



RISE
Realities in Social Enterprise

EDUCATIONAL MANUAL

v1.0

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1/ INTRODUCTION

Who are we and what is RISE project?

Social entrepreneurship is an innovative way for people to solve different economic, educational, health and environmental problems in their communities through their work – by associating and using sustainable business models. The profits earned by selling products or services serve to achieve a clear social mission. It means that earned funds do not serve to increase the assets of individuals - but are invested in socially useful purposes, such as hiring people who have difficulties in finding a job, social and medical services, education, environmental protection and cultural activities in the community.

In general, entrepreneurial education in Europe is not at all developed, and that is in particular the case with social entrepreneurship. There is a great need for materials that will serve as Manuals for this type of education. At this point, adult learners and teachers have a good quality access to information that present current state of social enterprises in European Union (EU) countries - through various researches, mapping, interactive models etc. These materials present technical information and positive examples and there will be more of such materials produced in future for sure. As social enterprise architects and trainers we miss the information on lessons learned from case studies in policy, legal, institutional, financial, practice social enterprise framework that failed from various reasons. Since nobody is researching and building databases on social enterprises seen and studied from a different point of view, why not change paradigm and promote social enterprise and social entrepreneurship in a way to also show bad models that were implemented and failed from various reasons? Why not use that as an educational model and teach others not to repeat the same mistakes? We also want to modernize educational and teaching skills of our staff, to upgrade pedagogical approaches and to learn new valuable information on social enterprises whom failed from various reasons. Educational Manual in front of you will provide various recent information on unsuccessful social enterprise models in EU countries and lessons we may learn from them in forms of positive advices and solutions for business success. The Manual is targeted at adult teachers and/or trainers from EU countries who are involved in entrepreneurial education.

The publication in your hands is produced as a part of project “RISE - Realities in Social Enterprise” which was funded through ERASMUS+ Programme, Cooperation for innovation and the exchange of good practices Action. The project intends to build up evidence-based knowledge on social enterprises and create new curriculum and learning tools for social enterprises. It is particularly focused on social enterprises from EU that ended up their activities, as we thought that obstacles they faced may serve as learning lessons for those social enterprises that are struggling with different challenges. Specific objective of this project was to promote (social) entrepreneurship education in EU through design, production and dissemination of education. This project follows Europe 2020 agenda on social inclusion, solidarity, fighting unemployment and modernising education.

The project was based on partnership between few organization from different EU countries: “PARTAS - Get Tallaght Working Co-operative Limited” from Ireland, “CONNECT Association” from Slovenia, and ACT Group from Croatia. All of them were successful social enterprises that have been developed in recognized social business support organizations, impact incubators and accelerators during last 15 to 20 years. They have track record of more than 500 supported social enterprises and 20.000 supported persons from disadvantaged groups, which were integrated through training and job-placement processes. The study was carried out by the team of four researchers coming from these organizations respectively.

To find out what are the main lessons learned from those social enterprises that ended up or are seriously struggling to survive, we conducted a study from January to April 2018. The study was based on a qualitative and interpretive methodological approach and used in-depth interviews as a main technique for gathering data. We interviewed key respondents - persons who were somehow involved within those ‘failed’ social enterprises, as founders, directors, managers, members of governing board, etc. By using snowball sampling strategy, we were hoping to include around 20 social enterprises from across the Europe. We manage to identify and to contact nearly 25 of such social enterprises, however many refused to participate in this study. At the end, eleven social enterprises were included as case studies and this manual is based on their experiences. Those social enterprises were operating in Croatia, Ireland, Romania, Serbia and Slovenia. All of them asked to stay anonymous.

The specific objective of this project is to promote (social) entrepreneurship education in EU through design, production and dissemination of educational material. We hope that using this learning manual will help many trainers and practitioners in spreading knowledge and increasing their own capacities for managing social enterprises. We also want to support the innovating and improving the quality of teaching and training in the area of adult education. Finally, we want to provide those struggling with being in labour market, mainly unemployed adult learners, with modern entrepreneurial learning updated with EU educational standards.

2/ WHAT IS SOCIAL ENTERPRISE AND WHY WE NEED IT?

At the beginning of 21st century the world we live in became technologically advanced in a way we couldn't been able to imagine a few decades ago. The world has never been this rich either. However, not all were in position to feel the benefits of this growth and development. Paradoxically, great majority of population struggle daily with pure survival. Even most developed countries face poverty, inequality and social marginalization of various groups. Many social needs were not addressed by the current government's programs and measures across the globe. As the dominant economic model promotes shrinking of the public expenditures for last few decades, welfare state programs remain insufficient and deficient in coping with emerging social problems and needs.

In such context citizens participation became more important and efficient, as bottom up initiatives through various organization models and responses, are turning to be efficient player of social inclusion and local communities' development. This is the birth place of social enterprises, which, as a concept and specific model, emerged in Europe at the beginning of 90ies. There are many definitions of social enterprise and now extensive academic literature on these phenomena is available for those interested in deepening knowledge. In this study, we'll try to make it short and simple.

Differing from other bottom up, third sector or civil society organizations, which largely depend on external funding, social enterprise is based on economic activities and it operates at the market. Contrary to other private market entities, social enterprise uses surplus to reinvest in (other) activities that accomplish its social mission and increase social impact. The social objectives, addressing a social need, is the main purpose and motivation of social enterprise. Economic activities are needed for achieving that purpose, and being a profitable venture by generating revenues enables sustainability of the social enterprise.

In Europe, social enterprises are closely linked to, and emanate from, the tradition of the social economy, which is characterised by principles and values such as solidarity, the primacy of people over capital, and democratic and participative governance. At European level, the social economy

approach includes entities such as co-operatives, associations, mutuals and foundations.

In recent years the European Commission has defined a social enterprise as being “an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and involves employees, consumers and stakeholders affected by its commercial activities” (Communication from the Commission, 2011/682 final).

The activities of social enterprise are extensive. Enterprises can tackle social and environmental issues; fulfil government contracts to provide social services; generate employment and provide services including to those most marginalised; as well as delivering programmes within non-profits to finance social missions. Organisational size, budgets and scope of services can vary significantly. The range of social enterprises that exist can be broken into six categories as detailed below. It should be noted that some social enterprises fall under more than one category.

- I. Community Organisations/Enterprises
- II. Social Entrepreneurship
- III. Work Integration
- IV. Service Providers to State
- V. Enterprise Development
- VI. Environmental

Despite the rise in prominence of social enterprise in the last few decades, it still suffers from a range of problems that inhibit its full potential. It encounters a low level of recognition and there is a lack of cohesion and interconnection between relevant stakeholders. It is still approached as a niche when it comes to the education system and on matters of economy and enterprise, thereby minimising the opportunity of promoting it as a catalyst of innovation and inclusion. There is also a shortage of specific training opportunities that are developed especially for the sector. The understanding of social enterprise needs to move beyond an abstract philosophy that is generally believed to be worthwhile, to a fuller understanding of concrete examples of social enterprise at work in society and their impact on communities. We believe that a fuller understanding of

the problems faced by social enterprises, together with the causes of failure, can also shine the light on where action and supports are required to provide further impetus to growth in the sector.

An EU Commission Expert Group on Social Entrepreneurship (GECES) issued a call for action “Social Enterprises and the social economy going forward” in 2016. It argued for a European Action Plan for the Social Economy and social enterprises, which would promote an enabling environment for social enterprises. It focused on four thematic areas:

- increasing the visibility and recognition of social enterprises;
- access to finance;
- enabling legal and regulatory frameworks; and
- driving international development and growth.

The OECD/EU Commission in 2017 published a report “Boosting Social Enterprise Development” noting that inequality and persistent unemployment for vulnerable groups have come to the fore as priority policy issues, not only with respect to social justice, but also with respect to economic growth. As long-standing agents of inclusive growth, social enterprises have proven to be remarkably resilient in the face of economic adversity. By design, social enterprises address socio-economic challenges in innovative ways and engage citizens to become part of the solution.

The EU Commission has been very supportive of social enterprise and its potential for inclusion and innovation and has actively sought to encourage member states to support the growth of social enterprise within their economies. However, responses and actions from member states have been sometimes sporadic and half-hearted. There has been a disconnect between Commission and Parliament desire to see social enterprise become a more functioning part of the European economy and the (lack of) responses from individual member states. Our hope is that we can contribute to a greater awareness of the potential that social enterprise offers for all and ensure that it remains a priority for policymakers and that their efforts do not tire.

3/ WHY 'FAILURE' IS IMPORTANT AND HOW CAN WE LEARN FROM IT?

"Failures were also necessary for understanding the story behind social entrepreneurship and for spreading that story around..."

Talking about the 'failure' is still very rare in the world of social enterprises. We use quotation marks on purpose here - as we are convinced that this term is unfairly filled with much negative connotation and stigma that masks the fact how 'failures' are natural parts of not only doing business, but of life as a whole, and as such great source of learning and growth.

Discourse on social enterprises, no matter from which side is coming (academic, public, civil society sector...), is filled with success stories or best models and examples. Those serve well to show what social entrepreneurship is and to inspire others for enrolling in the sector. However, we think failure is also important. By making a failure visible and talking about the failure many things may be learned about functioning of the social enterprise in the real world. As other authors noticed, "knowing something that you shouldn't do is more worth than knowing what you should do..." (Davis-Hancock, 2017).

There are only few rare academic articles that are dealing with the topic of failure of social enterprises¹, which is somewhat less than those analysing unsuccess in commercial business and enterprises². Recently, we can witness the rise of some new initiatives around the globe that are trying to destigmatize the 'failure' and talk more about problems and failures (social) enterprises faces while trying to create a sustainable business. One of the most popular attempts was certainly 'Fuckup Nights' - a movement that is based on event series where people share their stories of professional failures³. *Till today Fuckup Nights became a real global movement with 251 cities from 79 countries included. In 2014, Failure Institute was born from*

¹ Such as Seanor & Meaton, 2008 or Rykaszewski, et al, 2013.

² See: Stevens & Burley, 1997; Olaison & Sorensen, 2014.

³ See more at: <https://fuckupnights.com/>

*this initiative, with the purpose to conduct research and produce reports and data basis on failure in business*⁴. As a part of their research studies, one focus is also social entrepreneurship and social enterprises. With a team of academic researchers, they published a report on “Causes of failure in Mexican social enterprises” which included social enterprises that experienced any kind of failure. Findings of the study showed that the most striking reasons from failure from the perspective of social entrepreneurs are lack of resources and infrastructure on one side, and context on the other. There were other attempts that aimed to identify main reasons for failure of social enterprises as well as to give some lessons others may learned from. Those were mostly coming from various consulting companies or support organizations, but with no clear methodology behind⁵. Also, one may find various texts written by social entrepreneurs themselves describing their ‘failures’ and lessons they’ve learned⁶.

Failure is quite common in the business world. According to some findings, in global average approximately 75% of businesses close within two years (Lopez de Alba, L. et al., 2017). There are some assumptions that similar trends occur with social enterprises as well.

Despite reasons for failure of social enterprise may merge with those in business sector, they also can be quite different. Moreover, consequences of unsuccessful social enterprise may impact the local community and society in very specific ways - as they integrate vulnerable social groups and involve various stakeholders in local community. Failing with social enterprise may damage social capital, brake trust and increase disappointment and apathy.

There is also an urge to present social enterprises only as successful venture. This often comes from the donors community, but also from governmental agencies, that wants to justify the purpose of the money invested in the sector.

However, let's return to the beginnings of this chapter - failure is often seen only one-dimensional, not with full potential for learning and growth, as it substantially is. As Cahalane said in her article “I think if you're not failing,

⁴ For more see: <https://thefailureinstitute.com/>

⁵ Such as, for example: Kemenetz, 2013; McCambridge, 2013; UnLtd for social entrepreneurs

⁶ For example see: Gasca, 2015; Cain, 2014.

you're not innovating. Really successful social entrepreneurs fail multiple times.” (Cahalane, 2013)

Failed social enterprise can be defined in many ways, and we felt that simple definition offered by Rykaszewski, et al. (2013) quite well draws its main characteristics - the failure of a social enterprise is characterized by its “inability to build a profitable, self-sustaining company that accomplishes its predefined social goals”. This definition considers balancing between social and economic goals that very often makes the core problem in developing a successful social enterprise.

If you are newly social entrepreneur or if you are striving to become one, the experiences we collected in this manual aim to navigate you through obstacles in organization and disadvantages of the context you operate, and at least make it somewhat easier for you. We hope nothing here will discourage you on your road, but on contrary, we sincerely trust that it will fill you with inspiration and renewed bravery. Because, the world waits for new great ideas to be put into action and to create a good lives and better communities. Failure here is just an embraced moment on that road.

4/ LESSONS LEARNED I.

What are common issues within organization and how to deal with them?

One type of lessons learned from a failure is related to internal issues of the social enterprise, and mostly refer either to mistakes in strategic orientation and decisions or to problems with and within management. Let's see what are the most common mistakes as seen by the social entrepreneurs.

1. Strategic decisions

“We chose a wrong target group”

Several social enterprises considered that they did not select adequate target group, which caused difficulties in the performance of the business. But, what does this mean?

Majority of social enterprises used as case studies for this publication were initiated and established by local or national non-governmental organizations (NGOs). Very often they were in ability to draw some financial resources provided through different donors or funds, or even local authorities (very rare, but it also happens) for setting up a new venture for social entrepreneurship. Also, in some cases, founding of a new social enterprise was a final step or objective of a project of economic strengthening that NGO has been running for awhile. In any of above cases, usual funders' requirements include deciding on a 'target group', those that will be employed or integrated through the social enterprise. 'Target group' refers to at least one social group marked as vulnerable or marginalized, mostly because of its difficult access to the labour market, and usually include: long-term unemployed, women aged 45 or older, persons with disabilities, rural population, unemployed youth, ethnic, sexual or other minorities, Roma people, homeless people, imprisoned persons, single parents, etc .

“That is a group of older women.... You can't learn them how to make modern fashionable products... they have their own ideas... It is very hard.”

Based on experiences from our case studies, choosing a right target group is not an easy task and should be carefully planned and overthink, in particularly in terms of their existing knowledge, skills, abilities, cultural specificities, habits etc. For example, in some cases unemployed middle aged or older women appeared to be quite difficult to accept democratic governance of the venture and/or to participate in governance. They had no real experience in such practice and were very tough to change their habits and attitudes. Also, they were very reluctant to learn how to participate in governance and take responsibility in decision making, as they usually 'just wanted to have a job', with no interest in anything else. In other case, choosing a Roma people as employees was also a challenging task. It showed that strong tradition of Roma culture may be an obstacle for their integration in a new venture with specific values. As there were several Roma persons employed, they were acting as an enclave, a separate community inside of the community, not managing to develop a sense of belonging and ownership over the cooperative which they were members. The founders missed to see how inclusion of such a specific ethnic group needs to be carried with much more education and mentoring.

