KEY FACTORS OF CONDUCIVE ENVIRONMENT FOR DEVELOPMENT OF SOCIAL ENTREPRENEURSHIP IN THE REPUBLIC OF NORTH MACEDONIA

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CERTIFICATE

I Stefan Chichevaliev hereby certify that I had personally carried out the work presented in the thesis entitled, “Key Factors of Conducive Environment for Development of Social Entrepreneurship in the Republic of North Macedonia”.

No part of the thesis has been submitted for the award of any other degree or diploma prior to this date.

Signature



Stefan Chichevaliev

Date 11 March 2020

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ABSTRACT

The concept of social entrepreneurship has been developing for several decades and although it is still a nascent field, it has come a long way in terms of practice and impact. Its influence on economic and social development, on sustainable development and the attainment of the sustainable development goals has been staggering. The potential of social entrepreneurship has been recognized on every level, especially in developed countries. However, developing countries lack a conducive eco-system for development of the field as a prerequisite to fulfilling its full potential.

In the thesis, we implement a holistic approach of the macro-environment for development and promotion of social entrepreneurship by exploring the trends in the literature with emphasis on the macro-environment. We identify the conducive factors for development and promotion of the field, analyze how the identified factors influence social entrepreneurship growth in developing countries with focus on North Macedonia and provide evidence to establish the need for developing a model for growth and expansion of social entrepreneurship in developing countries.

For this purpose, we used qualitative methodology, since this research has a broader, more contextual, flexible research questions that did not have a predefined expected outcome. It also provided a circular hierarchy of phases, meaning that the process was perpetuating and the confounding factors were searched in the field. This methodology also allowed a more flexible sampling by using open-ended and less structured protocols and guides, but also utilization of a tool that depended on interactive interviews, which opened the possibility to produce results that give meaning, experience and views of the context, and experience and interaction of the relevant stakeholders for development of social entrepreneurship in the country.

The perception of social entrepreneurs and key stakeholders is that there is a lack of political stability and will, governmental activism, supporting infrastructure, and financial instruments to support the development of the field. The shortage of country data hinders the research and practice and wastes resources, loses time and productivity which indicate poor organization and coordination of the country's authorities.

The evidence highlight the need for developing a model for growth and expansion of social entrepreneurship. The evidence is also consistent with the need for development of a tool that would provide data on a nascent field that the country still does not have the capacity to facilitate the development process of a conducive environment. The external factors play a crucial role for development of social entrepreneurship in the country.

The implications of this research thesis are threefold. This data contributes to the development of social entrepreneurship on a national and local level, helps the social enterprises to better understand the environment, helps researchers and contributes to the literature and practice by opening an area that currently lacks critical investigation.

To contribute to this context on a national level, but also to foster the development of social entrepreneurship in the country, and in accordance with the aforementioned results, discussion and conclusions, we developed a tool called the Social Entrepreneurship Index.

Keywords: social entrepreneurship, social enterprises, index, sustainable development, factors, conducive environment, ecosystem.

1. INTRODUCTION

Social entrepreneurship is a promising concept that has gained the interest of the wider public, including governments, academia, and entrepreneurs (Hoogendoorn, 2011). It becomes a widely recognized concept for the contribution in mitigating the societal, economic, social, and environmental challenges and improving the quality of life of people around the world.

Entrepreneurial activities have always played a key role in economic growth, but the way in which the business sector operates needs a new direction in order to contribute more into the society, a breath of fresh air that would help the governments and the business community to help themselves by helping others. Social entrepreneurship is that new wave, direction, concept and model that creates social value through creation of innovations and sustainable solutions to social issues such as poverty, social exclusion, and unemployment (Chichevaliev, 2019a).

The concept has been present as an idea since the late 19th century where individuals have worked with a mission to find solutions to social issues; however, they were not recognized as social entrepreneurs because the concept was formally not established yet (Sepulveda, 2014). The American economist Howard Bowen was the first who mentioned the terms 'social entrepreneurship' and 'social entrepreneur' in 1953, but it was Bill Drayton and Muhammed Yunus who promoted social entrepreneurship at the end of the 20th century and contributed to its rise (Bowen,1953; The e-advocate, 2018). Since then, the concept has become globally recognized by state governments, authorities, entrepreneurs and donors for its contribution to society.

In the new millennia, we have witnessed a major shift in the way people think about and work toward social change. The way companies operate demands a breath of fresh air –an economic sector that can offer what we dreadfully need in terms of social and health care, housing, education and employment. Nowadays, almost 10% of the enterprises in Europe are social enterprises, employing 6.5% of the workforce or some 14.5 million people (European Commission, 2011; Monzón and Chaves, 2012).

In the last decade, the European Union has recognized social entrepreneurship as one of the key contributors to social change and achieving sustainable development. In 2011, the European Union launched the 'Social Business Initiative' and identified activities to make a real difference and improve the situation on the ground for social enterprises (EU, 2019).

The 'Social Business Initiative', aimed to introduce a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation (European Commission, 2011). Since then, the Initiative is being supplemented by regulatory changes, such as the review of the regulation on the European Social Entrepreneurship Funds, improving access to public procurement and developing methodologies for measuring social impact (European Parliament, 2017).

The European Commission's policies are significant guidance to the South-Eastern Europe countries with candidate or potential candidate status (such as North Macedonia) as much as the Member States (European Commission, 2018). European Commission's entrepreneurship 2020 Action Plan is an impetus to support entrepreneurial education and training, remove existing administrative barriers, support entrepreneurs, and further builds the entrepreneurship culture (European Parliament, 2013). It specifically targets female entrepreneurs, migrants, seniors and social economy enterprises. In the new European Consensus on Development 'Our World, Our Dignity, Our Future', European Union emphasizes the need for political, social and economic dialogue, conducive business environments, new business models and greater government capacity, promotion of social enterprises, innovation, and cooperation to further drive the inclusive sustainable growth in the countries (European Parliament, 2017).

Moreover, the 2030 Agenda for Sustainable Development clearly states that "eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development" (The United Nations, 2015, p.1). It is also a complex, multilevel, and multidimensional challenge, and it calls for innovative approaches to address this challenge (UNCTAD, 2017). The Sustainable Development Goals are far too ambitious and cannot be achieved with traditional structures and approaches. Thus, Sustainable Development Goals present both an opportunity and a challenge for social entrepreneurship to fulfil its role as an agent for transformational change (Singh, 2017). It is a need and the right time for an

open agora, for establishment of a dialogue to achieve coherence among actors, areas, and actions of social entrepreneurship for sustainable development, in order social entrepreneurship to become the enabler of rapprochement and key bone of action towards attainment of Sustainable Development Goals. The evidence suggests that social entrepreneurship should be seen as a perspective sector with the potential to help in the attainment of the Sustainable Development Goals (European Economic and Social Committee, 2012).

Despite the lack of institutional visibility due to many factors (OECD, 2016), the social entrepreneurship research cannot keep up with the rapid rise of social enterprises (Pless, 2012), which contributes to the development and extension of theory and development (Haugh, 2012).

1.1. Problem statement

Building a conducive eco-system for development of social entrepreneurship is a prerequisite for social enterprises to realize their role. Enabling system fosters social innovation, growth of social enterprises, and maximizes their impact and contribution to transformational change paving the way for significantly improving the wellbeing of people (Chichevaliev, 2019a).

A necessity for development of such eco-system and enabling foundation for social entrepreneurship are evidence-based and outcome-oriented policies that work, through a whole-of-society and whole-of-government approaches. “At the same time such policies should explicitly frame the expected and measurable outcomes, and mainstream the social enterprises into the overall development and growth as one of the strong contributors” (Chichevaliev, 2019a, p.2).

The emergence of social entrepreneurship has taken the world by storm, with many scholars contributing the phenomena to three decisive world occurrences: a) the decline in public products and services which increased the unmet needs (Mair & Marti, 2006; Light, 2008); b) the imbalance of income levels in both developing and developed countries which has amplified the need for new business strategies (Bronstein, 2004); and c) the immense competition in the non-profit sector organizations competing for grants

and donations which has brought their economic stability and independence in question, as well as the possibility of realizing their social objective (Perrini, 2006).

The rapid development of the field is apparent and recognized with the appearance of new books, specific books for social entrepreneurship and special issues of the world's best international journals and conferences (Mair et al., 2006; Chell et al., 2010; Hockerts et al., 2010). However, the research is mainly focused on two concepts. The first group is focused on social entrepreneurship, social entrepreneur and social enterprise (e.g. Dees, 2001; Mair & Marti, 2006; Peredo & McLean, 2006). The other group's research is more focused on describing social entrepreneurs by utilizing case study methodology (e.g. Austin et al., 2006; Sharir & Lerner, 2006). Despite the efforts to better understand the concept, there is still no solid data on how the combination of crucial macro-environmental factors contribute to and affect the development and promotion of social entrepreneurship.

For the current thesis, we implement a holistic approach of the macro-environment for development and promotion of social entrepreneurship, following other studies that have already analyzed specific macro environment factors through the lenses of the political, legal, institutional and financial factors (Austin et al., 2006; Poon, 2011; Hoogendoorn, 2011; Estrin et al, 2013; Harris et al, 2013; Fici, 2015).

It is already established that the political state of a country has a great effect on the entrepreneurial activity (Austin et al., 2006; Poon, 2011; Griffiths et al., 2013) and the recognition of the social entrepreneurship activities. The legal state-of-the-art for social entrepreneurship is still unclear with different country definitions, criteria, legal forms (identity) and regulation (Dees & Anderson, 2006; Nicholls & Cho, 2006; Light, 2006; Fici, 2015).

The institutional dimension is widely researched as one of the key elements for development of social entrepreneurship (Mair & Marti, 2009; Zahra et al., 2009; Dacin et al., 2010; Estrin et al., 2013), with the main concepts being institutional voids and institutional support (Dacin et al., 2010; Stephan, et al., 2014). The last dimension is the financial element and support as one of the most pressing issues for development of the field. In the last decade, the UN agencies and the European Union have recognized that

without financial support and improved access to funds for social enterprises, their social mission cannot be achieved (Rangan et al., 2008; European Commission, 2011).

With respect to existing research about the macro-environmental factors for development and promotion of social entrepreneurship, especially for developing countries, very few studies make use of this approach in the vague area of social entrepreneurship to research the macro-environmental factors as a whole. With a view to address this gap in the literature and to expand our knowledge about the social entrepreneurship field, in the next subchapter we present the following research objectives.

1.2. Research Objectives and Main Contributions

Taking into account the preceding deliberations, the main purpose of this study is to identify and analyze the key factors of conducive environment for development of social entrepreneurship in the Republic of North Macedonia, by taking into account the previous considerations (Austin et al., 2006; Dees & Anderson, 2006; Nicholls & Cho, 2006; Light, 2006; Mair & Marti, 2009; Zahra et al., 2009; Dacin et al., 2010; Stephan et al., 2014; Fici, 2015) for development of the social entrepreneurship ecosystem and the creation of a conducive macro environment for growth of the sector.

The specific objectives of the research are the following.

Specific objective 1. To explore the trends in social entrepreneurship literature with emphasis on the macro-environment;

Specific objective 2. To identify the conducive factors for development and promotion of social entrepreneurship;

Specific objective 3. To analyze how the identified factors influence the social entrepreneurship growth in developing countries with a focus on North Macedonia;

Specific objective 4. To present the need for developing a model/tool for growth and expansion of social entrepreneurship in developing countries.

This research contribution can be explained through an academic, entrepreneurial, societal and governmental view.

Academically speaking, there is a gap in the literature and lack of studies which analyze the macro environment and its related factors as facilitators of social entrepreneurship activity. Although there are existing studies which have analyzed the context in which social entrepreneurship thrives, most of them are focused on a specific factor (for e.g. institutional), which leaves a lot of unanswered questions related to other factors of the social entrepreneurship ecosystem. The literature on social entrepreneurship is mainly based on qualitative methodology, especially by analyzing case studies. This research contributes to the qualitative analysis by analyzing the views and perceptions of social entrepreneurs and non-profit organizations undertaking social entrepreneurship activities, but also contributes to filling the void and answering the call for more quantitative research in the field. This thesis does not present quantitative data per se, but rather provides a model that could provide, in some parts, quantification of development of the ecosystem for social entrepreneurship. The quantitative investigation is focused on five main factors/dimensions analyzed in this thesis, as determinants responsible for development and promotion of the field. The absence of quantitative work in the field, especially by analyzing the context and ecosystem in which social enterprises perform, has made this dissertation more stimulating given that it would suggest new research opportunities.

