart. Stable employment as one basic common social value was offered to these groups and linked with customer needs in the form of the market ready service/product. This distinct characteristic of the lean approach is called experimentation. The hypothesis of the interviewee #3, that former prisoners will be good at providing gardening services and customers will be willing to pay for their service was validated with the experiment within the small group of customers and beneficiaries before scaling up.

After introducing the product to a customer, it was important to get customer feedback, which has been also done in a very direct way by asking questions: What is the most important feature of the product/service? How much are you willing to pay? When and how often will you use it? Would you recommend it to your family and friends? By direct day-to-day contact with their employees – beneficiaries, the interviewees gained an in-depth understanding of the effects their activity has on their social and financial betterment. It was then possible to access if the concept of social solution they are trying to build was a good idea or not. This process is called the value proposition.

The good practice of taking a lean approach can be in other words described as taking action instead of extensive analysis. As the entrepreneurial projects move forward, the social entrepreneurs then change or refine their ideas according to the results of the experiment.

Strong personal engagement in the social mission

The social responsibility is very popular with traditional businesses as well. The sense of obligation to contribute to the wellbeing of community that businesses operate in is often promoted as part of their brand identity. However, the primary objective is making a profit, which is also the very natural motivation of hard work and determination of traditional entrepreneurs. In social entrepreneurship, the profit-making should be only a secondary objective; therefore, there is a substantial requirement on the social entrepreneurs' passion and determination about the social mission. All 5 interviewees possess a very high level of both to sustain in their hard work despite lack of finances, including their personal financial reward.

Some literature on social entrepreneurship even describes social entrepreneurs as practically heroic in character. However, the discussion with interviewees revealed that none of the 5 interviewees had the intention to make a significant or heroic contribution to society. They initially wanted to make a small difference in life of the vulnerable people in their nearest community (#3), ethnic group (#1), group of friends (#2) or in the region where their roots are (#4). They found out step by step that the best way to reach and sustain their intention is to link it with a revenue-generating business model.

#1 "I have Romani roots myself; so using my energy, determination and probably also my knowledge from university to support "my own people" came as very natural part of my life journey."

#2 "I started to think of the social aspect of entrepreneurship because of my friend who suffers from sclerosis multiplex. She was healthy, university educated woman, but due to her diagnosis she remained tied to wheelchair. She had great problems to come to terms with her diagnosis and she felt useless. I witnessed how important the integration via work had been for her in the process of coping with illness. My personal motivation was to help my friend - she was my very first employee."

"I am currently studying theology, in the third grade, the regional aspect plays a great role in my inner motivation."

#3 "I used to work as the social worker, I often helped people from my local district using my own sources and I started to think of the opportunities how to support and encourage those people to use their own power to help themselves. My very initial inspiration was the miserable fate of my acquaintance – former prisoner and consequent alcoholic, who fell through the net of social help after his release."

#4 "I was born in the region, where our centre is located, and I was raised up with the strong respect to regional cultural heritage. We still have a village cottage in the area and I was very pleased to come back every time. When I saw the poor life of those women, I was thinking how to help them."

"It all started with initial idea to help my nanny, who was my first beneficiary. The nanny of my brother-in-law was my second beneficiary. The main motive for the activity was to somehow support those women and the business idea came afterwards."

“From social perspective, I was born in this region and I used to spend each summer holiday there, which makes me accepted among the locals. I think it would be much harder for anybody else to join the community. From that perspective we live like a family, so it is easy to keep the social aspect, which is somehow natural.”

#5 “I always wanted to do something meaningful in life, to not only wake up in the morning for my own benefit. Significant personal reward is more important for me than the height of my salary. I take pride in knowing I am helping others cope with their problems.”

The interviews showed that social entrepreneurs working with long-term unemployed groups have to have a strong personal interest in the group of people they involve in the social mission. Because the effort to improve their lives and integrate them into society is like a marathon, very long and exhausting, there must be a good personal fit to keep the passion, motivation, hard work and endurance despite all problems. This prerequisite should be taken as a recommendation rather than a good practice for potential social entrepreneurs.

Skill-matching approach

Similar to commercial entrepreneurship, social entrepreneurship creates value by bundling together a unique group of resources to take advantage of an opportunity (Morris, Kurato, & Schindehutte, 2001). Social businesses involved in the sustainable activation of the long term unemployed have to cope with the management of one of these resource groups especially carefully – with human resources. Long-term unemployed people, as was in more details described in the theoretical part, 3.1 have in many cases lost their working skills and habits or their skills have become obsolete over the years. Consider the expression of interviewee #1:

#1 “Barriers of people we employ – language barriers, ethnical barriers, no skills, no experience and knowledge, no expression skills...they had literally nothing to offer.”

The social enterprises analysed in this paper realize this skill deficit and have successfully exploited external opportunities using existing capabilities of their staff rather than trying to acquire new skills needed for a different opportunity. This feature of the business approach is part of the Resource Based View. The skill and working habits deficit are major reasons why they have to start with less complex and skill-intensive jobs and progressively learn and use given opportunities to develop their potential.

#1 “We had zero know-how about laundry service, but I knew this type of work is quite simple, not requiring special education or skills and is therefore suitable for women from disadvantaged environment.”

#3 *“Gardening services such as grass and bush cutting, flower and trees care, pavement winter maintenance and regular cleaning, fence painting and easier technical works including demolishing works. We decided for these services because most of our beneficiaries are young and strong men and at the same time there was a great demand for such services on the market. Gardening work requires certain level of knowledge, so we choose most responsible members of the staff and train them how to be skilled gardeners. Rest of our service activities can be learned within a day or two, so anyone can be involved at work literally immediately.”*

5.4 Challenges

Social entrepreneurs obviously face many of the same challenges that traditional for-profit entrepreneurs do. Besides them, social entrepreneurs must recognize and be prepared for some specific challenges stemming from the different character of the social business. Interviews revealed the following challenges:

Building of professional and experienced management

Only one interviewee #1 says, “all our employees come from the group of long-term unemployed, because the character of our business does not require special talents, financial managers or university students”. But on the other hand, he admits employing also educated workers for more demanding positions: “Lower managerial and administrative work in the office is covered by handicapped employees with higher education.” The rest of interviewees confirmed, that employing professionals with good leadership and management capabilities are required at a certain stage. It is due to their insufficient knowledge or experience in certain fields of business, the desire or needs to focus more on the primary social mission instead of administrative tasks, or just due to the scaling of organization.

#2 *“My personal challenge is to improve my poor negotiation skills...I am not always able to communicate clearly and efficiently to the other party, resulting in misunderstandings or disappointments. I think I am good negotiator with new hires or existing employees, because I am quite patient. But I do not feel confident with sales prospects or suppliers.”*

#3 *“...I do not like to waste time in the office, I prefer the fieldwork. We are not ready to scale the company yet also due to the fact that it would require a newcomer to support me in managing administrative stuff, which is a nightmare for me.”*

#4 *“I am managing procurement, sale and finance myself for now, but with the expanding company business activities I will be soon forced to hire middle management to coordinate various aspects of the company activities professionally.”*

#5 *“Our foundation is professionally managed, because we use know-how, equipment and experience from our founder – developed business organisation with separate departments such as marketing, HR, accounting, finance, sales and operations. It is our great advantage compared to other social enterprises.”*

Besides understanding the need to recruit management at certain stage, interviewees expressed the concerns regarding this important step. 4 out of 5 involved social enterprises currently have no functioning second level of management, the whole responsibility lies mainly on the founders' shoulders. As already explained, social enterprise #5 has a different business model, where it shares management and also other lower structures with the for-profit founder and the only shareholder.

#2 I believe my son will take over the business; he is young and more capable in these things. I am afraid to recruit outsiders from business... How do I make sure they do not compromise the social mission and the story I am trying to write almost 20 years?"

#4 "I have just mentioned that – [the challenge is] to be brave enough to hire somebody to trust with part of my responsibility. I think I am the only one guarding the social mission in the right way and I suppose the search for the new member with the same commitment to the mission, will be a challenge...I therefore postpone it, which I feel prevents the business from reaching its full potential and desired growth."

The same challenge was identified in the global survey conducted by Schwab Foundation for Social Entrepreneurship. About two-thirds interviewed social entrepreneurs emphasized challenges related to building a strong management team to be able to delegate and ensure long-term stability and growth of the organization, while still protecting the organization's mission and culture.

Raising investment capital

Dream (not the main goal) of every social entrepreneur is to be financially independent, which means generating sufficient income through the sale of socially beneficial goods or services. However, most of them or not able to reach financial freedom being true mainly in the first years. Raising money mainly in initial phases can be very time-consuming and stressing.

#1 "The biggest challenge is to stabilize the business in terms of finance and also people and to obtain all necessary initial technical equipment, which is financially very demanding."

#3 "We are currently moving our place to new premises, which I consider as the biggest upcoming challenge, mainly in terms of finance."

#4 "The biggest challenge is to keep it financially working."

#5 "Second biggest challenge is to acquire funds for foundation operation. "

The social entrepreneurs are also forced to use their own personal assets or turn to family and friends.