"If we look from the standpoint of users, they may see social enterprise as an externally induced model, which they are not familiar with, nor they think it's important that they participate... They just want a job and monthly salary and they are fine with any business model..."

It is important to think only on short-term goals, such as to employ two, five or even more vulnerable people and gave them any kind of job, ensure some income and change current circumstances of their lives. But it is even more important to consider long-term effects, and whether those persons will be able to participate in governance of the social enterprise, will they be able to ensure sustainability and how they can be encouraged, trained or supported to achieve those long-term objectives. Also, it has to be considered if selected group is well motivated to perform certain tasks, to learn new things and to work with other groups. Finally, it has to be taken into account if choose group is well efficient in performing tasks, and if not how that can be compensated to achieve sustainability of the venture.

"They did not participate in the governance... They should be educated for that, maybe 2-3 years are need to build their governing capacities..."

“We chose too small market”

Choosing an inadequate market was another most common mistake that our respondents recognized. What did they mean by this? In few cases social enterprises decided on market based on some policy measure or strategic direction promoted by the governance, that appeared to be temporary and fluid. One example showed how their focus only on providing services in social auditing, based on new state policy that required social audit reports from social economy actors, ended up badly. They lost a market in a few years, as government administration gradually liberalize its requirements. In other case, social enterprise developed a specific service based on the contract with local authority in order to make a better protection of local social housing. But once market was exploited, social enterprise got in problems and could not ensure cash flow any longer. Another case showed how market was selected according to existing resources, but with no real reflection on market tendencies in the industry. Because the industry - paper/ cardboard production in this example - was very technology dependent, fast development caused new approaches and techniques and also new and more expensive equipment. In very short time, the social enterprise became less competitive and started to lose its portion in the market.

Deciding on market niche that you want to serve with your products or services has to be carefully carried on. Many respondents emphasized how they would have benefited from the market research that was conducted prior to starting up an enterprise. Those findings may offer very useful insights into facts is there a real need for your products and services, what are your competitors and their portions in the market, and what are some upcoming trends that may influence your business.

Transformation from one market niche to another, either by extending a products or services or by developing a new one, usually requires serious investment or at least some additional financial capital, that are not easily accessible for social enterprises.

“We did (not) have a business plan”

A good business planning is usually seen as a first step when thinking about starting an own business. This is also something which is required from the

applicants by the majority of donors or fundings. However, there are split opinions among our respondents regarding this issue. Those who did not develop a comprehensive business plan prior to the start of their social enterprise consider that is one of their major mistakes. They thought business planning would have helped them predict some obstacles on the road and make them more aware of the side effects of some business decisions. On the other hand, for those who started their venture with business plan in pocket - business planning is seen as overrated. They did not feel it helped them at all, but almost the contrary, it was the burden they somehow felt they need to consult, while things in practice were too chaotic, not fully predictable and needed to be solved on the ad hoc basis.

“Business plan was related to projects and it was required by the donors and funds. But it makes no sense for the early, start-up stage. It is okay to know the directions, but not necessary all steps. It is more adequate to make ad hoc decisions based on real needs not projections...”

Overall, business planning is fine, but maybe not necessary for the start-up phase, where decisions and actions need a dose of flexibility.

“We did not follow our own intuition”

This as well may be placed at the first position in this list, as this might be the crucial thing to follow. Of course, the problem is how to know when it is your intuition and when it is just an euphoria or fearfulness covered. This is quite difficult to know, and there is no recipe for everyone and for all situations. But, here is a little help. Whenever you feel like forced to make a step into direction that you are not comfortable with, or whenever you feel like you are compromising something important, like a core social value of organization, it might be a good decision to take a step back and to find a different path. In some cases, social entrepreneurs felt they were not a hundred percent behind some decisions they have made. They felt a lot of pressure from their donors, who urge for some innovation, or for scaling up in a time and way social enterprise was not ready for. That kind of influence

was not supportive, but quite contrary - it caused insecurity and instability of social enterprise.

“The donor wanted that we open a shop... And we did not feel it is a right decision, it was against our intuition. We opened it, but it produced debts in less than a year.”

Despite a certain amount of healthy risk, which goes hand in hand with entrepreneurship, some risks are not worthy and may lead your social enterprise into a downfall. So, be sure that you by your heart you are fine with decisions you are making and risks you are taking.

“We lost interest”

This is not a common situation, but it happened in few cases included in our study. Usually, it is the case with founding NGOs, which initiated and started up social enterprise. At some point, they liked the idea of social entrepreneurship, and there was some funding available, and they had enough knowledge and skills to recognized social needs and to put up a good-looking project proposal for initial funding. And bam, social enterprise was born. But actually, that was an easy thing to do. Usually one year from that, after the initial funding was spent, the problems start to accumulate. For some founding NGOs, this is the time when they realise that they are not interested in being entrepreneurs, nor they want to commit to further care around the social enterprise they established. For some, social enterprise was never a part of their strategic commitment, for others, persons from NGO mostly responsible for starting a venture left their jobs, NGO sector or even their country of residence. Shortly, founding NGO lost interest in social entrepreneurship and that could only accelerate the ending up of social enterprise.

To avoid this unhappy situation, before you start an experiment with establishing your own social enterprise - think, and rethink, what is your motivation to do that? Is it just a cool and sexy idea no one done before in your community, is there some easy-reachable funding that you think would be pity not to apply for, or you truly believe social entrepreneurship could

improve at least some people's lives and create welfare in your community and you are willing to commit pursuing that dream. Being clear about what motivates you is quite important. Because, failed social enterprise is much more sensitive issue than you might think, as it includes vulnerable groups and raises expectations from the community. The failure of social enterprise also interrupts trust and solidarity; and even it's OK to fail, it's even better if you can avoid it at all.

“Social entrepreneurship was not part of our strategic orientation, that was not our core mission... Social enterprise occurred more as an incident, than strategic commitment.”

2. Management issues

“Project manager is the best choice for social enterprise director”

This is by far one of the most common mistakes done by NGOs when establishing social enterprises. As social enterprise is usually the result of a previously run NGOs' project, for founders seems pretty natural to set up a person who was a project manager for a director of a social enterprise. And we could not stress enough how this should be avoided by no means. Even if it looks like a natural evolution, these are completely different types of jobs that requires very different sets of knowledge and skills. Managers at NGOs usually possess specific set of qualities related to greater social awareness and more sensitive social skills. Also, their managerial skills refer more to managing project activities based on some sort of external funding, than to managing economic activities.

“The project manager became the director of social enterprise, but she resigned few years after.... Then, we had to employ someone ‘external’, but I think she had never understood our values. She sees as limitations something we thought are our advantages.”

On the other side, manager of social enterprise, should not differ much from other entrepreneurs, except by the core values, perhaps. Besides lack of business-related skills, cases in our study also faced lack of motivation at those colleagues who were set up for leading positions at newly established social enterprises. Their aspirations were not connected to running a business and the role that was somehow imposed to them, led to their dissatisfaction, and often to leaving a position and a company in a short time.

“I don’t know... I liked the idea, and it was the first social enterprise in my country at that time.... Looking back now, I really don’t know why I decided to do that, it’s hard thing and not much money you can generate...”

“Once we find a manager, we can step away”

This is also a common issue that many respondents shared in our study. Finding a suitable manager with at least some experience in business sector is very difficult mission for many NGOs when starting up a venture. Social enterprise sector is still largely perceived as less attractive to those with business background, in particularly in terms of income levels. Once they find an adequate manager, many NGO founders feel some sort of relief and believe their job is over. However, experiences from our cases showed that many problems and even conflicts may emerge from such situation and attitude. In some cases, managers were fond of making decisions that were opposing core principles of the NGO. There was also an extreme example in one case, where some financial malversation took place. Finally, it is not rare that conflicts between governing board (consisting of founding NGOs members) and manager(s) and staff emerge at some point.

“Board and staff were quite mistrustful of each other in the end. There was a breakdown in relations during the time when alleged financial irregularities were discovered. After this, the board became much more involved in daily operations.... (..) proper communication is essential for coherent planning and the development of strategy.”

The nature of those conflict is quite similar - managers are opting for more 'business' approach in running social enterprise, sometimes even not resisting to sacrifice social goals, while governing board is trying to keep social mission number one priority. Those conflicts are difficult to solve, for both parties have good arguments on their side. However, it indicates how complex may it be to successfully run a social enterprise and to continuously balance between social and economic goals.

"Few of us from the core NGO team got out from managing of social enterprise... and we thought it is okay to leave it to manager to take care... And that was mistake; we rely too much on that, and on the donor support."

Therefore, it is quite important to select a manager who is both - skilled in running business and committed to social mission of the enterprise. Also, those elements should be always questioned and communicate between managerial and governing members to ensure that they all stand at the same ground.

"We know enough about the business"

Overall lack of business knowledge is common feature of social enterprises' stuff. There is no much surprise in this, as majority of social enterprises, at least in our study, were established by NGOs, and their modus operandi is simply different. NGOs, and people who were gathered around them, were motivated by some social causes or problems that have put social groups or society as a whole in a vulnerable position. Their urge is to jointly address those issues and advocate at decision makers to create policies for solving them. Economic activities and entrepreneurship are usually not something they are familiar with. When social entrepreneurship is recognized as an effective model to address and solve social issues they care for that is a great first step. However, social enterprise is enterprise as well, if not at first. And to keep the social enterprise healthy and sustainable you have to make sure that it is profitable as well.

"The problem was in fact that people here did not have a professional experience in running a business... All those social entrepreneurship initiatives came from civil society sector, and people were not even aware what responsibilities you take when you establish new entity."

Therefore, for starting and developing successful and sustainable social enterprise it is necessary to have a certain level of business knowledge - and that includes many things: knowing financing and accounting, knowing about legal and particularly fiscal framework, knowing market and the need of your buyers, knowing marketing and communication, and so on.

3. Mindset

Many social enterprises emerged from civil society, as they were initiated and established by NGOs. Some of those included in our study recognized that the mind-set and values of NGO members somehow clashed with the 'real-world' in which social enterprises operate. People from NGOs much more rely on external funding and are skilled to think in terms of projects activities. There is an impression that NGOs act in a sort of 'protected' area, where majority of their activities are funded through local, national or European funds, or donors in other cases, which enable them to position themselves as ethical protectors or even morally superior. Once involved within a market, as one of the actors that now compete with others, the ground for ethical critic fade away. For some founding NGOs that also questioned their core identity. At the same time social entrepreneurship worthy model, they want to support, but also it was part of the 'dirty' market that they want to distance from.

“NGO world is different - you got money, you accomplish some goals... you are somehow protected from the 'dirty reality', filled with bribe and corruption... But, once you start to clean premises of the local authority, then you cannot avoid all those structures, inspection, controls... And you are not protected any longer.”

We are not denying that those conflicts of values and identities may happen, but their roots are usually in lack of understanding what social entrepreneurship really is.

There is nothing wrong with market per se, nor with being a profitable. It enables fulfilling people's need, creates values and stimulates innovation and development. The problem is how you treat all involved in your business

and what are you doing with a surplus you create. Social entrepreneurship induces new values in the market - it brings back ethics, humanity, solidarity and care.

“The biggest problem was that entrepreneurship gradually separated from the core mission of our NGO. With our limited capacities and the activities that we perceived as priority, entrepreneurship started to bother us... We started to see entrepreneurship like less valuable, not as a nice story that is.”

So, try to adopt and broaden your mindset to the new options and tools which market offers in pursuing social mission that you are committed to.

5/ LESSONS LEARNED II

What are main barriers in environment/ ecosystem and how to overcome them?

Besides lessons learned from mistakes that are related to some internal issues within the organizations and/or social enterprises, there is another type of lessons - those that are related to external circumstances. They could hardly be characterized as mistakes, but rather as an obstacles or disadvantages of ecosystem. Of course, they differ from country to country, due to specific social, political and economic context. It may look like something beyond the control of social enterprises, but we are convinced that by being aware what are the shortcomings in the environment your social enterprise operates within, you may adopt more easily and search for ways to overcome them. So, here are the most common obstacles and problems that our social entrepreneurs have been facing.

Legislation

Shortages of current legislation, that does not recognize enough specificities of social enterprises, has been experienced by all social enterprises in our study, regardless of the country in which they operate. Some of the most common things that makes the running of social enterprise harder is no tax reduction nor other benefits. The business of social enterprises is usually treated as any other business, not taking into consideration the benefits such enterprise does for the society or excluded social groups. Sometimes, legislation could be a contradictory. For example, in some cases laws that regulate economic activities of non-profit organizations were not harmonized with legislation on trade, thus excluding social enterprises from some activities, such as export, wholesale etc. Also, legislation on cooperatives might be unstimulating, and it is in particularly the case with some post-socialist countries.

Changing the laws may be beyond your interest, however by knowing limitation of existing legislation in your country, you may do your best to advocate for some changes that would make things more supportive for social enterprises. If advocacy is not in your list, make sure to anyway get

familiar with legal framework within which your social enterprise will operate - that may save you from choosing an inadequate legal and organizational form.

Institutions and policies

In some countries institutional framework for social enterprises is more defined than in others. Despite that, it seems that social entrepreneurship is still marginalized topic on the policy agenda. Even in cases when there are some supportive measures for social enterprise development those tend to be too easily neglected or put aside. All cases in our study felt that they do not have government support in what they are doing and they urged to have more partnership-like relation with government. Some social enterprises even built their business activities around policy measures that government adopted (in this case - requirement for social auditing), but soon those requirements faded away, and social enterprise was left without the market. Shrinkages of government support are also seen in lack of public procurement practices that would favour social enterprises due to the added value of their social cause.

Supportive government is quite important as social enterprise sector is very fragile. However, if you don't live in a society with stable institutional framework and committed government, be careful not to base core business activities around some ad hoc promise or newly adopted policy, as those may turn to be very temporary and changeable. Stay familiar with existing institutions and be informed about tendencies in policy development, but keep your expectation low.

'Infrastructure'

There are many things in the ecosystem that creates some sort of infrastructure which enables social enterprises to access different resources they need - including material (monetary) and non-material resources. In majority of countries that social enterprises from our study operate within, those infrastructures are not well developed, and as a result, social entrepreneurs have very little help aside that they can rely on. What they

needed the most are various sorts of financial investments - a capital that can assist social enterprise to scale up, or to modernize equipment and technologies. Banks and other financial institutions that have special products for social enterprise' specificities are still very rare, and social investments funds usually operate at a larger financial scale. For many existing financial actors, social enterprises are still less attractive and often perceived as low profit-high risk entities.

“Comparing to business sector, and how much financial instruments there exist, in social economy sector there is nothing - no education, finances, investments.... and resources are modest, while expectations in achieving social mission and generating employment for marginalized group are enormous...”

So, in order to attract a capital that can boost your social enterprise or help it overcome some difficulties, you have to be creative and to look for newly alternative ways. Crowdfunding is one model that was already used by some social enterprises with quite a success.

Besides monetary resources, social enterprises also desire for various kind of non-material resources, that are also deficient in many ecosystems. Usually they need some sort of support in accessing information, knowledge, mentoring, advices, or simple sharing of experiences (and failures as well). For those things different forms of networks, umbrella organizations, or even chambers (of commerce) have been seen as valuable platforms that they could benefit from. If there is such organization in your country, lucky you! You may join it and use it for sharing and receiving assistance. If this is not the case, we strongly support you to be the one who will initiate such network and gather other social enterprises.

“It is not enough just to give one-time support to social enterprises. They need continuous monitoring and support. This way, they were left to their own capacities... We helped as friends, but there was no institutional support and assistance.”

Market

For many social entrepreneurs, market is not a usual habitus and they find it quite difficult to adopt to risks that market demands. Those included in our study have troubles coping with market competition, which often caused their withdrawal from the market. It is in particularly the case with industries and sectors that are based on technologies, where technological changes and updates advances market offer. The main reason for collapse of those social enterprises who faced such changes was lack of financial capital, investment which would enable them to buy new equipment and to adopt their production or services. Sometimes, main competition was situated within grey economy and causes the prices dumping, but is also putting social entrepreneurs into moral dilemma of how to deal with it. In some cases, market was wrongly assessed. A local community, which supposed to be the main consumer, was reluctant either because of the prejudice and discrimination (in this case towards Roma people who participated in production) or because the local market was over saturated with the same product (in this case traditional local food).

There could be many market deficiencies and risks, that may cause insecurities at any point of your business adventure. But the key thing is, and we could not repeat that enough, to explore and get familiar with your market before you start. Do market research, do some pilot testing, consult experts, look for statistical data (if any) to see if there are some tendencies that may predict market fluctuations... It is also important consider this - focus on products and services that will address the real needs, not invent the new ones.

'Donors pressure'

Funding and grants coming from donors and different funds are often financial resources available for NGOs to kick of social enterprise and employ people. However, those resources often come with various requirements that needs to be fulfilled in order to keep the support. Social enterprises and their funding NGOs often feel that those requirements were forcing them to make some decision they are not fully committed to or to act opposite to their intuition and values. Several social entrepreneurs in our

study mentioned pressure to choose a 'target group' from the predefined list. Many felt that they've chosen a 'wrong' social group, and we talked about that in previous chapter, as they were not given a chance to intuitively come up with the solution about the group of beneficiaries that would best suit their business model.

"We rely too much on the donor agency and their models... which were not our ideas and plans. They wanted that we grow fast and became a 'big thing', and we were still okay with our 'small story'."

Others also mentioned the problems they faced when donors advocated for a model of scaling up that social enterprise was not felt as the way they want to follow. This led to the closing up the business in one case, as they could not cope with sudden arise of debts that new model resulted with. Finally, many felt that by accepting the funding from donors and funds they also commit to be successful. And, when they face the problems, they feel forced to still present things in a successful and positive way, avoiding being seen as a 'failure' as that, they felt, may ruin their reputation and a chance to gain another funding.

"We should have much better defined the problem and the user groups, because in the end this turned to be more like the product of donors demands, not inherently emerged from the user needs. It was a bit forced, created like a Frankenstein.... It's not healthy business planning."

These donor requirements were often treated as ticking the checkbox. But the reality is that those are strongly connected with crucial decisions that shapes your social enterprise and define its functioning. If you are using funding for initial starting up of your venture or any other stage, you will probably have to fulfil those demands prescribed by the donor. We advise you to (re)consider them carefully and to have in mind how those are sustainable and whether you may be committed to realizing them in the long run. Also, in you are in position, try to negotiate with your donor to make requirements more flexible to fit your business needs. They can be

persuaded sometimes with good arguments, and it's worth of trying. Finally, don't rely your business on donors funding only, and always try to ensure various sources of finances.

“I think donors money should never be the main driver of social enterprise, nor the only source of funding. Because, then you put much bigger effort in trying to justify that funding than in strengthening the business. Donors money can help, but those should not be the base for development.”

The role of local community

This one deserves to be in both chapters, as this is probably something in the external environment that you can influence the most. After having an experience of being social entrepreneurs, many of our cases felt that one of the key factors of keeping a successful and sustainable social enterprise is related to what extent a local community is involved in it. But, what does it mean and how you can ensure the involvement of your community? Because the core nature of social enterprise is to address some social issues, as well as to integrate those social groups that slipped out of the labour market, and that by generating an economic value which is then reinvested for the benefit of all, not only the owners - the role of social enterprise in local community and in society as a whole is much more than acknowledged so far.

“If the local community is not co-responsible for the launching of a local project, it can quickly decide to ignore it... Entrepreneurship therefore requires personal participation - the participation of capital, knowledge and other assets in order to obtain social effects.”

Social enterprises care about local resources and people, and help rebuild or strengthen the trust and solidarity. However, to get community to care about social enterprise, it is necessary to involve various actors from community to participate in social enterprise in some way. This could be by

including them into governing board, by offering different modes of membership within social enterprise, by considering local suppliers and consumers as primary or favored partners etc. There are many ways, and you have to figure out which one is best for your model.

“It is important that social enterprises are recognized by the local community and local authorities. We established another few social enterprises and for those that are successful municipality is the main client, and that is the reason why those social enterprises are still successful and existing.”

The important thing is to try to develop a sense of ‘ownership’ over the social enterprise among the members of local community, so that they feel it as their own thing. In that way, problems that affect social enterprise would be seen as a community issue as well, and you can easily access the support and help needed. By making these strong ties with community you are ensuring long life and sustainability to social enterprise.

6/ SWOT ANALYSIS

The SWOT analysis presents some common strengths and weaknesses of the cases of unsuccessful social enterprises in our sample, as well as opportunities and threats from the external environments.

STRENGTHS	WEAKNESSES
<p>Initiated by people with high sense of social needs and problems in society or local community</p> <p>Eligible entities and skilled human capacities for pulling initial finances (grants) from EU funds, national budget programs or donors</p> <p>They manage to increase visibility of social needs, problems and vulnerable social groups</p> <p>They manage to increase awareness of the barriers in legal and institutional environment that social enterprises face</p>	<p>Founded by NGOs, that often lack capacities for running a business venture</p> <p>Lack of entrepreneurial behaviour and willingness to take a business risk</p> <p>Limited capacity of social enterprises to attract investment capital</p> <p>Difficulties of integrating workers, often unfavourable groups in unfavourable position, into participative democratic governance</p> <p>Difficulties to attract and keep skilled and experienced managers</p>
OPPORTUNITIES	THREATS
<p>Broad networks of other organizations and social enterprises that are source of non-financial support, information and advices</p> <p>Eligible and continuous financial resources from the European funds</p> <p>EU policies may increase popularity of social enterprises and increase interest</p> <p>Growth of social investment sector that seek for investment opportunities</p>	<p>Overall lack of public recognition of social enterprises</p> <p>Legal barriers and disadvantages for certain legal types of social enterprises</p> <p>Marginalised and the low-priority position of social enterprises in policy context</p> <p>Insufficient capacities of social enterprise sector for mentoring beginners social enterprises</p> <p>Changes of policies and behaviour of government agents, and overall lack of commitment from the side of government, which creates unstable environment and partnering</p>

7/ SHORT STORIES OF SEVERAL 'FAILED' SOCIAL ENTERPRISES

1.

