SOCIAL ENTREPRENEURSHIP DEFINITION AND ESSENCE IN THE LATVIA CONTEXT

*Dana Gintere, Lasma Licite-Kurbe
Latvia University of Life Sciences and Technologies, Latvia
*Corresponding author’s email: dana.gintere@gmail.com

Abstract
Inconsistencies, overlapping concepts, and contradictions appear in the developing literature on social entrepreneurship and its role in economic development and social value creation. However, the theoretical and practical importance of developing and applying social entrepreneurship to sustain social development and enhance human well-being in rapidly changing environments has catapulted this issue to the forefront of the research agendas of many scholars. This article examines the historical backdrop of social entrepreneurship, as well as the contexts of Latvia and the Nordic and Baltic countries. The study examines how the definition of social entrepreneurship has changed through time in various studies. Different scientists’ definitions are compared, and the issues with a common definition barrier are discussed. The definitions of social entrepreneurship are examined in the Latvian context between M. Yunus’ concept, the European Commission’s definition, and the Social Enterprise Law. Finally, the definitions of social entrepreneurship in the Nordic and Baltic nations that have legalized social entrepreneurship are examined to see where there are similarities and discrepancies.

Key words: social entrepreneurship, social enterprise, the Nordic and Baltic region, systematic review.

Introduction
Social entrepreneurship is one of the recent business concepts. Social entrepreneurship has an important role in society. This is clear both at the national level, where the promotion of social entrepreneurship is included in various strategic documents, and at the local level, where countries are implementing various support systems for social enterprise development. Despite the fact that social entrepreneurship is becoming more prominent in society, scholars, scientists, and politicians cannot agree on a shared definition of social entrepreneurship or what makes a social enterprise. Each country has its own definition. Each scholar defines the concept of ‘social entrepreneurship’ differently (Martin & Osberg, 2007; Light, 2006; Mair, 2006; Nicholls, 2006; Hockerts, 2006) (Robinson, 2006). Nicholls emphasizes the importance of precisely defining the terms ‘social entrepreneurship,’ which are made up of two seemingly simple terms: ‘social’ and ‘entrepreneurship’ (Nicholls, 2006). These phrases are complex, both combined and independently, with various perspectives and interpretations that further complicate the term ‘social entrepreneurship’. Johnson points out that defining social entrepreneurship is as tough as establishing its conceptual limits (Johnson, 2002). The researcher claims that in the year 2002 the reason of difficulties was lack of literature on this issue, which is still a current obstacle 20 years later. But Braunerhjelm indicates that lack of scientific definition of the concept is the importance of various social entrepreneurship activities for people in different parts of the world, each understanding social entrepreneurship differently, within their own geographical and cultural context (Braunerhjelm et al., 2012). The lack of a universal definition makes it difficult to collect statistics on social entrepreneurs, social enterprises and their impact on social issues, both locally and globally.

Primarily, the term ‘social entrepreneurship’ is defined as a combination of the terms ‘social’ and ‘entrepreneurship’ (Mulgan, 2006). It is correctly regarded as combining the ‘commercial’ process and profit-making tools from the standpoint of charities, as well as the purpose of a ‘social’ mission (Nicholls, 2006; Peredo & McLean, 2006). It is appropriately interpreted as linked to the goal of a ‘social’ mission from the perspective of charities and to linking the ‘business’ process and profit-making tools (Nicholls, 2006; Peredo & McLean, 2006). Entrepreneurship is a term that has been given various definitions in the literature, including entrepreneurship, intrapreneurship, commercial entrepreneurship, and, most recently, social entrepreneurship. In the 18th century, the French economist Jean-Baptiste Say was the first to popularize the term ‘entrepreneur,’ defining it as ‘a person who devotes resources to higher regions of productivity and yield’. Scientists have characterized the ethical and mission values of social entrepreneurship and social entrepreneurship in similar way.

Other scholars argue that McClelland (1961), who focused on the need for accomplishment incentive, brought a psychological explanation of ‘who entrepreneurs are’, was one of the first to define entrepreneurship. In keeping with Schumpeter’s (1934) theories on the role of entrepreneurs in economic development, risk-taking, proactiveness, and innovativeness are three of the most commonly stated attributes cultivated as a means of creating market opportunities (Stevenson & Jarillo, 1990). These qualities are and are also needed by social entrepreneurs to achieve both business and social goals. Despite the fact that there has been a lot
of social entrepreneurship in recent years, agreement on what constitutes social entrepreneurship remains elusive. There are numerous definitions of social entrepreneurship. The aim of the paper is to look at and analyse the definition of social entrepreneurship in a historical context. The following specific research tasks have been established in order to achieve the aim: 1) to examine social entrepreneurship in a historical framework from a social entrepreneurship definition perspective; 2) to analyse the main social entrepreneurship definitions; 3) to compare the definitions of regulatory enactments for social entrepreneurship in Nordic and Baltic countries. The study of social entrepreneurship in the world has been studied by D. Bornstein (2010), focusing on a key innovation that underlies much of the recognition of the role played by entrepreneurs in advancing positive social changes, A. Nicholls (2006), who emphasized the role of social entrepreneurship in socio-economic development, and G. Dees (2002), referred to as the father of social entrepreneurship education, founder of the Center for Social Entrepreneurship Development of Duke University. Social entrepreneurship has been studied by several scientists in the Baltic States, including L. Lēcīte-Ķurbe (2013), E. Butkevičienė (2008), J. Greblikaitė (2012), L. Pērkūne (2019), D. Gintere (2020).

Materials and Methods
Various methods were used in the research of the article to achieve the goal and perform the tasks. The paper was conducted as a systematic review of the literature. To conduct a theoretical debate and evaluate the study’s results based on scientific theories and findings on social entrepreneurship, monographic and descriptive methods were employed. The theoretical results and legal documents in various policies employed analysis and synthesis to investigate the elements of the problems and define the regularities. The induction method was used to make scientific assumptions and identify links based on specific pieces or facts. The logical systematization and interpretation of literary data has been done using deduction.

Results and Discussion
Social entrepreneurship definition in historical framework
The development of social entrepreneurship can be divided into three stages: philanthropy, global social movements, and current times. A period of philanthropy preceded the beginning of social entrepreneurship (18th century – early 20th century) (Dobele, 2013). During this time, numerous charities and religious organizations became more involved in resolving socio-economic issues. Initially, forms of social entrepreneurship manifested themselves in philanthropy and religious movements, as a result of which social entrepreneurs were called humanists, reformers, and philanthropists (Bornstein & Davis, 2010). Although research on social entrepreneurship is not considered to have emerged during the philanthropic period, Ms. Parker-Folletta wrote in her publications on the interaction between the entrepreneur and the social system around 1915 that every firm is part of a man-made system that makes up society and everyone should be aware. She was one of the first to emphasize that the mechanisms of action of the state and local governments are often too cumbersome, and the courage, activity and search for innovative solutions characteristic of entrepreneurs are essential in solving social problems (Stimms, 2009).

As a result of the development of society in the global period of social movements (early 50s – 90s), socio-economic problems related to discrimination against various groups also continued to grow, with representatives of various political and social movements actively involved in the problems of these groups.

The first appearance of the term’s social enterprise and social entrepreneur in the literature is indicated by H. Boven in the book ‘Social Responsibilities of the Businessman’ in 1953. Later these terms were widely used in the 1980s and 1990s, and were advertised by B. Drayton, C. Leeds and others (Defining the ‘Social’,3). However, other researchers Nicholls and Trivedi point out that the term social entrepreneurship for the first time was used twenty years later in 1972 by J Banks in the book ‘The Sociology of Social Movements’. The book emphasizes the importance of using a management strategy to address social issues that are still important 50 years later form book publishing. The time of the global period of social movements and the period of modern social entrepreneurship overlap, several representatives of social and political spheres began to update the term social entrepreneurship in the 20th century.

In the early 1990s, and beyond, this concept developed more and more widely as we understand it now. The period of modern social entrepreneurship (from the early 1990s to the present), when a business model is used to solve a social problem, began in the early 1990s and is still evolving today. The emergence of modern social entrepreneurship is linked to the activities of M. Young, who created more than 60 organizations around the world between 1950 and 1990, including several schools of social entrepreneurship in the UK (Dobele, 2013). In the 2000s, the concept of social entrepreneurship became more popular in society and in academic research, especially after the publication of Charles Leeds book.
social issues and their different concepts. The long-term lack of a common definition threatens the further scientific development of a particular entrepreneurship study. The most referenced definition of a social enterprise is mentioned by M. Yunus (founder of social entrepreneurship and Nobel Laureate) that a social enterprise is a loss-making and non-profit enterprise owner created to solve a social problem. Profits are used to expand the company or improve the product/service (Yunus, 2007). Although this definition is taken as the basis for the definition of social entrepreneurship in policy documents and researchers, the result of social enterprise definition is different for each interpreter.