#2 *“I had to return the state dotation because they didn’t accept one of my employees as handicapped – this almost ruined me financially, but thanks to my husband we managed.”*

#3 *“At the beginning I received grant of 3.000.000 CZK and I have to invest my own funds as well, round 700.000 CZK.”*

Social entrepreneurs cannot promise to deliver rapid growth and show the potential of high profit, which are attributes traditional venture capitalists want to see. Approaching investors is, therefore, more difficult and if the business is not likely to make a reasonable return on investments, a nicely formulated social mission will not suffice. This is especially true in Slovakia and other V4 countries as well, where only sporadically some socially oriented investor can be identified, and the social investment market does not exist. See the experience and opinion of interviewee #1.

#1 *„I had lots of negotiations with investors, which called us fools, saying our business plan is economically unstable and unsustainable because it counts with instable people from poor region with low buying power. Currently I have some offers but I am sceptic with investors in Slovakia.“*

It is not surprising, that only 2 interviewees (#2, #5) out of 5 were able to persuade corporate investor for cooperation. In the first case, it is not a real investor, which invested in the company by buying its share, but rather helped to bear initial equipment costs and offered symbolic rent.

#2 *“We are now sitting in IBM – owned building. IBM employees in this coffee house can buy coffee at reduced price, because their employer compensates the rest of the market coffee price to us. We have a great advantage in form of very symbolic rent (1 EUR/m2) and we also split the initial equipment investments of the coffee house.”*

In the second case, the social enterprise is fully owned by for-profit enterprise and is the instrument of its CSR policy.

#5 *“Foundation was established by will of traditional entrepreneurs to provide their help to people excluded from job market. Founder of the organization is for-profit part and founding budget was 20 000 PLN.”*

Other funding opportunities available for social enterprises include government and municipality funding. However, in the latest report on Slovakia issued by the European Commission, the government has been criticized for the low spending on active labour market

policies, among the lowest in the EU. Consider the experience of interviewee #1 regarding the displeasure of the municipal authority to involve him in the business focused on the Romani minority:

#1 “We have very limited cooperation and discourse with other actors in the field. For example our city mayor did not want to start cooperation with us because he was afraid it might threaten his future political career.”

Only interviewee #3 presented closer cooperation with municipality, which is also shareholder in the business.

#3 “Social section operating under the municipality office was interested in our vision and wanted to give chance to our target group. They evaluated the social enterprise as the best solution, so we set-up the business which is partially owned by the municipality.”

EU funds have been a very promising source of financing for social enterprises in the current programming period 2014-2020, in which the objective to support the development of social enterprises, in particular by facilitating access to finance, has been determined. EU has committed to investing about one trillion euro over these seven years, through European Social Fund. In Slovakia, some 250 000 people, in particular, the long-term unemployed and the low – skilled, were expected to benefit from the program. Unfortunately, Slovakia has been unable to draw tens of millions of euros from the EU funds allocated for the mentioned period with an average absorption rate of EU funds only 27,51 % (by December 31, 2018). Only interviewee #4 has used this type of financing, but in very low amount (10 000 EUR). Interviewee #1 has expressed the future intention to apply for EU funds, using external advisory services to manage the whole process.

#1 “Next thing is the possibility to apply for grant in line with European sources in the area of employment, social affairs and inclusion and also to apply for irretrievable loan. Right now, we are awaiting a call from EU directly focused on social enterprises.”

“Regarding consulting services, we will use the service of external advisors to apply for grant, because as far as I know, the application process is very administratively difficult and requires certain experience if it is to be successful. We do not have capacities inside the organisation to manage it ourselves. Hopefully our application will go through.”

Involving more stakeholders and building community

Every stakeholder as a person, group or organization that has an interest in the social enterprise, has its needs and expectations, which can be in conflict to needs and expectations of other stakeholders. Social entrepreneurs must balance the allocation of their time and attention to stakeholders according to their importance and power over the business. However, very little focus on stakeholder management and awareness of its importance was shown by all 5 interviewees. The stakeholder groups they identified were limited to beneficiaries, customers and founders. So, if they do not know their existing and potential stakeholders, they can hardly spread their message to them and benefit from their mutual cooperation.

After analyzing the interviews, the author identified only interviewee #2 as having a decent network of stakeholders. It consists of the main supplier of coffee (fair trade high quality coffee for decent price), Tesco as the partner for producing preserves, customer and also partner IBM, also other customers from public sector such as The City Council, Office of President of the Slovak Republic, English embassy, and potentially American Chamber of Commerce. Being registered as a sheltered workshop enables them to agree with the Central Bureau of Work, Social Affairs and Family, on partial subsidy of payroll costs. Last but not least, the valued stakeholder group consists of family members and friends of the disabled employees and also a couple of volunteers.

#2 "I consider my family and family members of our disabled also as our stakeholders, because when we are not managing during peak periods like Christmas, I can count on them."

Other 4 interviewees have very limited relationships with stakeholders' group and are not aware of the fact that those relationships can be very beneficial for the spread of their social mission. The challenge ahead of social entrepreneurs in Slovakia is also to build some kind of platform engaging different type of stakeholders in solving the societal challenges. The participation of stakeholders in the development of the enterprise can create new opportunities for mobilizing resources and extending the social impact through the value proposition. Although the establishment of these cooperation mechanisms between the stakeholders and the founders certainly require the investment of additional resources, the knowledge obtained through the cooperation can bring synergies and improvement in the value proposition through different stakeholder groups.

6 Conclusion

Based on the theory on long-term unemployment and situation of long-term unemployed in Slovakia, the theory of social entrepreneurship in general and interviews with selected social businesses, it is evident that it is possible to run a sustainable business in Slovakia combining both social and financial mission. Business models of selected companies use many aspects as described in the theory of social entrepreneurship, although there are areas to improve in order to reach better social and financial performance and balance.

All disadvantaged groups as described in the theoretical section, and mostly affected by the long-term unemployment in Slovakia (Roma minority, women, youth, elderly people and handicapped people), are present in the interviewed businesses as beneficiaries. The main causes of their exclusion are discrimination, insufficient education/loss of skills and working habits, low work mobility, an insufficient network of childcare services, the unwillingness of employers to offer flexible work arrangements, age biases and distorted perception of handicapped people. There are many opportunities for how these groups can be supported to lead a dignified life and be part of society as full-featured citizens. Most of the socially oriented businesses in the V4 region serve as work integration organizations, which is also demonstrated in the interviewed sample. 4 out of 5 interviewed businesses involved above enumerated beneficiaries into value creation process as employees. It has a direct and very quick financial and social impact on their life. Business #5 has a different approach, with beneficiaries present on the customer side as students enrolled in educational courses. By providing supplementary high-quality education to beneficiaries, their chances on the labour market are significantly increased. In its social value creation process, business #5 has to search for the way and resources necessary to make the service/product available to beneficiaries. Both approaches lead to the fulfilment of social mission (inclusion of disadvantaged long-term unemployed people into the labour market and society), but it cannot be concluded which of them has a greater social impact from the long-term perspective.

The research has confirmed the diversity and colourfulness of the different forms of social enterprises in the V4 region. Countries are just seeking to implement appropriate legal frameworks that can support and stimulate the development of social enterprises. Businesses of different legal forms have been interviewed including those, which do not legally meet the attributes of the social enterprise. However, activities of all interviewed organization have shown the signs of social entrepreneurship and representatives of those organizations have recognized themselves as social entrepreneurs. Each legal form can benefit from a different kind of financial support on municipality, government, and European level.

The common feature of the interviewed businesses is the ability to transform their beneficiaries into valuable human capital with relatively high productivity (even though not comparable to the productivity of “standard” personnel) by using technology, careful supervision and training and offering product/service designed to match beneficiaries’ capabilities. Such human capital in combination with social capital is necessary for the competitive operations of social businesses in Slovakia. However, the author’s perception is that social entrepreneurs lay insufficient emphasis on building social capital and do not use their full potential.

Contrary to for-profit organizations, which have to purchase all physical capital (buildings, equipment, technology, cars), some social businesses in the sample showed the ability to gain part of these resources from their value creation partners either as a donation (free of charge) or at a very favourable price. It is a nice example of how social enterprises can benefit from their network of stakeholders. As stated by Yunus (2010), the value proposition and constellation should not be focused only on the customer, but it is vital to involve all stakeholders. However, with the limited social ecosystem in Slovakia, it is quite challenging to address stakeholders and therefore stakeholders’ involvement remains insufficient and does not reach its potential.

When it comes to profit and social equation, the paper concludes that the main focus is on the social part of the business. All interviewees expressed strong social statements, not only during interviews but the social message is literally spread throughout their whole life. However, they should be looking for ways how to more intensively spread this message also among their customers and already mentioned stakeholders. All interviewed businesses are financed in the majority by its own commercial activities. However, the financial data revealed the fact, that 3 out of 5 businesses need supplementary financial resources. These have the form of monthly allowances provided to cover part of salary costs and allowances to keep the workplace (sheltered workshop) or the possibility of tax reduction and access to public contracts (social enterprises). It has to be emphasized that none of the businesses targets financial profit maximization - their financial profit varies from 0 - 10% of their revenues and is in majority invested back to the business.