From an entrepreneurial point of view, the rise of social entrepreneurship and its recognition in the world has demonstrated the vitality and vigor of the sector. However, there is a lack of knowledge about the limitations that social enterprises and entrepreneurs are facing while undertaking social entrepreneurial activity in the ecosystem. Having a clear idea about the ecosystem, and the factors that facilitate the growth of the sector can have a positive effect on the social entrepreneurs and social initiative managers.

At government level, in-depth analysis of the macro-environment will help decision and policy makers review their guidance and support, which could help in facilitating the development of social entrepreneurship. Government institutions could identify the points where they can influence and improve which could also be of great use in the design of social entrepreneurship-related government policies. Providing data for understanding what hinders or facilitates social entrepreneurial activity is highly relevant

for policy makers. Therefore, people who make decisions and design policies can have a positive effect on social entrepreneurship activities.

From a societal point, the purpose of social enterprises is to be advocates of change and alter the status quo in society by creating innovations and providing sustainable solutions. Their presence has been welcomed in developed countries, and in the last decade, they have made a great impact in developing countries. International organizations, unions and alliances have recognized the impact that social entrepreneurship could have, not only for alleviating and mitigating social issues, but also for the whole of society.

The current thesis provides an overview of the factors that make an environment and an ecosystem conducive while highlighting the main barriers that social entrepreneurship faces and has to overcome in order to develop and provide an impact in society. We analyze four crucial dimensions for development and promotion of social entrepreneurship, with sub-dimensions that provide an in-depth insight into the social, but also the entrepreneurial ecosystem focused on developing countries such as North Macedonia.

1.3. Structure of the Research

This section provides an overview of the chapters' content in this dissertation and offers an insight into the analyzed studies and their contribution to furthering the knowledge related to social entrepreneurship research.

The current research starts with a literature review of the history of entrepreneurship and its contribution to better understanding of social entrepreneurship, as well as the main concepts in the field, in order to identify (from previous literature) the key macro-environmental factors that could influence the development and promotion of social entrepreneurship and its activity (Chapter 2). After this exploration of the current literature, we explain the methods (Chapter 3) used to gather primary data for the purpose of this dissertation. We also explain how the sampling was determined, as well as how the analysis was conducted to process the data and the possible limitations of this research.

Then we focus on testing several hypotheses in order to identify the crucial macro environmental factors that could affect the development of social entrepreneurship initiatives and activity, but to also provide the results of the research to explain how the identified factors influence social entrepreneurship growth in developing countries, with focus on North Macedonia. To provide a better explanation of how the macro-environment affects the development of the sector, we provide results of the views and perception of social entrepreneurs, non-governmental organizations, and academia and business owners (Chapter 4). Then we indicate the need for the Social Entrepreneurship Index as a tool for monitoring and evaluation of the development of the sector, followed by the perception about the ecosystem for social entrepreneurship in the country. We also explain how the Social Entrepreneurship Index should be created, with its dimensions, subdimensions and indicators, to monitor the development of the field (Chapter 5). Finally, we provide the main conclusions, implications and recommendations and limitations and future research (Chapter 6).

Therefore, this thesis consists of three phases and six chapters. Below we explain the research phases and focus on the main and specific objectives used for each chapter.

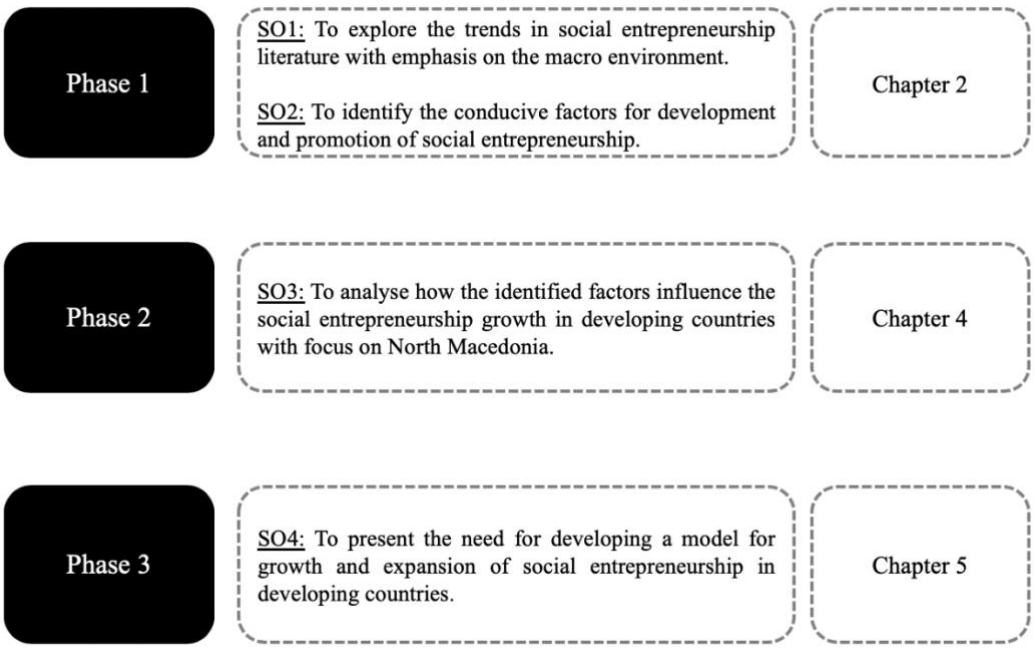


Figure 1. Main phases of the thesis

2. BRIEF HISTORY OF ENTREPRENEURSHIP CONCEPTS THROUGH THE SCOPE OF RESEARCHERS

The sprouts of entrepreneurship can be traced far back to Ancient Rome, around the year 50 BC, where the success of entrepreneurial activities depended on scaling up risk and institutional constraints (Rusu et al., 2012). In that era, the generation of wealth was mostly due to land ownership, loans and payments with political character. In the early periods of the Middle Ages, from 500 to 1000 AD, property and social status were no longer a guarantee for success where the power and wealth were acquired through war and other military activities (Baumol, 1990). From 1000 to 1500 AD, the proliferation of war was reduced by the Church, which contributed to shifting the interests of businessmen to activities in engineering, architecture and agriculture, which seemed more lucrative. Such developments have made entrepreneurship become more acceptable in the communities and have become interesting activity from an economic point of view (Murphy et al., 2006). In this period, the term "entrepreneurship" was used for people who managed large production projects. Entrepreneurs did not take any risks; they simply managed a project and resources provided by the government of the country. A typical example of entrepreneur for that time was the cleric – the person in charge of buildings such as castles, fortifications, cathedrals and other (Hisrich, 2014). Such entrepreneurs were Giovanni di Bicci de' Medici - a Florentine who founded the famous Medici Bank, an early "multi-national" company that grew to have a continental importance, Alan Rufus - known as potentially the wealthiest Briton in the history of the British Isles, the Lombard Bankers – known for the "Lombard banking" system, in which items for the amount of a given loan are pawned and then rebought at slightly higher prices, among others.

In the seventeenth century, the connection between risk and entrepreneurship was developed. The contractual agreement between the entrepreneur and the government was related to a service or a supply of products. The contract price was fixed and regardless of whether the results of the deal were profits or losses, they were for the entrepreneur. One of the entrepreneurs, in this period, was John Law – a Frenchman, who established a royal bank. The bank progressed into an exclusive franchise to form a trading company in the New World, known as the Mississippi Company. The company collapsed when

Law made a mistake when attempted to push the company's stock higher than the value of its assets (Hisrich, 2014).

His mistake leads one author and a known economist, Richard Cantillon, to develop one of the early theories of the entrepreneur and is regarded by some as the founder of the term. The term "entrepreneur" appeared for the first time in a text, written by Cantillon (1755) titled "Essai sur la Nature du Comerce en Général". His views on the entrepreneur were one of the first that connected them with risk taking, perceiving that farmers, merchants, craftsmen and other sole property owners "buy at a certain price and sell at an uncertain price, therefore operating at a risk" (Herbert & Link, 1988, p.17). Cantillon paved the path for Jean-Baptiste Say's thought on entrepreneurship, who argued that the fundamental role of the entrepreneur is creating value by allocating resources into faster-growing fragments of the economy, as well as for the discussion of entrepreneurship in general (Forget, 1999).

In the eighteenth century, there was a differentiation between the money provider (the person providing capital) and entrepreneur (the one who needed capital). Such differentiation was one of the signs of the industrialization occurring in the world. In this time, the inventors such as Thomas Edison and Eli Whitney were unable to finance the development of their new technologies and inventions. Whitney acquired capital from the British crown (government investment) while Edison raised money from private investors for his inventions (private investment). Both inventors were entrepreneurs (users of capital), not venture capitalists (providers of capital) (Hisrich, 2014).

In the next century, there was a misconception about the roles of entrepreneurs and managers, as they were not distinguished between one another. Their roles were viewed mostly from economic perspective, and the entrepreneur was a person that manages an enterprise for personal gain. The entrepreneur invests his own initiative and skill, as well as resourcefulness and inventiveness in the work of the enterprise. Additionally, the entrepreneur accepts the risks and chances of loss and gain in unanticipated and uncontrollable situations. The remuneration for his ingenuity, after all costs have been paid, the entrepreneurs retains for himself (Ely, 1912). Great example for this characterization is the work of Andrew Carnegie. He invented new technology and made the steel industry in America one of the wonders of the industrial world, although his

success was primarily accredited to his unrelenting competitiveness, rather than to his inventiveness.

In the twentieth century, entrepreneurs were starting to be recognized as innovators. Schumpeter (1952) explains that "the function of the entrepreneur is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological method of producing a new commodity or producing an old one in a new way, opening a new source of supply of materials or a new outlet for products, by organizing a new industry" (p.72). Innovation and originality, as concepts, are of key importance for entrepreneurship. Innovativeness is one of the most difficult responsibilities for the entrepreneur. Such entrepreneur that can relate to this definition was John Pierpont Morgan – who developed a bank by reorganizing and financing the nation's industries. The business history in 20th century, especially in the second part, was focused on studying management, corporatism and bureaucracy, rather than individualism and entrepreneurship but that will change in the 21st century (Casson & Casson, 2014). The aforementioned inventions can be compared to revolutionary technological innovations such as transistors, computers, lasers and other, associated with being an entrepreneur.

In the twenty-first century, business history has taken a wider view that is more focused on small and medium-size enterprises and family firms (Carnevali, 2005). And yet, the significance of the individualism and entrepreneurship is often under-stated (Casson, Rose, 1998). Standard business history texts still emphasize the 'managerial revolution' of early twentieth century rather than the 'entrepreneurial revolution' of the late twentieth century (Casson & Casson, 2014).

Nowadays, entrepreneurship is prominent in the creation of new high-technology consumer goods and global brands.

2.1. Entrepreneurship Concepts through the Scope of Researchers

"Entrepreneurship is characterized by complex, dynamic and emergent processes and the interplay between actors, processes, and contexts" (Karatas-Ozkan et al., 2014). Over the past decade, scholarship in entrepreneurship has generated a large body of research reflecting an important and dynamic subject domain (Wiklund et al., 2011, Rauchet et al.,

2014). Entrepreneurship has become an increasingly popular field of study with a growing community of scholars from a wide spectrum of disciplines and methodological perspectives (Acs & Audretsch 2003; McDonald et al. 2014;). Entrepreneurship is broad and multifaceted so much so that entrepreneurship scholars can each only claim expert knowledge in a narrow segment (Chell & Karatas-Ozkan, 2014).

2.1.1. Early Thought on Entrepreneurship

The early thought on entrepreneurship comes from Richard Cantillon. His publication "Essai sur la Nature du Commerce en Général" in 1755 was a game changer for the development of the economy, as he views entrepreneurs as "contributors to society's economic value". Moreover, for Cantillon, the entrepreneur has a central role in economic system because "he is responsible for all the exchange and circulation in the economy" (Van Praag, 1999, p.313). He states that the entrepreneurs are different from the other types of agents because of the risk-taking nature, which produces uncertain incomes. Their motivating factor is the potential profit generated from the activity of "buying at a certain price and selling at an uncertain price", which makes the entrepreneurs adjustors of the quantity supplied to the existing demand (Van Praag, 1999, p.313).

2.1.2. Classical Thought on Entrepreneurship

After Cantillon's views on entrepreneurship, the classical thought on entrepreneurship emerges. Their biggest representative is Jean-Baptiste Say, who positions the entrepreneur in a central coordinating role both in production and distribution (Say, 1903; Say, 1971). In Say's "A Treatise on Political Economy or the Production, Distribution and Consumption of Wealth" he explains that the entrepreneur plays even a bigger role than coordinator of resources, stressing the role of a modern leader and manager. He is the first economist who relates the entrepreneur with the managerial role. He further states that a person can create value in the agricultural, manufacturing, and commercial industry. These industries entail three separate processes – theoretical knowledge construction, the application of knowledge and execution. The entrepreneur's occupation is "the application of knowledge to the creation of a product for human consumption" (Say, 1903; Say, 1971, p. 330).

According to Say, the entrepreneur has a key position within his own enterprise; he is the coordinator, modern leader and manager. However, the entrepreneur should perform tasks specific to the trade as well and he will (most of the time) also supply (at least part of) his own capital. He is a risk bearer as well: "There is a chance of failure pertaining to any entrepreneur activity, however well conducted" (Say, 1803; Say, 1971, p. 331). To summarize, for Say, the entrepreneur has a pivotal role in production, distribution and consumption and he or she is the leader and the manager of the enterprise.

2.1.3. A Neo-classical Thought on Entrepreneurship

The general point of view, regarding the theory of entrepreneurship, was mainly represented by Alfred Marshal, F.Y. Edgeworth and A.C. Pigou. They connect entrepreneurship with information, production and economic aim. All these components, if combined, would result in maximizing profit. Also, they state that it is all about the balance between the supply and demand – "equilibrium" on the market. Their point of view is that in such market everything will remain the same until there is some external cause or origin, such as technological change, that would change the economic environment. When such change occurs, the entrepreneurs calculate how to restore the balance on the market with profit-maximizing strategy and profit-maximizing production packages (Van Praag, 1999).

This model emphasizes the production function, the logic of rational choice and perfect information. Strategy focused on these objectives does not leave room for active entrepreneurs because there is no room for initiatives and innovations (Baumol, 1968; Baumol, 1993).

One of the neo-classicists, Alfred Marshal, had a theory that is more related to the role of the entrepreneur. He views the responsibilities of the entrepreneur in the supply of commodities and the provision of innovations and progress. He further explains that the entrepreneur has all the responsibilities and the control. At the same time, the entrepreneur is both the manager and employer. He manages the production and sales, fundraising and capital, coordinates labor and continuously pursues new opportunities (Marshall, 1890).

2.1.4. Entrepreneurship and Schumpeter

Joseph Schumpeter, the first researcher that included innovation process in his theory of economic development. He gave an alternate view on entrepreneurship in relation to neo-classical though. In his theory, he explains the innovation as an endogenous process and growth as "doing more with the same amount of resources". According to Schumpeter, the entrepreneurs are in the driving seat of the economic growth and system. They are the innovators which seek opportunities for profit and introduce new ways (innovations) to reach their objective. They are the change-makers in the economic system.

Schumpeter opposes the theory that the entrepreneur is someone who manages workforce or day to day activities. According to him, entrepreneur is innovator that drives the economy. He further explains that the entrepreneur brings chaos in the economy, and without chaos there will be no innovation. Without entrepreneur there will only be 'the circular flow', and every day would be the same. Entrepreneur brings change, a breath of fresh air in an industrialized society that is comfortable with the perfect flow of things, without innovation and interruption (Schumpeter, 1934).

2.1.5. Entrepreneurship and Kirzner

Kirzner, a part of the neo-Austrian thought on entrepreneurship, gives another point of view that opposes the neo-classical thought on entrepreneurship. He puts the entrepreneur on the top of the mountain in the market process. His view on entrepreneurs is related to seizing opportunities. He states that anyone can be entrepreneur, if is alert enough to recognize opportunities and exploit them. They are the force that makes the equilibrium in the market process. According to Kirzner, entrepreneurs are profit opportunists who are a) buying at one place, selling at the other, b) buying at one time, selling in other and c) buying inputs and selling modified or customized outputs. He further explains that entrepreneurs learn from their own mistakes, and use ambition, creativity and information to recognize profit-making opportunities (Kirzner, 1973).

Table 1. Factors of successful entrepreneurship through the scopes of researchers

	Start as entrepreneur	Having **success** as entrepreneur	Start and **be a successful entrepreneur**
Cantillon			Alertness, Vision, Risk bearer.
Say	Reputation, Fundraising.	Decision-making, Diligence, Perseverance, Business know-how, Profession.	Risk bearer.
Marshall	Young, Risk lover (taker).	Family background, Overall ability, Intellect, Leadership, Business know-how, Risk-taking, Own capital.	Family business, Fortune, Luck.
Schumpeter	Ambition, Social distinction, Creativity, Energy, Innovation, Willingness to start.		Leadership, Ambition, Motivation.
Kirzner	Alertness, Opportunity recognition, Opportunism.	Leadership, Creativity, Opportunity recognition.	

In conclusion, the entrepreneur is a leader and an innovator. The entrepreneur is often motivated by business success, for which the indicator is profit. Entrepreneurship is a state in which every person once in a while becomes innovator and thinks out of the box, interrupting the 'perfect' cycle and inventing something new.

2.2. Understanding Social Entrepreneurship

Social entrepreneurship is a nascent field that is rapidly growing and allures increased attention from many sectors (Martin & Osberg, 2007; Milway, 2014). Although, over the years, this field has become a hot topic for researchers and entrepreneurs, there are still inconsistencies within the research and practice – starting from the defining of the concept, monitoring and evaluation of the impact, as well as economic theories, and business and marketing strategies and plans, to their integration in the social enterprises (Short et al., 2009). According to Alegre (2013), researchers still cannot find common ground on the meaning behind acting as a social entrepreneur, starting a social enterprise or writing about social entrepreneurship.

Then, what is social entrepreneurship; how broad or narrow its scope should be (Light 2008); how distinctive it really is from other entrepreneurial models (Dacin et al. 2010); and how systemic its effects may be (Martin & Osberg 2007)?

Social entrepreneurship, as Dees & Anderson (2003) explained, refers to innovative activity with a social objective across sectors. Dees (1998) further explains that he sees social entrepreneurship as a social purpose included in the business ventures. A group of researchers define social entrepreneurship as an innovative way for finding better funding opportunities of the non-profit sector and creating management plan based on the creation of social value (Boschee, 1998, Austin et al., 2003). Reis (1999) and Thompson, (2002) agree with the aforementioned and further explain that it is typical for social entrepreneurship to refer to the phenomenon of applying business expertise and market-based skills in the non-profit sector such as when non-profit organizations develop innovative approaches to earn income. Other group of researchers see social entrepreneurship as a 'socially responsible practice of commercial business engaged in cross-sectoral partnerships' (Waddock, 1988; Sagava & Seagal, 2000). Another group of researchers understand social entrepreneurship as a way to highlight social issues and catalyze social change (Alvord et al., 2004). The common ground across the definitions for social entrepreneurship as many scholars describe it "is to create social value, rather than personal wealth" (Zadek and Thake, 1997; Dees, 1998; Stevens et al., 2015, p.5).

2.2.1. Tracing the Origins

The beginnings of this concept can be traced back to the late 19th century (Sepulveda, 2014), when people such as Vinoba Bhave (India's Land Gift Movement), Robert Owen (founder of cooperative movement), Florence Nightingale (founder of the first nursing school) and Mathilde Franziska Anneke (founder of the first school for women) actively worked on solving social issues such as gender inequality, education, non-violence and human rights. Because in that time the social entrepreneurship concept was not established yet, these social entrepreneurs were not perceived as such.

In the middle of the twentieth century, American economist Bowen (1953) introduces the terms 'social entrepreneurship' and 'social entrepreneur', when the idea of corporate social responsibility gained its momentum. The idea of corporate social responsibility gained momentum in the late 1950s and 1960s with the expansion of large conglomerate corporations (Bowen, 1953). Although Bowen was the first to introduce the aforementioned terms, people such as Bill Drayton (founder of Ashoka Foundation: The Innovators for the Public, 1980) and Muhammad Yunus (founder of Grameen Bank, 1983) modernized and popularized the terms with their social enterprises' work in the early 80's and 90's.

There are many reasons for the emergence of the concept from a global point of view. The all-purpose subject is lack of funding due to weak governance and state efficiency or poor social programs of the states. The Western civilization experienced a withdrawal of state support, which in consequence meant low state support for the non-profit sector. The state funds withdrawal in the United States brought about the idea of commercial revenue generation for non-profit organizations and the emergence of the social enterprises (Salamon 1993, 1997; Eikenberry & Kluver 2004). The uncertain economy in Western Europe was also the origin of the appearance of social entrepreneurship. However, it was more related to continuously increasing unemployment and government ineffectiveness of the employment programs. The emergence of social entrepreneurship in the regions was part of the non-profit reaction to contemporary issues. Work integration was their primary goal, mainly realized through social cooperatives. In due time, the governments of the region become involved in providing financial support for social enterprises mainly for those focused on work integration (Borzaga & Defourny, 2001). In East-Central Europe, the main instigator for the emergence of social entrepreneurship

was the fall of communism. The market transition and reforms increased unemployment rates. The replication of the Western European model for social entrepreneurship and enterprises has started, followed by international support for the development of the field as a viable solution (Les & Kolin, 2009).

In South America, the "Washington Consensus" shriveled the social programs due to market reforms which resulted in increased rates of unemployment (Kerlin, 2010). The social enterprises in Argentina were primarily addressing unemployment and social exclusion issues while being associated with civil society, cooperatives and mutual benefit societies. Roitter & Vivas (2009) noted that social enterprises in Argentina ''highlight problems related to poverty, income inequalities and production conditions which were no longer being addressed by the economic sphere and the public sector.''

In Africa, countries in the likes of Zimbabwe and Zambia were embodied with poor economies and lack of trust in state authorities, and state support constituted similar changes as those in Argentina. The continuously increasing international aid and its allocation was the most important factor that influenced the development of social entrepreneurship (Santos, 2009).

The financial crisis in Asia, in the late 1990s, has increased the already high levels of poverty and unemployment, which provided for amplified interest in social entrepreneurship. In the region, the social enterprises are small ventures addressing unemployment, protect the environment and provide other needed services (Santos, 2009).

The emergence of social entrepreneurship throughout the world began at the end of the 20th century due to withdrawal of state support and failed social programs that resulted in poverty, high unemployment rates and lack of service providers. The gaps created by the governments and institutions, and programs, motivated the non-profit sector to directly contribute for alleviation and mitigation of the contemporary social issues. The lack of available sources of funding in the United States made the civil society organizations to think more entrepreneurially. Government ineffectiveness and uncertain economy was the main reason for social entrepreneurship emergence in Western Europe. The fall of communism and weak market reforms in East-Central Europe initiate the replication of the social entrepreneurship model of Western Europe. Social problems and

market reforms in South America were the originators of the social entrepreneurship idea for cooperatives, mutual benefit societies and civil society organizations. Lack of trust in state authorities and increasing international aid contributed to development of the sector. High levels of poverty instigated social entrepreneurship in Asia. Whenever there is a state and civil crisis, social entrepreneurship is emerging to contribute to restore the countries social security and improve quality of life.

2.2.2. The Challenge – Defining the Concept

Stevenson (1983) defined commercial entrepreneurship as "the pursuit of opportunity beyond the tangible resources that you currently control". For Drucker (1970), commercial entrepreneurship is about taking risks. For Onuoha (2007), it is the practice of starting new organizations or revitalizing and refreshing developed organizations, generally in response to identified opportunities. Kao (1993, p.69) defines commercial entrepreneurship as "the process of adding something new using creativity and innovation for creating wealth for the individual and adding value to society". This way Kao introduces a social element into the definition for commercial entrepreneurship, thus presenting a significant step forward into development of a social entrepreneurship definition.

Dees & Anderson (2003) argue that social entrepreneurship "refers to innovative activity with a social objective" across sectors. Dees (1998) discuss that he sees "social entrepreneurship as a social purpose included in the business ventures". A group of researchers define social entrepreneurship as an "innovative way for finding better funding opportunities of the non-profit sector and creating management plan based on the creation of social value" (Austin, Stevenson and Wei-Skiller, 2003; and Boschee, 1998). Reis (1999) and Thompson, (2002) agree with the aforementioned and further explain that it is typical for social entrepreneurship to refer to the phenomenon of applying business expertise and market-based skills in the non-profit sector such as when non-profit organizations develop innovative approaches to earn income. Other group of researchers see social entrepreneurship as a "socially responsible practice of commercial business engaged in cross-sectoral partnerships" (Sagawa & Seagal, 2000; Waddock, 1988). Another group of researchers understand social entrepreneurship as a "mean to alleviate social problems and catalyze social transformation" (Alvord et al., 2004).

The absence of understanding of the concept and the diversity of definitions, forms and models has elevated issues affecting its promotion and growth (Dees, 1998; Boschee, 1998; Dees & Anderson, 2003; Austin et al., 2006). Defining the concept of social entrepreneurship has become almost an impossible task since there is a diversity of discourses pertaining different aspects of social entrepreneurship depending on which actor from the eco-system is providing the definition (Dart 2004; Dey & Steyaert 2010; Nicholls 2010). From governmental point of view, social entrepreneurship could provide innovative and sustainable solutions to social issues and improve the welfare provision (Leadbeater 1996; Nyssens 2006). For the civil society, it symbolizes empowerment for change agents, systemic reform and political change (Alvord et al. 2004; Nicholls 2006). Lastly, from a commercial perspective, social entrepreneurship can create new market opportunities at the 'bottom of the pyramid' (Prahalad, 2005; Karamchandani et al., 2009) as a natural extension of socially responsible investing practices (Freireich and Fulton, 2009).

Dacin et al. (2010) provides arguably the most comprehensive analysis of the definition development starting from 1991 and finishing with 2009. They provide 37 definitions for social entrepreneurship from different authors/sources (Table 2). The most common reference in the definitions is "the ability to leverage resources that address social problems" (Dacin et al., 2010).

Table 2: Definitions of social entrepreneurship/entrepreneurs

No.	Source	Definition
1.	Alvord, Brown & Letts (2004)	Creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations. (p. 262)
2.	Austin, Stevenson & Wei-Skillern (2006)	Social entrepreneurship as innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors. (p. 2)
3.	Bornstein (2004)	Social entrepreneurs are people with new ideas to address major problems who are relentless in the pursuit of their visions… who will not give up until they have spread their ideas as far as possibly can. (pp. 1-2)
4.	Boshee & McClurg (2003)	A social entrepreneur is any person, in any sector, who uses earned income strategies to pursue a social objective, and a social entrepreneur differs from a traditional entrepreneur in two important ways: Traditional entrepreneurs frequently act in a socially responsible manner.... Secondly, traditional entrepreneurs are ultimately measured by financial results. (p.3)
5.	Cho (2006)	[A] set of institutional practices combining the pursuit of financial objectives with the pursuit and promotion of substantive and terminal values. (p. 36)
6.	Dart (2004)	[Social enterprise] differs from the traditional understanding of the nonprofit organization in terms of strategy, structure, norms, [and] values, and represents a radical innovation in the nonprofit sector. (p. 411)

7.	Dees (2011)	Social entrepreneurs are one species in the genus entrepreneur. They are entrepreneurs with a social mission. (p. 2)
8.	Drayton (2002)	[They] have the same core temperament as their industry-creating, business entrepreneur peers..., What defines a leading social entrepreneur? First, there is no entrepreneur without a powerful, new, system change idea. There are four others necessary ingredients: creativity, widespread impact, entrepreneurial quality, and strong ethical fiber. (p. 124)
9.	Harding (2004)	They ore orthodox businesses with social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners. (p. 41)
10.	Hartigan (2006)	Entrepreneurs whose work is aimed at progressive social transformation.... A business to drive the transformational change. While profits are generated, the main aim is not to maximize financial returns for shareholders but to grow the social venture and reach more people in need effectively. Wealth accumulation is not a priority - revenues beyond costs ore reinvested in the enterprise in order to fund expansion. (p. 45)
11.	Haugh (2006)	Social enterprise is a collective term for range of organizations that trade for a social purpose. They adopt one of o variety of different legal formats but have in common the principles of pursuing business-led solutions to achieve social aims, and the reinvestment of surplus for community benefit. Their objectives focus on social desired, nonfinancial goals and their outcomes are the nonfinancial measures of the implied demand for and supply of services. (Ch. 1, p. 5)
12.	Hibbert, Higg & Quinn (2005)	Social entrepreneurship can be loosely defined as the use of entrepreneurial behavior for social ends rather than for profit objectives, or alternatively, that the profits generated are used for the benefit of a specific disadvantaged group. (p.l59)
13.	Hockerts (2006)	Social purpose business ventures are hybrid enterprises straddling the boundary between the for-profit business world and social mission driven public and non-profit organizations. Thus, they do not fit completely in either sphere. (p. 145)
14.	Korosec & Berman (2006)	Social entrepreneurs are defined as individuals or private organizations that take the initiative to identify and address important social problems in their communities. (pp. 448-449) [O]rganizations and individuals that develop new programs, services, and solutions to new problems and those that address the needs of special populations. (p.449)
15.	Lasprogata & Cotten (2003)	Social entrepreneurship means nonprofit organizations that apply entrepreneurial strategies to sustain themselves financially while having a greater impact on their social mission (i.e. the “double bottom line”). (p.69)
16.	Light (2006)	A social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks sustainable, large-scale change through pattern-breaking ideas in what or how governments, nonprofits, and businesses do to address significant social problems. (p. 50)
17.	Mair & Marti (2006)	[A] process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs. (p. 37)
18.	Martin & Osberg (2007)	We define social entrepreneurship as having the following three components: (1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lack the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable slate's hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large. (p. 35)
19.	Masetti (2008)	Introduce the Social Entrepreneur Matrix (SEM). Based on whether a business has a more market- or socially driven mission and whether or not it requires

		profit, the SEM combines those factors that most dearly differentiate social entrepreneurship from traditional entrepreneurship. (p. 7)
20.	Mort, Weerawardena & Carnegie (2003)	[A] multidimensional construct involving the expression of entrepreneurially virtuous behavior to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognize social value-creating opportunities and Key decision-making characteristics of innovativeness, proactiveness and risk-taking. (p. 76)
21.	Peredo & McLean (2006)	[S]ocial entrepreneurship is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognize and take advantage of opportunities to create that value ("envision"); (3) employ(s) innovation, ranging from outright invention to adapting someone else's novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture. (p. 64)
22.	Perrini & Vurro (2006)	We define SE as a dynamic process created and managed by an individual or team (the innovative social entrepreneur), which strives to exploit social innovation with on entrepreneurial mindset and a strong need for achievement, in order to create new social value in the market and community at large. (Ch. 1, p. 4)
23.	Prabhu (1999)	[P]ersons who create or manage innovative entrepreneurial organizations or ventures whose primary mission is the social change and development of their client group. (p. 140)
24.	Roberts & Woods (2005)	Social entrepreneurship is the construction, evaluation, and pursuit of opportunities for transformative social change carried out by visionary, passionately defected individuals. (p. 49)
25.	Robinson (2006)	I define social entrepreneurship as a process that includes: the identification of a specific social problem and a specific solution... to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues the double (or triple) bottom line. (p. 95)
26.	Schwab Foundation	Social enterprise is an organization that achieves large scale, systemic and sustainable social change through a new invention, a different approach, a more rigorous application of known technologies or strategies, or a combination of these. (http://www.schwabfound.org/sf/SocialEntrepreneurs/index.htm.)
27.	Seelos & Mair (2005)	Social entrepreneurship combines the resourcefulness of traditional entrepreneurship with a mission to change society. (p. 241)
28.	Sharir & Lerner (2006)	[T]he social entrepreneur is acting as a change agent to create and sustain social value without being limited to resources currently in hand. (p. 3)
29.	Skoll Foundation	[T]he social entrepreneur aims for value in the form of transformative change that will benefit disadvantaged communities and ultimately society at large. Social entrepreneurs pioneer innovative and systemic approaches (or meeting the needs of the marginalized, the disadvantaged and the disenfranchised-populations that lack the financial means or political clout to achieve lasting benefit on their own. (http://www.skollfoundation.org/aboutsocialentrepreneurship/whatis.asp.)
30.	Tan, Williams, & Tan (2005)	A legal person is a social entrepreneur from t1 to t2 just in case that person attempts from t1 to t2, to make profits for society or a segment of it by innovation in the face of the risk, in a way that involves that society or segment of it. (p. 358)
31.	Thompson (2002)	[P]eople with the qualities and behaviors we associate with the business entrepreneur but who operate in the community and are more concerned with caring and helping than "making money." (p. 413)
32.	Thompson, Alvy and Lees (2000)	[P]eople who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money and premises) and use these to "make a difference." (p. 328)

33.	Thompson & Doherty (2006)	Social enterprises-defined simply- are organization seeking business solutions to social problems. (p.362)
34.	Tracy & Jarvis (2007)	[T]he notion of trading for a social purpose is at the core of social entrepreneurship, requiring that social entrepreneurs identify and exploit market opportunities, and assemble the necessary resources, in order to develop products and/or services that allow them to generate social project. (p. 671)
35.	Waddock & Post (1991)	[A]n individual who brings about changes in the perception of social issues…[They] play critical roles in bringing about "catalytic changes" in the public sector agenda and the perception of certain social issues. (p. 393)
36.	Yunus (2008)	[A]ny innovative initiative to help people may be described as social entrepreneurship. The initiative may be economic or non-economic, for-profit or non-profit. (p. 32)
37.	Zahra, Gedajlovic, & Shulman (2009)	Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner. (p.5)
(Adapted from source: Dacin et al. (2010). Social Entrepreneurship: Why We Don't Need a New Theory and How We Move Forward From Here. Academy of Management Perspectives, Vol. 24, No. 3 pp. 37-57)		

The provided definitions in the literature can be put into clusters by consideration of their commonalities. The most common indicator in the definitions is "the use of business models to achieve social mission" (Boschee & McClury, 2003; Lasprogata & Cotten, 2003; Mort et al., 2003; Hibbert et al., 2005; Cho, 2006; Harding, 2004; Hartigan, 2006; Haugh, 2006; Thompson & Doherty, 2006; Tracey & Jarvis, 2007). Other authors associate social entrepreneurship with "characteristics" (Dees, 2001; Drayton, 2002; Thompson, 2002; Mort et al., 2003; Bornstein, 2004), "individuality" (Waddock & Post, 1991; Prabhu, 1999; Thompson et al., 2000; Roberts & Woods, 2005; Tan, et al., 2005; Korosec & Berman, 2006; Light, 2006; Sharir & Lerner, 2006), "activities" (Austin, Stevenson & Wei-Skillern, 2006; Peredo & McLean, 2006; Perrini & Vurro, 2006; Robinson, 2006; Martin & Osberg, 2007; Yunus, 2008; Zahra et al., 2009), "non-profit organizations" (Lasprogata & Cotten, 2003; Dart, 2004); "process" (Mair & Marti, 2006); "hybridity" (Hockerts, 2006), and other.

This creation and change of definitions have continued with the development of empirical studies of social entrepreneurship practices, primarily by means of utilizing a case study method (Mair and Schoen 2007; Jones, Latham, and Betta 2008; Mair and Martı´ 2009; Vasi 2009).

Kuratko (2017) explains a more contemporary definition. For him, "social entrepreneurship is a form of entrepreneurship that exhibits characteristics of non-profits, governments, and businesses, combining private-sector focus on innovation, risk-taking, and large-scale transformation with social problem solving" (p.82). Advocates of social

entrepreneurship suggest that its combination of boundary-spanning organizational forms with a strong mission focus allows it to address 'social' market failures equally well across the private, civil society and public sectors.

Choi & Majumdar (2014) argue that universal definition for social entrepreneurship is hardly possible, since the concept itself is contested in nature. Their view is that social entrepreneurship is a combination of sub-concepts encompassing "(1) creation of social value, (2) social entrepreneur as individuality, (3) organization of the social entrepreneurship, (4) market orientation and (5) social innovation" (p.2). The comparison of the aforementioned definitions with the view of Choi & Majumdar (2014) contributes to the thesis that universal suitable definition would be hard to find, since the literature shows that every definition highlights the aforementioned concepts, characteristics and factors.

In conclusion, the social entrepreneurship's case of definition has already taken its toll on its development and growth. The definition varies from context to context, and sector to sector since there is no universally acceptable definition. However, it seems that there is a general agreement/ consensus about its meaning. Social entrepreneurship should be understood as innovative approach to societal issues, not just social, utilizing business models and entrepreneurial activities to provide funds to invest into the attainment of their social objective, and provide transformative social change.

2.2.3. Social Mission and Social Value Creation

In the literature, several authors state that entrepreneurship provides social progress, since the traditional entrepreneurship creates most of the jobs, which is in a way helpful for the social welfare and presents a social value creation (Reynolds et al., 2002). Social value creation is one of the key prerequisites for social entrepreneurship (Austin et al., 2006; Dees, 1998; Peredo & McLean, 2006; Perrini & Vurro, 2006; Sharir & Lerner, 2006). This feature is very closely related to the description of social entrepreneurship as enterprises with a social mission, addressing social issues and promotion of values (Dees, 1998a; Lasprogata & Cotten, 2003; Mort et al., 2003; Seelos & Mair, 2005, Alvord et al., 2004; Bornstein, 2004; Light, 2006; Nicholls, 2008).

Social entrepreneurship's ultimate purpose is the creation of social wealth for the good of the public (Austin, et al., 2006). They further state that social entrepreneurship is voiced as "innovative, social value creating activity that can occur within or across the non-profit, business, and/or public/government sectors" (Austin et al., 2006, p.1). Social value creation presents the input of the entrepreneurial effort of an individual to the wider society, such as the empowerment of women, the education to deprived communities, and providing jobs for disabled people (Hoogendoorn, 2011; Nicholls, 2012). In social entrepreneurship, the aims and the ascendency of recognized social value creation over commercial value creation are the differentiating traits of social enterprises and initiatives. Nicholls (2006) states that unanimity has acknowledged that the social value creating mission of social entrepreneurship includes alleviation of poverty, provision of access to health care or education and inclusion of the disabled persons on the labor market among other socially motivated themes. Anderson & Dees (2002) state that the main goal for social entrepreneurship is finding innovative ways to generate and sustain social value. The mission to create commercial significance and value cannot be the central mission of social entrepreneurs (Dees 1998; Peredo & McLean 2006). From this viewpoint, any commercial value generated by social entrepreneurs is a means-to-a-social-end and is pursued to ensure sustainability. Thus, social value is the core of the social entrepreneurship (Short et al., 2009).

Entrepreneurship always creates some sort of social value. The difference between the commercial and social is the mission of their existence. For commercial enterprises, social value comes as a side effect of doing business. For social enterprises, one of the main reasons to get involved in entrepreneurship is to find and procure means to achieve greater social value. The creation of social value and impact on the society are one of the key traits and qualities of social entrepreneurship.

2.2.4. The Strain between Profit Generation and Social Mission (Hybrids)

In the last couple of decades, a new wave of organizational development has been on the rise. Organizations, mostly non-profit, started delivering social services while engaging on the market (Hoogendoorn, 2011). Also, for-profit organizations have started to get associated with a social mission, working in various social areas such as inclusion of marginalized groups on the labor market, mitigating poverty, developing resilient communities, and contributing to the overall economic and social development (Jager,

2014). With the fast-paced changes in the sector and its hybridity, the definition is evolving and the title "social enterprise" often refers to organizations that are engaging on the market while using business models to achieve their social mission (Perrini & Vurro, 2006). Social enterprises can be registered and structured as non-profit, for-profit organizations, or they can incorporate both models into one. They can embed social mission with business activities, integrate social mission from a parent organization, or keep both divided and operate externally (Battilana et al., 2012).

Hybrid organizations are on the rise, since governments fail to decentralize and provide social services. The increased demand for organizations to deliver social services in order to reach some of the most vulnerable groups has facilitated the development of social enterprises (European Commission, 2014). It has also motivated for-profit organizations to enter in the social service business and start offering services to the vulnerable population. Moreover, as government funding continues to decline, the non-profit organizations are more inclined to engage on the market in order to provide means to achieve their mission. To be eligible for more traditional bases of revenue, most social enterprises intertwine their social mission with a conventional legal form for business, a commercial enterprise (Chichevaliev, 2019c).

The literature on the hybridity of form is focused on structural abilities of the hybrid organized entity, including variables such as profit distribution and governance (Pache and Santos, 2013). Combining two models/structures as non-profit and for-profit organizations implies a mix of owners/shareholders and stakeholders. Most of the implications for the hybridity of form are legal, since these social enterprises struggle to obtain legitimacy. In some countries, new legal forms have been created to accommodate these innovative organizational entities (low-profit limited liability company and benefit corporation in the US; CIC in the UK). The low-profit limited liability company, also recognized by the abbreviation L3C, is a legal form of business entity in the United States that was created to bridge the gap between non-profit and for-profit investing by providing a structure that facilitates investments in socially beneficial, for-profit ventures by simplifying compliance with Internal Revenue Service rules for program-related investments, a type of investment that private foundations are allowed to make. It is a hybrid structure that combines the legal and tax flexibility of a traditional limited liability company, the social benefits of a non-profit organization, and the branding and market

positioning advantages of a social enterprise. The low-profit limited liability company is obligated to be mission-driven, so there is a clear order of priorities for its fiduciaries. Benefit corporations are certified businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. The focus of benefit corporations is to build a more inclusive and sustainable economy.

In the UK, there are the community interest companies - businesses with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

In Canada, such entities are the community contribution company. These entities are an intermediate between a commercial, for-profit, model, and the charitable, non-profit organization.

However, the hybrid organizational model has its own downsides. According to Dees (1998), separating the commercial and social activities in order to attract more commercial investments imposes a risk of losing the identity of the social enterprise. Foster and Bradach (2005) also state that economic activities and ventures could provide for the possibility to alienate entrepreneurs form their social mission. Bruck (2006) contributes to this point of view, explaining that while establishing the bridge between commercial and social entrepreneurship, the financial motive could tend to diminish the social mission, maybe not for social entrepreneurs, but for donors and investors. Sud et al. (2009) further explain that the aforementioned combination could attain the shortcomings of both models but none of their advantages.

The conclusion is that the hybrid model for doing social entrepreneurship is rising, despite the risk of losing the focus from the social mission and vision. Whether that is the way forward is unclear at this point and should be researched further. There are some great examples where this model has prospered, but most of the start-up social enterprises do not exist for long. Most of them are dependent on public project-based funds, which contributes to their financial and organizational unsustainability. The development of social entrepreneurship is based and dependent on available sources of funding, and the

literature shows that social enterprises are still struggling to raise capital for their social objectives.

2.2.5. The Role of Social Entrepreneurs

The social entrepreneur has a central role in social entrepreneurship. Many authors ascribe the success of the social enterprise to the leading individual (Dees, 1998a; Leadbeater, 1997; Bornstein, 2004; Roper & Cheney, 2005; Light, 2008; Thompson, 2002; Thompson & Doherty, 2006). Dees (2001) states that social entrepreneurs are agents of change that adopt social mission to generate social value, recognize opportunity and engage in the process of innovation without the limitation of the available resources, highlighting accountability for the produced outcomes. Social entrepreneurs are also considered drivers of social entrepreneurship activities (Bacq & Janssen, 2011). Ziegler (2010) views them as visionaries, innovators and initiators of social entrepreneurship initiatives and activities. Bloom & Dees (2008) argue that the social entrepreneurs are distinguished because they must understand the social ecosystem in order to provide solutions for the fundamental issues. Their system includes internal and external factors. The internal factors encompass all actors, such as competitors, partners, collaborators, and channels such as distribution, production, service providers, and other. The external factors include the legal, political, institutional, financial, sociocultural and demographic factors that surround the business environment.

2.2.5.1. Individual/Personal Characteristics

Education related to entrepreneurship has quickly expanded in the last two decades and continues to grow dynamically. Entrepreneurial education refers to activities and skills intended to develop people who want to deal with and engage in entrepreneurship, or want to become entrepreneurs (Kyro, 2003). Kuratko & Hodgetts (2001) explain that there are common characteristics that are often deep-rooted in an entrepreneur, such as strength of character, sense of obligation, tenacity, ambition, sense of opportunity, sense of responsibility, problem solving, feedback, challenge, focus, tolerance for ambiguity and risk taking inclination, integrity and reliability, tolerance for failure, high energy level, creativity, and many other attributes.

According to Eisenmann (2013), commercial entrepreneurs need characteristics such as: will for pursuit, identifying opportunity and resource constraints i.e. keeping expenditures to a bare minimum. For Zimmerer et al. (2008) attributes that an entrepreneur should have, among others, are: responsibility, risk taking, belief in the idea and mission, seeking immediate response and feedback, high energy level, being future oriented, having organizing skills, being highly committed, tolerant, creative and having a strong will for achievements.

Social entrepreneurs are seen "as a 'sub-species' of the entrepreneurs' family" (Dees, 1998, p.2). Referring to a variety of scholarly work on entrepreneurship (e.g. Stevenson et al., 1989; Stevenson & Jarillo, 1990; Mintzberg, 1991; Singh, 2001), social entrepreneurs firstly ''exhibit a balanced judgment, a coherent unity of purpose and action in the face of complexity'' (Mort et al., 2003, p.82). This inclination, allows the social entrepreneur to balance the interests of multiple stakeholders and to maintain his/her sense of mission in the face of moral intricacy. Social entrepreneurs shine when identifying opportunities and taking advantage of them, in order to create and deliver the social value they intend to achieve. Mair & Marti (2004) stated that the entrepreneurial spirit is one of the key elements that equip social entrepreneurs with their entrepreneurial nature. Bornstein (2004) adds that social entrepreneurs have skills such as: creativity, talent for problem solving, will to pursue and address major societal problems, identifying challenges and problems, high energy level that gives them the will to relentlessly pursue their visions, and refusal to back down until their ideas are heard and presented. Thompson et al. (2000) view social entrepreneurs as people that have skills to sense opportunity, unmet need, state welfare system error, fundraising abilities, skills to gather necessary resources (people, money and premises), people who are not motivated purely by profit, and use the phrase "to make a difference". Boschee (1998) agrees with them stating that social entrepreneurs play the role of change agents in the social sector by adopting a mission to create and sustain social value, recognize and pursue new opportunities to serve that mission, acting boldly with limited resources and heightened sense of accountability to the constituencies served and for the outcomes created. Social entrepreneurs are gaining international attention motivated by the desire for change and to see the world as it can be, not as it is.

They are often portrayed as honorable characters, devoted to community service, change-agents (Schumpeter, 1934), entrepreneurially virtuous (Mort et al., 2003), accountable (Drucker, 1989), visionaries (Sharir & Lerner, 2006) and change makers (Ashoka Foundation, 2010). Social entrepreneurs are motivated by creating social value and philanthropy (Ostrander, 2007). Pomerantz (2003, p.25) states that social entrepreneurs are responsible for "the development of innovative, mission-supporting, earned income".

In conclusion, commercial and social entrepreneurs have similar skills and characteristics, those that differentiate them are their mission, goals, ambition and motivation, but also the process of continuous innovation, adaptation and learning, and a heightened sense of accountability to the constituencies served and for the outcomes created.

2.2.5.2. The Importance of Social Entrepreneurs for Economic and Social Development

In the last two decades, social entrepreneurship has been widely researched with a significant growth in the studies related to business administration and microeconomics (Nagler, 2007). The importance of the sector has been increasingly recognized since it contributes and creates social and economic values. According to Nagler (2007), social entrepreneurship contributes to employment development, innovation and creation of goods and services, social capital and equity promotion.

The number of people working with social entrepreneurship and in social enterprises is continuously on the rise, which provides the first economic value of the field – employment creation. The second economic value is the creation of job opportunities for vulnerable groups such long-term unemployed, at-risk of poverty, discriminated groups, the disabled and other (Alter, 2006). Such characteristic is unique to social entrepreneurship. Inclusion of vulnerable groups and their reintegration into the labor market is a twofold benefit for the community in terms of social and financial aspects (OECD, 2000).

The third economic value is the response to market failure (Noruzi et al., 2010). Social entrepreneurs find the gap in the market; function in a limited market and/or in low-profit

market working with the available tools and resources at the moment. Such tools can be subsidies, some earned revenues to sustain the mission or generated profit in order to reach sustainability and scale up.

In order to contribute and create the aforementioned economic values social enterprises must be innovative in their field of work. They create, develop and implement innovation that contributes to economic and social development while inventing new goods and services. For e.g. Muhammed Yunus and the Grameen Bank improved the economic situation of six million women micro-entrepreneurs (Nobel Committee, 2006). Veronica Khosa, a Brazilian social entrepreneur, changed the government health policy by developing a home care model for AIDS patients (Bornstein, 2004). Such experiments and innovations change the way of thinking and further the economic and social development.

In terms of social value, the first is social capital. It is one of the most important values. Leadbeater (1997) contributes to this by stating that for social entrepreneurs, social capital is the most important form of capital, since it requires economic partnerships to be built on shared culture, trust, and values. He also provides the virtuous cycle of social capital.

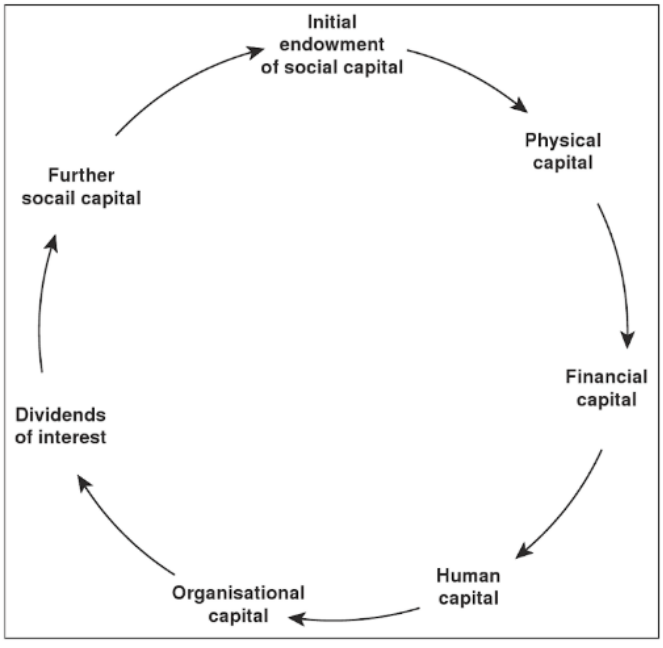


Figure 2. The virtuous cycle of social capital

(Source: Leadbeater C (1997) The rise of the social entrepreneur. Demos, London, p.68)

Equity promotion is another aspect where social entrepreneurship plays a crucial role as a facilitator of economic development. Alter (2006) states that social enterprises are fostering and complementing equity by addressing social issues in order to reach sustainable impact through attainment of their social mission, rather than profit. There are many examples such as the Grameen Bank's support for women entrepreneurs (OECD, 2000), J.B. Schramm who helped low-income high school students continue their education, and others (Bornstein, 2004).

In summary, social entrepreneurship and social entrepreneurs play a crucial role in economic and social development. After deliberating on the contribution of the field related to economic and social value, the theory and practice show that social entrepreneurship and social entrepreneurs contribute to a) development of employment by creating jobs and including and reintegrating vulnerable groups of people into the labor market, b) filling of market gaps by being innovative and utilizing the available resources, c) development of innovations and creation of new products and services, d) distribution of social capital and promotion of values and practice of cooperation and trust, and e) promotion of equity by addressing the unmet needs of vulnerable groups.

2.3. Key Factors of Conducive Environment for Development of Social Entrepreneurship

The development of social entrepreneurship is still hindered by the various terms and definitions provided in the literature, by the researchers and policy-makers (Mack & Pützschel, 2014). The adoption of diverse legal forms with different fiscal obligations is contributing to the difficulties for its growth (Fici, 2015). Even though universal understanding of the concept would provide for prompt development of the field, there is a plethora of factors that affect the progress of social entrepreneurship. These factors can be grouped in two clusters – the players (internal) and the environmental (external) conditions. The players are comprised of the resource providers, competitors, complementary organizations and partners, beneficiaries, customers, problem makers and bystanders (Porter, 1985; Bloom & Dees, 2008). The environmental conditions are comprised of the external ecosystem framework encompassing the political, legal, financial, institutional and sociocultural environment (Bloom & Dees, 2008, Poon, 2011). This setting involves politics and administrative structures, economics, markets and financing, geography, infrastructure and culture (Bloom & Dees, 2008). Poon (2011) adds to these indicators by including government ineffectiveness, education, political withdrawal, and support by private sector and academia. Additionally, he divides the factors in three categories. The first category for sector development covers conducive political and legal environment. The political environment is seen in the openness of the government for the role of social entrepreneurship, through policies and regulations that political authorities' control, while the legal setting is necessary to enable natural process of its development. In the second category, he puts conducive social and cultural environment. The former is measured by the focus and attention on socioeconomic issues such as poverty, unemployment, social inclusion and others. The latter depends on the civil society, whether it is strong or weak. Strong civil society provides opportunities for people to get involved in social entrepreneurship. In the case of a weak civil society, knowledge, experience and talent need to be compensated from connections with other regions with more developed social entrepreneurship. The third category is focused on the institutional environment, which is vital for successful development and scaling-up, with supporting institutions being the key requirement. Austin et al. (2006) believe that the context for commercial enterprises is overlapping with that of social entrepreneurship

and provides a solid foundation for developing a framework for social entrepreneurship. Their analysis is based on Sahlman's (1996) analytical framework, including four interconnected components: the people, the context, the deal, and the opportunity (Sahlman, 1996). In this chapter, their analysis of the context will be taken into account, since it is vital to the external environment for development of the field. Austin et al. (2006, p.2) define the context as "those elements outside the control of the entrepreneur that will influence success or failure". This definition includes political, economic, socioeconomic and socio-political environment as key fundamentals for success. In order for social entrepreneurship to reach and fulfil its potential and social mission, funding is required. The fourth category for conducive environment is funding, provided by available sources and access thereto. Social enterprises are frequently dependent on a variety of funding channels and cannot navigate on the market, given that their main objective is related to a particular social issue, which might be the main element to attract capital (Austin et al., 2006).

With a view to contribute to the literature on conducive factors for development and promotion of social entrepreneurship context and ecosystem, this paper is focused on the analysis of political, legal, institutional and financial factors.

2.3.1. Political Dimension

For the emergence, development and promotion of social entrepreneurship, an enabling political environment is necessary.

Boettke & Rathbone (2002, p.15) state that "the interaction in democratic politics is one characterized by rationally ignorant voters, especially interested votes, and vote seeking politicians. The bias of this interaction is for the politician to concentrate benefits on the well-organized and well-informed special interest voters and to disperse the costs on the unorganized and ill-informed mass of voters. This is why good economics is not necessarily good politics, and thus policies can be chosen which are counter-productive from the perspective of overall economic growth. It is this basic examination of the logic of democratic discipline that underlies the argument for government failure theory, which is juxtaposed with market failure theory, in modern political economy".

The socio-political school highlights the political structures' roles in the development of new entrepreneurial activities. Political activities define the attractiveness of such activities and regulate the entrepreneurial activities and create standards (Griffiths et al., 2013). The legitimacy from a socio-political aspect, in this case for social entrepreneurship, is the process of acceptance of a certain venture as suitable, correct and true by the general public, key stakeholders, decision-makers, government officials, given the existing norms and laws (Aldrich & Fiol, 1994). The role of the government in the establishment of recognition for social entrepreneurial activities is crucial. Social entrepreneurship tackles issues that are left to the third sector by the government. The imbalance of power between these two actors makes the difference in whether the sector is going to develop. Thus, the political climate is an essential factor.

Sub-dimensions that could provide a broader picture of the political state-of-the-art are the political stability and political will. Political stability has great effect on the economy and economic growth, as well as for business development on a global level. According to Chowdhury (2007), the political situation, in terms of stability or instability, affects entrepreneurial behaviors, activities and performances and could cause turbulence in the economy, which reflects on the entrepreneurship environment. Country's political stability relates to economic growth, allows reforms in the economy, facilitates influx of investment and improves the business environment. This relates to increased entrepreneurial activity and increases the entrepreneurial contribution to growth and the potential of entrepreneurship (Global Entrepreneurship Monitor, 2018). Chowdhury et al. (2013) argue that political stability contributes to a conducive political and economic climate, and is a pre-condition for development of businesses everywhere in the world.

Political stability is one of the general governance indicators for measuring its quality, which directly affects the entrepreneurial rate and the ease of doing business factor. It is also related to the rule–of-law, accountability and absence of violence (Kaufmann & Kraay, 2007), government effectiveness, level of corruption, and civil liberties (World Bank, 2018; Freedom House, 2018; Transparency International, 2018). Kaufmann et al. (2006) and Klapper et al. (2009) add that stable political situation fosters entrepreneurial activity, and significantly drives up the number of registered businesses, among other things.

The political stability as a factor is connected to political will, which can be measured through government policies related to social entrepreneurship and their commitment to implement those policies, political focus and agenda and political commitment (Prahalad, 2004). Political focus toward social entrepreneurship is a key aspect for development and promotion of the field (Heckl et al., 2007). One of the signs for expression of political will is leaving a void to be exploited by social enterprises or providing backing for its growth. Policy changes, regulation and political agenda focused on social entrepreneurship would be considered as manifestation of political will and will facilitate the development of social entrepreneurship (UNDP, 2012; Wronka, 2013). Working towards good political and economic institutions, solid laws, well-defined property rights and transparent and easy procedures for starting a business is needed, in order to show political will and support for development of entrepreneurship activity (Kaufmann, 2006). Presenting relevant policies and measures at all levels (national, regional and local level) to stimulate social enterprises and good practices in the regulations, and promotion of social enterprises could benefit the sector and the social policy system. Social entrepreneurship combines social and economic policies, plays a great role in the welfare system, and is uniquely matched to promote social incentives and social capital expansion (UNDP, 2012).

The political dimension is crucial for the growth of the sector. Without political stability, the economy is hindered and economic growth is almost a non-possibility. The political factors are key for providing a supportive or hindering basis for social entrepreneurship, depending on the political situation, government, political stability, and access to market. They affect its economic setting and the economic environment affects business performance. The government could alter rules and regulations that have an effect on businesses. Lack of political stability hinders business operations and hampers access to the market, resulting in increased risk exposure of the enterprises and reduced competitiveness, as well as entrepreneurial decision-making and activity. These factors shape and define the economic context, which affects success and failure for social enterprises.

2.3.2. Legal Dimension

The legal dimension for social entrepreneurship is still unclear and indefinite (Nicholls and Cho, 2006; Light, 2006; Fici, 2015). We explore the legal dimension through four sub-dimensions - the case of definition, legal identity, regulation and judiciary.

Currently, there is a lack of agreement for a definition for social entrepreneurship (Dees & Anderson, 2006; Light, 2006) which has been viewed by some as a challenge for the development of the field (Borzaga & Solari, 2001; Pearce, 2003). The variety of definitions in the literature across different continents, focused on different aspects, has contributed to the growth pace of social entrepreneurship. In this chapter, the focus is on the macro view of the legal dimension, and its sub-dimensions and indicators, and a short summary of definitions provided in the literature can be found in chapter 2.2.2. The Challenge – Defining the Concept.

Although a clear definition of the key concepts is one of the main issues (Christie and Honig 2006), practitioners in the field were always around contributing to alleviation and mitigation of social issues (see 2.2.1. Tracing the Origins).

Legal identity of the sector remains a challenge. According to Lasprogata and Cotten (2003), the business community does not focus on the legal issues since it views those as technicality, and that is arguably one of the biggest issues.

There is no single legal form for social entrepreneurship; however, there are many specific legal forms that do exist for the sector all around the world, especially in Europe. Cooperatives, non-profits, businesses, social purpose companies and social cooperatives are some of the current existent legal forms practicing social entrepreneurship. Some of them are combined in the context of hybrid structures. Consequently, the inconsistencies have proved to be a significant challenge and are making difficulties for national and international comparisons on the size and scope of social entrepreneurship and enterprises (Haugh, 2005).

Abdulmelike (2017) argues that in order to better understand and describe the legal form of social enterprises, firstly, we have to dive into understanding institutional theory. A theory that is focused on the connection and relations between the organizations and

their ecosystem. Organizational legitimacy is gained by affording status and access to resources, which demands from the organization to align with norms, values and social rules (Meyer & Rowan, 1977). This concept is directly connected to institutional logic. Abdulmelike (2017) states "logics establish the "rules of the game" at the societal level, which shape beliefs and behavior within organizations." The understanding of institutional logics is that they are consistent for an individual action. When mixed, multiple logics lead to ambiguity, unpredictability and conflict (Pache & Santos, 2010; Greenwod et al., 2011). Organization that employ multiple logics in their principal traits are referred to as "hybrids". According to Battilana (2012), social enterprises are hybrids blending social and commercial logics. The first is focused on improving the welfare and the latter is focused on commercial activities that provide profit.

From a legal point of view, providing legal identity allows social enterprises to develop tailored policies for development and promotion of social entrepreneurship (Fici, 2015), to protect various stakeholders, to prevent the creation and operation of "false" social enterprises (Yunus, 2008), and to establish boundaries between social entrepreneurship and enterprise and other concepts (Fici, 2015).

However, some believe that broadening the scope of the definition and identity would suit the sector better (Light, 2006; Russell & Scott, 2007). Russell & Scott (2007) state that the inconsistencies in the definitions are more a reflection of external factors and institutions rather than internal practices. Also, the need for a broad understanding of the social entrepreneurship's identity for improved policy making is argued by some researchers (Nicholls & Pharoah, 2007; Westall & Chalkley, 2007). They state that undertaking entrepreneurial activities for achieving social goals is the core for social entrepreneurship and it helps them prepare for a variety of social models. Teasdale (2010) contributes to the evidence stating that "social enterprise means different things to different people across different contexts at different points in time".

Regarding regulation, there are several indicators that facilitate development and growth of social entrepreneurship. Taxation, ease of starting business, ease of resolving insolvency and illegitimate restrictions are the main indicators analyzed in this thesis.

Regulations can raise or lower the costs of doing business, revenues, and consequently hinder the entrance for entrepreneurs into the market. Compulsory administrative

processes for business registration force the firms to spend time and resources on bureaucracy instead of investing that capital into more productive practice. High tax rate reduces the profits and dishearten entrepreneurs and their activities. On contrary, tax relief, micro crediting, lower minimum wage, subsidies and other incentive facilitate business activities (Chowdhury, 2007).

Another sub-dimension associated with development and growth of the sector is the judiciary, in particular, the judicial effectiveness. Law enforcement efforts can also hinder entrepreneurial activities and discourage public confidence in officials. Well-functioning legal framework is crucial for provision of security and protection of citizens' rights. Fair and efficient judicial systems are required for proper judicial effectiveness in order to ensure that laws are respected and proper actions are taken against violations, including governments and powerful parties (Heritage Foundation, 2019). Frye & Zhuravskaya (2000) state that countries or cities with weaker legal institutions are less attractive to businesses. The legal effectiveness in enforcement of contracts affects the decision-making process of entrepreneurs (Johnson et al., 2000). Chemin (2007) argues that judicial slowness is one of the key features that impact the entrepreneurial decisions and affect entrepreneurship as a process. The importance of impartial and independent judiciary is crucial. If the judiciary can withstand all external pressures, entrepreneurs who appear before them and the wider public can have confidence that their cases will be decided fairly and in accordance with the law.

In conclusion, the evidence in the literature show that even the slightest form of regulation for social entrepreneurship contributes to development of the sector. It clears the foggy questions and paves the path to partnerships and collaboration. Regulation, no matter the form, broader - for social economy, narrower - for social entrepreneurship or through amendments in different legal documents, makes the public and private sector feel protected while doing business with social enterprises. Social entrepreneurship is built on partnerships and collaboration with other sectors, channels and networks. If the trust in the relations comes from regulation, and the doors are opened for business with social enterprises, then it is worth it and it should be regulated.

2.3.3. Institutional Dimension

The institutional factors also play one of the key roles in development and promotion of social entrepreneurship (Mair & Marti, 2009). In the literature, many authors have discussed the role of institutions in social entrepreneurship (Mair & Marti, 2009; Zahra et al., 2009; Dacin et al., 2010; Estrin et al., 2013). Across the board, two main concepts are discussed – institutional support and institutional voids (Dacin et al., 2010; Stephan et al., 2014). These concepts can contradict or complement each other. The former is associated with active governments that generate social needs and in consequence there is a greater necessity for social entrepreneurship (Stephan et al., 2014). The latter is related with less active governments, with limited resources, where social issues are abundant (Dacin et al., 2010). However, both concepts can play a role as motivators and providers of support to social entrepreneurship practitioners. Institutions, intentionally or unintentionally, shape the behavior of social entrepreneurs and influence their actions (Scott, 1995).

The concept institutional void is recognized by Khanna and Palepu (1997, p.41) with the meaning "to refer to the absence, or poor functioning, of the specialists needed to bring buyers and sellers together in markets." Mair and Marti (2009, p.422) see institutional voids as "the absence of institutions that support markets in contexts that are already rich in other institutional arrangements". Danviboon (2018, p.3) states that "institutional voids are the results of inefficient or non-existence of specialized market intermediaries to facilitate trade among firms". The concept was more generalized by incorporating formal institutions such as public institutions, courts, bureaucracy procedures, law enforcement agencies, and other (Puffer et al., 2010).

Mair and Marti (2009) contribute to the research of the concept, stating that institutional voids are created by the interplay amongst governments, institutions and practices. These voids can be described as situations where the interplay between the institutions is weak, lacks market support and does not fulfil their roles and objectives. Lee and Peng (2008) add to this by stating that there are many factors that influence the creation of institutional voids such as political stability, infrastructure, legal frameworks, law enforcement, and others.

Still, institutional voids provide for entrepreneurial prospects and are, in fact, opportunities for social entrepreneurship. The failure of the sectors to provide for the community is one of the institutional voids that social entrepreneurship has stepped in to exploit (Mair & Schoen, 2007). For example, a deficiency in social service provision by the institutions and the lack of community reach may be seen as opportunity by the social enterprises. They could provide a service to the community by using a business model based on contracts from the local government and its agencies to deliver the services and increase its reach in the community.

On the other hand, Baker & Nelson (2005) argue that the researchers often overlook the fact that a conducive institutional environment is crucial for development of social entrepreneurship, and that opportunities are dependent on it. That is why institutional support is essential for the development and promotion of social entrepreneurship. Stephan et al. (2014) add that the individual involvement in social entrepreneurship, in national context, is driven by influences provided as resource instruments or demands. They argue that it is counter effective for development of social entrepreneurship if institutions are about to leave a void by cutting services or reducing support. Such activities are likely to demotivate engagement in social entrepreneurship activities. Their results have shown that active governments facilitate the development of social enterprises and institutional support. Hoogendoorn (2016) support the institutional support perspective and state that social entrepreneurship benefits from conducive institutional environment connecting it with the government/institutional spending and the quality of regulation. Sud et al. (2009) argue that one of the methods for supporting social entrepreneurship is the provision of organizational legitimacy, which should provide an organizational category for social enterprises. Categorizing social enterprises could clarify their status and provide for more funding opportunities aimed directly at them.

Hoogendoorn (2016, p.289) also finds that “despite little support for the institutional void perspective, which assumes that a malfunctioning market or state creates opportunities for social entrepreneurs, there is reason to assume that the results vary across developing and developed economies.” In the context of developing countries, institutional gaps are already existent since there is a need of sustainable solutions to social and societal issues.

To conclude, institutional environment is crucial for collaboration between sectors, as well as for finding solutions to societal issues. Institutional support is one of the key elements for development and promotion of social entrepreneurship. Government activism and support for social entrepreneurship contributes to synergy between both actors and sectors and allures more interest from private investors. Institutional support points social entrepreneurs in the right direction, and provide backing in the pursuit of solutions and a thrust into innovativeness. With institutional support, social entrepreneurs can focus and dedicate time on addressing societal issues, rather than looking for institutional gaps to exploit.

2.3.4. Financial Dimension

Social entrepreneurship is closely related not only to social, but also to economic outcomes. Social enterprises need to produce financial resources to implement their social agenda and reach social impact (Dacin et al., 2010). The literature shows that the mission of social enterprises is categorically social, but to achieve their mission, they need sustainable revenue. According to Lasprogata & Cotten (2003) social enterprises put themselves on the market and engage in entrepreneurial practices to endure and finance their social mission. They also state that the environment molded the sector and have created a financial crisis and the solution is not based on creating more available sources of funding (Lasprogata & Cotten, 2003). Social enterprises need to be more entrepreneurial in order to reach sustainability. The main sub-dimensions of the financial aspect are available sources of funding and access thereto.

There is a variety of possibilities that could be mentioned as sources of funding, such as grants from projects; bank loans; donations and/or fundraising; crowd funding; microcredit; social investment; private investment, among others (OECD, 2013). Social enterprises often turn to government funding or project grants, since there is a constraint concerning the distribution of profits. Most of them use a mix of sources such as earned income, membership fee, subscriptions and users fee, governmental funds (subsidies) and other (Hoogendoorn, 2011). Although there are a plethora of available sources on paper, establishing a consistent flow of funds remains one of the biggest challenges (Rangan et al., 2008). Most start-up social enterprises are established through utilizing private sources of funding such as personal, friends and family funding (Harris, Renko and Caldwell, 2013).

Maybe even more important than available sources of funding is how social enterprises can access these funds. The literature shows that social enterprises have difficulties in accessing the same sources of funding available to commercial enterprises (Rangan et al., 2008; European Commission, 2011).

In this sub-dimension, there are two approaches related to funding, earned income-generating activities (Mair & Martí, 2006) and those who oppose this approach (Mair & Martí, 2009; Defourny & Nyssens, 2010). In the first approach, many authors have promoted the earned income-generated activities as a way to decrease the dependence on grants and external funding sources and reaching financial sustainability (Boschee, 2001). Some researchers (Haugh and Tracey, 2004; Nicholls, 2006) use the term 'social enterprise' for completely self-funded organizations or even define it as a "business that trades for a social purpose". Yunus (2010) contributes to this approach, stating that social enterprise should cover its costs through the business activities and earned resources. The other approach is consisted of researchers who oppose this view and state that social entrepreneurship should be focused on social value creation rather than on its business activities for earning income (Anderson & Dees, 2002; Light, 2005; Mair & Martí, 2009; Defourny & Nyssens, 2010).

However, using a mix of available sources of funding has been brought up as a solution to these disagreeing views. Smallbone & Welter (2001), Peattie & Morley (2008) noted that using a funding mix is a distinctive way of functioning and means to ensure financial sustainability of social enterprises. They also found that the majority of them were using grants and donations as sources of funding while the rest were dependent on their own earned income.

This contributes to the hybrid idea for social entrepreneurship. To be eligible to more traditional bases of revenue, most social enterprises intertwine their social mission with a conventional legal form for business, a commercial enterprise.

2.4. The Role of Social Entrepreneurship in Sustainable Development

The concept of sustainable development has emerged at the World Commission on Environment and Development, which defined it as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" (UN, 1987). In environmental and development circles, the terms "sustainability" and "sustainable development" are often used interchangeably. It also presents the capacity to endure.

However, the concept of sustainable development is still a nascent field, much like social entrepreneurship. Both have emerged in the 1980s, relatively, and they are still in the development phase. Moses & Olokundun (2014, p.167) state sustainable development as a concept "has also emerged as a sub-set of entrepreneurial theories and practice".

The concept of sustainable development has increasing recognitions in developing business and policy. Recognition of the need for transformational change is growing in order to make progress on addressing economic, social and environmental issues. Addressing socioeconomic global challenges include elimination of poverty, economic growth, innovation and investment in education and climate change (Seelos & Mair, 2005). Seelos & Mair (2005, p.1) state that "the aim is to balance economic growth and social development for all with the ability of the natural environment to sustain human life on this planet."

Hubbard (2009, p.180) explains that "the emergence of the concepts of 'sustainable development' and 'sustainability' reflect a seminal change in global thinking, which is forcing firms to again re-evaluate their approach to measuring organizational performance. Sustainable development embodies three inextricably connected principles: environmental integrity, social equity and economic prosperity. Performance in one area has effects on the other two areas".

Sustainable development has always been connected to entrepreneurship, as many researchers view entrepreneurship as a catalyst fostering the transition to sustainable communities. Some even promote an idea that entrepreneurs could be a solution for many social and environmental concerns (Hart & Milstein, 1999; Wheeler et al., 2005; Brown, 2006; Brugmann & Prahalad, 2007; Senge et al., 2007). Hall et al. (2010) argue that

sustainable development is still controversial but has appeared as a concept of influence for theory, practice and policy related to entrepreneurship.

In many studies, social entrepreneurship presents the initiation of sustainable development. Social entrepreneurship is seen as a remedy for social issues contributing in communities to reach sustainable development (Moses & Olokundun, 2014).

Mair & Marti (2006, p.43) provide a variety of research questions for future research, one of them being "What is the link between social entrepreneurship and sustainable development, and how can social entrepreneurship contribute to sustainable development?".

In the 1990s and even few years before, the emergence and development of businesses with a social purpose has started mainly with a focus on work integration for vulnerable groups. In the 2000s, as the support mechanisms had grown, such ventures had started looking in other issues as well (for more information on development return to chapter 2.2.1. Tracing the Origins). In recent years, social entrepreneurship contributes to sustainable development through integrating vulnerable groups on the labor market, providing environmental solutions, community support, housing, recycling, building community resilience among other.

Seelos & Mair (2004, p.6) identify the role of social entrepreneurship in sustainable development as "the contribution of individual entrepreneurs to sustainable development". They put social entrepreneurship alongside existing efforts such as corporations, governments, international organizations, and non-governmental organizations (Figure 3).

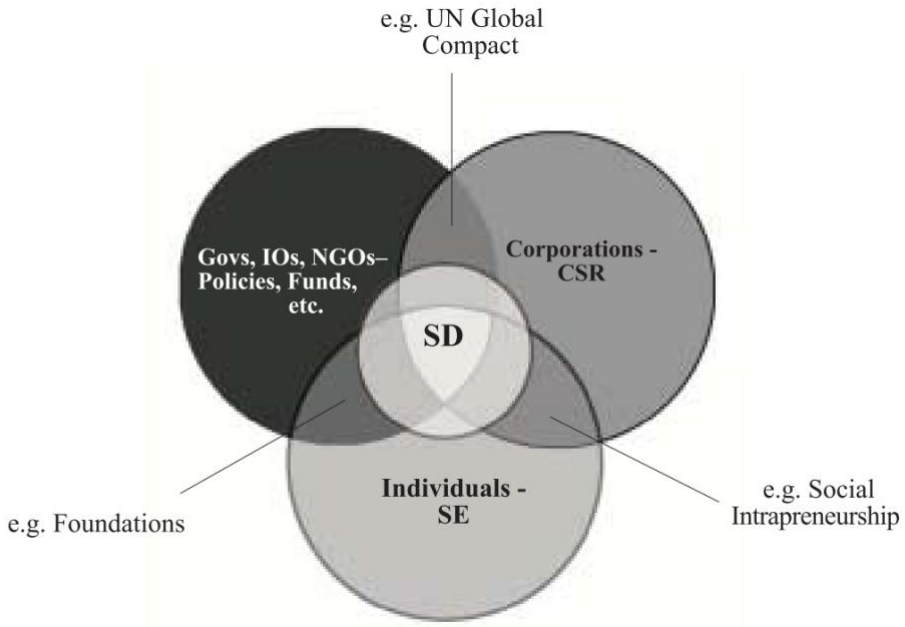


Figure 3. The role of social entrepreneurship in sustainable development

(Source: Seelos C, Mair J (2004) Social Entrepreneurship:
The contribution of individual entrepreneurs to sustainable development,
IESE Working Paper 553, March, p.6)

Seelos & Mair (2004) argue that governments, international organizations, and non-governmental organizations contribute to sustainable development by developing policies that improve and promote the external environment, providing for development of a conducive ecosystem for reaching sustainable development. For social entrepreneurship, the interface related to these actors is the provision of legal protection, institutional support, available source of funding, and other. Also, the corporations have their slice of the pie through various networks, contracts and funds. The role of the corporations in this helix is to contribute to sustainable development through corporate social responsibility. The European Commission defines it as "business contribution to sustainable development" (European Commission, 2002). The interplay between the social entrepreneurship and the corporations through their corporate social responsibility is seen in the social intrapreneurship, presenting a bridge between these two concepts. Social entrepreneurship is associated with individual contribution and efforts to sustainable development.

Ziegler (2009, p.229) contributes to this argument and states that "social entrepreneurs are transforming social dilemmas into manageable problems, which that solve in innovative and entrepreneurial ways." They provide hope and enthusiasm on a local level, instead of applying global strategies, models and practices. Their process of experimentation facilitates scaling-up to unexpected levels that embeds optimism for what is possible and could be achieved.

Seelos and Mair (2004, p.10) argue that "the purpose of social entrepreneurship is to contribute to sustainable development." They provide an image of how this field contributes to achieving its purpose (Figure 4).

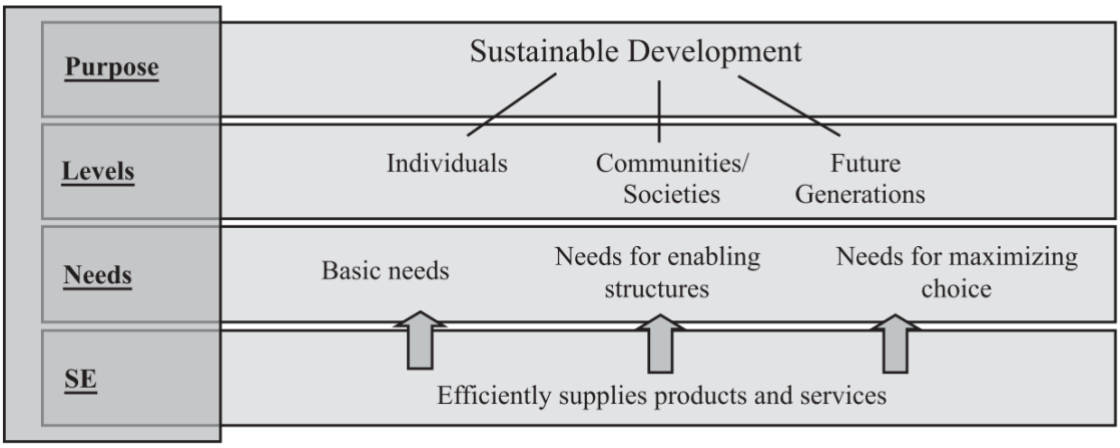


Figure 4. The role of social entrepreneurship in achieving sustainable development

(Source: Seelos C, Mair J (2004) Social Entrepreneurship:
The contribution of individual entrepreneurs to sustainable development,
IESE Working Paper 553, March, p.10)

2.4.1. Social Entrepreneurship and the Sustainable Development Agenda

The UN 2030 Agenda for Sustainable Development (the "2030 Agenda") was designed to create "the future we want" (UN, 2015). The 2030 agenda established an inclusive, consultative process that renewed the commitment of the 53 Member States of the WHO European Region to fostering transformative change for sustainable development. Transformative change requires radical reorganization of the three domains of sustainable development (economic, environmental and social), with a particular focus on changing the norms, institutions and social relations that can lock people, including

future generations, into persistent disadvantage, thereby constraining their choices and agency (UN, 2015).

Social enterprises are very responsive to external demands of growth in terms of filling gaps in the society that would otherwise remain unfilled. In this sense, social enterprises have a particular sensitivity to identifying societal problems that need to be addressed and try to tackle them. In doing so, their work is in fact primarily motivated by social returns more than by financial profits. Taking their mission and their operational capacity into consideration, social enterprises represent an innovative and holistic business model able to address global challenges.

Most importantly, we have come to the general conclusion that the societal challenges social enterprises are tackling within the scope of their activity correspond to the ones identified by the 2030 Agenda. Social enterprises implicitly cover the Sustainable Development Goals in their work and frequently contribute to attainment of more than one goal. It seems to be the case that a number of enterprises openly refer to the Sustainable Development Goals in their work, while some of them are not fully aware of the 2030 Agenda. Others are indeed aware of it, but it currently serves exclusively for internal organizational scope and impact measurement, and the connection has not been publicly communicated yet.

As for the impact of the 2030 Agenda on social enterprises' activity, although the Sustainable Development Goals themselves did not shape the direction and scope of their work, they are still considered to be a powerful instrument of communication, raising public awareness, connecting key stakeholders, and, in some cases, fundraising.

The private sector in the form of social entrepreneurship is substantially contributing to attainment of the goals set by the 2030 Agenda, as social enterprises partake in the global effort of facing the most urgent societal problems. The formulation of the 2030 Agenda could, at least partially, support them in their work by providing powerful means for communication, raising public awareness, connecting key stakeholders, and, in some cases, fundraising.

The familiarization with and embracement of the 2030 Agenda principles and objectives can be promoted by the UN through multiple initiatives targeting various

groups of social entrepreneurs. Many such initiatives are already in place. However, what is important is the necessity to go beyond mere awareness-raising: social enterprises that are not yet fully involved need to realize that the 2030 Agenda has a certain value added for their on-going activity. As evidence that has emerged from this research, Sustainable Development Goals have a potential to improve communication between the public and the enterprise, bring together stakeholders, and attract funds. This needs to be communicated to a wider number of enterprises, which can be possibly done through creating programs or activities centered around helping social enterprises realize a particular advantage of the Agenda-centered approach.

2.4.2. Social Entrepreneurship in Developing Countries

In the literature, there are many studies that compare entrepreneurship in multiple countries. Most of them argue that entrepreneurship in developed countries is more present than in the undeveloped ones. Researchers have provided many explanations for this result, from Hofstede Cultural Dimensions and "National culture" (Hofstede et al., 2004), push and pull concepts to supply and demand concepts (Wennekers et al.,2007). Hofstede et al. (2004) and Wennekers et al. (2007) explain that "push" is associated with discontent of available opportunities and "pull" with the pursuit of better income or higher status. Wennekers et al. (2002) also provide another explanation, where "demand" is opportunities of employment and "supply" presents individual traits and preferences.

Baumol (1990) divides entrepreneurs in two groups – "Schumpeterian innovative entrepreneurs" and "defensive and necessity entrepreneurs". The first are those that are associated with developed countries, and the latter are associated with developing countries. The defensive and necessity entrepreneurs enter in the market because they are income seekers, trying to fulfil their existential needs. Pursuing self-employment is a trait that can be found in the developing countries (Naudè, 2009; 2010) where there are many institutional voids, including high levels of poverty, unemployment, lack of opportunities - especially in the business sector. These factors push the population into various market activities, mostly in the informal economy (Maloney, 2004). There is a lot more data on entrepreneurship in developed and developing countries that are proving microeconomic perspective (Vivarelli, 2012).

However, we will not explain further how entrepreneurship differs in between developed and developing countries, since we aim to offer data on the existing research on the development of social entrepreneurship ecosystem in developing countries.

These countries face significant economic, political and social challenges. Global poverty affects 11 per cent of the world population or around 783 million people, unemployment levels are at all-time high, while youth are three times more likely to be unemployed than adults, with the global youth unemployment rate at 13 per cent (UN, 2018). Recent developments on a global level showed that traditional approaches do not provide the needed solutions to the global issues. Non-profit organizations funded by public project funding and donor organizations have played a great role in alleviating poverty. Still, this support and funding has not provided for rapid mitigation or eradication of these issues. Thus, the need for innovative approaches that provide sustainable solutions are crucial and social entrepreneurship plays a vital role.

In the developing countries' shortcomings and deficiencies create huge obstacles for development of social entrepreneurship. Market and government failures and unconducive ecosystem to enter the market and to function properly hinders the access to market and resources. However, the evidence suggests that entrepreneurial activities in developing countries could provide for improvement and social and economic goals by mitigating poverty and better social indicators (Patzelt & Shepherd, 2010). Social entrepreneurs play the role of change-makers through utilizing innovative strategies, models and activities that provide creative solutions and transform issues into manageable challenges (Seelos & Mair, 2005). Haugh (2005) contributes to the picture of the role of social entrepreneurs in developing countries by stating that they are not demotivated and disheartened by the unconducive environment and contextual constraints.

What could this mean for developing countries where social entrepreneurship is still in its early stages of demystification and understanding, and practice?

The impacts of social entrepreneurship depend on the interaction with the country institutions and their effect on the long-term capacity building, projecting into the future. When functioning in developing countries, issues of government intervention, cultural biases, traditions, and methods used by the development community, all impact the approaches by which social entrepreneurship successfully operate (Katzenstein &

Chrispin, 2011). Consequently, the next major challenge is development of an enabling environment and operational systems, and the combination of needed resources as well, to address the unique social, economic and environmental challenges in the 21st century.

Many examples of the positive effects of social entrepreneurship can be found globally. For instance, social entrepreneurship has largely influenced the introduction of solar power in African countries, most of which are remote, poor and unable to get access to electricity. Also, social entrepreneurship has significantly contributed to provision of clean drinking water at affordable prices in most parts of Pakistan. Furthermore, social enterprises have offered financial and marketing support that has revived the traditional industries in Vietnam (Purvis, 2015).

The main challenges of social entrepreneurship are the institutional, legal and structural constraints i.e. the environment and how enabling it is (Marquardt, 2013). They stem from the lack of resources to implement ideas to full potential. Some laws and regulations can be too harsh on developing enterprises. If the enterprise is not capable of coping with the requirements of a particular country, it does not thrive for long and eventually collapses.

Social enterprises and their activities are with a sole goal of boosting the government's activities rather than being the tools of propagating development. They are, arguably, the best tools for development especially in developing countries, with their key goal being self and community development.

2.6. Social Entrepreneurship in Developed Countries

As a comparison with the developed countries where social entrepreneurship is present for the last three decades, we can look at several countries such as Sweden, Denmark, Italy, Spain, Germany and Poland. These countries were included in this comparison given that they have different systems for regulating, supporting and developing social enterprises.

2.6.1. Sweden

In Sweden, social entrepreneurship is not regulated, but the last three decades they have been developing and supporting work integration social enterprises. Their policies include social entrepreneurship and most of them have high implementation results. Social enterprises activities are connected to several traditional policy areas (labor and social policy). Social purpose businesses (commercial enterprises with a social mission) and societal entrepreneurship (for-profit companies involved in public activities, various social initiatives, community entrepreneurship and socially responsible businesses) are also present on the market. The existing institutional support is offered by many accelerators and incubators, the Swedish agency for economic and regional growth, Swedish innovation agency – VINNOVA and others. On a regional and local level, collaboration is concluded in partnership with the regional councils, municipalities, social insurance funds and employment agencies. These institutions also consist a larger part of the financing schemes for social enterprises. