

# How to establish and manage social enterprises?

*Handbook*



## Authors

Agentúra na podporu regionálneho rozvoja Košice, n. o. (SK)

*Ján Dzurdženík, Henrieta Kiraľvargová, Monika Višňovská*

BORA94 Borsod-Abaúj-Zemplén Megyei Fejlesztési Ügynökség Nonprofit Kft. (HU):

*Gergely Bartók, Réka Filep, Katalin Hall, András Lenártek, Adrienn Mixtayné Kerekes, Nóra Nagy*

Pixel - Associazione Culturale (IT)

*Andrea Anzanello*

Rzeszowska Agencja Rozwoju Regionalnego Spółka Akcyjna (PL)

*Justyna Franczyk, Katarzyna Szeremeta, Tomasz Bober*

## Reviewer

Technická univerzita v Košiciach (SK)

*Nataša Urbančíková*

## Photography

© Bioszentandrás, Miskolc Autism Foundation, Molnárkalács (HU), Rzeszow Regional Development Agency (photos were taken at Social Cooperative "Bajkolandia") (PL), Agency for the Support of Regional Development Košice (photos were taken at the premises of OZ Barlička, social enterprises Rejdová and Spišský Hrhov) (SK)

## Disclaimer

The elaboration of this Handbook was supported and co-financed by the European Union through Erasmus+ programme. The text and information featured in this publication and published on the project webpage and social media sites express merely the opinions of the authors and in no way represent the official statements, opinions and positions of the European Union and its structures.

All rights reserved. No part of this publication may be reproduced without the written permission of the publisher.

April 2019

## Publisher

BORA94 Borsod-Abaúj-Zemplén Megyei Fejlesztési Ügynökség Nonprofit Kft.

ISBN 978-615-00-5205-2

## Table of contents

Introduction .....	4
1. What is social economy and a social enterprise? .....	5
– 1.1. Similarities and differences between social and standard companies .....	6
– 1.2. Why should young people start a social enterprise? .....	7
2. Influence of social enterprises on employment in rural and peripheral regions .....	8
– 2.1. Italy .....	9
– 2.2. Hungary .....	10
– 2.3. Slovakia.....	12
– 2.4. Poland.....	13
3. First steps in establishing a social enterprise.....	15
– 3.1. Establishing a social enterprise in Italy .....	17
– 3.2. Establishing a social enterprise in Hungary .....	17
– 3.3. Establishing a social enterprise in Slovakia .....	18
– 3.4. Establishing a social enterprise in Poland .....	19
4. How to prepare a business plan?.....	21
– 4.1. What is the business about - Executive Summary .....	22
– 4.2. Description of the company and the product or service .....	24
– 4.3. Marketing: why is it necessary? How the product or service will be introduced to the market?	
Marketing techniques .....	27
4.3.1. Communication strategy .....	29
4.3.2. Marketing communication plan .....	30
4.3.3. Tips for approaching target audience with the right message .....	32
– 4.4. How to manage a company? Organization and Management Team .....	33
4.4.1. Basic functions of the management .....	33
4.4.2. Decision making.....	35
4.4.3. Team-building .....	36
4.4.4. Performance management.....	38
4.4.5. Conflict management .....	39
4.4.6. Time management .....	41

5. Human resources – how to motivate people to work .....	43
– 5.1. Motivation .....	43
– 5.2. Tips for motivating the workforce .....	43
6. Occupational Safety and Health (safety and health at work) .....	46
7. Financial plan .....	49
8. State and regional support for social economy .....	51
– 8.1. Support for social economy in Italy .....	51
8.1.1. Non-financial support .....	51
8.1.2. Financial support.....	52
– 8.2. Support for social economy in Hungary .....	55
8.2.1. Non-financial support .....	55
8.2.2. Financial support.....	55
– 8.3. Support for social economy in Slovakia .....	56
8.3.1. Non-financial support .....	56
8.3.2. Financial support.....	56
– 8.4. Support for social economy in Poland .....	58
8.4.1. Non-financial support .....	58
8.4.2. Financial support.....	59



## Introduction

Youth unemployment, depopulation of rural areas, brain drain are currently significant challenges in the European Union. One of the main reasons of this problem is that young people and graduates are not able to find their first job in their region. Social enterprises could provide working opportunities and address these challenges at the same time.

**ELDORA – EDUCATION FOR LOCAL DEVELOPMENT OF RURAL AREAS** project - which have made it possible to create this Handbook - tackles these challenges by strengthening the key competences and skills of young people at their final year at schools (VET institutions and universities), unemployed young people and leaders in rural areas to help them start a social enterprise in order to better utilize local natural and human resources, to increase economic development of rural areas and to prevent brain drain.

The purpose of this **HANDBOOK** is to provide practical knowledge and information for managers and potential social entrepreneurs on „what not to forget“ when managing a social enterprise.

Besides the Handbook, other different practice-oriented training tools have been elaborated as well in the frame of the project, such as:

- a **BEST PRACTICES** collection with the aim of introducing a selection of good European examples about social entrepreneurship, where instead of simply making profit, the creation of social value is the main aim.
- **TEACHING MATERIAL** and **E-LEARNING VIDEOS** for a training series to equip young people to develop and maintain their own social businesses. The videos feature successful case studies from all project partners' countries (SK, PL, IT, HU).
- a **GAME** application on how to start a social enterprise.

All these training tools intend to provide an inspiring learning environment for trainees/entrepreneurs to know more about how the run a social business, and are available at this web link:

**[ELDORA PROJECT AND TRAINING TOOLBOX](#)**

## 1. What is social economy and a social enterprise?<sup>1</sup>

The term social economy represents a distinct set of economic actors which appeared for the first time in France during the 19<sup>th</sup> century and has become more and more known in Europe throughout the time.

Social economy organisations **DO NOT HAVE THE SAME GOAL** as of conventional enterprises, i.e. their profit and its distribution, but they aim at providing goods and services to their members or community and pursue general interest objectives for the community. Another difference of the social economy organisations compared to the conventional business consists of a **DIFFERENT OWNERSHIP STRUCTURE**; indeed, the ownership of the former does not include investors, but rather stakeholders, such as workers, customers or volunteers, underlining the importance of people and labour over profit. Another peculiarity of social economy can be found at a decision-making level, which is characterised by a democratic process.

Alongside social economy organisations, there are social enterprises. This type of business is depicted in different ways, such as:

- Social enterprise applies an entrepreneurial approach to addressing social issues and creating positive community change.
- A social enterprise is a business that uses entrepreneurial methods to accomplish social goals and/or feed profits to a parent charity or non-profit organization to enable it to fulfil more of its own social mission.
- A social enterprise is a revenue-generating business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners.



<sup>1</sup> For more information:

- Social economy and social entrepreneurship, Social Europe guide - Volume 4, European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2013

<https://www.euricse.eu/wp-content/uploads/2015/03/social-economy-guide.pdf>

- Volontariato e impresa sociale - L'innovazione sociale come risposta alla crisi, Published by Luca Raffini, CESVOT (Tuscany Centre for Volunteering Services), 2015

## TO SUM UP:

Social enterprise is a particular manner of doing business developed in North-America, Asia and Europe, which describes those enterprises that aim at pursue social goals, having a social impact rather than make profit for their owners. Social enterprises stay in the middle between social economy and conventional enterprises, since a part of their income comes from trading but at the same time their objectives, as mentioned above, have a social character. Thus, social enterprises have a twofold goal regarding the achievement of economic and social values.

### — 1.1. Similarities and differences between social and standard companies

Managing a social enterprise is similar in many ways to managing a standard company. The main points, which can be considered as **SIMILAR OR ALMOST SIMILAR**:

- Social enterprise works in **REAL MARKET**, very often in a competitive environment.
- Legal form can be a standard **BUSINESS COMPANY** (ltd.) with similar decision-making processes.
- Creation of the profit is expected, as a social enterprise is **NOT a charity organization**. However, profit should be re-invested in human resources, or in the future development of the enterprise. Profit can also be used for maintaining of business activities from company portfolio, which are not able (temporary) to create a profit.
- **FINANCIAL REPORTING** (accountancy) is the same.

In the area of company management, the following **DIFFERENCES** have to be taken into consideration:

- Employees of a social enterprise have their **OWN CHARACTERISTICS**, which can often be different from characteristics of employees selected by standard processes.
- Owners and responsible management boards often come from public sector, which might change periodically (elections). Partnership with **VARIOUS STAKEHOLDERS** (social partners) is important precondition for the success. It includes employees, suppliers, clients and additionally public sector and NGOs.
- Financial sources can be provided by grant, or donating schemes. **PUBLIC SOURCES** are audited in a stricter way, than private sources.
- **MOTIVATION** is a very important factor for managers and for employees. Participative management and other tools can improve motivation of people (team members).

- **DIFFERENT AIMS** of social enterprises are connected also with special techniques of reporting, which takes also non-economical (social) factors into consideration.

### — 1.2. Why should young people start a social enterprise?

- Social enterprises do not focus only on the profit; it takes other **IMPORTANT VALUES** into consideration, e.g. social and environmental aspects.
- Good opportunity in order to **THINK DIFFERENTLY** about business models and financial management.
- Getting more significant and more effective **SOCIAL IMPACT** through an enterprise.
- Young people are interested in investing in **SOCIAL CAPITAL** and in getting returns on their social goals.
- Social entrepreneurs, including young people tend to have a **FREE AND MORE FLEXIBLE CORPORATE ORGANISATION**.
- They can focus on **NICHE AREAS**, where traditional companies or the government usually do not operate.
- Social start-ups can create a completely **DIFFERENT ATMOSPHERE** with enthusiastic colleagues and an innovative vision.
- Young people can join **OPEN-MINDED TEAMS** where their ideas will be discussed.
- It **KEEPS PEOPLE MOTIVATED**: working with incredible people, making great products or services, and having social benefits at the same time.
- It encourages people to help others in **DISCOVERING THEIR LIFE PURPOSE**.
- It creates an atmosphere of **TRUST AND SOCIAL RESPONSIBILITY**, which is not always the focus in a traditional company.
- The **HOBBY COULD BE THE JOB**.
- Motivations to participate in social business activities can fulfil **BASIC PSYCHOLOGICAL NEEDS** and it is a really important topic nowadays.





## 2. Influence of social enterprises on employment in rural and peripheral regions

Overall, rural and peripheral areas have an average living standard lower than compared to the urban areas, therefore the risk of poverty is much higher, which underlines a possible disadvantage in rural contexts.

Demography has an important role regarding the economic growth of rural areas. Indeed, there are different trends in western and eastern Europe where in the first one a “counter-urbanisation” has turned out with people moving back to more accessible rural territories; while in the latter case, migration - especially of young people and women<sup>2</sup> - from rural to urban areas represents a current issue, which leads to the impoverishment of eastern Europe rural areas.

Other issues in rural areas concern health care, house conditions and education. Generally, due to their position, rural municipalities are far away from hospitals and at the same time health services are more difficult to provide and to access, especially in low density areas. This harms especially the elderly and children, who have a higher need of health services.

Regarding the education, different problems can occur: first, the distance from schools or institutions is longer; second, a decline of rural schools compel people to commute, implying long trips and higher costs for families. Moreover, the quality of education in these contexts is lower due to poor levels of education infrastructures and less qualified staff. The following chapters introduce the situation of social enterprises in each partner country.

### TO SUM UP:

Social enterprises can be the breakthrough, addressing social changes with social innovation, acting in those areas, where the market and the state cannot or fail to satisfy the social needs of a community. Social enterprises face several issues in order to develop their activity, since they usually operate in small delimited contexts, facing in this way a lack of specialised training, education and knowledge exchange. For this reason, since social enterprises can bring social change and innovation in rural and peripheral areas, policies that help this type of social economy are needed.

---

<sup>2</sup> For more information:  
European Commission (2008), POVERTY AND SOCIAL EXCLUSION IN RURAL AREAS: FINAL STUDY REPORT, Directorate-General for Employment, Social Affairs and Equal Opportunities Unit E2

— 2.1. Italy



In Italy, and especially in the Tuscany Region, there is a strong bond towards the social sector and therefore social enterprises. This is due to the social history of Italy where the social contexts have influenced the creation, the development and the organisation of social enterprises. In the Tuscany case, this aspect is even stronger due to the strong relation the social sector has with the public institutions. Moreover, Italy is one of the western European countries, where the data concerning the unemployment, schools drop-outs and the presence of young people not in employment, education or training (NEETs) are not as good as in the others, therefore there is the necessity to choose a path leading to the stimulation of new job opportunities, promote the technology innovation and the development of the tertiary sector, especially focused on culture, trade and tourism. An important element is represented by the relation between enterprises and training institutions, especially schools, enhancing the capability of the local system to exploit more and more human capital in order to encourage new employments.

Number of organisations - foundations, associations, non-profit companies	<b>286 982</b>
Number of organisations – social cooperatives	<b>16 125</b>
Number of organisations – religious organisations	<b>14 380</b>
Total revenues - foundations, associations, non-profit companies (billion EUR)	<b>63.9</b>
Number of employees - foundations, associations, non-profit companies	<b>957 000</b>
Number of full-time employees - foundations, associations, non-profit companies	<b>789 000</b>

*Table 1: Facts & figures of social enterprises in Italy*

## GOOD PRACTICE:

Good examples of social enterprises, which are trying to tackle this situation in Italy can be found in Tuscany. In Pistoia, “Social Business Lab” is a social enterprise that operates in the Pistoia area, creating possibilities for the establishment of other social enterprises, offering courses for youngsters on the development and the management of social enterprises. Moreover it tries to involve the whole community of Pistoia in order to become more aware concerning social economy and the importance it can have for social and economic issues. So far, **Social Business Lab** has achieved important results through the organisation of trainings for students, workshops and helping good ideas become good social entrepreneurship projects.

For more information: <http://www.socialbusinesslab.org/> <http://sbflorence.org/>

## — 2.2. Hungary

The term “social enterprise” in Hungary is relatively new. There is no specific definition (e.g. determined by law) for a social enterprise; therefore the number of these organisations could be estimated only. Typical forms of social enterprises in Hungary: social cooperatives, associations, foundations, non-profit companies.

According to the latest data, the total number of potential social enterprises is 2 580.

Number of organisations - foundations, associations, non-profit companies	<b>1 824</b>
Number of organisations – social cooperatives	<b>640</b>
Number of organisations – religious organisations	<b>116</b>
Total revenues - foundations, associations, non-profit companies (billion HUF)	<b>150 457</b>
Number of employees - foundations, associations, non-profit companies	<b>20 879</b>
Number of full-time employees - foundations, associations, non-profit companies	<b>15 113</b>

*Table 2: Facts & figures of social enterprises in North-Hungary<sup>3</sup>*

<sup>3</sup> Central Statistical Office of Hungary, 2017.



#### GOOD PRACTICE:

A good example from Hungary is the case of BioSzentandrás (originally Hernádszentandrás), a small village near Miskolc), which is a social enterprise that operates an organic farm with ecologically controlled vegetables and produces related handmade products. They are situated halfway between Kosice (Slovakia) and Miskolc (Hungary). 28 different types of vegetables and 27 types of herbs are grown at the garden. They are strategic partners with and regular suppliers to several well-known restaurants in the countryside and nearby cities. They employ 12 people. The “House of Tastes” - BioSzentandrás processing plant is producing a great variety of special products. To honour their great effort made for the local community, they have received very prestigious awards, such as:

- European Innovation Award 2013
- European Investment Bank Social Innovation Tournament 2015: the initiative was selected among the best 16 from 342 competitors

The key for their success is a complex approach: business and social aspects are taken into consideration at the same time - building on local conditions. During the years a conscious branding was built and now the organic horticulture, the eco-team, the spirit, the taste and the colours of **BioSzentandrás** are widely known and respected.

For more information: [www.bioszentandras.hu](http://www.bioszentandras.hu)

### — 2.3. Slovakia

At the beginning of March 2018, a new Act No. 112/2018 Col. on Social Economy and Social Enterprises and on the amendment of some acts was adopted in Slovakia. The Act establishes the social economy sector, defines the subjects of the social economy, social enterprises and the possibilities of providing support for social enterprises and the management of the social economy sector.

According to the Act, the social economy is a set of non-state activities, whose main objective is to achieve positive social impact. The social economy defines also a set of specific activities of such entities that are generally built on other principles, but which may be sometimes overlapping with social economy.

The purpose of a social enterprise according to the Act is not making a profit, but a social mission, thus improving the quality of life of people, who are either long-term unemployed, or socially or physically disadvantaged.

According to this Act, a social enterprise is a social economy entity, which carries out an economic activity and must meet the basic conditions below:

- The main goal of a social enterprise is not profit-making, but rather a measurable positive effect.
- If profit is achieved, more than 50% of the profit after taxation is used to achieve a positive social impact (to its main objective).
- It engages stakeholders in management of their economic activity.

The Act distinguishes between social enterprises that have a positive social impact on a specific community - "community interest" (e.g. a non-profit oriented cinema that serves to a small community in a remote area) and those having a positive social impact for society as a whole - "public interest" (e.g. a municipal enterprise, providing job integration to long-term unemployed people, thereby alleviating the burden of the problem for the whole society).

The Act also defines disadvantaged and vulnerable people, based on the fact that within the EU there are two large groups of social enterprises; one that provide labour integration to disadvantaged people and the other, which provide different goods and services to vulnerable people.

New conditions for social enterprises guarantee an increase of the social standard of low-income population groups, and introduce elements of a democratic way of decision-making into production, which are not often seen in private companies today. As the Act is relatively new, the exact number of social enterprises operating in Slovakia at the moment is not known yet.



## — 2.4. Poland

The term "social economy" has functioned in Poland since the 19th century. In the interwar period, Poland was one of the European countries with a highly developed cooperative movement. Unfortunately, the period of communism that followed after 1945 caused a complete regression of this movement. The social entities that were established at that time were entirely dependent on the state. Only after 1989, a new framework for the economic sector was created.



Currently, in the social economy sphere, five main groups of entities can be distinguished, as follows:

- Social enterprises;
- Reintegration entities (e.g. occupational therapy workshops, occupational activity plants, social inclusion centres, clubs for social inclusion);
- Entities operating in the sphere of public benefit and carrying out economic activity. These are non-governmental organisations, conducting remunerated activities or free of charge activities (associations, foundations);

- Entities of the economic sphere - entities arising in connection with the implementation of a social objective or entities for which the social objective is the basis of commercial activity. These are entities that do not fulfil all the characteristics and conditions of a social enterprise. This group includes:
  - Non-governmental organisations carrying out economic activity, the profits from which support the implementation of statutory objectives,
  - Occupational therapy workshops,
  - Social cooperatives, whose purpose is to provide employment,
  - Other cooperatives of a consumer character and mutual cooperatives.

The state of the third sector is illustrated by the following figures:

Number of non-profit organisations in 2016 in Poland	<b>91 800</b>
In which number of associations and similar social organisations	<b>73 400</b>
In which number of foundations	<b>13 600</b>

*Table 3: Facts & figures of social enterprises in Poland and Podkarpackie region<sup>4</sup>*

Number of non-profit organisations in December 2016 in Podkarpackie region	<b>5 600</b>
Number of organisations – social cooperatives in Poland	<b>1 517</b>
Number of organisations – social cooperatives in Podkarpackie region / (with social economy entities)	<b>98 / (143)</b>
Number of reintegration entities in Podkarpackie region	<b>118</b>

*Table 4: Facts & figures of social enterprises in Podkarpackie region<sup>5</sup>*

<sup>4</sup> Source: Activities of associations and similar organizations social, foundations, social entities denominational and economic self-government and professional in 2016 - preliminary results; Statistics Poland, 2018. [‘Działalność stowarzyszeń i podobnych organizacji społecznych, fundacji, społecznych podmiotów wyznaniowych oraz samorządu gospodarczego i zawodowego w 2016 r. – wyniki wstępne’];

Activities of non-profit organizations in 2015: management and cooperation, Statistical analyses and studies, Statistics Poland, Warsaw 2017; Rzeszow Center for Social Economy Support - own data.

<sup>5</sup> On-line database: Local Data Bank, Statistics Poland (available on 2019.02.11);

Report on the development of social economy in Podkarpackie voivodship for 2017 along with diagnosis and monitoring for 2017 Podkarpacki program for the development of economic society 2016-2020. Wojewódzki Labour Office, Rzeszów 2018. [‘Raport o stanie rozwoju ekonomii społecznej w województwie podkarpackim za 2017 rok wraz z diagnozą i monitoringiem za 2017 rok Podkarpackiego programu rozwoju ekonomii społecznej 2016-2020’];

Activities of non-profit organizations in 2015: management and cooperation, Statistical analyses and studies, Statistics Poland, Warsaw 2017; Rzeszow Center for Social Economy Support - own data.

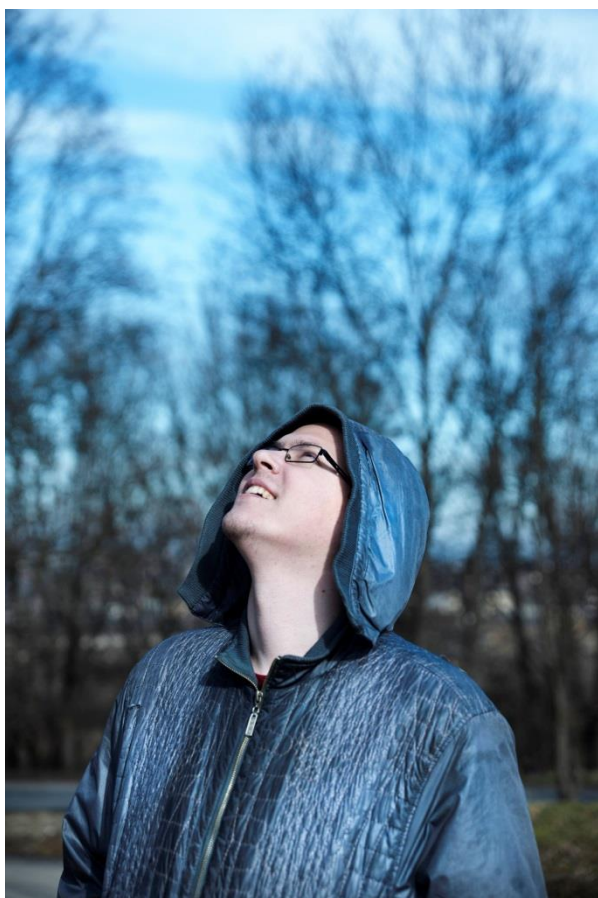
### GOOD PRACTICE:

In Podkarpackie region “the third sector” is present in economic life and actively creates jobs for people at risk of social exclusion, including for young people. Current indicators of the regional labour market identify the disadvantageous situation of young people and their problems with finding a stable job. Employment in the social business sector can be an opportunity for them to improve their living conditions. An example of good practice is an activity of **Rzeszow Centre for Social Economy Support** that helps young people to set up social enterprises and to take their first steps in running a business.

For more information: <http://www.wsparcie.es/>

## 3. First steps in establishing a social enterprise

Before starting a business many aspects have to be considered. The question is not only what will the business do, but also how the set goals will be achieved.



First of all, **THE MISSION** should be defined. Social enterprises aim at addressing social issues in an innovative way. The problem should be clearly stated, which is to be addressed and a solution provided. Goals of social enterprises could be:

- improving labour market, providing work opportunities;
- supporting municipalities and local communities;
- supporting the disadvantaged and people with disabilities;
- helping young or elderly people;
- environmental protection;
- supporting marginalised communities or minorities;
- etc.

Besides fulfilling a social mission, having **QUALITY PRODUCTS OR SERVICES** to sell or offer is a must.



## MARKET RESEARCH

The following questions should be answered:

- Is there any similar product or service on the market?
- Who are the competitors (e.g. their prices, promotional campaigns, selling process, turnover...etc.)?
- What is the market size? Number of potential customers?
- What are the benefits of the product or service compared to the competitors?
- What are the consumers' needs?

There are also several forms of market research. In case of primary market research, it should be conducted for own purposes. In the frame of a secondary market research, already existing data and information can be analysed (e.g. information from statistical offices).

Market research techniques include:

- questionnaires,
- focus groups,
- interviews,
- experiments and field trials.

The benefits of information technology could be used (e.g. google, studies, data bases, websites, blogs, social media etc.).

**BUSINESS AND FINANCIAL PLAN** preparation: is it worth to start a business? What kinds of resources are needed to start and run a business? How will the products or services will be sold? For further details please see chapter 4.

## WHAT COULD LEAD TO A BUSINESS FAILURE?

Once a business has been stated, several hindrances and problems can occur. Let us see a few examples:

- Wrong business model;
- Lack of awareness on key market, technology, social trends;
- Lack of qualified staff or loss of key personnel;
- Not satisfied customers;

- Operation is based only on grants;
- Lack of cooperation with key actors.

Appropriate and sound business planning helps to run a business successfully.

**ADMINISTRATIVE AND LEGAL REQUIREMENTS** also should be fulfilled. The question is: “what is the most appropriate legal form for the social enterprise?” Is there any special permission to obtain for the planned activity? Taxation rules and further administrative criteria should be also checked. Country-specific information regarding administrative and legal issues can be found in chapters 3.1 – 3.4.

### — 3.1. Establishing a social enterprise in Italy

In Italy the main relevant Act to create a social enterprise is the Legislative Decree 155, released on 24/03/2006. The organisation that aims at becoming a social enterprise needs to be established by official record; moreover a social enterprise needs to declare its social goal in reference to the article 2 and its non-profit disposition in reference to the article 3 of the legislation.

	<b>Non-profit company</b>	<b>Social cooperative</b>	<b>Foundation</b>	<b>Association</b>
<b>Financial requirements</b>	the founder needs to find donors in order to carry out the activities	Between 25 EUR and 75 000 EUR as a social quota from the founders	the amount is not defined	280-300 EUR as fees, plus additional costs of services and utilities
<b>Aims</b>	non-profit economic activity	improve social situation of members, provide work opportunity for disadvantaged members	continuous implementation of defined goals	continuous implementation of joint aims of members
<b>Founding members</b>	at least 1 person	at least 3 to 9 associates	at least 1 person	at least 2-3 associates

*Table 5: Forms of social enterprises in Italy*

### — 3.2. Establishing a social enterprise in Hungary

The main relevant legal act is the Act V of 2013 on the Civil Code.

The table below summarizes the possible forms of social enterprises comparing their financial requirements, main aims and founding members.