The interviews showed that one of the key prerequisites to start and evolve the social business is the motivation of its leader. All interviewees showed a very high level of motivation, sometimes with routes in a complicated life situation or health disability of the family member or close friend. This inner motivation of the social entrepreneur has been listed among the good practices of social entrepreneurship, but it should be better called a character prerequisite.

The second part of the research was devoted to the identification of good practices. Just as it is with a for-profit business, keeping quality of provided product and service was identified as the most substantial for successful and sustainable social business. Customers are the people or organizations that pay and they demand value for their money. Customer value is the essence of what makes the business better than its competitors. It was found out that customers of the interviewed social businesses make rational purchase decisions, which are stimulated through rational pricing, availability, and quality of the product. Thus, the research draws the conclusion that social enterprises must maintain highest quality standards together with adequate information about their social mission. Consumers in Slovakia are not willing to make sacrifices over the social dimension of the business; the ethical or social credentials are just an added bonus for them. Commitment to high quality at decent prices is what attracts new customers and keeps the old ones coming back. As a majority of social enterprises in Slovakia serve as work integration organizations, the challenge for them is to keep the quality on the desired level, even with the handicapped or maladjusted personnel. Increased focus on training and control was therefore identified as another good practice of interviewed social enterprises. Employees have to receive adequate initial training so that they feel completely comfortable with their tasks. This might require a longer time and effort from a dedicated mentor, leading to increased financial costs. However, poor training can lead to mistakes jeopardizing the service and product quality and companies' reputation. Moreover, the inability to perform a job properly can lead to frustration and stress of the employee, as well as a negative attitude toward co-workers and supervisors. Besides the proper training, subsequent control of the personnel and their performance in the workplace has to be ensured, its level depending on the special characteristics of the personnel and their disadvantage (either social, educational, mental or physical). Taking into consideration the current education level, skills, capabilities and also characteristic features of their employees and giving them the tasks which they are able to fulfil, rather than retraining the employees completely has been identified as another common good practice of the interviewed social enterprises. Skill-matching approach leading to immediate employment and regular salary is necessary for the quick improvement of the financial and even housing situation of the unemployed, retraining and upgrading the low qualification and poor skills coming later on, as part of the workplace learning. Building the human capital of low-skilled unemployed is very important and requires a considerable time and financial resources and is necessary for full social and labour integration of disadvantaged employees and their move towards "ordinary" employment. Labour market policies should, therefore, support social enterprises in their effort to build the human capital of unemployed from a long-term perspective. The list of good practices assessed as a result of interviews with social entrepreneurs is finished by the lean business approach. The principles of lean

approach were naturally adopted by the interviewed social businesses, without purposefully building this type of business model.

Lack of financial capital was identified as the most significant challenge or barrier for set up, development and continual functioning of the social enterprise. 4 out of 5 interviewed businesses employ disadvantaged groups and their primary social mission is work integration of those groups. This fact has confirmed the author's assumption that social enterprises in Slovakia are mainly used as an instrument for the creation of employment opportunities for disadvantaged people and it can be therefore assumed that they are not so productive and flexible as fully commercially oriented businesses, which do not invest into the socially beneficial goal. It is, therefore, necessary to create an accessible network of financial instruments to support them financially in the initial phase (equipment, premises) and also in the phase of their growth and expansion. The certain network of financial instruments already exists and to a small extent has also been used by the interviewed businesses, but there is a great space and the need for improvement. For example, none of the interviewees have considered traditional financial intermediary - bank, as a source for finance. The reason is a non-existing offer of tailor-made loans with less strict conditions, which would be supported by the government and would make more social enterprises eligible for a loan. The state should provide guarantees for these loans as social enterprises lack sufficient assets that could be used as collateral. The insufficient height of financial support from the state budget to co-finance the integration of workers was also criticized by the European Union in the latest report on Slovakia issued by the European Commission (2016). Social enterprises should also make better use of a unique model of non-profit organization support, where not only individuals but also legal entities can assign 1% or 2% of their income tax to non-profit organizations. In the case of non-profit organizations running a social enterprise, this budget may be used for the social enterprise.

Another fact, identified as the barrier to nourish and scale-up social enterprises was the inability, unwillingness and also maybe fear to move the business to a more professional level by hiring professional and experienced management. Business skills and know-how of social entrepreneurs themselves should be fostered as well via conferences, training, co-working spaces or by cooperation with established social companies where smaller or starting social enterprises can test their ideas and compare their business models with others. Insufficient engagement and dialogue with potential stakeholders have been identified as the third problem in the social ecosystem of the interviewed enterprises. Author's perception is that the interviewees are not aware of the potential, which strategic partnerships can create. Adopting a multi-stakeholder approach can help benefit from complementary resources, skills, and networks and can lead to win-win-win position for social enterprises, public institutions and private organizations. As there is currently no formally recognized network for social

enterprises in Slovakia, at least the public support for hub or accelerator creation would be beneficial.

Identification of the challenges, which social enterprises have to face, might bring knowledge for the acceptance and implementation of the public policy instruments supporting social enterprises in overcoming these challenges.

Research Limitation

This thesis contributes to the research on business models creation and innovation in social entrepreneurship in Slovakia. It also adds new insights on the understanding of how companies in the social economy can benefit from applying principles of good practices and focusing on challenges identified by the research. The findings of this study have to be seen in light of some limitations.

The primary limitation is the size of the sample, which is rather low. Only 5 representatives of the social entrepreneurship have taken part in the study, which has led to difficulties in identifying significant relationships from the data. It also cannot be excluded that if another sample of representatives had been interviewed, some other business model features, good practices and challenges would have been detected. The findings reported here are of qualitative nature and cannot be subject to statistical generalization.

This research also has to consider limitations resulting from cultural aspects, particularly language differences. In 2 cases, the interview has not been conducted in the native language of the interviewee, neither the author, which might have caused possible misinterpretations or alterations. Additionally, the ideas formulated by non-Slovak speaking interviewees might also be limited to their level of English.

Another limitation stems from the size of the companies involved in the sample. They are all rather small businesses with a maximum of 30 employees, limiting their business experience.

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8 Appendix

8.1 Interview guide

- What is your value proposition?
 - What is the problem you are trying to solve?
 - What is your social mission?
 - Who are your customers? (individuals or organizations who pay for or consume social mission)
 - Who are your beneficiaries? (individuals or organizations maybe be on both sides as consumers, but also producers)
 - What is your product/service?

- What is your value constellation?
 - What is your type of constellation? (in which positions are customers and beneficiaries between consumption and production)
 - What is your company structure?
 - How do you scale the company?
 - What is your internal value chain? (internal resources in combination with internal capabilities)
 - What is your external value chain? (what are external resources, network and value creation partners)

- What is your profit equation?
 - What is your primary source of income? (government funding, self-generated income, donations, etc...)
 - What is your turnover or budget you need to sustain operations?
 - What is your financial profit and how do you reinvest/redistribute?
 - What is your costs structure?

- What is your social equation?
 - What is focus distributed between social and economic profit?
 - How do you sustain the social mission and what are the challenges?
 - Do you measure social impact? If yes, what method do you use?
 - What is the static and dynamic impact (static – solutions at a given point in time, dynamic – change of the environment around you)

- What is your strategy?
 - What is your market segment? (the users to whom the offering is useful and for what purpose)
 - What is your innovation?
 - What is your competitive strategy? (competitive advantage, industrial organization view, resource-based view)
 - What stakeholders do you involve in your business? How do you incentivize them?

- How did you identify the opportunity?
 - What was your personal motivation to start SE business?
 - What skills, competencies and experience did you bring to the business from your past?
 - What was the source of opportunity? (imperfect information, monopoly power, public goods, externalities, flawed pricing mechanisms)

- How did you start the business?
 - Did you have any funding and what was the sources of your funding?
 - Did you use a lean approach? (experimentation, customer feedbacks, iterative design)
 - What were the most significant challenges and what did you change?

- What relationship do you have with the government and municipalities?
 - Do you have support from municipalities or government in terms of any resources (finance, know-how, organization, connections, facilities, etc...)
 - Do you coordinate any projects or implementation with them?
 - Do you have a program for social business defined by legislative and how does it affect your business?

- How do you manage human resources?
 - What people do you have in your team and what are their habits?
 - How do you remain organizational culture?
 - Where do you find talents, how do you attract them and how do you retain them?

- What are your biggest challenges?
- What do you consider as biggest success?

8.2 Transcripts

8.2.1 Business #1

What is your value proposition?

- What is the problem you are trying to solve?

To give the opportunity to handicapped and uneducated people, mostly from Roma minority, to provide for their families and escape from the vicious cycle of poverty and dependency on the state social benefits. Labour market did not give them a single change. We not only offer them stable financial income, but also build their self-confidence, self-esteem and in many cases we present the only stable base they can build on. We give them the opportunity to change for better. Other aspect is, that the person is much cheaper for state in the social entrepreneurship network than in the social benefit network. Moreover, we know where this person is present from 8:00 to 16:00, we know their children attend school and we therefore believe the social business we are running serves also as prevention of criminal activities.

- What is your social mission?

Note: Answered elsewhere.

- Who are your customers? (individuals or organizations who pay for or consume social mission)

Our customers are mostly governmental institutions, which we reach via public auctions. We also cover private sector including big and small businesses or sole traders, e.g. small guesthouses. Commercial customers tend to look for our services based on good references. However, our customer base is not present in this poor region, we "import" work from radius of 200km, usually from Bratislava region.

- Who are your beneficiaries? (individuals or organizations maybe be on both sides as consumers, but also producers)

Different groups of long-term unemployed, usually young women and fresh graduates from Roma communities but as minority we also employ some physically handicapped. After several years, we are happy to let them go into "classic" labour market.

- What is your product/service?

Laundry services.

What is your value constellation?

- What is your type of constellation? (in which positions are customers and beneficiaries between consumption and production)

Note: Answered elsewhere.

- What is your company structure?

Cooperative society business. We have middle management, these are the most loyal employees, who take care of other to train them into work as well they are controlling quality.

- How do you scale the company?

Our revenue is increasing annually, as we gain more and more new customers. It is happening despite of the fact that we do not proactively search for customers; we have practically no sales department in our company structure. After signing new deal, which usually is contractually covered for the period of 1-2 years, we are able to hire more employees. We behave strictly according to financials in this area. By providing outstanding and stable quality,

we are able to keep customers for years. We have internal double control of quality and our employees are well aware of the need to provide the quality.

- What is your internal value chain? (internal resources in combination with internal capabilities)

We hire people, who have hard time to find a job and sell their work to our customers. It is not a difficult job at laundry, but you have to understand that for them it might be challenging. Once they are trained and proved as independent employees, it goes well.

- What is your external value chain? (what are external resources, network and value creation partners)

Note: Answered elsewhere.

What is your profit equation?

- What is your primary source of income? (government funding, self-generated income, donations, etc...)

Our primary source from income is self-generated income. We had about 10% of donations and around 15% were allowances from social section of municipal office for publicly beneficial works.

- What is your turnover or budget you need to sustain operations?

Our working capital is 32.000 EUR monthly, but we are still not absolutely self-sustainable, we are in red numbers and we still need partial state help.

- What is your financial profit and how do you reinvest/redistribute?

I work for the company as regular employee. I treat myself fair, means I don't have huge salary, but I have my standard. I think it is fair to my employees and myself. All the rest financial resources stay at the company.

- What is your costs structure?

One of the biggest costs for us is warming and softening the water, that is why we plan to invest into sun collectors. However, without state dotation we are not able to invest such a big amount ourselves. The most significant costs are human costs, around 55%.

What is your social equation?

- What is focus distributed between social and economic profit?

It is very hard to quantify, but in general we only work with people who want to work, we have clear rules valid for all. Not all employees are economically worth hiring, but we give chance to people who show interest and follow the work moral and cultural set-up in our workplace. I would equalize social and economic profit.

- How do you sustain the social mission and what are the challenges?

Our social mission is sustained by permanent hiring of long-term unemployed, their education and integration into labour market. We only hire disadvantaged people.

- Do you measure social impact? If yes, what method do you use?

We process our own statistics on the number of people we employed and the percentage of those becoming successful on the "classic labour market" or continuing with their education, even university education. We are happy to hear feedback from our former employees and they really like to share their successes, they are proud. We don't have any special methods of measuring social impact; as I said we keep internal statistics but I am not prepared to share

them right now. It is for our internal use to evaluate if our mission is fulfilled. The most important attribute is if they find a real job!

- What is the static and dynamic impact (static – solutions at a given point in time, dynamic – change of the environment around you)

Note: Answered elsewhere.

What is your strategy?

- What is your market segment? (the users to whom the offering is useful and for what purpose)

Accommodation facilities.

- What is your innovation?

We have no innovation. We use up-to date technology and plan to invest into sun collectors for water warming. We would need some extra training for people, but from time point of view it is not real...they are educated directly in production cycle. We try to keep procedures as simple as possible, for example the washing machines are pre-set so that the mistakes are minimized.

- What is your competitive strategy? (competitive advantage, industrial organization view, resource-based view)

Very high quality of service. Usually big-sized hotels and accommodation chains firstly try our service by “trial order” and in majority of cases we continue our cooperation, they admit the quality is much higher compared to what they were used to before.

- What stakeholders do you involve in your business? How do you incentivize them?

We currently cooperate with boarding provider, but we plan to build our own cooking facility. We have already gained the financial dotation for kitchen equipment; we already have the space here in the basement. It will serve as the canteen for our employees and in the afternoon it will be used as community kitchen for women learning how to bake, preserve fruit and vegetables and make different products for sale. The aim is to make it financially self sustainable. One of the biggest partners is Procter & Gamble, providing washing chemistry. We pay both of them market price. Regarding consulting services, we plan use the service of external advisors to apply for grant, because as far as I know, the application process is very administratively difficult and requires certain experience if it is to be successful. We do not have capacities inside he organization to manage it ourselves. Hopefully our application will go through.

How did you identify the opportunity?

- What was your personal motivation to start SE business?

My very first job was in financial sector where I did not find any fulfilment. I realised that the only one profiting from my hard work is the excel table I had to fill in. My all following jobs were in the third sector where I could positively influence the life directions of real human beings and form their whole family and community in the positive direction. I have Romani roots myself; so using my energy, determination and probably also my knowledge from university to support “my own people” came as very natural part of my life journey.

- What skills, competencies and experience did you bring to the business from your past?

My educational background provided me with unnecessary prerequisites, as I have graduated from Faculty of social studies in Nitra. My first involvement in the third sector was during my

work with children from disadvantaged communities as teacher assistant, where I first experienced the problems of marginalised Roma communities. I am also member of non-profit organisation Association of young Roma, which already helped to place over 400 young Romani people into labour market and constantly creates strategies preventing stereotypes and racism.

- What was the source of opportunity? (imperfect information, monopoly power, public goods, externalities, flawed pricing mechanisms)

Barriers of people we employ – language barriers, ethnical barriers, no skills, no experience and knowledge, no expression skills.....they had literally nothing to offer.

How did you start the business?

- Did you have any funding and what were the sources of your funding?

At the very beginning we have gained foreign funding to buy the building we are now sitting in. It was in horrible condition, but we reconstructed it step by step. All other buildings and equipment are mortgaged and leased. We don't have any significant private investor, just a handful of financial donors, which financed for example the purchase of vacuum cleaner or drill.

- Did you use a lean approach? (experimentation, customer feedbacks, iterative design)

No

- What were the most significant challenges and what did you change?

We had zero knowhow about laundry service, but I knew this type of work is quite simple, not requiring special education or skills and is therefore suitable for women from disadvantaged environment. Moreover, it is a type of service, which is in great demand for in Slovakia – country with great tourism potential. I saw the same concept abroad and it was running very well.

I would look for private investor favourable to the mission we are fulfilling. I had lots of negotiations with investors, which called us fools, saying our business plan is economically unstable and unsustainable because it counts with instable people from poor region with low buying power. Currently I have some offers but I am sceptic with investors in Slovakia.

What relationship do you have with the government and municipalities?

We have very limited cooperation and discourse with other actors in the field. For example our city mayor did not want to start cooperation with us because he was afraid it might threaten his future political career.

- Do you have support from municipalities or government in terms of any resources (finance, know-how, organization, connections, facilities, etc...)

First of all we can benefit from tax relief. Secondly, as we have recently gained the status of social enterprise according to brand-new law from 2018, we can apply for state orders without the need to take part in public competition. This means public institutions can directly assign the order to us. Next thing is the possibility to apply for grant in line with European sources in the area of employment, social affairs and inclusion and also to apply for irretrievable loan. Right now, we are awaiting a call from EU directly focused on social enterprises....

- Do you coordinate any projects or implementation with them?

I was actually part of the group led by state secretary, which prepared the new Act on social economy and social enterprises. For example, they accepted my recommendation from practice about the length of needed financial support period to integrate long-term

unemployed, which was first proposed for 3-5 months. This period was absolutely inadequate because the long term unemployed person requires adaptation not only from personal and social point of view but also very practical - to regain skills and working habits. I said we needed at least 2 years dotation period guaranteed by law. From our experience, we consider the person as a fully-fledged employee after 2 year; he or she can reach comparable qualities as the person who had never experienced long term unemployment. Take the person who hasn't worked for 12 years, has almost no education and comes from low stimulating environment.... there are many minuses to even up. Furthermore, he/she is usually in terrible debts from non-banking subjects and has multiply execution processes against them. They see themselves living in marasmus and the process of „cleaning“ takes time.

- Do you have a program for social business defined by legislative and how does it affect your business?

Note: Answered elsewhere.

How do you manage human resources?

- What people do you have in your team and what are their habits?

They usually have no work habits because they have never worked full-time before or they only experienced the so-called “activation jobs” organised by municipality (sweeping streets, cleaning public areas...). Their negative common characteristic is lack of self-confidence which is expressed e.g. by fear to touch the machine so that they don't break it. Their common positive characteristic is that after some time they show great interest to learn and work.

- How do you remain organizational culture?

By teaching them co- responsibility for their common workplace. They are well aware of the fact that one damages the machine or makes customer unhappy, it can have negative effect on the whole company and its reputation and can threaten also jobs of others.

- Where do you find talents, how do you attract them and how do you retain them?

We educate people from the very beginning; each woman has her mentor who is also supervised by more experienced mentor. The supervisors must be rewarded accordingly. One most experienced woman has 2 subordinates, one less experienced and one inexperienced. She is responsible for their work quality. All our employees come from the group of long-term unemployed, because the character of our business does not require special talents, financial managers or university students. Lower managerial and administrative work in the office is covered by handicapped employees with higher education...did you notice the wheel chaired young man at the reception? Some skilful employees are even able to learn computer basics like excel, word and data work.

What are your biggest challenges?

The biggest challenge is to stabilize the business in terms of finance and also people and to obtain all necessary initial technical equipment, which is financially very demanding.

What do you consider as biggest success?

We are the biggest laundry in Slovakia with really demanding customers. We are able to keep the outstanding quality over the years and keep long-term relationships with our customers.

8.2.2 Business #2

What is your value proposition?

- What is the problem you are trying to solve?

We focus on handicapped people, concretely with hearing, nervous and psychical impairment and their social and work inclusion.

- What is your social mission?

Inclusion of handicapped people into life, give them opportunity to lead full life. To those who live alone, the workplace often compensates their missing family relations and background. We also cover environmental mission by composting all our biological waste.

- Who are your customers? (individuals or organizations who pay for or consume social mission)

We are now sitting in IBM – owned building, IBM employees in this coffee house can buy coffee at reduced price. Their employer compensates the rest of the market coffee price to us. We have a great advantage in form of very symbolic rent (1 EUR/m²) and we also split the initial equipment investments of the coffee house.

- Who are your beneficiaries? (individuals or organizations maybe be on both sides as consumers, but also producers)

Note: Answered elsewhere.

- What is your product/service?

We offer coffee and hot beverages together with hand-made sweet and salty products which you can see in the vitrine over there. These products are freshly prepared in 2 separate kitchens and sold in 3 coffee houses in Bratislava. We also provide catering to offices and various events for our 2 main customers IBM and Accenture. We are currently in negotiation with ING and also with the capital city of Bratislava. I see great interest in our products, also owing to the social context we represent. I think there is great opportunity for social business in Slovak market.

What is your value constellation?

- What is your type of constellation? (in which positions are customers and beneficiaries between consumption and production)

Note: Answered elsewhere.

- What is your company structure?

We have the form of sheltered workshop, but I am thinking of setting up a social enterprise as well, as I have recently learned that they can function collaterally. We have many young, skilled people employed in the company, which I am sure have the necessary knowledge, experience and inner motivation to run their own independent social enterprise and thus continue in the sustainable beneficial work their mums and dads have started. This is my vision – sheltered workshop in the combination with social enterprise.

- How do you scale the company?

Note: Answered elsewhere.

- What is your internal value chain? (internal resources in combination with internal capabilities)

As mentioned, we specialized for production hand-made sweet and salty products, which we serve in coffee houses and when providing catering. We do own or rent all physical resource needed for production and preparation of food and beverages; our partners provide the rest.

- What is your external value chain? (what are external resources, network and value creation partners)

Note: Answered elsewhere.

What is your profit equation?

- What is your primary source of income? (government funding, self-generated income, donations, etc...)

The primary source of our income is self-generated income from our customers. Another financial source are donations for each workplace from Central Office of Labour, Social Affairs and Family – it is donation of 5000 EUR for the equipment necessary for the person to work.

- What is your turnover or budget you need to sustain operations?

Our monthly revenue is cca 30.000 EUR, but during Christmas season it can reach 120.000 EUR. Allowances from Labour office to compensate part of salary costs of disabled employees account for 1/8 of this amount, cca 4.000 EUR.

- What is your financial profit and how do you reinvest/redistribute?

We had great investments last year, so we did not generate profit last year, but for all the previous years we did. We always reinvest the profit back into the business, we try to extend and modernize the production.

- What is your costs structure?

The greatest costs share represent salaries. You must know as the entrepreneur yourself, mostly social and health transfers are the greatest burden. Than it comes to stocks, technical equipment, cars, costs for repairs.... People costs are around 45%, other costs all together are around 53% and we spent little as 2% for marketing.

What is your social equation?

- What is focus distributed between social and economic profit?

We are definitely more socially focused. If I see a person who needs help and is willing to collaborate, we hire him/her.

- How do you sustain the social mission and what are the challenges?

We try to create the environment where people feel useful and build community for all employees, disabled and healthy. Our employees feel good energy pulsing in workplace and the same it is with our customers, usually young IT professionals, who are forced to slow-down in our coffee house. Disabled waiters are not so effective and quick as we all are used to. The challenge is to keep the service quality during the training period, ...we have one coffee house where our experienced staff member cares for newcomers and devotes them individual time they need to become confident in their duties. Each coffee house recruits at least one not-disabled employee responsible for the others not only in terms of trainings and quality control, but also serving as psychologist and negotiator.”

- Do you measure social impact? If yes, what method do you use?

No, not at all...I am bad at tables...

- What is the static and dynamic impact (static – solutions at a given point in time, dynamic – change of the environment around you)

Dynamic impact is the change of their nearest environment and families. They save costs of their families and are valuable part of the society.

What is your strategy?

- What is your market segment? (the users to whom the offering is useful and for what purpose)

Note: Answered elsewhere.

- What is your innovation?

What I consider as the innovation is our ZERO waste policy – we guarantee to composte all biological waste. The second innovation will be the possibility to pay with Ticket restaurants cards in our coffee machines which we will distribute into offices and in soon-to-be opened new coffee house.

- What is your competitive strategy? (competitive advantage, industrial organization view, resource-based view).

I think I have the sense for people, I mean mainly for the need of disabled ones. There is a great amount of people on the market, but not all of them are a suitable fit to our culture and mission. Another advantage, but it is a natural thing for me, is a quality we are able to keep over the years, which goes hand in hand with the trust we gain from the customer. The last one is our primary production – we do not work with semi-finished products – customers know how to appreciate it.

- What stakeholders do you involve in your business? How do you incentivize them?

Coffee supplier is the most important one – we pay market prize for coffee. Besides excellent quality, it carries social message of fair trade. I consider my family and family members of our disabled also as our stakeholders, because when we are not managing during peak periods like Christmas, I can count on them. We also have couple of volunteers. There is a planned cooperation with Tesco, to preserve fruit and vegetable closely before its expiration day.

How did you identify the opportunity?

- What was your personal motivation to start SE business?

I started to think of the social aspect of entrepreneurship because of my friend who suffers from sclerosis multiplex. She was healthy, university educated woman, but due to her diagnosis she remained tied to wheelchair. She had great problems to come to terms with her diagnosis and she felt useless. I witnessed how important the integration via work had been for her in the process of coping with illness. My personal motivation was to help my friend - she was my very first employee.

- I saw just today the article about you receiving a VIA BONA SLOVAKIA price in Hospodárske noviny– what a coincidence!

Really? But it was back in 2005, when we received this price - it is really useful when socially responsible company is publicly awarded. Moreover, it was a huge step forward for us at the time, because also thanks to the award we gained the huge contract with its partner - Orange Slovakia. We prepared Christmas gifts for all their employees, which was a huge challenge for us, but we succeeded.

- What skills, competencies and experience did you bring to the business from your past?

I love cooking and I was brought up in the family with many children, so I was used to take care of others. I also had experience with accepting handicapped person because my class teacher had handicapped daughter, who spent a lot of time with us. This handicapped girl taught us that people, especially young people with disability need respect from others and that we as society should start treating them as regular people. I am currently studying theology, in the third grade, the regional aspect plays a great role in my inner motivation.

- What was the source of opportunity? (Imperfect information, monopoly power, public goods, externalities, flawed pricing mechanisms)

Note: Answered elsewhere.

How did you start the business?

- Did you have any funding and what was the sources of your funding?

We currently operate in several locations. – We have 3 coffee houses, 2 cooking facilities – sweet and salty kitchen. All of them have status of sheltered workshops, which means there have to be at least 50% of disabled people employed. We employ up to 70% of such people. State compensation of initial costs is possible when setting up the sheltered workshop and also law guarantees donation of each workplace amounting to 5000 EUR. The state donation system is nowadays more transparent than in 2007 when I first asked for financial support.

- Did you use a lean approach? (experimentation, customer feedbacks, iterative design)

Yes.

- What were the most significant challenges and what did you change?

I had to return the state dotation because they didn't accept one of my employees as handicapped – this almost ruined me financially, but thanks to my husband we managed.

What relationship do you have with the government and municipalities?

- Do you have support from municipalities or government in terms of any resources (finance, know-how, organization, connections, facilities, etc...)

Apart from equipment dotation we have the agreement with Central bureau of work, social affairs and family, which subsidizes part of payroll costs. Some other partners from public sector, which support us by ordering our services include: The City Council, Office of President of the Slovak Republic, English embassy, and potentially American Chamber of Commerce.

- Do you coordinate any projects or implementation with them?

Note: Answered elsewhere.

- Do you have a program for social business defined by legislative and how does it affect your business?

Note: Answered elsewhere.

How do you manage human resources?

- What people do you have in your team and what are their habits?

They are very honest and fair. We have expensive stock here...you know.....something can get lost, stolen, broken.....but even though it rarely happens, we immediately can find out the

one to blame for. They have the feeling for justice. One of the characteristics of mentally discorded people is being quarrelsome and not getting on with everybody, so we have to manage this tricky part of their mentality as well.

- How do you remain organizational culture?

Note: Answered elsewhere.

- Where do you find talents, how do you attract them and how do you retain them?

We have to pay them salary competitive on the market, we have to pay them well... they also have the possibility to take the unsold products home, because we prepare fresh food everyday, this is one of the benefits they really appreciate. With the aim to support the relationships among employees, we organise teambuilding activities at least 3 times a year (in spring, summer and before Christmas). Unlike other businesses in gastronomy, our business does not require work shifts, evening and weekend work. I consider it our competitive advantage on the labor market. Only in kitchen the working day starts at 4:00, what is very stressing and demanding for organism. We therefore take age of the employees or their commuting time into consideration. We lay emphasis on the individual approach to each of them and try to be forthcoming.

What are your biggest challenges?

My personal challenge is to improve my poor negotiation skills...I am not always able to communicate clearly and efficiently to the other party, resulting in misunderstandings or disappointments.

I think I am good negotiator with new hires or existing employees, because I am quite patient. But I do not feel confident with sales prospects or suppliers. I believe my son will take over the business; he is young and more capable in these things. I am afraid to recruit outsiders from business... How do I make sure they do not compromise the social mission and the story I am trying to write almost 20 years?

What do you consider as biggest success?

I believe the biggest success will be when my son will take over the business.

8.2.3 Business #3

What is your value proposition?

- What is the problem you are trying to solve?

Unemployment and social exclusion of ex-prisoners, people with alcohol and drug addictions and also homeless people.

- What is your social mission?

Our idea was to set up a company which will provide complex solution to social exclusion – this means not only unemployment, but also accommodation and education of our unemployed and their children, which we provide in our community center. These 3 pillars should work as autonomous units and cooperate with each other to reach our social mission.

- Who are your customers? (individuals or organizations who pay for or consume social mission)

The city part we operate in – Prague 14, physical persons, our employees and tenants. There are also building companies, which order us as subcontractors for smaller auxiliary, building or demolishing works.

- Who are your beneficiaries? (individuals or organizations maybe be on both sides as consumers, but also producers)

Homeless people, former prisoners, people from Roma minority, in most of the cases suffering from alcohol and even drug addiction.

- What is your product/service?

Gardening services such as grass and bush cutting, flower and trees care, pavement winter maintenance and regular cleaning, fence painting and easier technical works including demolishing works. We decided for these services because most of our beneficiaries are men and at the same time there was a great demand for such services on the market.

What is your value constellation?

- What is your type of constellation? (in which positions are customers and beneficiaries between consumption and production)

Note: Answered elsewhere.

- What is your company structure?

We have low and middle management, if it can be called like that, they are actually 2 experts – one for each of the works we cover –technical/building works and gardening works. They manage and control the rest of the employees. We have 15-20 employees.

- How do you scale the company?

We are not ready to scale the company yet. It would have the impact on the quality. 20 employees is our maximum.

- What is your internal value chain? (internal resources in combination with internal capabilities)

We offer patience with unskilled persons so that they are able to produce value for which our customers are willing to pay. Until they learn everything necessary to carry out their job, they need time - somebody needs 1 month, another one needs 6 months.

Another benefit they receive is the number of days/hours –off. They usually need to spent much time visiting court, execution procedures, social offices, layers, moreover many of them have also health problems and they have frequent hospital or doctor visits. In our company they receive above standard time-off to solve their personal and health issues.

We pay for their driving license course or other relevant qualification, tests, courses....

Employees can also receive accommodation in form of the flat – it is social flat owned by the city. Our enterprise acts as the administrator of those flats.

Lastly, we offer them personal coaching and mentoring, which helps them to persist in the difficult beginnings and during tough times.

- What is your external value chain? (what are external resources, network and value creation partners)

For example when we organize cultural events, we do not pay rent for the premises. Also our customers support us by ordering our services.... they could choose another company on the market, but they like our story, they are proud to help people in need and who also deserve it. We cooperate with psychologist.

What is your profit equation?

- What is your primary source of income? (government funding, self-generated income, donations, etc...)

10% of our income comes from maintenance of the above mentioned social flats, 20% from social section of municipal office through publicly beneficial works we provide and some smaller grants, maybe 5%. 65% is income from entrepreneurship activities.

- What is your turnover or budget you need to sustain operations?

Our annual revenue is 9. 000.000 CZK (cca 300.000 EUR).

- What is your financial profit and how do you reinvest/redistribute?

Profit accounts for 800.000 CZK in 2018. 40% of the profit is distributed in the form of dividends and the rest is re-invested back into the company. We started to be profitable approximately 3 years after the set-up.

- What is your costs structure?

We spend higher costs for accounting, repairs for cars/equipment and obviously labour costs. Ratio between people costs and other costs are about 7:3.

What is your social equation?

- What is focus distributed between social and economic profit?

We hire our employees based on the recommendation from the social workers of the municipal office. We receive the potential employee together with his life-story and we write down a plan on what we want to achieve apart from the employment. It can be moving from crisis accommodation to stable home, debt-elimination, further training, education of the children etc. Till now we didn't have to deny a single man, we hired everyone who was recommended apart from few cases where the person had such negative attitude to work and authorities that we realized we could not form him because the person is literally useless.

We are willing to hire person but from the long-period viewpoint, we cannot suffer a loss. From a short-term point of view, we are able to tolerate also financial loss stemming from such person, but we have to see direction towards improvement.

- How do you sustain the social mission and what are the challenges?

Note: Answered elsewhere.

- Do you measure social impact? If yes, what method do you use?

Our success is when the person leaves our company and is able to find a job on his own, usually finds also better accommodation and the quality of his life and life of his whole family is on completely different level. I am in contact with all who are interested and I like to watch their achievements. We do not measure social impact statistically because of lack of time and sources...I do not like to waste time in the office, I prefer the fieldwork. We are not ready to scale the company yet also due to the fact that it would require a newcomer to support me in managing administrative stuff, which is a nightmare for me."

- What is the static and dynamic impact (static – solutions at a given point in time, dynamic – change of the environment around you)

By providing our full package, from mentoring to accommodation we have impact mainly to their families, which I believe is the core of healthy environment. We help them to navigate

when dealing with court, execution procedures, social offices, layers, etc. We teach them responsibility and fulfilling their obligation and on the other hand we manage a reasonable condition, so we indirectly have impact to lenders.

What is your strategy?

- What is your market segment? (the users to whom the offering is useful and for what purpose)

Note: Answered elsewhere.

- What is your innovation?

The complexity of the solution for the person in need, we provide employment, accommodation, education, psychological help, help for children, coaching, financial mentoring....

- What is your competitive strategy? (competitive advantage, industrial organization view, resource-based view)

Note: Answered elsewhere.

- What stakeholders do you involve in your business? How do you incentivize them? Only municipality as minority shareholder and our customers.

Note: Answered elsewhere.

How did you identify the opportunity?

- What was your personal motivation to start SE business?

I used to work as the social worker, I often helped people from my local district using my own sources and I started to think of the opportunities how to support and encourage those people to use their own power to help themselves. My very initial inspiration was the miserable fate of my acquaintance – former prisoner and consequent alcoholic, who fell through the net of social help after his release.

- What skills, competencies and experience did you bring to the business from your past?

Note: Answered elsewhere.

- What was the source of opportunity? (imperfect information, monopoly power, public goods, externalities, flawed pricing mechanisms)

Public competitions issued by municipality with the focus on social businesses, this means the criteria for winning the order are not the same as in the standard competition. In these orders we have the advantage, we are preferred. But the price and quality has to remain competitive.

How did you start the business?

- Did you have any funding and what was the sources of your funding?

At the beginning I received grant of 3.000.000 CZK and I have to invest my own funds as well, round 700.000 CZK. 15% of share is owned by the city part we operate in (Prague 14), 39% is my own share and the rest is my partner's share.

- Did you use a lean approach? (experimentation, customer feedbacks, iterative design)

Yes, we provide services, which are accepted by our customer. We listen to the feedback.

- What were the most significant challenges and what did you change?

Note: No answer.

What relationship do you have with the government and municipalities?

- Do you have support from municipalities or government in terms of any resources (finance, know-how, organization, connections, facilities, etc...)

Social section operating under the municipality office was interested in our vision and wanted to give chance to our target group. They evaluated the social enterprise as the best solution, so we set-up the business which is partially owned by the municipality.

- Do you coordinate any projects or implementation with them?

Note: Answered elsewhere.

- Do you have a program for social business defined by legislative and how does it affect your business?

Note: Answered elsewhere.

How do you manage human resources?

- What people do you have in your team and what are their habits?

Note: Answered elsewhere.

- How do you remain organizational culture?

Note: No answer.

- Where do you find talents, how do you attract them and how do you retain them?

We pay our talents very well, so that they do not run away and also they have autonomy at work – this is my managerial approach.

What are your biggest challenges?

We are currently moving our place to new premises, which I consider as the biggest upcoming challenge, mainly in terms of finance. Another long-term challenge is to keep the high quality of our work and to reach higher effectivity.

What do you consider as biggest success?

Biggest success for me are successful life stories of our people.

8.2.4 Business #4

What is your value proposition?

- What is the problem you are trying to solve?

High rate unemployment in the region of northern-east Hungary and disinterest in the cultural heritage of local handicraft made by locals, especially elderly women.

- What is your social mission?

Inclusion of old people, mainly women into community and provide them work opportunity. These women live often alone, without husband, as there is higher rate mortality of men. Social system doesn't cover these women, as they have never been employed, they used to stay at home as housewives. As the result their old age pension is at minimum level and they live in poverty.

- Who are your customers? (individuals or organizations who pay for or consume social mission)

Our customers are mainly foreign tourists (80%), who want to have a unique memory from Hungary, but in recent years we noticed growth in domestic sale (20%) especially during holiday seasons, like Christmas.

- Who are your beneficiaries? (individuals or organizations maybe be on both sides as consumers, but also producers)

Our beneficiaries are primarily elderly women. However, we have impact on the nearest region as well, mainly three nearby villages. In parallel with our main business, we also provide the possibility for about 50 people from the capital city Budapest to buy local food, so there are also elder men who benefit from the network.

- What is your product/service?

We sell clothes decorated by the beauty of traditional embroidery and craftsmanship. Each item is unique and has mark and description of the woman who made it. We focus on high quality material and majority of our cloths are purchased from other cloths producers. However, we rented a house last year, where we started to produce some cloths by our own means and we wish to continue with our own production of all types of cloths.

What is your value constellation?

- What is your type of constellation? (in which positions are customers and beneficiaries between consumption and production)

Our customers buy items made by our elderly women.

- What is your company structure?

We have two sites, one in Budapest and one in the already mentioned region. The Budapest office is responsible for selling and marketing, whilst production is concentrated in the regional office. People in Budapest are independent and don't need supervision. Some of them work on part time contract, like Chief Financial Officer or Chief Sales Officer. Production section is supervised by our production manager (also woman in retirement age), who is responsible for coordinating work of other women.

- How do you scale the company?

It is not a challenge to include another woman experienced in making traditional embroidery, which are at the moment our target group. In the near future, we would like to start with production of basic cloths designed by smaller Hungarian designers, which might be more challenging to manage from operational and also financial point of view.

- What is your internal value chain? (internal resources in combination with internal capabilities)

As I have already mentioned, our women produce embroidery as their main activity. We provide them with place suitable for production, which we call design centre. The purpose of the centre is also to allow them to meet and socialize as it used to be in old ages, when women were meeting during the evening handmade work. Marketing is another area, which is driven by us. Our cultural heritage is covered by UNSECO organization and we are very proud to share this cultural message through our work. We sell clothing through our website (8%) as

well as through mentioned shops. In the future we would like to increase internet sale to at least 20% as it is the most profitable sale channel.

- What is your external value chain? (what are external resources, network and value creation partners)

We collaborate with few partners, who has their shops in tourists' areas in Hungary and who offer high quality hand-made local items. Frankly said, we have standard commercial conditions and there is no preference from their side to support our business. We learned that it is better from sales perspective to collaborate with high quality tourist shops compered to regular memory shops.

What is your profit equation?

- What is your primary source of income? (government funding, self-generated income, donations, etc...)

The primary source of our income is self-generated income from our customers. We received only one incentive from European Commission Fond in the amount of 10k EUR.

- What is your turnover or budget you need to sustain operations?

Note: Answered elsewhere.

- What is your financial profit and how do you reinvest/redistribute?

Our annual profit is a bit less than 50.000 EUR and it is our only financial source. Our YoY growth is around 10%. We don't have very complex financial management. I take from the company money when I need it, but the rest is reinvested.

- What is your costs structure?

The labour costs of full-time employees are around 30%. Our women are payed hourly salary, which has proven to be more efficient compared to monthly salary. They also are entitled to the sale commission from each sold embroidery item. These costs are not considered under people costs. The embroidery itself is about 20% from the price of final product. We have 40%-50% profit on each item.

What is your social equation?

- What is focus distributed between social and economic profit?

"It all started with initial idea to help my nanny, who was my first beneficiary. The nanny of my brother-in-law was my second beneficiary. The main motive for the activity was to somehow support those women and the business idea came afterwards."

- How do you sustain the social mission and what are the challenges?

The biggest challenge is to keep it financially working. From social perspective, I was born in this region and I used to spend each summer holiday there, which makes me accepted among the locals. I think it would be much harder for anybody else to join the community. From that perspective we live like a family, so it is easy to keep the social aspect, which is somehow natural.

- Do you measure social impact? If yes, what method do you use?

No, but we can observe it on daily basis. Women can afford more than before.

- What is the static and dynamic impact (static – solutions at a given point in time, dynamic – change of the environment around you)?

Besides direct work generated for women, we try to create a channel also for other products like food, managed as supplementary sale. We help people realize it is possible to capitalize their work outside their region.

What is your strategy?

- What is your market segment? (the users to whom the offering is useful and for what purpose)

80% foreign tourists, 20% Hungarian. In general our segment consists of people who want to keep higher quality and personal memory from Hungary and who favour old style decoration or who simply want to support traditions. Majority of our customers are women.

- What is your innovation?

What I consider the innovation is how the message is shared on the label of each item. Every single item carries its story and the story of the woman who produced it.

- What is your competitive strategy? (competitive advantage, industrial organization view, resource-based view)

Our competitive advantage is that we provide something what is missing on the market - cloth which is of high quality, wearable not only in folk festival, but also as a casual dress and is unique for each woman. Another advantage is that we don't need to change design based on changing fashion seasons and thus save money for designing cloths. Our customers are mainly new customers buying first time.

- What stakeholders do you involve in your business? How do you incentivize them?

This are mainly my CFO and CSO, they all are coming from professional high return industries and are willing to work for us part time/based on hours to professionalize our sales/marketing model and company itself. They like the story and that is why they are willing to work for better conditions. We realized that with them on board our revenue started to grow.

How did you identify the opportunity?

- What was your personal motivation to start SE business?

I was born in the region, where our centre is located. We still have a village cottage in the area, and I was very pleased to come back every time. When I saw the life of those women, I was thinking how to help them. I don't have any design background, I studied social work, but I was looking at the opportunity what value those women can bring and that was their special skills with custom embroideries.

- What skills, competencies and experience did you bring to the business from your past?

I learned to do business from scratch, I had no business experience before. I just lived in the region and observed opportunities viable within given capital.

- What was the source of opportunity? (imperfect information, monopoly power, public goods, externalities, flawed pricing mechanisms)

As mentioned, poverty. The region, which we are supporting, is one of the poorest regions in Hungary. Government did finance building of infrastructure to make the region more attractive for investors. Lack of job opportunities caused the outflow of young people from the region and remaining people are too old or uneducated to develop the region themselves by entrepreneurship activities.

How did you start the business?

- Did you have any funding and what was the sources of your funding?

There was a possibility to receive EU funding. It was also the time I transformed company from limited liability company to non-profit organization. I received funding of 10k EUR.

- Did you use a lean approach? (experimentation, customer feedbacks, iterative design)

All cloths are based on communication and observation of customers' behaviour through shops or our chat/website. All business was run from the beginning always financially viable, so yes we grow organically.

- What were the most significant challenges and what did you change?

Stay alive.

What relationship do you have with the government and municipalities?

- Do you have support from municipalities or government in terms of any resources (finance, know-how, organization, connections, facilities, etc...)

Apart from the initial funding there was no support. I would expect more support in terms of funding, but also compensating salaries from our government.

- Do you coordinate any projects or implementation with them?

No

- Do you have a program for social business defined by legislative and how does it affect your business?

No, we don't use it.

How do you manage human resources?

- What people do you have in your team and what are their habits?

It is very natural, as we live like a family. Every individual is appreciated and there is a peer pressure to keep the quality as well as focus on responsibility. Women are aware of the fact that business is created for their good. People in Budapest are very supportive of the idea. I keep level of excitement by sharing stories from the region.

- How do you remain organizational culture?

Stories. We have teambuilding twice a week. It is fun to integrate people from Budapest with people from rural region. Elder women come with cakes and demonstrate great hospitality. It is impossible not to be touched by such act.

- Where do you find talents, how do you attract them and how do you retain them?

There are very limited work opportunities in our region, so we do not have problem in retaining regular employees. Fluctuation amongst them is almost zero. I am managing procurement, sale and finance myself for now, but with the company activities expanding I will be forced to hire middle management to coordinate various aspects of the company activities professionally. I have to offer a decent salary.

What are your biggest challenges?

I have just mentioned that – [the challenge is] to be brave enough to hire somebody to trust with part of my responsibility. I think I am the only one guarding the social mission in the right way and I suppose the search for the new member with the same commitment to the mission, will be a challenge...I therefore postpone it, which I feel prevents the business from reaching its full potential and desired growth.

What do you consider as biggest success?

The establishment of design centre where we all can meet and create our own space.

8.2.5 Business #5

What is your value proposition?

- What is the problem you are trying to solve?

We have identified several problems where our activities could be useful, let me name you one by one:

- 1) Promotion of employment and work activation of those unemployed and at risk of losing their job*
- 2) Dissemination and protection of women's rights and activity for equal rights of men and women especially in the ICT branch*
- 3) Support of economic growth, including the development of entrepreneurship skills*
- 4) Support of local communities*
- 5) Support of science and education*
- 6) Building awareness of modern technologies and promoting their usage in the society, state administration and private sector.*

- What is your social mission?

The main mission of the Foundation is to create the path of career for young people aged 19-26 years, which will improve their living situation and enable further development. We support people from also from orphanages and disadvantaged families. To some extent it can be described as the solution of long-term unemployment as well. There is a mismatch in Poland and other V4 countries between what markets demand in terms of workers and what is supplied into the market, resulting in shortage of tech talents. Public education in Poland is not being adjusted to current trends quickly enough. The labour force produced at universities does not have qualities expected by companies. This especially touches IT sector. What we are somehow trying to do is provide instant solution to this mismatch and offer very rapid and quick change of the carrier path to people.

- Who are your customers? (individuals or organizations who pay for or consume social mission)

The owner of our Foundation is company for-profit part and the foundation is fully financed from its CSR budget. Their commercial customer portfolio consist in majority of people aged 19-34 who are currently employed but are for some reasons dissatisfied with their current position (salary, lack of potential development, promotions, options...) Most of those people quit their jobs to enter our very intensive model of learning called boot camp, they have to save some money because it is quite expensive. Second group consists of young graduates who join the boot cam directly after secondary schools, they do not want to spend 5 years at university and want to enter the job market as soon as possible. We also offer weekend

courses and online courses via virtual classes. We are also training recruiters of IT companies. We already have around 3000 successful graduates, most of them were able to find IT job within 3 months from ending the course. It has to be stressed that their knowledge is at very basic, junior level and they need a lot of practice and senior supervision.

We integrate people from disadvantaged groups supported within our foundation into the courses with paying customers, so they can also be called customers, as well as beneficiaries.

- Who are your beneficiaries? (individuals or organizations maybe be on both sides as consumers, but also producers)

As already mentioned, beneficiaries are individual persons, not necessarily unemployed, but coming from disadvantaged groups of people, for example children brought up in orphanages and young female candidates which are not given chance on the commercial labour market.

We do not have many unemployed, because they cannot afford our quite expensive courses. We have developed several ways how to finance the course.

1. *to use EU funds , which are distributed by regional agencies*
2. *to co-finance the price of the course by the labour office,*

Around 30% of our students use these sources. We are to some extent engaged in the service, we offer them very good overview of the options how to apply for the help. We also have advisory workers who help with administrative work during application process.

- What is your product/service?

We provide two main services - programming language trainings and soft skills trainings, which is of peripheral importance. Apart from B2C courses, we also offer B2B courses. We train juniors directly according to the needs of the company, retrain existing workforce, and provide courses for HR departments. Recruiters in IT are often given tasks related to hiring IT specialists without really knowing what are the desirable features of the good developer. We train them how to better understand the work, mentality and profile of IT professionals.

We also offer support after finishing the course – we have a programme to guide students how to create their developers portfolio or how to act in a scrum methodology.

What is your value constellation?

- What is your type of constellation? (in which positions are customers and beneficiaries between consumption and production)

Note: Answered elsewhere.

- What is your company structure?

We have two full-time employees. The for-profit part has professional management.

- How do you scale the company?

By selling franchisees, also to foreign countries, for example the licence fee is 20.000 EUR for Slovakia.

- What is your internal value chain? (internal resources in combination with internal capabilities)

For-profit part provides instructors, technical equipment, classrooms, learning materials.... beneficiaries receive exactly the same course standard as our paying customers. We also receive support from different departments of Coders Lab, especially marketing.

- What is your external value chain? (what are external resources, network and value creation partners)

Note: Answered elsewhere.

What is your profit equation?

- What is your primary source of income? (Government funding, self-generated income, donations, etc...)

The primary source of income is donation from for-profit part, our founder and owner. We also receive donations from other private companies and corporations.

- What is your turnover or budget you need to sustain operations?

It depends on the number of beneficiaries. In 2018 it was 220 000 PLN (cca 50.000 EUR)

- What is your financial profit and how do you reinvest/redistribute?

The foundation does not run a commercial business. The yearly revenue of our commercial part is 5.000.000 EUR and average profit margin of the course is 60%.

- What is your costs structure?

Costs of foundation have the following structure: 30% employees, 45% trainings, 15% beneficiaries logistics, accommodations, alimentation, 5% marketing actions, 5% others (like tax and law service).

For-profit part provides trainings and the highest share of their costs goes to instructor salaries. Also development of learning materials is costly process; moreover due to quickly changing IT sector materials have to be constantly updated.

What is your social equation?

- What is focus distributed between social and economic profit?

The Foundation does not run a commercial business; we are focused only on social profit

- How do you sustain the social mission and what are the challenges?

We sustain our social mission by marketing and informational actions. Our two main challenges are to find and collect donations and to reach future beneficiaries with our help offer.

- Do you measure social impact? If yes, what method do you use?

The only method we use is observation and sustaining in contact with beneficiaries after the trainings. We keep all statistics of student who pass the courses.

- What is the static and dynamic impact (static – solutions at a given point in time, dynamic – change of the environment around you)

Foundation was created in purpose of helping skilful and passionate young people acquire qualifications, which were unavailable for them because of external conditions. The main mission of the Foundation is to create the path of career for these people, which will improve their living situation, enable further development, and help state save money on unemployed. We also have impact to IT industry in Poland as we create human resources, which were not developed by universities as expected.

What is your strategy?

- What is your market segment? (the users to whom the offering is useful and for what purpose)

IT development market.

- What is your innovation?

Our own developed courses are definitely the innovation.

- What is your competitive strategy? (competitive advantage, industrial organization view, resource-based view)

None.

- What stakeholders do you involve in your business? How do you incentivize them?

Stakeholders of the foundation are big corporations. Besides their financial support they organize different workshops (company days, job searching). We make their logo visible on every marketing material and mark them as a foundation partner

How did you identify the opportunity?

- What was your personal motivation to start SE business?

I haven't started this business myself; I am a regular employee of the foundation. I do not possess sufficient entrepreneurial courage to start any business myself. I have the volunteer background and work experience from other social enterprise where I also was regularly employed.... I always wanted to do something meaningful in life, to not only wake up in the morning for my own benefit. Significant personal reward is more important for me than the height of my salary. I take pride in knowing I am helping others cope with their problems.

- What skills, competencies and experience did you bring to the business from your past?

As I have already mentioned I had experienced social work as a volunteer during my studies and also as a regular occupation. I have learned teamwork and relationship skills and also how to manage myself. As I am not a natural born leader, I have learned how to make my voice heard, helping me to grow into stronger and more confident person. I benefit from all of this in my current position.

- What was the source of opportunity? (imperfect information, monopoly power, public goods, externalities, flawed pricing mechanisms)

Note: Answered elsewhere.

How did you start the business?

- Did you have any funding and what was the sources of your funding?

Foundation was established by will of traditional entrepreneurs to provide their help to people excluded from job market. Founder of the organization is for-profit part and founding budget was 20 000 PLN.

- Did you use a lean approach? (experimentation, customer feedbacks, iterative design)

What does it mean? I guess it means we started with the small amount of people....? So yes we firstly tested couple of students via our first

- What were the most significant challenges and what did you change?

What relationship do you have with the government and municipalities?

- Do you have support from municipalities or government in terms of any resources (finance, know-how, organization, connections, facilities, etc...)

We have developed several ways how to finance the courses for our beneficiaries:

First is to use some EU support mechanism, which are distributed and also administratively managed by private regional agencies and second more accessible possibility is to co-finance the price of the course by the local labour office. Around 30% of our students use these possibilities. We are to some extent engaged in this co-financing as well, because we offer very good overview of the options and application process. We also employ advisory workers who help with administrative work during the whole application process.

- Do you coordinate any projects or implementation with them?

No

- Do you have a program for social business defined by legislative and how does it affect your business?

We have not studied the existing legislative on social business; maybe it is a good point for future improvement, to use more of what is offered by our government or municipality.

How do you manage human resources?

- What people do you have in your team and what are their habits?

Foundation Coordinator – oversees actions of the organization (contact with beneficiaries, logistics, documents flow)

Fundraising Manager – acquiring donations from corporations and maintains contact with partners.

- How do you remain organizational culture?

At high level.

- Where do you find talents, how do you attract them and how do you retain them?

We use HR department of for-profit part, they recruit people also for the need of foundation. Our recruiters are very experienced and understand that employees in the foundation have to possess also some specific soft skills and personal prerequisites to fit our team and culture.

Our foundation is professionally managed, because we use know-how, equipment and experience from our founder – developed business organisation with separate departments such as marketing, HR, accounting, finance, sales and operations. It is our great advantage compared to other social enterprises.

What are your biggest challenges?

Because Polish government does not help in reaching potential beneficiaries our biggest challenge is to provide them with our help offer. Second biggest challenge is to acquire funds for Foundation operation.

What do you consider as biggest success?

Our biggest success is that we already helped dozen of young people and we can see how their lives was improved.