There are various components on which researchers focus on the essence of social entrepreneurship. Some scientists consider the mission to be the most important part of the definition for social entrepreneurship. For instance, Dees (2001) points to the mission of social entrepreneurs to maintain not only private but also social value. This mission, according to the researcher, is manifested through innovation, the unrestricted availability of existing resources, and the responsibility for the results achieved and places served (Dees & Economy, 2001). Scholar Mort also believed that social entrepreneurship leads to continuous innovation in business. Adding that social entrepreneurship forms itself more through a multidimensional construct that incorporates entrepreneurial methods to achieve social mission in a context of moral complexity (Mort et al., 2003). Roberts and Woods emphasized that social entrepreneurship is ‘the creation, evaluation, and exploration of opportunities for transformative social change by passionate individuals’ – embedding this concept in changing the world through social entrepreneurship (Roberts & Woods, 2005). Mair and Marti view social entrepreneurship as a process that involves the innovative combination of existing resources to meet social change and social needs (Mair & Marti, 2006). Social entrepreneurs are creative, resourceful and goal-oriented people who combine the best ideas from the corporate and non-profit world to create strategies that have the greatest social impact. Although each researcher points to a different ‘importance’ of social entrepreneurship, the unifying factor is the search for innovative approaches to social enterprise with existing resources and addressing the social issues and their different concepts.

Social entrepreneurship in context of Latvia

The Ministry of Welfare in Latvia points out that there is currently no universal definition of social entrepreneurship in the European Union (MoW, [w.y.]). Although there is no uniform definition in the European Union, the European Commission 2011 report on the ‘Social Business Initiative: Creating the right conditions for social enterprises – the basis for the social economy and social innovation’ stated: a social enterprise that is a participant in the social economy is an enterprise whose main purpose is to have a social impact and not to benefit its owners or partners. It operates in a marketplace, producing goods and services in a business-like and innovative way, and uses the revenue mainly for social purposes. These companies are managed responsibly and transparently, by involving the company’s employees, customers and stakeholders in its economic activities.

The concept was clarified so that the Member States of the European Union have uniform information on what a social enterprise is. Taking into account the definitions of different authors, three definitions of social enterprise were chosen for the analysis of the work – M. Yunus, the definition of the European Commission statement and the definition in the Social Enterprise Law. A comparison of the definitions of social entrepreneurship is shown in Table 1.

Although the definitions are different, they have common features that characterize a social enterprise. Common features for social entrepreneurship definitions are:

- **The aim is to create a measurable, positive social impact** – The European Commission states in its report that the primary goal of a social enterprise is to create social impact, also in the Social Enterprise Law and M. Yunus in his definition that the goal of a social enterprise must be to solve a social problem. This goal is the most important thing that distinguishes a social enterprise from other types of enterprises. Although various companies have been trying to be socially responsible in recent years, their primary goal is not to solve social problems.

- **It provides a service or sells a product to socially disadvantaged groups** – social enterprises can solve social problems in various ways, for example, by offering their services as the final product of their enterprise. Another way to do this is to sell or return your product to socially disadvantaged groups, such as a ‘second breath’, which allows you to buy your product at a reduced price and then continue to divert your profits to various social purposes. Both the report of the European Commission and the Social Enterprise Law indicate that
this indicator is important in defining social entrepreneurship.

- The profits are used for primary purposes – the fact that the profits of a social enterprise cannot be obtained by its owner or investor, in the definition of what a social enterprise states, Yunus and the European Commission report. A for-profit social enterprise can invest in expanding the enterprise and improving a product or service, but primarily to achieve its primary goals. In order to make the investment of profits as transparent as possible, the European Commission calls for the introduction of pre-approved procedures for channelling profits to a positive social impact. Although the Social Enterprise Law does not specify that the profit is not distributed among the owners, it is indicated in Section 5, Paragraph 3 of the Law that the status of a social enterprise can be obtained only if the obtained profit is not distributed, in order to achieve the objective, set out in the statutes. The non-distribution of profits between owners or investors has created a misconception in society that in this case the owner of the company may not receive a salary for his work, but this is not the case - the owner of a social enterprise indicates the salary for running the company and pays employees according to the labour market, if possible, from the company’s revenue.

- The company is managed in a responsible and transparent way – the definition of the European Commission states that the company must be managed responsibly and transparently, in the definitions of M. Yunus and the Social Enterprise Law this is not indicated. However, law states that before receiving the status of a social enterprise, the Ministry of Welfare examines the application for obtaining the status of each social enterprise in a specially established commission, to which the company presents its further activities and submits all documents transparent operation of the company.

### Table 1

<table>
<thead>
<tr>
<th>Author</th>
<th>Definitions</th>
<th>Keywords</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Yunus (2007)</td>
<td>A social enterprise is a loss-making and non-profit business owner created to solve a social problem. Profits are used to expand the business or improve the product / service.</td>
<td>- designable, beneficial social impact, - provides a service or sells a product to socially disadvantaged groups, - profits are used to achieve primary objectives, - the company is managed in an accountable and transparent manner.</td>
</tr>
<tr>
<td>European Commission (European Commission Report, 2012; EESC, 2011)</td>
<td>A social enterprise is an enterprise which, regardless of its legal form: a) has set itself the primary objective of achieving a measurable, positive social impact, in accordance with its statutes or any other instrument of incorporation, where that undertaking: - provides services or sells goods to vulnerable, disadvantaged or marginalized people; - is provided with goods or services using a production method; b) the profits are used primarily for the purpose of achieving the primary objectives rather than being distributed and have established pre-approved procedures and rules for any circumstances in which the profits are distributed to shareholders and owners, ensuring that any such distribution does not adversely affect the primary objectives; c) is managed in an accountable and transparent manner, in particular involving employees, customers and / or stakeholders involved in its business.</td>
<td>- designable, beneficial social impact, - provides a service or sells a product to socially disadvantaged groups, - profits are used to achieve primary objectives, - the company is managed in an accountable and transparent manner.</td>
</tr>
<tr>
<td>Social Enterprise Law, Social Enterprise Law, 2017</td>
<td>1) A social enterprise is a limited liability company which in accordance with the procedures laid down in this Law has been granted the status of a social enterprise and which conducts an economic activity that creates a positive social impact (e.g., provision of social services, formation of an inclusive civil society, promotion of education, support for science, protection and preservation of the environment, animal protection, or ensuring of cultural diversity). 2) The status of a social enterprise may be acquired by a limited liability company where one or several public persons jointly do not have the majority of votes if the objective defined in the articles of association of the social enterprise is employment of the target groups.</td>
<td>- designable, beneficial social impact, - provides a service or sells a product to socially disadvantaged groups, - profits are used to achieve primary objectives, - the company is managed in an accountable and transparent manner.</td>
</tr>
</tbody>
</table>

Comparison of the definitions of social entrepreneurship in Nordic and Baltic countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Definition</th>
<th>Keywords</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland (Finlex, 2003)</td>
<td>A social enterprise is a registered trader who is entered in the register of social enterprises.</td>
<td>registered trader/ legal person/ an enterprise</td>
</tr>
</tbody>
</table>
| Lithuania (Law on Social Enterprise (2020) | 1. A social enterprise is a legal person or a subdivision thereof which has acquired the status of a social enterprise in accordance with the procedure established by this Law and has at least the number of employees belonging to the target groups of persons employed in social enterprises.  
2. A social enterprise for the disabled is a legal person or a subdivision thereof which has acquired the status of a social enterprise for the disabled in accordance with the procedure established by this Law. | status of a social enterprise/socio-economic enterprise purpose/ special form of enterprise/ for the disabled |
| Denmark (Folketinget, 2014) | A socio-economic enterprise is an enterprise whose primary purpose is not to generate a profit that creates growth in the enterprise or is pulled out of the owners’ private fortunes. The purpose is instead to promote social and socially beneficial causes through the income generated in the business.  
It is thus not a special form of enterprise, but instead a ‘label’ that can be used by the socio-economic enterprises. | special form of enterprise/ for the disabled                                                |
| Latvia (Social Enterprise Law, 2017) | 1. A social enterprise is a limited liability company which in accordance with the procedures laid down in this Law has been granted the status of a social enterprise and which conducts an economic activity that creates a positive social impact (e.g., provision of social services, formation of an inclusive civil society, promotion of education, support for science, protection and preservation of the environment, animal protection, or ensuring of cultural diversity).  
2. The status of a social enterprise may be acquired by a limited liability company where one or several public persons jointly do not have the majority of votes, if the objective defined in the articles of association of the social enterprise is employment of the target groups. | - registered trader/ legal person/ an enterprise - status of a social enterprise - socio-economic enterprise purpose - special form of enterprise - for the disabled |


M. Yunus defines social enterprise in general, but the European Commission and the Social Enterprise Law define social enterprise by supplementing it with specific legal limits.

Prior to the adoption of the Social Enterprise Law in Latvia in 2018, there was no specific restriction that distinguishes a social enterprise from foundations, associations or various charities, and a report from the European Commission in 2011 also states that a social enterprise may be one that meets the definition of a social enterprise, regardless of its legal form. The study ‘Latvia on the Road to Social Entrepreneurship’ concludes: In fact, social entrepreneurship is a synthesis of philanthropy and business (Les inska et al., 2012). Social entrepreneurship refers to the establishment of new social values that should take place in the public, private and non-profit sectors (Austin et al., 2006). At the same time, other researchers point out that social entrepreneurship is a way for society to find a solution where state and local authorities cannot. Researchers who conducted the research ‘Individual in Social Entrepreneurship: Systematic Analysis of Social Entrepreneurship Personality’ concluded that it is critical to pay close attention to the operationalization of the concept of social entrepreneur – how to more precisely define and measure the concepts of ‘social’ and ‘entrepreneurship’ (Stephan & Drencheva, 2017). The authors believe that there is still a public confusion between social enterprises and charities. The purpose, advantages and limitations of a social enterprise are different from the aims, advantages and limitations of foundations, associations and other similar organizations. *Definition between Latvia and Lithuania, other Nordic countries*  

Given the ambiguity of the worldwide concept of social entrepreneurship, it is vital to establish whether the meaning of social entrepreneurship in a specific context is the same. In this case, whether the definition of social entrepreneurship between the Nordic and Baltic countries – Lithuania, Estonia, Finland, Denmark, Norway and Iceland is the same.

Among the Nordic and Baltic countries, Latvia, Lithuania, Finland and Denmark are the only ones to have adopted specific laws on social entrepreneurship, where a specific definition of social entrepreneurship also appears. A comparison of the definitions of social entrepreneurship in Nordic and Baltic countries is shown in Table 2.
The definition of social entrepreneurship is also not uniform among the Nordic and Baltic countries. Social entrepreneurship is defined differently in each country. The basis of these definitions is the one established by law, or the purpose of the definition is to regulate entrepreneurship and, accordingly, to provide support to social entrepreneurs within the framework of the law. Common to all definitions is the fact that a social enterprise is a legal form – a registered trader, legal person or an enterprise – limited in its activities. The goal of social entrepreneurship is also unifying: it must be specific and measurable. Unlike the theoretical literature, the definition in the law clearly indicates that social enterprises are given the state title – social enterprise – this is different from non-profit organizations or ordinary business. Denmark is the only one to point out that a social enterprise is not a special form of enterprise, but instead a ‘label’ that can be used by socio-economic enterprises, stating that entrepreneurship must be the basis for achieving a social goal. Researchers from the European Association of Social Company Law (ESELA; from November 2018 called ESELA) notes that even if we look at only one legal form in one country, one can see differences in the way the legal form is drafted (ESELA, 2015), which is also reflected in different definitions. For example, other aspects (which influence stakeholders, decision-making and the distribution of profits, etc.) may be relevant to different social objectives. Lithuanian social entrepreneurship has historically been based on support for a social group with a disability, and since 2020, social entrepreneurship has been defined more broadly, while leaving important guidance on the proportions of target group employees in the company. The definitions of other countries are less restrictive to the specific target groups that must be the ‘field’ of the social entrepreneurship mission. Although the Nordic and Baltic countries are geographically closer to Latvia’s position, such as the European support instruments for social entrepreneurship, each country has its own definition of social entrepreneurship. These differences in the definition of social entrepreneurship continue to hamper researchers’ databases for international research. While there are significant differences in the definitions of social entrepreneurship, there will be limitations in research to social entrepreneurship.

Conclusions
1. The development of social entrepreneurship can be divided into three stages: the period of philanthropy, the period of global social movements and the modern period. The greatest contribution to the definition of social entrepreneurship and the development of the concept is made in the modern period. The time of modern social entrepreneurship, several representatives of social and political spheres began to update the term social entrepreneurship in the late 20th century and beginning of 21st century strengthening the concept of social entrepreneurship as we understand it now.
2. Although the Nordic and Baltic countries are geographically closer to Latvia’s position, each country has its own definition of social entrepreneurship and its purpose. Common to all country definitions is that a social enterprise is a legal form limited in its activities. The goal of social entrepreneurship is also unifying, all social entrepreneurship purpose must be specific and measurable.
3. In Latvia, the context a social enterprise is an enterprise that has been granted the status of a social enterprise determined by the Ministry of Welfare and which solves socio-economic problems with an entrepreneurship mechanism.
4. While there are significant differences in the definitions of social entrepreneurship between scholars and law makers, there will be limitations in research to social entrepreneurship, which will obstruct the development of social entrepreneurship concept in the academic field and globally. Therefore, it is necessary to agree on a specific definition of social entrepreneurship before further research is developed.

References