	Non-profit company	Social cooperative	Foundation	Association
Financial requirements	at least 3 million HUF (Kft.) or 5 million HUF (Zrt.)	none	the amount is not defined	none, members have to pay membership fee
Aims	non-profit economic activity	improve social situation of members, provide work opportunity for disadvantaged members	continuous implementation of defined goals	continuous implementation of joint aims of members
Founding members	at least 1 person	at least 7 members including local or minority government, or a public benefit organisation	at least 1 person	at least 10 members

*Table 6: Forms of social enterprises in Hungary*

Before launching an enterprise, it also should be considered that some activities could be carried out only with the necessary permissions or with relevant professional qualification.

VAT issues: VAT exemption can be chosen up to 8 million HUF revenues (excluding grants).

### — 3.3. Establishing a social enterprise in Slovakia

The Act No. 112/2018 Col. simplifies the access of legal and natural persons to the establishment of the social enterprises. It is sufficient if the founder of such an enterprise submits an application for a status, a basic document (e.g. statutes in case of civic association, foundation charter in case of foundation, the founding treaty in case of simple company) and a business plan to the Ministry of Labour, Social Affairs and Family of the Slovak Republic. To reduce the bureaucratic burden, the Ministry of Labour, Social Affairs and Family of the Slovak Republic will verify fulfilment of other requirements.



Only a registered social enterprise obtains recognition from the state (in the form of a status award) proving that it is really a social enterprise. In order to obtain this status, the law stipulates not only the conditions that an applicant must meet, but at the same time determines with which documents the fulfilment of these conditions is proved and to whom.

The registered social enterprise from the point of view of the activities carried out can be:

- A. integration enterprise,
- B. social enterprise of housing,
- C. other registered social enterprise.

A. Integration enterprise is a registered social enterprise, whose positive social impact is in supporting the employment through the employment of disadvantaged or vulnerable people.

In order to achieve a positive social impact, the integration enterprise is required to employ:

- at least 30% of disadvantaged people out of the total number of employees,
- at least 30% of vulnerable people out of the total number of employees, or
- at least 40% of disadvantaged and vulnerable people out of the total number of employees.

Through integration enterprises, inter-labour market will be created, which means that employees will get working habits for one or two years and afterwards they will seek permanent employment. This will be easier for them, as they will have work experience.

B. Social enterprise of housing represents a widely available housing, based on rented flats with a rent in the amount of overheads for citizens with low-income. Such businesses can be set up by cities and municipalities, construction housing cooperatives as well as by private enterprises that want to provide their employees with adequate housing near the factory.

C. However, other types of registered social enterprises may be established and can deal with a very wide range of activities from environmental activities such as recycling, electricity and heat production from renewable sources, through social and humanitarian activities to cultural activities.

An enterprise with a social impact can be a civic association, a foundation, a non-profit organization, a special facility of a church, a trade company, a cooperative or a natural person - an entrepreneur who carries out an economic activity on its own.

### — 3.4. Establishing a social enterprise in Poland

In Poland, there are separate legal acts which regulate the scope of activities of particular forms of social enterprises. When a social enterprise is getting set-up, the owner should be familiar with the law in the field: the cooperative society, the employment, the employment of people with disabilities and mentally ill, public benefit and social welfare activities.

Below are the most important regulations for the establishment of social enterprises:

- Act of 27 April 2006 on Social Cooperatives
- Act of 15 September 2000. Commercial Companies Code
- Act of 7 April 1989. Association law
- Act of 6 April 1984 on foundations.

This table shows the possible forms of setting up social enterprises:

	Non-profit company	Social cooperative	Foundation	Association
Financial requirements	PLN 5,000 as initial capital of the company	none	not less than PLN 1,000 intended for the commencement of the Foundation's business activity	none, members have to pay membership fee
Aims	non-profit economic activity; the company does not act in order to generate profit and allocates income for the implementation of its statutory objectives	- running the social cooperative on the basis of the personal activities of the members for their social and professional reintegration; - improve social situation of members, provide work opportunity for disadvantaged members	- the purpose of the foundation must be to be socially or economically useful - continuous implementation of defined goals	continuous implementation of joint aims of members
Founding members	at least 1 natural or legal person	at least 3 natural or legal persons, where 50% of the members must be persons threatened by social exclusion in accordance with the provisions of the Act on Social Cooperatives	at least 1 natural or legal person called the founder	at least 3 natural persons in the case of formation of a regular association (unregistered not conducting business activity) or at least 7 natural persons in the case of formation of an association which may launch a business activity in which case registration in the National Court Register is necessary.

*Table 7: Forms of social enterprises in Poland*

Before launching an enterprise, it also should be considered that some activities could be carried out only with the necessary permissions or with relevant professional qualification.

VAT issues: not every social enterprise may have a VAT Statute.

## 4. How to prepare a business plan?

It is often said that the lack of planning is a simple way to business failure. Therefore, if a company wants to run its business professionally and successfully, a step by step process should be planned in a form of a business plan.

### WHAT IS A BUSINESS PLAN?

A business plan is a document containing an assessment of investment profitability of a business project. It is a written document, precise and concrete presentation of a business idea. This document is usually prepared at the beginning of planning the activities of the company, and contains a description of the objectives that are intended to be achieved in the future, taking into consideration the existing market, financial, marketing, technological, organizational and human resources conditions.

In other words, a business plan is a formalized scheme of a project, the development of an initial idea, which - based on specific data -, builds reliable prognosis and real plans for the implementation of a business idea.

The role of the business plan is to present a business idea in the best possible light to all those stakeholders who are able to help it, like public institution awarded start-up grants, banks, labour offices.

In addition, the role of the business plan is to guide the owner on his/her way to the planned goal.

Thanks to the business plan, it can always be seen, where is the business at, what can stop it, or whether it works out well, or not.

Every entrepreneur should map out a business plan in order to be able to be protected against business failure.

Typically, business plans are developed when someone starts a business, applies for a loan, looks for an investor or starts to cooperate with partners.

There is no checked model or method for writing a good business plan, but it is important that the business plan must be convincing, transparent - clear, specific - consistent and realistic.

At least the following chapters (elements) must be included in this document:

1. Executive Summary
2. Description of the company and product or service
3. Organization and Management Team
4. Marketing
5. Human resources
6. Financial plan

An optional part of the business plan may be the SWOT Analysis, the summary, risk assessment in the business and risk management solutions.

#### — 4.1. What is the business about - Executive Summary

An "Executive summary" is the first information about the planned project and therefore plays a very important role in the business plan.

This part of the business plan summarizes the whole study. The summary should briefly familiarize potential funders with the contents of the business plan, interest them and encourage them to familiarize themselves with the entire document.

The summary is a so-called "business card of the business plan" and that is why it should be drawn up carefully.

Of course, reading the "Executive summary" is not enough to convince the potential addressees to invest in the project, but carelessly developed summary can effectively discourage the potential investors from acting in the business project.

It is usually accepted that the summary should fit in one page of an A4 format. This is enough to highlight all the key points of the study and to present it in the best possible light.

In the first paragraph of the executive summary, the following information should be presented:

- the name of the planned enterprise,
- its contact details and location,
- a summary of the business idea,
- information about products or services that will be offered by the enterprise.

Other paragraphs should highlight the most important points of the business plan, such as planned profits and sales, profitability and fundamental factors that will help the company.

The summary may also presents graphs that concluding net profits planned for the next three years. It is also worth explaining here in text form where financial values will come from.

While writing about the objectives in the "Executive Summary" it should be remembered that the concept can be formulated by using the **SMART METHOD** (acronym of words Specific, Measurable, Achievable, Realistic, Time-bound).

According to the **SMART** method, the objective should be:

- **Specific.** The goal should be easy to understand, the wording should be clear.
- **Measurable.** The goal should be formulated in such a way that the degree of achievement of the objective can be quantified.
- **Achievable.** Quite ambitious target undermines confidence in its achievement and the motivation to implement it.
- **Realistic** - the objective should be an important step forward, it must be a fixed value for the one who will implement it.
- **Time-bound.** The objective should have a clear time horizon in which it is intended to be achieved.

Generally the objectives of the business plan are related to:

- Development of the enterprise;
- Diversification of activities;
- Increase in the quality of products/ services;
- Increase in sales volume;
- Reduction of production costs;
- Creation of a new enterprise.

When the objective of a business plan is to attract an investor, this should be mentioned in this section. It should be indicated exactly what amount is desirable and what rate of return on investment will be ensured for a potential investor. It is good to underline who manages the company and in which segments the company is competitive. If the executive summary is addressed to banks in order to obtain a loan, it should be written what amount of credit the company is interested in.

Technical note: although the executive summary is the first part of a business plan, it is usually prepared in the final phase of the project. It is often the practice that it is pre-drafted halfway through the project and the final version is developed at the end of the project.



#### — 4.2. Description of the company and the product or service<sup>6</sup>

##### IN THIS SECTION, INFORMATION ABOUT THE FOLLOWING ISSUES CAN BE FOUND:

- description of the enterprise and its main and partial objectives,
- formulation of the mission and vision of the enterprise,
- description of the product or service the enterprise will offer,
- setting the pricing of the product or service and distribution of the product or service.

##### DESCRIPTION OF THE ENTERPRISE

At first, the entrepreneur answers the question "WHO AM I?" The focus should be on the presentation of the enterprise. If the enterprise already exists on the market, the history of the business and its current state should be described in more detail. It should be indicated who, when, where, under what name founded the enterprise and how the business evolved. If it is a new business, it should be introduced, describing the reason why it has been started, its legal form, enterprise owners, location, origin and size of initial capital.

**MAIN AND PARTIAL OBJECTIVES** of the entrepreneurial activities must be stated. The main objective should be clearly specified, should be measurable, achievable, motivating and timed. The most important business partners, stakeholders, with whom the business will cooperate with (stakeholders) can be also included here. For each one it should be described what the stakeholder's interest in the business is and how the cooperation will look like.

##### MISSION

For starting a social enterprise, to define a **MISSION** is very important. Social entrepreneurship is about values, and, of course, it means positive values. Does the company want to help people that are unemployed? Or does it want to change something? A concrete idea is necessary about **WHY TO START** a social enterprise and what kind of social impact the enterprise will have. For success in social business it is the fundamental question. Social businesses should meet minimal ethical and environmental standards, so it is appropriate to require local inputs with respect to renewables. But in addition to the social context of the entrepreneurship, the person or the team should have fun at the same time and they should have a feeling of fulfilment. Doing "social" business is harder than doing "for-profit" business and a strong positive motivation will help to overcome the hardships that will most likely be encountered.

The mission defines the basic function of the business and the reason for its existence. Basically it expresses what the business represents.

---

<sup>6</sup> For more information please look at the teaching material prepared by Technical University of Košice, Chapter 2: Identification of social entrepreneurial opportunities, part 2. Social entrepreneurship

## VISION

**THE VISION** is the answer to the questions „How the business will look like in 5 years? What the business wants to achieve?“ Of course, there should be consistency between the objectives, the mission and the vision of a social enterprise.

## FULFILLING THE PRINCIPLES OF A SOCIAL ENTERPRISE IN PRACTICE

In the business plan a clear description is necessary about the principles of a social enterprise (e.g. social benefit, economic benefit, local and environmental dimensions). How the business activities will be carried out in relation to the environment and to the employees, how they will be involved in the business, etc.

## DESCRIPTION OF THE PRODUCT OR SERVICE



Social entrepreneurship, despite being social, is primarily a business; it brings goods and services to the market for financial reward. But as this handbook talks about social entrepreneurship, the idea cannot focus only on generating profit, but especially to achieve positive social impact. **TO IDENTIFY THE BUSINESS OPPORTUNITY** is important also in social business. So what kind of product should be produced or what kind of services should be provided? Experienced entrepreneurs say

that if they are looking for a business idea, it is enough to just look around and they find enough opportunities. It is worth to think about what service or goods have recently been unable to provide for the potential business owner's own needs. Would it be possible doing business in that area?

A common mistake in social business is to do business in the areas where the entrepreneur cannot provide the necessary material or human inputs. When identifying business opportunities, **IT IS ADVISABLE TO THINK LOCALLY**, to focus on the capacity offered by local people and the local environment. To establish a social enterprise focusing on a development of intelligent robots in the locality, where most of the people have only primary education, is not advisable.

## GOOD EXAMPLES:

Frequent subjects of social enterprises are:

In **SLOVAKIA** is e.g. processing of a wood chips necessary for heating.

In **ITALY** social enterprises operate in the health sector and in the training and employment service.

In **POLAND** in Podkarpackie voivodship, the area of activity of social enterprises is wide. Dominant areas: renovation and construction services, catering services, pre-school and childcare services.

In **HUNGARY** social enterprises are active in the following sectors: agriculture, local products, crafts.

In this part **THE SUBJECT OF THE SOCIAL BUSINESS ACTIVITY** (the offered product or service) should be described as precisely as possible. It should be emphasized how and why the product or service is extraordinary, what kind of benefits the customers can get from this particular product or service. The competitive advantage of the product or service should be also described.

Moreover, the activities that the social business would like to carry out should be explained (e.g. way of organization, premises, necessary equipment, technological approach, technical data and product features, etc.) Remember, the business plan must have clear objectives.

### CALCULATION AND PRICING

As it was mentioned above, social entrepreneurship, despite being social, is primarily a business that brings goods and services to the market, where it is offered for financial reward. Setting a reasonable price for a product or service offered by a social enterprise can be a challenge.

**PRICE IS THE ONLY REVENUE TOOL** of the marketing mix, it plays a decisive role in the revenue and profits of the company. Price can be changed much easier than for example, product, distribution, or marketing communication tools.

**PRICING** belongs among the key areas that allow the entrepreneurs to survive these days with the best possible profit or with the lowest possible losses. Pricing is a process in which the business sets the price at which it will sell its products or services.

Basic methods of pricing:

1. **COST-BASED METHOD** – costs represent a lower price limit below, which the producer should not sell its products.
2. **DEMAND METHOD** – pricing is not based on the costs, but on the value that the consumer attributes to the product; with the growth of demand, the entrepreneur can increase the price. If the demand drops, the entrepreneur can also reduce the price.
3. **COMPETITION METHOD** – pricing is based on an assumption that a social enterprise can also demand comparable prices for comparable products as competitors; the competing business forms the upper price limit.

A social enterprise does not have to have necessarily the lowest price. Sometimes a higher price may indicate that it is an extraordinary product or service. It is possible to ask the customers how they perceive the price.

### DISTRIBUTION / PLACE

In this part, both the place where the product / service will be sold and how it will be sold can be described; this means all distribution routes, distribution network availability, sales assortment, supply and transportation.

If a customer buys a product directly at the manufacturer, it is called **A DIRECT DISTRIBUTION ROUTE**. If there is an intermediate between the manufacturer and the customer, then it is **THE INDIRECT DISTRIBUTION ROUTE**.<sup>7</sup>

#### **CHECK QUESTIONS:**

*What basic characteristics should the objectives of a social enterprise have?*

*How would you define a vision?*

*What kind of basic methods of pricing are you familiar with?*

- 4.3. Marketing: why is it necessary? How the product or service will be introduced to the market? Marketing techniques

To communicate the value of a product, effectively and often time quickly, it is needed to gain an understanding on what the targeted audience actually values. Once this is figured out, the message can be tailored to them and also a way should be found how to let them know about it.

WHAT is sold REMAINS CONSTANT, BUT THE WAY it is sold, DEPENDS ON to WHOM it is sold.

To make marketing more effective, it is important to divide the market into segments of people with common features. These segments of customers can be reached by similar marketing strategies. By developing brands, products or services aimed at specific target groups, it can result in an advantage over the competitors. The key is to identify a segment, which is large enough to lead to satisfactory sales. Segments should be analysed for their attractiveness, for example:

- **SIZE** – If a new product is introduced to the market, how will it be assessed how many people will potentially want to purchase it? If a business enters the market as a follower, is the market appropriately large enough to support another brand?
- **CUSTOMERS' PRICE SENSITIVITY** – is the market, where the business intends to enter, very price-sensitive?
- **PATTERN OF DEMAND** – how and when are the products purchased? For example, Christmas products will be bought each year at the same time, but on the other hand, bread is bought every day.
- **POTENTIAL FOR SUBSTITUTION** – how many other products or services are available on the market that could replace or substitute the product? How many competitors are on the market?

---

<sup>7</sup> For more information please look at the teaching material prepared by Technical University of Košice, Chapter 2: Identification of social entrepreneurial opportunities, part 2. Social entrepreneurship

The significance of the segment size is relative and it depends on the product or service that is introduced to the market. For example, in the case of chocolate bars, which are inexpensive, the market needs to be large. In the case of more expensive products, the segment of potential customers may be smaller, but could still represent a viable segment.

It is possible to compete either by becoming the leader, or by becoming a follower on a market. If the business is the follower, the product should be differentiated.<sup>8</sup>

After selecting a target market, a company must work out a positioning strategy which enables to compete in the chosen segment.

### POSITIONING

Strategic positioning generally defines the scope of activities within which the enterprise participates. Each industry (e.g. healthcare, food, etc.) has its own scope of activities. The first step in strategic enterprise design would therefore be for the social enterprise management to define the scope of activities that is important for the company. Thus, before a company can look at its value proposition or its market positioning, the social enterprise must know where it adds value in the industry value chain (e.g. regarding healthcare, a company doing pre-care only will look significantly different than a company focusing on the life sciences process). Of course there is no limit to the width of the involvement of an enterprise in the industry value chain. The important thing is that the business has a common vision of where it adds value to the industry value chain and how it should position itself to dominate the areas it chooses as its competitive space.

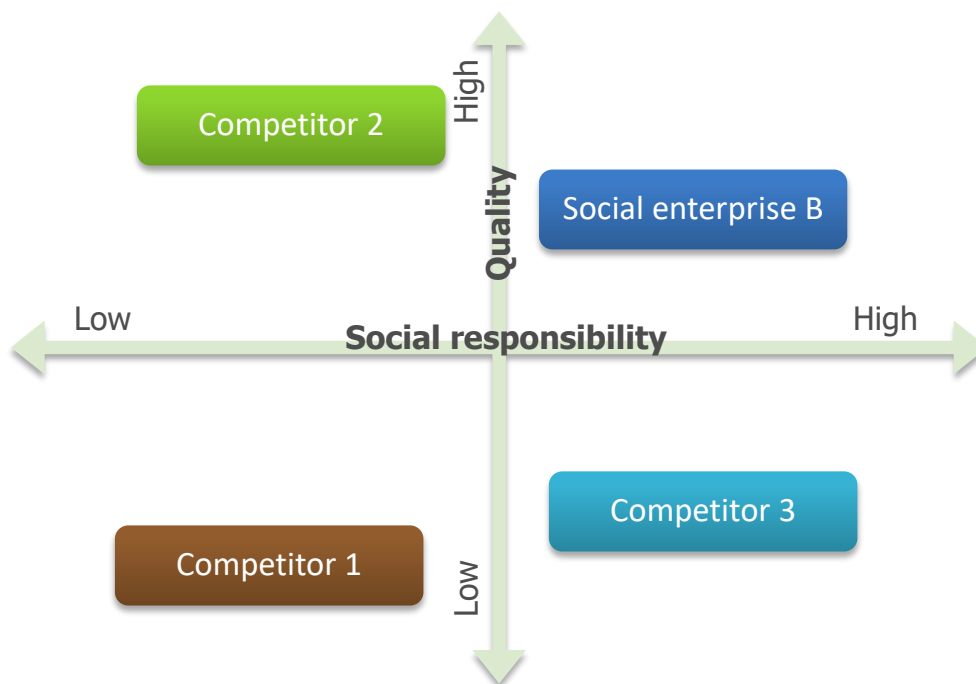
Companies can apply various positioning techniques, so that they are always ahead in competition. Some of the techniques used for positioning are:

### POSITIONING MAP

Products or services can be 'mapped' together on a 'positioning map'. The main strength of this tool is that it makes it possible to compare and contrast them in relation to each other. In order to map out any individual products and/or services next to each other, a map can be drawn out where each axis has a label, such as price (variable one) and quality (variable two), or comfort (variable one) and price (variable two). Any gaps could be regarded as possible areas for new products and/or services.

---

<sup>8</sup> An example can be the coffee market in the UK, where the brand leader is Nescafe. Social enterprise Cafédirect has cut out a noteworthy share of the market by differentiating itself with its ethical, fair trade approach.



*Example for a positioning map for a social enterprise*

Source: [https://www.unltd.org.uk/uploads/general\\_images/Marketing\\_strategy\\_and\\_positioning.png](https://www.unltd.org.uk/uploads/general_images/Marketing_strategy_and_positioning.png)

## PERCEPTUAL MAPPING

Perceptual mapping<sup>9</sup> is basically a tool to visually display the perceptions of customers and potential customers, to show what they think about certain products or services. Customer perceptions influence the positioning of a brand a lot more than the businesses themselves (e.g. if a business feels it sells high quality products, however customers view the products as a lower quality, it is the customers' views, which influence the sales). This technique enables businesses to better understand their customers. Nowadays environment is changing fast, which also signals the need for frequent changes in positioning. Sometimes a company can lose its position due to change in e.g. consumer attitudes, or technologies. Therefore a smart company is constantly in touch with the market, and repositions itself before it suffers in terms of products, image and revenue.

### 4.3.1. Communication strategy

There are 3 types of target groups:

1. The **END-USER** of the product/service,
2. **INTERMEDIARIES**, which operate between the end-user and the producer,
3. **STAKEHOLDERS** that have an interest in the organisation itself and may have no direct interest in the product.

<sup>9</sup> Also known as market maps; usually have two dimensions, but can be multi-dimensional as well.

Each group requires a different communication strategy.

**PULL STRATEGY** – aimed at the end-user. Demand is created through the target audience so they pull products through the marketing chain. This demand may be for products and information. Examples of pull by consumers can be a potential customer approaching a retailer for a product he/she has seen advertised on TV, or other example can be an Internet user searching for product details on a company web site.

**PUSH STRATEGY** – targeted at intermediaries. Push activities aim to persuade the intermediary to push the product along the marketing chain by displaying it or stocking it.

**PROFILE STRATEGY** – aimed at stakeholders and tries to influence their views on the organisation, for example, ethical stance or community involvement, communications about the business financial performance.

**PULL STRATEGY TOOLS:** Personal selling, expos, trade ads, web sites, PR, direct mail

**PUSH STRATEGY TOOLS:** Revolve around relationships; personal selling and account management will be central to this approach

Once the decision is made on the targeted market segments, positioning and communication strategies, then it can be followed by the tactics of a marketing communication plan. Elements should be chosen from the marketing communications mix that will be used to implement the marketing communication strategy.

#### 4.3.2. Marketing communication plan

A variety of communication elements and channels can be selected to address the target audience; also their combination can be chosen and key steps should be thought over for each channel to be taken on a daily, weekly and/or monthly basis.

The elements of the marketing communication mix include:

##### ADVERTISING

Advertising can use many different channels. It can be used for promoting already existing brands or new products. For example, a person may be more likely to pick up a new brand of chocolate in the supermarket if he/she has already seen it advertised in a magazine.

##### **USE**

*Raise awareness*

*Educate the market*

*Persuade the market*

THE FOLLOWING ASPECTS SHOULD BE CONSIDERED for planning a campaign:

- Definition of target audience
  - Decision on the objectives for a campaign
  - Budget for the campaign
  - Selecting **media channels**
  - Testing and developing advertising
  - Implementing and scheduling the campaign
  - Evaluating the campaign
- Social Media (Facebook, Twitter, LinkedIn, Pinterest, Instagram, Snapchat, Periscope, Blab, Anchor, ...)*

*Traditional Media (TV, Radio, Print)*

*Blogging*

*Video Marketing*

*Podcasting*

### SALES PROMOTION

Sales promotions are usually used at the point of sale. They can be supported by an advertising campaign. The aim is to encourage consumers to buy more products at a specific time or to encourage increased use of product. One of the most popular examples is 'Buy One Get One Free', or 'Buy One, Get One Half Price'.

**USE**

*Changing short-term behaviour in consumers*

*Encouraging different and increased usage of your product/service*

### PERSONAL SELLING

Face-to-face selling and telephone sales are most often used in a business-to-business context. It can secure long-term relationship with the customer.

**USE**

*Business to business product/service selling*

*New product launch*

*Demonstrate complex technical features of the product*

### PUBLIC RELATIONS (PR)

Public relations mean using the media to transfer the messages that the company wants to give out about the organisation or product. Public relations are earned media while advertising is usually paid media.

PR techniques include publications, press releases, media relations, events, press conferences, lobbying activities and annual reports.

**USE**

*Profile raising*

*Lobbying and campaigning*

*News announcements, for example a new project being undertaken*

*New product launch*

*Crisis management*



## DIRECT MARKETING

Basis for the direct marketing is a certain group of people which have a particular thing in common. For example they can be fans of the series the „Game of thrones“. Companies use available information to create profiles of these groups of people and then communicate with them directly via mail, e-mail or SMS message.

### **USE**

*Product launches*

*Sales promotions*

*Relationship management*

*Market research*

### 4.3.3. Tips for approaching target audience with the right message<sup>10</sup>

#### ● TIP 1: LEAD WITH QUALITY

A company (including social enterprise) needs to be as good as its competitors. Having a good cause is a competitive advantage, but alone will not be sufficient. The social aspects of a social enterprise will act as a tie-breaker. The company needs to be able to say „**WE OFFER THE QUALITY AS OUR COMPETITORS AND WE HAVE ALSO A POSITIVE SOCIAL IMPACT**“.

#### ● TIP 2: ARTICULATE VALUE

Example of the more traditional way of communicating impact: „**YOUR PURCHASE HELPS OUR SOCIAL ENTERPRISE WHICH HAS HELPED EMPLOY 50 PEOPLE**“. This phrasing is not wrong; there is just absence of the urgency and directness to really inspire customers.

A better way is to show them a clear connection between their purchase and the impact that is going to happen: „**YOUR PURCHASE GIVES WORK TO ONE PERSON FOR ONE WEEK**“.

#### ● TIP 3: TELL THE STORY

A company should tell people **WHAT** the business does, but also **WHY** it does it. Telling the story can be a very good way to share the impact and make it more noticeable and **REAL** to the customers. Mentioning **HOW** the enterprise is changing the situation in the area and not being afraid to be specific can be quite influencing in a positive way. Including stories from real beneficiaries can be very effective.

<sup>10</sup> For more information please look at the teaching material prepared by Technical University of Košice, Chapter 2: Identification of social entrepreneurial opportunities, part 2. Social entrepreneurship.

#### TO SUM UP:

- Market should be divided into segments of people with common features.
- Communication strategies should be based on segments of customers.
- The elements of the marketing communications mix that will be used to implement the marketing communication strategy should be chosen.
- Tips to create right message for the potential customers.

#### CHECK QUESTIONS:

*[How would you define market segmentation? Why is it important?](#)*

*[Which target group would you aim with pull strategy? What kind of tools would you use?](#)*

*[Which elements of communication mix would you choose to promote your potential social enterprise?](#)*

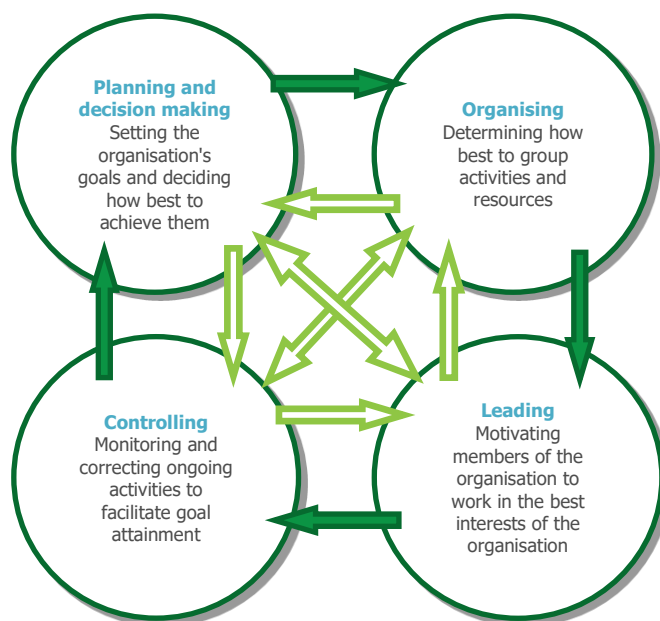
#### — 4.4. How to manage a company? Organization and Management Team

Generally, management of the social enterprise can be **VERY DEMANDING**; flexibility and multiple managerial skills are needed. But if a social company wants to survive, it has to be well-managed.

##### 4.4.1. Basic functions of the management

Business functions are always the same as in a profit making company – planning, organizing, leadership, controlling. All of this management functions have the same sense and aim as in doing a standard business:

**PLANNING** – process of goals definition, strategy identification and forming. Strategy is important for achieving aims, for coordination and integration of activities. The **MAIN GOAL** of a standard company is profit. Of course, Corporate Social Responsibility (CSR) principles lead company managers to think about other social and environmental goals, but profit always have to be the number one, because this was the reason, why entrepreneurs started their business. Social entrepreneurship is different mainly in this point – the main goal can be very various: to provide job for a person, who is looking for it for many years, to provide job for a youngster, who needs practical experience for his/her carrier, to provide job for physically disadvantaged persons, who need special working conditions, indirectly to avoid outmigration from peripheral region, to avoid alcohol or drugs addiction, to avoid dividing families, which can be caused by work commuting etc.



*Scheme of Henry Fayol on management process*

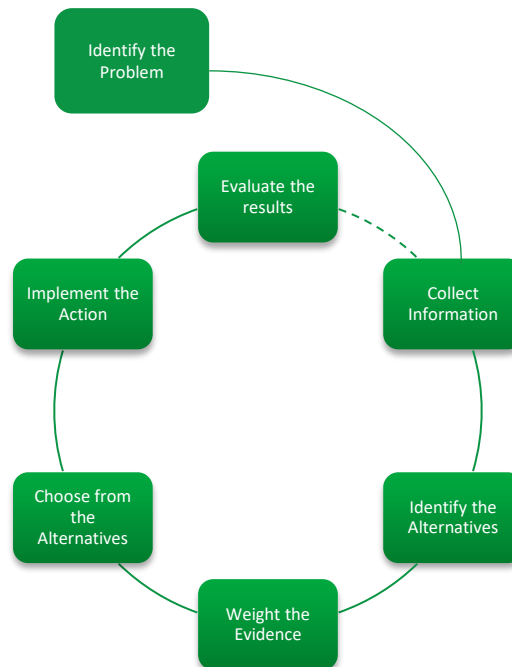
Source: [http://bcispom.blogspot.com/2013/12/unit-1-introduction-to-management\\_3412.html](http://bcispom.blogspot.com/2013/12/unit-1-introduction-to-management_3412.html)

**ORGANISING** – defining of roles and tasks, arranging these into groups (e.g. who will report to whom, who will make decisions). Social enterprises are usually more demanding in the area of organizing, type of work and main characteristics of employees require smaller work groups and shorter reporting periods. In some types of work, decisions can be made as a “directive” and not by a participatory way. But if it is possible, managers have to think about possibilities to involve their staff in the decision-making process. It can increase their motivation and “sense” of belonging to the company.

**LEADERSHIP** – main content is motivation of the members of the team, influencing individuals or teams, selection of communication channels and managing problems connected by people. This function in the social enterprise can be very different in comparison with a standard business and it is very variable depending on the type of tasks and characteristics of the team members. The employees can be very educated, skilled and experienced, they can work very independently and motivation can be very simple. If the company hires people, who were unemployed for a long time, they can be very motivated, “happy” that they can be at last handy and they are very reliable and hard-working. But sometimes it can be less easy and working with people missing working habits requires special approaches.

**CONTROLLING** – measuring real performance, comparing with standards, looking for tools on how to improve performance. On the one hand, controlling is very important in a social company. In order to establish an effective business, a way should be found on how to effectively control performance – quality and quantity of production etc. But at first, high performance might not be experienced and efficiency should be compared differently and by using indicators appropriate to a social enterprise and in accordance with the defined goals (which primarily is not profit-making).

#### 4.4.2. Decision making



*Decision making process – a common model adopted by Rafiq Elmansy*

*Source: <https://www.designorate.com/decision-making-process/>*

Process of decision making can be decomposed to the next steps:

Identification of the **DECISION**, which have to be made, or identification of the problem - difference between reality and expected state. All relevant information should be gathered.

Identification of decision **CRITERIA** (what is important for future decision) and assign **IMPORTANCE DEGREE** (weigh) to every criterion: for most important criterion e.g. 10 points can be assigned and other criteria can be marked from 1 to 10 in relation to most important criterion.

Identification of **ALTERNATIVES** (collecting all available alternatives of decisions) and **ANALYSIS** of alternatives: Every alternative have to be critically analysed on the base of identified criteria and assigned points. Selection must be made on the best alternative, based on the realized analysis.

Implementation of selected alternative: **TAKING ACTION** (turning selected alternative into reality).

**EVALUATION** of the efficiency of the selected decision, review decision and consequences: If a problem still exists, all realized steps should be thought over; e.g. if a problem was identified properly, if judging of alternatives was correct, if the best alternative was selected or if implementation of the solution was without mistakes.

In human resource management, social enterprises depend to a greater extent on the **MOTIVATION** of their employees, in comparison with for-profit companies. Methods of participative management are very suitable to maintain this – if team members are involved in deciding about some improvement, or content of job, it can be more motivating than simply instruct them. Employees need to try what team work means and to see process of team problem-solving and decision-making. To increase the quality of production, people may try number of different roles.

Decision-making can be done by participation of a manager and his team, but involving of various groups of stakeholders can also bring benefits. Strategic decisions will generally be reached through a process of **CONSULTATION WITH ALL STAKEHOLDERS**. Feedback should be provided on achievements and results to the general meeting of members as well as to stakeholders more broadly. There is a need to manage their “social capital”, which is made up of levels of trust, reciprocity, norms of behaviour, a sense of belonging and networks. This not only involves workers, but suppliers, final users and clients in both the public and private sectors.

Social enterprises require **SPECIAL REPORTING**, monitoring and evaluation techniques that take into account the social, as well as the economic objectives.

#### 4.4.3. Team-building



**MANAGERS** can be hired after external recruiting, but very often it is internal leadership, when managers are selected from existing team members. After years of “start-up” phase of the social enterprise, a company is growing and a founder (CEO) needs strong support, to be able to work more strategically and to delegate part of the work (e.g. administrative tasks) to some colleague. A strong management team is able to ensure sustainability and growth of the organization.

Searching for an experienced manager from external sources is not an easy task in a profit-making company, but it is even harder in the case of a social enterprise, which requires some special skills and professionalism.

Problems with external recruiting can be solved by **USING THE EXISTING TEAM** – to select the best individual and to train him/her to become a manager. It also can bring benefit of offering career opportunity to employees.

If the right manager is found, it is very important to delegate relevant responsibility and trust to him/her.

**ORGANISING / ORGANISATIONAL STRUCTURE** - Organizational structure of the company is a formalized system. In the frame of the organizational structure work is divided, grouped and coordinated. Forming of the organizational structure depends on these key elements:

- **WORK SPECIALISATION** – if the work in the company is more or less divided to activities or sub-activities.
- **CHAIN OF COMMANDS** – it is a question of authority and responsibility. One important principle: each member of the team is one of the manager's subordinates.
- **RANGE OF MANAGEMENT AND CONTROLLING** – how many people can be managed by one person? This question can be answered with the help of these sub-factors: style of management, culture of the company, using of IT systems, standardization of processes, complexity of tasks, similarity of tasks, competences of the manager and employees.
- **CENTRALISATION** (degree of concentration of decision-making in one point of the company) or **DECENTRALISATION** (if managers at lower levels are involved in decision-making).
- **DEGREE OF FORMALISATION** – if rules and manuals define and arrange (standardize) behaviour of employees.
- **DIVIDING THE COMPANY TO UNITS** can be defined by various factors. The company can be divided by products, by processes, by clients, by locality or by function. In reality, most common is the combination of the factors mentioned.

Thinking about organization and team can begin by writing of the **LIST OF ROLES**, responsibilities and skills of current employees, members of board of directors and eventually volunteers. If all roles are defined, organizational structure can be created.

Some principles are especially important for social enterprises (e.g. clear definition of expected tasks and activities for every work position). But most of the aspects depend on the type of production, characteristics of employees and work process. This information will provide many answers to questions of organization and its structure.

#### 4.4.4. Performance management

Assessing the performance is not an easy task for an organization where business methods are used for achieving social goals. Relevant information documenting about the reached social outcomes are important for a wide-range of stakeholders. Performance management involves the use of both quantitative and qualitative techniques and paying due attention to the human (behavioural) side of the enterprise.

Due to the growing interest in sustainability and the responsibility of the enterprises towards the society, enterprises face the challenge of assessing and reporting their non-financial performance. This is especially the case for social enterprises. Performance of social enterprises can be divided to 1 economic and 4 non-economic domains:

- **ECONOMIC PERFORMANCE** is related to the economic conditions supporting a strong financial position, important for the viability of organizations.
- **HUMAN PERFORMANCE** refers to the relationship of the enterprise with its workforce.
- **ENVIRONMENTAL PERFORMANCE** focuses on the efforts enterprise makes to protect nature.
- **COMMUNITY PERFORMANCE** refers to how an enterprise deals with its responsibilities in society, including the relationships with dominant stakeholders: beneficiaries of the social mission and customers paying for the delivered products and services.
- **GOVERNANCE PERFORMANCE** refers to systems and processes concerned with ensuring the overall direction, control and accountability of an enterprise.

**POSSIBLE INDICATORS** to measure different types of performances:

##### **ECONOMIC PERFORMANCE**

- *Market share in comparison to important competitors*
- *Growth in market share*
- *Received subsidies and donations*
- *Innovativeness*
- *Proactiveness*
- *Risk taking*

##### **ENVIRONMENTAL PERFORMANCE**

- *Use of renewable energy*
- *Transportation of materials and goods*
- *Transportation of the members of the organization's workforce*
- *Waste reduction*
- *Use of sustainable materials*
- *Environmental policy*

#### **HUMAN PERFORMANCE**

- *Supporting learning initiative*
- *Policy on education and training*
- *Providing education and training*
- *Diversity management*
- *Equal opportunities for minorities*
- *Involvement of personnel in education and training*
- *Age sensitive personnel policy*
- *Work-life balance*
- *Interaction between employees*
- *Goal oriented human resources management*
- *Development/personal growth of personnel*
- *Absenteeism due to illness*
- *Support on the work floor*
- *Job satisfaction*

#### **GOVERNANCE PERFORMANCE**

- *Board diversity*
- *No CEO duality*
- *Independent board members*
- *Adaptation of the composition of the board*
- *Clear organizational mission and goals*
- *Engagement of board members toward the mission and goals of the organization*
- *Involvement of the board in strategic initiatives*
- *Clarity of roles (of board members and management team)*
- *Participative decision-making*
- *Goals meeting the needs of the stakeholders*
- *Adaptation to changes in the environment*
- *Efficient, well-prepared board meetings*
- *Preparedness to learn from mistakes*
- *External communication to stakeholders*

#### **COMMUNITY PERFORMANCE**

- *Offering job opportunities*
- *Hiring disadvantaged people*
- *Local suppliers*
- *Local customers*
- *Philanthropy*
- *Partnerships*
- *Being responsive to complaints of customers*
- *Adaptation of products and services to satisfy complaints of customers*
- *Informing the local community*
- *Offering traineeships to students*
- *Offering products/services to vulnerable people*
- *Addressing unsolved problems in society*

#### **4.4.5. Conflict management**

A company can face both external and internal conflicts. **EXTERNAL CONFLICTS** can occur between a company and for example the community, municipality, contractual partners or state institutions. Some special cases can appear in a social enterprise, as its ownership is different from standard companies. Different nature of ownership and work can result in some conflicts. Decisions, decision-making (e.g. who is responsible) can also cause some problems.



Conflict can bring **POSITIVE OR NEGATIVE OUTCOMES**. It is necessary not to ignore signals, which indicate present or potential conflicts. If a conflict is ignored, it can bring problems in productivity and efficiency. Negative consequences of the conflict are numerous, but proper conflict management in some cases can bring positive effects, such as innovations, higher work quality etc. If collaboration is unavoidable precondition for the production or providing of services, conflicts are more probable.

**INTERNAL CONFLICTS** in organizations can be caused by e.g. different personalities of the employees, incompatible value systems, unclear rules, vague working obligations, insufficient resources, lack of communication, interdependent working duties, complexity in organization, unrealistic deadlines, collective decision-making, necessity of consensus in decision-making, unrealistic expectations by employees, unsettled older conflict.

Conflict management covers factors which can contribute to conflict resolution or its prevention. An organization has to work as a third party in the conflict – e.g. as mediator or arbiter; it is mostly a task for managers.

Many approaches to conflict management have been developed.

**APPROACHES TO MANAGE CONFLICTS** can be the following:

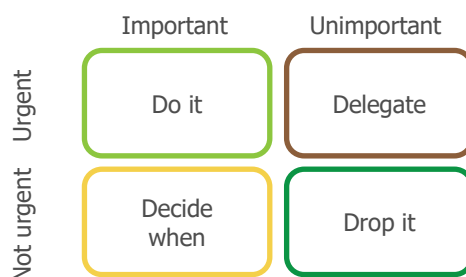
- **AVOIDANCE** can prevent conflict before it upraises - the manager should be aware of the causes and when possible, address them before the conflict occurs.
- **ACCOMMODATING** - This approach means that a person neglects his own self-interests and allows the other person's interest to take precedence.
- **COMPROMISING** - Communicators are willing to find solutions that work for both sides – a middle ground.
- **FORMAL DISPUTES** have to be defined in advance – filling of a written complaint, judgement, and resolution.
- **ALTERNATIVE DISPUTE RESOLUTION** – processes in the work place can be less formal or informal. It resolute not to determining winner and loser, but it is a process of finding a compromise. This process is led by a mediator and it can be more productive than formal disputes.
- **COLLABORATION** can be similar to mediation, but it is led by a manager or a responsible leader.
- **COMPETING** - To confront others and try to satisfy personal own interests at the expense of the other person's.
- **ORGANIZATIONAL CHANGE** is often the last (also most radical) possibility; in some cases it is the best solution. It can be used, if some parts of a company have to compete in the same task (or for sources)

and this competition or conflict is not productive – these parts can be merged. This approach can be used, if some employee is a permanent source of conflicts – this person can be moved to another unit, or his contract can be terminated.

#### 4.4.6. Time management

Time management is important for all managers. Managers of small organizations (social enterprises are mostly small companies) is even more important (critical) because the manager needs to perform “multitasking”. Larger organizations have capacity to delegate some tasks to medium managers and they maybe have time to develop themselves as leaders.

Very important aspect is **NOT TO BE LOST IN WRONG OR LESS IMPORTANT TASKS**. Prioritization of the work is essential. Quality cannot be substituted by quantity. Every day, it is possible to prioritize tasks – crucial, very important, important, “can wait”. Of course, it is important to make time for non-routine work – networking and planning. Some tasks can be fulfilled by the method “little-by-little”.



*Scheme adopted from „Making Business Matter“*

Source: [www.makingbusinessmatter.co.uk/time-management-skills-ultimate](http://www.makingbusinessmatter.co.uk/time-management-skills-ultimate)

Some complications can arise in time management in case that the employees have **SPECIAL REQUIREMENTS** related to health (higher probability of sick leaves). The manager of a social enterprise has to take this issue into consideration (maybe part of risk management).

Starting with time management can be difficult, because it is necessary to find some time at the beginning to set it up, organize, plan. But in case, it is set properly, results will be tangible.

Categorizing the tasks - **URGENT / IMPORTANT**: An urgent task has to be solved immediately. An important task, if it is ignored, can cause some undesirable consequences.

The second most important issue is the environment – **CLEAN AND TIDY SPACES** (room). Cleaning up can improve productivity and self-respect. Disorder can cause some types of depression or losing motivation.

Every person can identify his/her most **PRODUCTIVE HOURS** (e.g. morning). Important or urgent problems will be solved during this time most effectively.

Proper time management can ensure that everything that is needed will be done without any complications.<sup>11</sup>

#### TO SUM UP:

- Functions of the management can be briefly named as planning, organizing, leadership, controlling. Management functions are very similar to a standard business.
- Decision-making process in the social enterprise should be participated not only by owners, but also by stakeholders. Generally, the process of decision-making consists of 7 steps.
- Creation of the management team is many times the most difficult task. Manager (director) needs reliable persons, support to delegate important tasks, not to stay alone in important decisions.
- Performance of the social enterprise is very different from the performance of a standard venture. Many domains such as human and environmental performance should be taken into account.
- Social enterprise is sometimes more sensitive to conflicts than other types of organisations. Therefore effective conflict management can help to avoid conflicts or to use them as a new opportunity.
- Small social company is demanding for management, which should support "multitasking". Some basic information about time management is provided.

#### CHECK QUESTIONS:

*Why it is good, if the manager is a leader? What is leadership?*

*Which way target groups or stakeholders can be involved in decision-making?*

*What does delegating mean?*

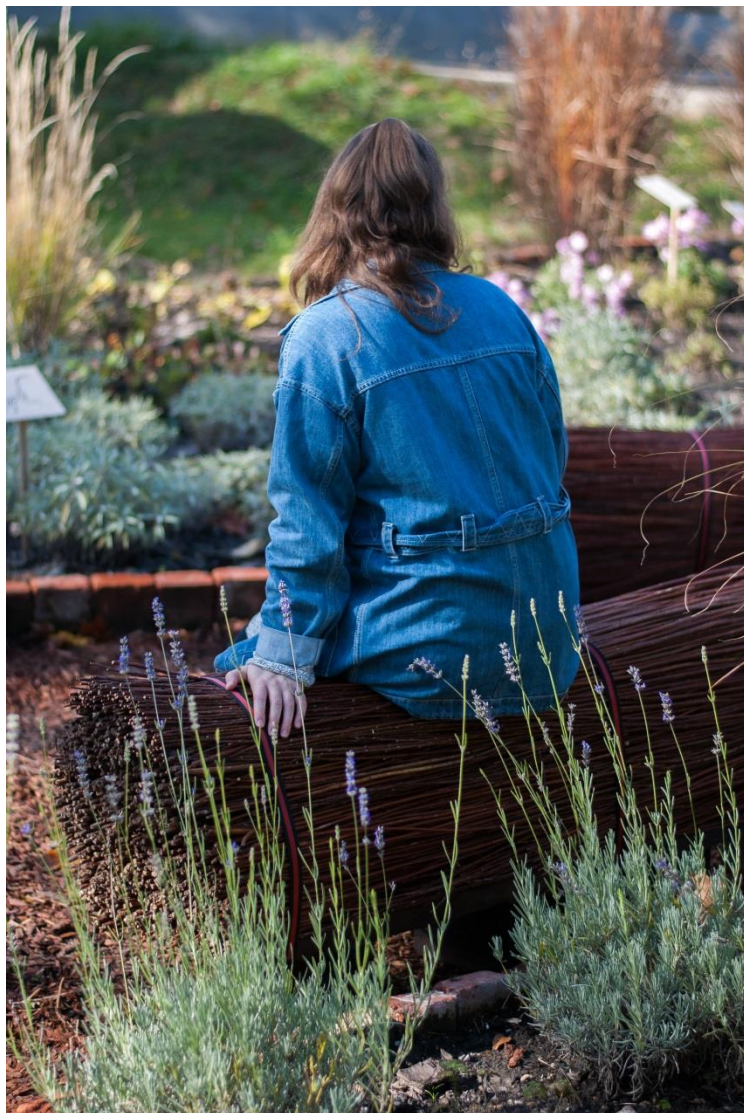
---

<sup>11</sup> For more information please look at the teaching material prepared by Technical University of Košice:  
- Chapter 3: Creating social impact through social enterprise, part 3. Social enterprise performance management  
- Chapter 2: Social entrepreneurship part 2.3 The process of starting up a social enterprise bringing social change

## 5. Human resources – how to motivate people to work

### — 5.1. Motivation

First let us see what motivation means.



Motivation is a key in all life aspects, thus in business activities as well. This is the reason, the „driving force“ that makes someone constantly move forward to take actions and to achieve goals.

There are different drives or desires (basic and higher level) that are basically deficiencies or needs that activate such behaviour that is aimed at a goal or an incentive. Different theories are known to describe motivation. The most well-known is the so called Maslow’s hierarchy of needs<sup>12</sup>.

When having a social enterprise-type of business, which often offers jobs for less fortunate people (e.g. with low self-esteem or other social problems), great leadership is a huge asset that considers also certain motivational tools that influence the employees’ work performance and thus the whole business can perform better and can move towards the right direction.

Each person and groups (e.g. youth, socially excluded, etc.) have different needs; therefore it is important to know the specific person or target group, whom needs to be motivated and then based on that, motivational tools can be better chosen and tailored to the special needs.

### — 5.2. Tips for motivating the workforce

Here are just a few effective examples on how to motivate people to work:

---

<sup>12</sup> <https://www.simplypsychology.org/maslow.html>

### FAITH AND TRUST MUST BE SHOWN

Most of the employees constantly need reassurance from their superiors about what they do is good or not. If they are regularly asked for their input and suggestions on how they can improve their performance, they will devote themselves to the process. It can be done by e.g. assigning more responsibilities and giving them the chance to rise to the challenges. It shows them trust, which has a way of motivating people to keep doing their best.

On the other hand, micromanaging employees is counterproductive because it makes them feel disempowered. If the employees are too afraid to try new things, they will not be giving their best. Therefore greater autonomy and responsibility must be given to them and they will perform well.

### REWARD FOR A JOB WELL DONE

If people are rewarded for doing their job well, they are more likely to keep it up and constantly perform and do what it takes to earn rewards. Positive reinforcement is always the right way. If employees reach a desirable target, they can be incentivized with rewards and prizes like e.g. an afternoon off, tickets for events or a free lunch. It can also inspire a healthy competition in the workplace.

### TREAT EMPLOYEES EQUALLY

Using the words "please" and "thank you" with employees makes them feel appreciated. In simple terms, „speak to the employees in a way, you would like to be spoken to“. An open-door policy can be also useful, when it comes to suggestions and ideas.

### EMPLOYEES ARE A GOOD INVESTMENT

Similar to showing trust, another way to motivate and inspire employees is by investing in them, e.g. offering things like tuition reimbursement, a mentoring program, one-on-one coaching, and job shadowing with people in higher positions. It sends them a clear message: their career and future is important for the company. In fact, some companies have periodic meetings with their employees to discuss their career plans and make sure they stick to the plan. With investing in the employees, there is a higher chance that they will not leave; and when the employees grow and improve, so does the company.

### GIVING A PURPOSE

People generally want to feel that their job is important and what they do is making a difference. Especially in the case of social enterprises. Therefore showing the employees why they matter to the company, and what the results of their work are, will make them feel rewarded and motivated to keep it up. Giving people credit for good work will raise the level of their self-confidence and achievement, which can motivate people to keep working hard.

### INCLUDE EMPLOYEES IN THE BIG DECISIONS

If big company decisions are being made without anything mentioned to the employees, it makes them feel isolated and unimportant. But asking the employees for their opinions and inputs can solve this problem. It creates a sense of belonging in the company, making them feel like they matter.

This has a lot to do with investment as well, and by giving them a purpose: by asking for their insight and opinion on how the company can improve, their trust and loyalty to the company will be further reassured.

In the next chapter, let us take a closer look at safety and health issues at work.

## 6. Occupational Safety and Health (safety and health at work)

Social enterprises can be specific also from the occupational safety and health (OSH) point of view. Important features of a social enterprise:

- Most of existing and future social enterprises will be a small or medium-sized enterprise (SME).
- Employees of social enterprises can come from vulnerable groups.



According to the International Labour Organisation (ILO), health is the promotion and maintenance of the highest degree of physical, mental and social well-being of workers in all occupations. In other words, it is what keeps the employees physically and mentally fit and content.

Safety is freedom from unacceptable risk or harm. It is, therefore, the achievement of such conditions that minimise as far as possible the likelihood of harm occurring.

Employees of SMEs are subject to greater risks than those of larger companies. According to the data published by European Agency for Safety and Health at work, 82% of all occupational injuries in the EU occur in SMEs. In general, SMEs have greater difficulty with controlling risks.

A social enterprise is an employer, which has a legal responsibility to safeguard the health and safety of all its employees.

Good OSH risk management involves recognising and assessing the risks and taking steps to prevent or reduce them. It is necessary to prevent avoidable illness and injury.

Work environment contains a set of particular risks that are largely the product of socio-economic features of these workplaces and determined by a constellation of factors within and around them that create their risk profile.

Health and safety is regulated all over Europe and is governed by national and European Community law.<sup>13</sup>

European Community law sets the minimum requirements, which each Member State adopts or can expand accordingly. A number of European directives have been issued on health and safety dealing with:

- minimum standards for workplaces,
- vibration,
- electromagnetic fields,
- manual handling,
- biological, chemical and physical agents,
- pregnant workers and young people,
- work equipment,
- visual display units,
- personal protective equipment,
- noise,
- signs,
- asbestos,
- mobile sites (construction).

So it is necessary to actively manage health and safety issues, because a serious accident or a death on the job may have grave consequences on the business. Consequences may involve financial loss and suffering to owners, establisher and also to other workers.

A company might want to reduce or avoid costs / circumstances related to:

---

<sup>13</sup> <http://eur-lex.europa.eu/en/index.htm> and [http://osha.europa.eu/en/legislation/index\\_html/directives](http://osha.europa.eu/en/legislation/index_html/directives)



- medical and pharmaceutical expenses,
- insurance costs,
- legal fees arising from civil actions or criminal proceedings,
- business downtime and closure,
- damage to machinery and infrastructure,
- recruitment and training of new and substitute employees,
- negative publicity and loss of reputation,
- loss of output.

The money spent on prevention will be far less, than the money, which will be necessary to spend on medical fees, substitute workers, compensation or fines, if there is an accident on the premises of the enterprise.

Currently, tools for risk assessment, planning and training are available and are very useful. Governmental responsibility related to health and safety lies with the Labour Inspectorate, Health Service or an equivalent body. It is important that a manager of a social enterprise is familiar with the national authority for occupational health and safety. National or local offices can provide guidance and further information on managerial responsibilities.

#### **GOOD PRACTICE:**

Civic organisation Barlička.

Safety is an important issue for every company, but especially for a workshop or a café, employing physically or mentally disabled persons, such as Barlička in Prešov (Slovakia). For physically disadvantaged employees, special accent is given to sufficient space, to remove all possible barriers. Accessibility to all necessary tools and materials is provided, to avoid anything what can cause injury and many other relevant circumstances. For mentally disadvantaged persons, it is necessary to prepare very clear instructions, to repeat procedure many times, to create simple instructions (maybe pictorial) and similar.

For more information: <http://en.barlicka.sk/>

## 7. Financial plan

The **FINANCIAL PLAN** describes the financial situation of the enterprise. It shows how much revenue is needed to ensure profitability and financial stability, as well as the cost structure of the company. The financial plan shows the economic viability of the idea, therefore it is essential before starting a new business. **LIQUIDITY PLAN** helps to forecast and schedule revenues and costs. Financial plan is usually part of the business plan, but could be prepared also separately.

### WHEN IS IT NECESSARY?

In the following cases:

- to launch a new enterprise,
- to get loan or engage investors,
- to introduce new products or services on the market,
- in case of new owners or managers.

A good financial plan is **REALISTIC**:

- includes all expected costs related to launching and operating the enterprise,
- does not overestimate the expected revenues,
- it shows the return of the investments.

It is important to regularly monitor and compare the planned and actually incurred costs and revenues, so intervention is possible in time - if necessary.

### PARTS OF THE FINANCIAL PLAN:

- Sales plan: it shows the expected number of products / services to sell, the prices and the expected revenues;
- Costs and revenues: includes also fix and variable costs. Fix costs are independent from the production volume (e.g. office rent, accounting etc.) which also arise if there is no production. Variable costs depend on the amount of produced goods or delivered services (e.g. raw materials, staff costs related to the production);
- Investment plan: it helps to select the best alternative for enterprise development. The profitability of investments should be analysed (net present value, payback time calculation);

- Balance sheet;
- Profit and loss account;
- Cash-flow plan;
- Financial resource plan.

## 8. State and regional support for social economy

Support schemes for the social economy may be divided into financial and non-financial instruments.

**NON-FINANCIAL SUPPORT** for social enterprises could be:

- Trainings,
- In-kind gifts and donations,
- Volunteers,
- Skills and expertise,
- Professional advice,
- Mentoring etc.

**FINANCIAL SUPPORT** is assigned to the development of social economy. To the financial instruments of supporting social economy sector may be included:

- Grants,
- Loans,
- National or regional subsidies,
- Tax reduction etc.

### — 8.1. Support for social economy in Italy

#### 8.1.1. Non-financial support

In Italy, the most common example of non-financial support for social economy is represented by trainings, offered to different people by universities, training centres and social cooperatives.

Some examples are:

- **TRAINING COURSE IN "MANAGEMENT, STRATEGY AND FINANCE FOR SOCIAL ENTREPRENEURSHIP AND THE THIRD SECTOR"**, offered by the University of Bologna. <sup>14</sup>In light of the evolution of the third sector and the social enterprise and the reform of the same, it aims at achieving advanced preparation

---

<sup>14</sup> <http://www.grameenitalia.it/progetto/impresa-sociale-corso-alta-formazione-unibo/>

to manage managerial positions in social enterprises, cooperatives and non-profit organizations, combining the knowledge necessary for business management with financial and fiscal skills.

- **TRAINING COURSE IN SOCIAL ENTREPRENEURSHIP**, offered by Oikos NGO and funded by the Italian Agency for Cooperation and Development<sup>15</sup>, provides technical skills for the creation and management of social enterprise in its broad sense (social cooperatives, social enterprises, support for entrepreneurship of migrants, non-profit organizations with market activities). It supports learners in the conception and development of a social enterprise through specific models and tools reaching the end of the course to define a Social Business Model Canvas.
- **BUSINESS AND FEMALE WORK**: Eurobic, a centre which aims at promoting the development of new businesses in the Tuscany region, wants to respond to the needs of businesses, women's work and the presence of women in society, with the awareness that in this context effective solutions are always obtained in an interdisciplinary perspective. The training wants to enhance the value of women, their creativity as a company, to help them reconcile work and life time, but also to strengthen their career opportunities and their social and participation role in local development policies.<sup>16</sup>

### 8.1.2. Financial support

In Italy the funds for social economy are mainly managed by the Ministry for Economic Development. It developed a programme in order to give incentives to enterprises for the diffusion and the strengthening of the social economy. The action called **"ITALIA ECONOMIA SOCIALE"** (in English, Italy Social Economy) represents a benefit put in place by this Ministry in order to sustain the launch and the growth of enterprises, which operate at a national level, aiming at developing social goals and it consists of a loan of at most 15 years.

This operation is addressed to three main bodies:

- Social enterprises, which are registered to the special section dedicated to social enterprises in the Business Register, legitimated as a corporate-type.
- Social cooperatives and consortium, registered in the category "Social Cooperatives" in the National Register of the social cooperatives of the Ministry for Economic Development.
- Cooperative societies recognised as non-profit organisation registered in the National Register of the social cooperatives of the Ministry for Economic Development and in the civil registry for the non-profit organisation at the Minister for the Economic Affairs and Finance.

This action finances up to 80% of an investment programme, promoted by an enterprise operating in the social economy field. Enterprises, in order to obtain a loan, need to develop a tolerable programme not less than 200.000 EUR and not larger than 10.000.000 EUR. Moreover, the project proposed by the enterprises needs to lie

<sup>15</sup> [https://www.istituto-oikos.org/files/allegatonews/2018/Programma\\_Corso\\_Impresa\\_Sociale\\_Costruttori\\_di\\_Futuro.pdf](https://www.istituto-oikos.org/files/allegatonews/2018/Programma_Corso_Impresa_Sociale_Costruttori_di_Futuro.pdf)

<sup>16</sup> <http://www.bictoscanasud.it/servizi.asp?id=6-Impresa+e+lavoro+femminile>

under one or more specific goals established in the article 8 of the administrative order of the 14/02/2007, namely:

- Incremental employment of disadvantages categories,
- Social inclusion of vulnerable people,
- Achievement of specific goals, addressed to the protection and valorisation of the environment, the territory and historical-cultural resources,
- Achievement of any other benefit coming from a public interest or social utility activity in order to solve a specific issue in the community or the territory.

In order to get the loan, the enterprises need to receive a positive evaluation concerning their creditworthiness from a bank, which is part of the Convention among the Minister for Economic Development, Italian Association of Banks and the Treasury of depository and loans.

In total there are 223.000.000 EUR, of which 200.000.000 EUR is for concessional financing and 23.000.000 EUR is for capital grants. 60% of these funds are reserved for SMEs, and the 25% of this reserve is addressed to micro- and small enterprises.

#### **BENEFITS FOR ENTERPRISES WHICH HAVE BEEN CONFISCATED TO ORGANISED CRIME**

This is a special loan for all the types of enterprises, which include also social enterprises and cooperatives that aim at reusing resources or goods that have been confiscated to organised crime.

The enterprises can obtain a biennial loan to operate in particular areas such as productive investments, investments for health protection and security at the workplace, interventions for structural reorganisation of enterprises, protection and increasing of employment and additional financial needs coming from a difficult access to credit.

The loan can be between 50.000 and 700.000 EUR, with the possibility of a total collateral of the programme proposed.

#### **FUNDS FROM PRIVATE BODIES - Invitalia**

Other possibilities to finance the launch of a social enterprise are offered by "Invitalia", a national agency for investments and the development of enterprises.

The benefit called "Sostegno ai soggetti del terzo settore dell'industria culturale" (in English: Support to the cultural industry of the tertiary sector's persons) aims at supporting and financing the development of enterprises and other entities of the tertiary sector, which work in the field of goods and services management for cultural activities. These funds are applied in the Italian regions more in needs and where tourism and culture activities are the main features, namely Basilicata, Calabria, Campania, Puglia and Sicily.

The programme is addressed to enterprises - including cooperatives -, and other bodies operating in the tertiary sector that have investment programmes of up to 400.000 EUR in one or more of the following fields:

- Activities for the management of national cultural resources,
- Activities for the fruition of national cultural resources,
- Activities of entertainment and cultural participation.

The subsidies are granted with a non-repayable contribution up to 80% of the expenses and up to 90% if the enterprise is managed by women or young people. The other expenses, which are not covered by the programme need to be financed with the enterprises' own resources.

Invitalia manages also programmes for young people engaged in the tertiary sector on behalf of the Youth Department, regarding different themes. Generally, the calls are for young people between 18 and 35 years old that aim at launching social enterprises, social cooperatives or NGOs, operating in different fields, such as technology innovation, social utility and civic engagement, sustainable development and management of urban and national services.

Usually the amount of funds can be between 35.000 and 500.000 EUR, depending on the programmes and the projects proposed.

#### OTHER BODIES

There are also different bodies, both public and private, that offer funds for non-profit projects in specific periods (months or years). Some examples are:

- Associazione Robert F. Kennedy Foundation of Italy Onlus;
- Fondazione Carlo Marchi;
- Chiesa Cristiana Avventista del Settimo Giorno;
- Con i Bambini Impresa Sociale - Comitato di Indirizzo Strategico del "Fondo per il Contrasto della Povertà educativa Minorile";
- Fondazione punto.sud;
- ANPAL (National Agency for active employment policies);
- National agencies for development cooperation.

## — 8.2. Support for social economy in Hungary

### 8.2.1. Non-financial support

#### REDUCED ADMINISTRATIVE BURDENS

Many organisations are allowed to prepare a simplified annual financial report, depending on the balance sheet total (max. 1200 million HUF), turnover (max. 2.4 billion HUF) and number of employees (max. 50 persons). This option applies not only for social enterprises, but also “traditional” organisations. However, most of the social enterprises fall into that category.

#### PROFESSIONAL ADVISORY NETWORK created in frame of GINOP-5.1.2. project

The project was funded by the Economic Development and Innovation Operational Programme. A professional advisory network was created in order to support development of social enterprises. Further aim is to create a single measurement and evaluation system in order to evaluate and provide quality assurance for project ideas related to GINOP-5.1.3-16, GINOP-5.1.7-17 and GINOP-8.8.1-17 calls. The evaluation system helps social enterprises to identify competences to be developed and lack of resources. Based on the results, qualified consultants support social enterprises to develop or improve a viable business model, to develop the organization and the full supply chain, furthermore they provide training and mentoring. At the end of the development process, social enterprises obtain a certification which allows them to get access to other repayable or non-repayable grants (see next chapter).

### 8.2.2. Financial support

European Union-funded operational programmes that provide financial support to social enterprises in Hungary are the following:

- Economic Development and Innovation Operational Programme **GINOP-5.1.3.-16 – PROMOTING SOCIAL ENTERPRISES**

The main aim of this call is to support social enterprises in developing marketable products and services. Social enterprises can receive non-repayable grant from 6.5 to 250 million HUF (~20 000 – 780 000 EUR). Eligible activities: hiring new staff (disabled or disadvantaged), marketing, product and service development, trainings. The funding rate is up to 100%.

- Economic Development and Innovation Operational Programme **GINOP-5.1.7.-17 – PROMOTING SOCIAL ENTERPRISES**

The main aim of this call is to support social enterprises in developing marketable products and services and to encourage creation of new social enterprises. Social enterprises can receive up to 250 million HUF (~780 000



EUR) funding. The grant is non-repayable. Eligible activities: hiring new staff (disabled or disadvantaged), marketing, product and service development, trainings. The funding rate is maximum 100%.

- Economic Development and Innovation Operational Programme **GINOP-8.8.1-17 – EMPLOYMENT LOAN PROGRAMME**

The call is open for social enterprises (associations, foundations, non-profit companies, social cooperatives) which are qualified by GINOP-5.1.2-15 project and have an approved business plan. The main aim is to encourage employment of disadvantaged and unemployed people. Eligible costs are: purchase of property, construction, equipment, intangible assets, stock purchase. Social enterprises can receive funding from 1 to 50 million HUF (~3000 – 150 000 EUR) which is provided as a repayable grant (loan). The loan is provided with more favourable conditions than standard loan products (0% interest, no handling fees, no contract modification fee, no early repayment fee).

### — 8.3. Support for social economy in Slovakia

#### 8.3.1. Non-financial support

The Ministry of Labour, Social Affairs and Family of the Slovak Republic in the field of state administration of the social economy grants and cancels a registered social enterprise, imposes fines, maintains a register of registered social enterprises, maintains a list of organisations of the social economy and publishes them on its website, performs the control of compliance with the obligations of the Act, evaluates the annual reports of the registered social enterprise, provides free advice to preparation of the project activities of registered social enterprise, provides free advice to preparation of the application to investment aid or to compensatory aid, creates, collects, processes, disseminates, disclosures of information, statistics and analyses in the field of social economy and issues methodological guidance on the application of this Act.

Within the **OPERATIONAL PROGRAMME HUMAN RESOURCES** social enterprises will be supported under the **PRIORITY 3: EMPLOYMENT, SPECIFIC OBJECTIVE 3.1.1 TO INCREASE EMPLOYMENT, EMPLOYABILITY AND REDUCE UNEMPLOYMENT**, with particular emphasis on the long-term unemployed, the low-skilled, the elderly and the disabled. And it is expected to reach a higher number of organisations in the social economy area.

#### 8.3.2. Financial support

The support of enterprises in the wider area of the social economy in Slovakia for the purposes of the Act No. 112/2018 Col. is:

- investment aid and
- compensatory aid.

**INVESTMENT AID** is provided for the purpose of supporting investment or preparation of investment and advisory services related to this preparation.

Investment aid can be provided in the form of:

- a financial instrument,
- aid combined in one operation with a financial instrument under a special regulation,
- conditionally repayable financial contribution,
- non-repayable financial contribution,
- subsidies for a registered social enterprise,
- the sale of a property at a lower price than the general value of the property or the rental of a property at a lower price than the value of the rent of the property determined by an expert opinion,
- income tax relief under a separate regulation.

**COMPENSATORY AID** can be granted to an enterprise in the wider area of the social economy if it is disadvantaged by making positive social impact compared to the entrepreneurs carrying out similar activities for the purpose of gaining profit.

Compensatory aid can be provided in the form of:

- a financial instrument,
- aid combined in one operation with a financial instrument under a special regulation,
- non-repayable financial contribution,
- subsidies.

Social enterprises can have a benefit as they can receive a state support – subsidy. The condition for granting a state support (subsidy) is to obtain a repayable loan from a commercial entity, most frequently banks at first. If the company does not obtain the loan, it will not be entitled to a subsidy. Commercial entities will assess the sustainability of the business plan before approving the loan. As it was already said the business's purpose can't be a profit but help to the people.

Registered social enterprises, which use 100% of their profit after taxation to achieve their primary objective, will benefit from a 10% reduction in VAT. In a market economy environment, a following question can be raised

whether this type of business advantage does not violate the market principles and whether other enterprises are not discriminated. The answer is definitely not. While ordinary businesses can build their production on high labour productivity, social enterprises are manufacturing their goods by employing disadvantaged people with lower labour productivity. To provide benefit to disadvantaged is therefore not intervention to the free market principles, but on the contrary it is a compensation of the lower labour productivity of disadvantaged people.

## — 8.4. Support for social economy in Poland

### 8.4.1. Non-financial support

It is undertaken by the certified Support Centres of the Social Economy. They play an important role in development and strengthening social entrepreneurship and provide specialist assistance based on personalised paths of support for social entrepreneurs.

In Poland, social economy is indirectly promoted by the Ministry of Family, Labour and Social Policy in which a unit, called Department of Social Economy and Public Benefit is extracted. This unit directly supports development of social economy (SE), accounts for creating conducive conditions for social economy advancement, including social entrepreneurship, formation of social cooperatives and enhancing non-governmental organisations. What is more, the unit is responsible for an accreditation process of Support Centres of the Social Economy and cooperation with the Accreditation Committee.

Non-financial means of support, provided by Support Centres of the Social Economy are the following:

**LOCAL ANIMATION** which is used to increase social participation in the field of SE. Support Centres of the Social Economy conduct animation activities, which enable creation and development of civic entities and public-social-private partnerships.

Local animation services take the forms of:

- **ANIMATION MEETING** – meeting with representatives of various social groups, sectors or regions;
- **DIAGNOSIS OF LOCAL ENVIRONMENT** - joint determination of the purpose of the diagnosis, support with data gathering and its formulation;
- **CONSTRUCTION OF DEVELOPMENT PARTNERSHIP** – a formal arrangement of cooperation principles of various parties, setting cooperation goals, directions of activity for the development of social economy entities and social enterprises;
- **CIVIL DIALOGUE** – a public consultation, a part of cooperation between self-governance and inhabitants, often also between business and local community, in the field to take into account social economy in local development;

- **CONSULTING** – widely understood advisory, addressed to natural persons who want to set up a business in the sector of social economy; employees, volunteers of social economy entities of local government units and their organizational units, social enterprises, labour market institutions and social integration.

Consulting may take form of:

- **GENERAL ADVISORY** – which aims are to provide comprehensive information in the field of setting-up social enterprises (SE), with reference to various legal forms, registering activities of social economy entities (SEE), to provide information about performing the statutory activity of SEE, as well as about the sources of financing SEE's activities.
- **BUSINESS ADVISORY** – an advisory in the field of helping in diagnose client's needs and expected results of activity, helping in preparing an action plan, tailored to the specific needs of clients, sector-specific consulting, related to the subject of business activity or paid statutory activity conducted by SEE, searching partners, identification of market niches, preparation of data and offers, preparing and working on a business plan.
- **TRAININGS** on increasing general knowledge about social economy.

The range of subjects covered by trainings is wide and involves for example formation of social economy entities and social enterprises considering legal forms, conducting economic and statutory activities in the field of social economy, the management of organization, strategic planning, financial management, human resources management, legal, financial, accounting aspects of activity in the field of SE.

#### 8.4.2. Financial support

**LOANS GRANTED UNDER THE OPERATIONAL PROGRAMME KNOWLEDGE EDUCATION DEVELOPMENT (OPKED)** through Social and Economic Investment Company TISE

Loans are granted to micro-, small- and medium social economy entities, non-governmental organizations, work, disabled and blind people cooperatives, church legal persons, non-profit companies, reintegration entities, such as the Centres of Social Inclusion (CSI), Social Inclusion Clubs (SIC), Vocational Rehabilitation Units (VRU) and Workshops of Occupational Therapy (WOT).

Loans are granted to the social start-ups – organizations that started operations no earlier than 12 months before the date of signing the loan agreement – (a start loan), as well as to Social Economy Entities operating on the market longer than a year – (a development loan).

Loans are intended to finance an initiation of business, particularly operating costs of the social enterprise at the early development stage of an economic activity.

Loans can be granted for:

- purchase of new, replacement of used, or modernization of existing fixed assets related to the ongoing or planned operations e.g.: purchase of equipment, machines, devices, apparatus, including means of transport directly related to SEE's activity;
- current activity of the company (e.g. covering part of personnel costs, administrative costs, purchase costs of small equipment, etc.);
- the expansion of company by measures aimed at increasing revenue streams, including financing projects directed toward commencement of new or different business activity;
- creating new jobs;
- implementation of new technological or technical solutions.

#### NATIONAL SOCIAL ENTREPRENEURSHIP FUND

National Social Entrepreneurship Fund was created by the Ministry of Family, Labour and Social Policy. The fund will support over 2 000 social economy entities through creating 1 200 new jobs. Nearly 1 600 000 will be earmarked for this purpose. Even newly created enterprises that operate less than a year may use loans. Thanks to this instrument, at least 2 030 social economy entities have the chance to take loans to finance their development and investment needs. This project is co-financed by the European Union.

#### THE CIVIC INITIATIVES FUND

The Civic Initiatives Fund (CIF) is a government grant programme for the civic sector, under which projects that are the part of main aim of the programme - increasing the involvement of citizens and non-governmental organizations in public life, are subsidized.

Realisation of the CIF programme should enable citizens to engage in various activities for the benefit of other people, communities and in creating, implementing and monitoring of public policies.

According to CIF's bylaw, i.a. non-governmental organisations: social cooperatives; joint-stock companies and limited liability companies, non-profit sports clubs, associations and field units of those associations, foundations, machinery rings, craftsmen's guilds, chambers of craftsmen, economic chambers, economic self-governments and housing communities, legal persons and offices or agencies are eligible to participate in the competition if their statutory goals include public benefit activities. Also associations of local government units are able to do that.

Funding from **REGIONAL OPERATIONAL PROGRAMMES** under the Operational Programme Knowledge Education Development (OPKED)

OPKED programme provides financial support for the social economy sector. This support can be divided into direct financial support, which may be applied directly by entities interested in granting financial support in accordance with the provisions of the programme and indirect support granted to operators - financial support will be granted through them.

Entities accredited by the minister competent for social security for all types of social economy support services will be selected for co-financing.

### INVESTMENT LOAN FOR NGOS

The loan is granted to foundations that run a business and intend to develop their business. The purpose of the loan is to invest in the development of statutory or business activities. The minimum loan amount is PLN 10.000, while the maximum amount is subject to negotiation and depends on the plan of future revenues for repayment of the loan. The loan is granted for a maximum of 36 months. The principal is repaid monthly or quarterly, in equal or individually matched to planned revenues instalments. The interest rate on a fixed loan is 9.5% of the APR. The required securities are a promissory note or assignment of contracts.

### THE POLISH-AMERICAN COMMUNITY ASSISTANCE (PAFPIO) FUND

These are loans for non-governmental organizations, such as associations, foundations or church organizations, as well as for social economy entities, i.e. social cooperatives and social enterprises or non-profit companies. In some cases, informal groups can also apply for the loan.

The basic cost of the loan is interest. The interest rate on loans from the PAFPIO Fund is 10% per annum.

### TISE-EASI (EU Programme for Employment and Social Innovation) LOAN FOR THE DEVELOPMENT OF SOCIAL ENTERPRISES

The loan is granted to social enterprises that meet the following criteria:

- running a business or paying for public benefit activities;
- achieving a measurable, positive social change as a primary goal, against the goals of pursuing profit;
- offer products and services that provide a social benefit or operate in a manner aimed at achieving a social goal;
- they are enterprises, in which the profit is allocated to the implementation of social goals and where the rules limiting the distribution of profit apply;
- they are enterprises, whose turnover or balance sheet total does not exceed the equivalent of 30 million EUR.

**INVESTMENT AID** is provided for the purpose of supporting investment or preparation of investment and advisory services related to this preparation.

Investment aid can be provided in the form of:

- a financial instrument,
- aid combined in one operation with a financial instrument under a special regulation,
- conditionally repayable financial contribution,
- non-repayable financial contribution,
- subsidies for a registered social enterprise,
- the sale of a property at a lower price than the general value of the property or the rental of a property at a lower price than the value of the rent of the property determined by an expert opinion,
- income tax relief under a separate regulation.

**COMPENSATORY AID** can be granted to an enterprise in the wider area of the social economy if it is disadvantaged by making positive social impact compared to the entrepreneurs carrying out similar activities for the purpose of gaining profit.

Compensatory aid can be provided in the form of:

- a financial instrument,
- aid combined in one operation with a financial instrument under a special regulation,
- non-repayable financial contribution,
- subsidies.

Social enterprises can have a benefit as they can receive a **STATE SUPPORT – SUBSIDY**. The condition for granting a state support (subsidy) is to obtain a repayable loan from a commercial entity, most frequently banks at first. If the company does not obtain the loan, it will not be entitled to a subsidy. Commercial entities will assess the sustainability of the business plan before approving the loan. As it was already said the business's purpose can't be a profit but help to the people.

- Registered social enterprises, which use 100% of their profit after taxation to achieve their primary objective, will benefit from a **10% REDUCTION IN VAT**. In a market economy environment, a following question can be raised the sale of a property at a lower price than the general value of the property or the rental of a property at a lower price than the value of the rent of the property determined by an expert opinion,
- income tax relief under a separate regulation.

**COMPENSATORY AID** can be granted to an enterprise in the wider area of the social economy if it is disadvantaged by making positive social impact compared to the entrepreneurs carrying out similar activities for the purpose of gaining profit.

Compensatory aid can be provided in the form of:

- a financial instrument,
- aid combined in one operation with a financial instrument under a special regulation,
- non-repayable financial contribution,
- subsidies.

Social enterprises can have a benefit as they can receive a **STATE SUPPORT – SUBSIDY**. The condition for granting a state support (subsidy) is to obtain a repayable loan from a commercial entity, most frequently banks at first. If the company does not obtain the loan, it will not be entitled to a subsidy. Commercial entities will assess the sustainability of the business plan before approving the loan. As it was already said the purpose of the businesses cannot be the profit, but rather to provide help to the people.

Registered social enterprises, which use 100% of their profit after taxation to achieve their primary objective, will benefit from a **10% REDUCTION IN VAT**. In a market economy environment, a following question can be raised whether this type of business advantage does not violate the market principles and whether other enterprises are not discriminated. The answer is definitely not. While ordinary businesses can build their production on high labour productivity, social enterprises are manufacturing their goods by employing disadvantaged people with lower labour productivity. To provide benefits to the disadvantaged therefore cannot be considered as an intervention to the free market principles, but on the contrary it is a compensation of the lower labour productivity of disadvantaged people.