The social enterprise for cleaning services was established in 2007. It was established by the national non-governmental organization (NGO), as a part of changed discourse in civil society sector, that was more focused on economic strengthening of vulnerable groups. The initial funding was received from the foreign donor organization. The NGO decided on the target group (refugees) and on the economic activity (cleaning service, as it was less demanding in terms of qualifications and skills). After the first year and end of the 'project money', things started to slow down. The main problem was that founder (NGO) did not have managerial capacities, and moreover they had lost interest in managing social enterprise. The NGOs strategic priorities did not include 'social entrepreneurship', and the social enterprise became more of a burden. From 2010, the NGO came out of the story and around five employees took the governance over the social enterprise. Due to continuous struggling with the finances, in 2012 they employed professional manager, who also invested and became major owner of the company. The company still exist, but after that it lost main characteristics of social enterprise and became typical commercial venture.

2.

The social enterprise for development of ergonomics was established in 2012 by the NGO. It was focused on the research and development and wanted to connect researchers in this field in order to provide human ergonomic conditions at work places. The main problem occurred when they participated in a local collaborative project, more as a favour to other colleagues from the civil society field who did not have a legal form to participate with, but also because they were encouraged by the local authorities. However, despite some supportive policies and calls for support that they applied for, it appeared the legislation was quite unfriendly, even contradictory towards social enterprises. So, unfortunately, they were the ones left with debts which caused financial instability and finally led to bankruptcy of the company in 2015. Now the NGO still advocate and work in achieving the same goals (development of ergonomics community), however, they gave up on doing it through separate company.

3.

The social enterprise was established as a non-profit company in 2013. with a main activity oriented to business support to other social enterprises. They act as initiators of social enterprise start-ups and intermediaries in offering employment and business opportunities to others. The company still exists, but they continuously struggle with financial issues and sustainability. The main problem is lack of funding, but also the overall (public and private) lack of understanding on social entrepreneurship and social enterprises. To cope with the situation, they “keep things lean”, which means they are trying to maintain company by taking a small steps. They also emphasize how having a patience in this journey is required and that main things they can rely on are reputation and trust, as a core of social enterprise development.

4.

The social enterprise was founded as a social cooperative in 2009 by the national NGO. The main activity of the SE was reuse of industrial textile in production of new accessories. The idea was not original, they had copied it from Spanish social enterprise. The initial capital was needed to ensure infrastructure and equipment and they applied for funds to several donors before they finally received one from local authorities. For that purpose, they gathered, educated and employed unemployed women of age 45 or older. This wasn't easy too, and after employing 15 women at first, soon they ended up with only 9. The NGOs' ratio in ownership over the cooperative was one third, and also there was a status directive that 30% of surplus has to be distributed to NGO. The launching of social enterprise was quite successful, they put a lot effort into branding and marketing. Things were good for a while but then started to slow down. The main problems were related to governance and management. Democratic governance was quite difficulty achieved in practice, partly because employees were lacking knowledge and not motivated to participate, partly because founder (NGO) had no ambition to manage the cooperative. During time, employees started to operate based on their own decisions, sometimes opposite to strategies and visions of the founder. The social enterprise still exists, but still struggling with financial stability and maintenance of activities. The founder, although still involved through legal commitments, is trying to distance itself from the cooperative and the cooperative becomes less and less perceived as a social enterprise.

5.

The social enterprise was established by the national NGO in 2012, after almost six years of maintaining social entrepreneurship activities as a part of NGOs programmes. The main economic activity and product, was copied, as an idea, from the foreign social enterprise and when the foreign donor announced funding for social entrepreneurship, they started the project. The things were going quite well and the income from economic activities significantly contributed to the programmes of NGO. In 2012 they decided to establish a social enterprise as a separate legal form and to scale things up. Since the main activity was production of textile products, soon after they decided to open a shop. Even though, they intuitively were not fond of that idea, the donor who supported the process was very pushy and convincing. Also, the management was an issue, and they were struggling to find a suitable manager for years. Finally, they employed a person with business background, but an outsider (not from their members-circle). Then things started to fall apart. Soon, the shop created a debt, as costs became higher. The manager opted for more for-profit business solutions, while governing board (consisting of NGO members) opposed to them and insisted on solutions that would preserve a social mission and core values of the organization. Moreover, the competition on the market became sharper. Finally, they decided to close the shop and the NGO took a bank loan to subsidize the debts of the company. Now, they regret some (wrong) decisions and the loss of market position, however they still believe in social entrepreneurship and at the moment they are developing new social business initiative.

6.

This social enterprise was not newly established, but renewed old agricultural cooperative. Its revitalization started in 2010 and was facilitated by the national NGO, which was already active in social economy sector. The cooperative has long tradition in a typical rural area, where long before it was one of the most numerous and prosperous cooperatives. Majority of its remaining members were older women, who kept those memories of 'great time' and 'big production'. The facilitating NGO tried to help them to transform into a small-scale modern cooperative and to focus on a production and selling of a single food product, the one that made whole area famous for. The NGO had some extra money left from their project funded by the donor and they wanted to support a social enterprise development. They invested in rebranding, business planning, marketing activities and also some new members, unemployed women, were attracted.

After that initial support, facilitating NGO stepped away and did not interfere much, except with occasional ad hoc advices or small non-material support. Things were good for 2 to 3 years, and then it became difficult for cooperative to respond to the market demands - in particularly in terms of ensuring the quality, maintaining the growing quantity and ensuring regular distribution to far away urban centres. Their managerial skill was poor and they did not know how to cope with increased costs. Besides that, there was no continual institutional support they could rely on, nor greater involvement of local community and authorities. Finally, the cooperative ended their activities in 2013.

7.

This social enterprise was established in 2015 in a form of social cooperative with the purpose to operate as tourist agency in the field of supported tourism for people with disabilities. It was founded by the national NGO with the funds from European Social Fund (ESF). Overly, that NGO established seven social enterprises from the ESF funds, from which two still exists. The NGO has a long history of work with vulnerable people and different marginalized social groups, but mostly they worked with rural and Roma people. So, they choose Rome youngsters as target group they've planned to employ and integrate through work in tourist agency. Young Roma had solid knowledge of English and sometimes other foreign languages, so seemed to be well targeted for this social cooperative. After employing first four people, by the 2016 things were still good and they even employed more for part-time positions. Then, the manager they employed left for a maternal leave and they had problems in finding a suitable replacement. Even though they repeatedly announced calls, there was no success - it was difficult to attract someone with strong economic background. Things started to fall apart in the social enterprise, and they put everything on hold, while still trying to find a solution - either a new manager or another grant that could subsidise some activities.

8.

This social enterprise was founded in 2014 by the national NGO for production in a cardboard industry. Its legal form was social cooperative and it was located in a small village in a rural area. In the time of founding, the village had several important resources, primarily infrastructure and equipment needed for the production in cardboard industry and also well-skilled person for a managerial position. And for their strategy, it was important to build the venture in the rural area by using the existing local

resources. The social enterprise operated very successfully and was very well managed for two years. In the meantime, market was gradually changing and their competition started to offer more sophisticated product. The social enterprise could not efficiently compete anymore, as they could not invest in a new technology to keep their track to market transformations. Their sale started to decrease and also the successful manager is considering leaving the cooperative and moving to foreign country. The founding NGO think that moving of the social enterprise to the bigger city would save it, but they are not seriously considering that as an option, since moving would mean they would abandon their social mission which is closely related to the economic empowerment of the rural population. For any significant change of their products that may attract new markets, they would need a significant investment.

9.

The social enterprise was established in 2007 by the NGO, as a result of the EU funded program at that time. Its main focus was to ensure better living conditions and access to the energy for the poorest population in local social housing. At the beginning, social enterprise was strongly supported by the governmental institutions - by the national employment agency, which supported the employment of 15 persons, and also by the local authorities who subcontracted the social enterprise to provide reconstructions in social housing. The things were good for a while, then some issues gradually emerged. Tendering for work with the local authority became more competitive and more complex, and there was little consideration given for social enterprises in this regard. Also, the market for the specific type of work that social enterprise was involved in was rather limited, and once the initial local social housing was exploited, their possibilities were shrunken. The social enterprise tried to expand to commercial market and private sector, but there it faced significant competition. They were lacking some capital investment to upgrade their technology. Besides that, there were also internal, managerial issues that social enterprise was facing with - seen in the mismanagement and misappropriation of resources. They tried to find a suitable replacement for the managerial position, and also to attract new, more skilled members, to the government board, but not successfully. Also, financial mismanagement caused mistrust and led to greater involvement and control of government board. The process just deepens the conflict between governing board (mainly consisting of founding NGO members) and staff, which opted for more for-profit approach of the company.

Complexity of different problems led to insolvency and finally social enterprise was forced into liquidation.

10.

This social enterprise was established in 2001 by the national NGO as a result of the EU funded program. Its purpose was to promote and stimulate social auditing through the program they created and accredited, as a way to gain the revenue. Initially, social enterprise benefited from the national policy at the time which insisted that all state-funded social economy project must produce an annual social audit report. That was the main and quite large market for the social enterprise and they delivered their services to approximately 80 participants. For some time, the social enterprise was doing well, and its profile was strong and broadly recognized. However, problems gradually rise when the national agency responsible for the social economy sector made its requirements towards social audit reporting more flexible. Namely, there were inevitably difficulties inherent within the agency as the staff responsible for assessing these reports were often unfamiliar with what was involved in a social audit. Over the years, they relaxed the requirement for social enterprises to submit social audit reports which had a direct impact on the work of the social enterprise. As a result, the market that social enterprise relied on had significantly shrink and its ability to stay relevant in the industry that largely depend on the state policy diminished. The social enterprise continued to promote social auditing, but based on volunteering and far from achieving sustainability. Also, the founding NGO subverted some of its work and subsidize with some stuff. At some point they considered broadening the services social enterprise offered in order to open to new markets, but they find it difficult to attract some serious corporate investment to carry on restructuring.

11.

This social enterprise, one of the first social agricultural cooperatives in the country, was established in 2014 by NGO at the end of EU funded project. The purpose of the cooperative was to gather and employ local unemployed vulnerable people, mainly from Roma community. With the initial funding, they employed several Roma people, previously educated in agricultural production. Besides them, cooperative also included eco agricultural producers in order to ensure a joint access to market. Shortly after the beginning, they experienced a broken promise from local authority, who was supposed to ensure free-of-charge land for the cooperative, but instead they

rented it. Before the end of the first year, other problems emerged as well, and started to shake the functioning of the social enterprise. The manager resigned and left, and until then funding NGO had been struggling to find a suitable replacement, while the debts were increasing. That was unsuccessful, mostly because potential candidates were reluctant to take management over in debt company. Also, the functioning between employees were a bit chaotic, as one of the problems was lack of job coaching with very sensitive target group - Roma people, who were lacking knowledge and experience of being a cooperative member. They were acting more as a collective per se, not having a true sense of ownership over the cooperative. At the end of the 2015, one of the NGO leaders took over the temporary management role, however not much could have been done. The social enterprise official still exists, but with no employees and with a single priority was to return debts through volunteering of the founding NGOs members.

8/ SHORT QUESTIONNAIRE ANALYSIS

In addition to case studies based on interviews with a key social enterprise representative, we felt it would be useful to accompany our empirical data with a short anonymous questionnaire. There were two main reasons for conducting this 'second wave' of collecting data. During the 'first wave' we experienced significant rate of refusal or non-response when we invited potential 'successful' social enterprises to participate. In addition, all of those who accepted the invitation, requested anonymized participation. As a result, the study ended up with far less case studies than we anticipated. Furthermore, we felt that those who participated were sometimes reluctant in providing sincere or complete information. Therefore, we assumed that anonymous online questionnaire would contribute to a greater participation, and to additional insights about obstacles and common mistakes that social enterprises are facing. Also, we wanted to collect advices and suggestions from experienced social entrepreneurs that may be useful learning tools for those intending to start social enterprise.

The questionnaire consisted of few broadly formulated open questions or themes, that intended to seize different experiences in starting and running social enterprises and coping with difficulties. The questions or themes included the following:

- With the experience you have now, is there anything you would do differently if you were starting again?
- Did you receive any financial support to help you start? If yes, was there any mentoring assistance connected with it?
- What are the most common mistakes you see other social enterprises make, in your opinion?
- What is the best piece of advice you would give to someone new starting a social enterprise?

The online questionnaire was spread through professional networks and social media of RISE research team during period of August 1st to October 30th 2018, with three times repeated calls. It resulted with 26 responses in total. Because of the completely anonymized approach the analysis cannot provide geographical distribution of respondents, nor overview of any other data on related social enterprises.

In the following chapters that present each theme included in the questionnaire, we will present the main findings.

1. What would social entrepreneurs have done differently, if starting a social enterprise again?

a) More attention to the market

Market is often in the background of the focus when establishing a social enterprise, as social entrepreneurs are more concentrated on fulfilling social mission. Several social entrepreneurs emphasized they would research the market and pricing in more details, before even starting a venture, and furthermore develop and adjust the business plan accordingly. Some emphasized that they would limit development of fewer products or services at once. Market constellation is not fixed, but rather it constantly changes. Experiences of our cases also showed that when they did not pay enough attention to market changes, to new demands, or to competition, they ended up losing its market position.

b) More attention to the team, co-workers and co-founders

It is often the case that one or a few people in the social enterprise have enough knowledge about things going on in the venture. This may in particular be the case with the founder, charismatic leader, who unintendedly concentrate too much power. If this person leaves, it may be difficult to established new efficient management process. Some also added that they would choose co-workers or co-founders more carefully. In overall, the more attention should be placed on developing a team, delegating a responsibilities and roles, and creating a more synergy between workers and/or team members.

c) Taking enough time to prepare and assess every situation

Taking enough time to prepare, to make research and to talk with more experts, particularly in finance and marketing was emphasized as a good strategy. Some social enterprises mentioned that rushing through every step in the process should be avoided, as it is usually counterproductive. This can be particularly the case with putting too much pressure on workers, or making unrealistic plans and deadlines, that may cause burning out too quickly. The others also stated that expanding too quickly was not a good decision, and have led them to failure.

d) Choosing a right legal form

Some social entrepreneurs consider choosing a legal form might change the path of the venture. For example, some emphasized that they would rather chose to establish a for-profit company as they experienced many obstacles when operating as a non-profit. However, this is very contextual and largely depends on the external system, legislation, institutional and policy environment. Becoming well informed on advantages and limitations of each legal form in specific country or region would be an advisable step before deciding on the founding the entity.

e) Better management over finances

Finances appeared to be one of the huge issues for many experienced social enterprises. For some, they would not start the social enterprise again without enough initial capital. Some social entrepreneurs stated that they would consider better sorting of 'free' money or grants, to better fill the gaps they have had in economic income. Also, some would carefully think over the grants they apply for, as they may trapped them in being not eligible for other funding. The others mentioned that they would not try to save the money, but to spend more, in order to create more money. For third, the important step would be to know yours paying customers better from the beginning, to be sure how much and how frequent income you may expect.

f) Holding things a little lighter

Some social entrepreneurs mentioned that they would probably avoid having a too specific view on what should be going on. For them, expecting things in a very specific ways may cause that you miss some very good opportunities that emerge as you go.

g) Nothing

One of five social entrepreneurs in our sample would not change a thing if they were about to start a new social enterprise. From their viewpoint, they have done what they could, meaning that some external circumstances were reason for not succeeding. Some of our case studies experienced similar circumstances, such as when change of political climate, policies, or government behaviour caused the end of the core activity of social enterprise. In some of those cases, ending the venture is the most natural process.

2. Financial support and mentoring assistance to help start social enterprise

The great majority of social enterprises in our sample used some kind of financial support when they were starting a venture. Those financial supports are often small, meant to cover initial operative cost. Social enterprises used various kinds of financial support, such as grants (received either from public sources, EU sources, or private donor organizations), loans, capital investment and awards won in competition programs. Around one fifth of social entrepreneurs in our sample did not receive any financial support when they were starting the venture.

On the other hand, only around one third of those social enterprises which started with a financial support also received a mentoring support, as a part of funding. When received, the mentoring included assistance in developing a business plan, capacity building, developing marketing strategy, or networking support. Some grants came with mentoring assistance, and for social entrepreneurs it made a huge impact in terms of becoming more skilled to financial issues.

However, in many cases social enterprises rely and use varieties of informal help and support, probably to fill that gap in insufficient mentoring support attached to initial fundings. For example, social enterprises founded by NGOs received support from their parenting or sister organizations. This usually means that 'know how' was transferred to a new venture, but also accompanied with a set of company values and business practice. Social enterprises uses help from partner organizations, networks, platforms and various non-funding programs in which they participate. Many of them emphasized that advices, suggestions and sharing experiences are crucially important and valuable, particularly in the beginning stages.

3. The most common mistakes done by social enterprises

The first set of most common mistake emphasized by the respondents refer to a lack of awareness that social enterprise is a real company and should be accordingly treated and run. It is seen that social enterprises rely too much on EU funds, state budget, or other grant-funding sources. Moreover,

they rarely take risks in a way it is expected from the entrepreneurs, nor they behave as a typical enterprise. Others also emphasized that social enterprises are not being commercial enough. This typically means that social entrepreneurs tend to think that taking care of a social component is more important than taking care of the entrepreneurial components.

Moreover, products and services that social enterprise offer should be of good quality and with a fair price, rather than create a weak market position by relying on the social aspect of the product or service. Furthermore this leads to a lack of competitiveness, which is also apostrophized by some respondents. Acting more as a welfare or charitable organization, lacking entrepreneurial culture and behavior. It is perceived that most of social enterprises still perpetuate 'charity culture'.

“A lot of social enterprises start out as a charity, and run their social enterprise the same way they run their charity just as and additional programme.”

Secondly, very common mistakes, according to respondents lie in the fact that social entrepreneurs have too much unrealistic expectations and unrealistic optimism (“It will be different when we do it!”). In addition, it is often that social entrepreneurs do not clearly define their mission, nor social and economic objectives. Some respondents said that it is like “not joining head with a heart”, meaning that social entrepreneurs are often led merely by social vision not paying much attention how well is it rooted in real contextual frames. Often, social enterprises have a great idea, but miss to develop a realistic business plan.

Third set of common mistakes refer to insufficient capacities of social enterprises. Insufficient education of employees. In particularly not enough knowledge and experience in entrepreneurship, business management and marketing. This reflects in not taking enough time for proper planning nor for problem solving typical for business model. Some respondents stated that social enterprises should look to more enterprise supports, rather than 'social enterprise' support.

“Common mistake is that social enterprises are not properly assessing opportunities in advance and spending valuable time and resources making avoidable mistakes.”

Finally, some respondents mentioned that social enterprises can make mistake by not sharing (informations, knowledge, resources, experience) and by not collaborating with other organizations and social enterprises. Others also added that insufficient mentoring within organizations is a mistake often done by social enterprises. Also, social enterprises tend to be more focused on scaling and not focused on gaining an impact. In addition, social enterprises are not putting enough effort to promote their work, products and impact, and often other agent, such as local authorities, take the credit for promoting their support for social enterprises to political scores.

4. The best advices for those starting a social enterprise

Respondents in our sample offered plenty of advices for beginners in social entrepreneurship that may serve as good tips to help avoid those common mistakes and failures others did. Most of them focused on helping social entrepreneurs in finding a balance between social and entrepreneurial components. Respondents find it particularly important to advice about putting more attention to business processes, learning about specific aspect of running a business, such as pricing, customers, market competition and marketing. Some also emphasized importance of personal skills and commitments of social entrepreneurs, as well as of contacts, partners and networks that may be a key source of information, advices and support in the beginning of the venture.

Bellow we are posting here the selection of advices in their original forms.

“Talk to as many people as you can about their experience. Have a focus on the commercial side, engage with business planning and processes.”

“Speak to as many people as you can, you can get great insights from people who have been down the road before you. Plan, plan plan!! Invest significant time in doing feasibility studies, business plans etc. Too often social enterprises start because someone is passionate about the social side but they don't give sufficient thought to the economic side - this is vital for sustainability.”

“Make sure there is a sound business plan in place first that will have the enterprise financially sustainable from trading and plan for grants to help realise the social aim. Treat it like a business ...as it is.”

“Take your time for assessments and analyses and calculations for products and services you are providing. It is just not worth selling without return.”

“Get a business model, spend time on financials, get support from someone with business background, get used to little sleep.”

“Listen to your accountant. An accountant told me my business would not work as my premises was too small...He was right but I opened anyway.”

“Have a clear defined target group, customer base, and product or service.”

“Chose wisely team members, do the market research, listen to older entrepreneurs keep up with the information. Sign contracts!”

“Don't hire friends. Talk about your business assumptions with your friends. Find a support in someone more experienced. Read a lot.”

“Do not skip the market research, so many skip to other steps and then realise there isn't a space for them in the marketplace, they haven't found their niche but overly focused on the social mission.”

“Don't get too obsessed with the social aspect of your work as if it deserves to be funded. Creating a profitable company while maintaining a social mission is difficult without adding in an entitlement to your idea. Being flexible allows you to pivot to new ideas that could have valuable social impact while creating a sustainable enterprise.”

“Find an investor and don't try to do everything yourself.”

“Keep a laser focus on what you are doing. Don't worry about what other people are doing. Less awards and more sales and beneficiaries served.”

“Prepare yourself for a lot of obstacles and challenges, but never forget your purpose and the difference you make with the way you do business. Seize every opportunity and join forces with as many international and local partners as possible.”

“Be persistent.”

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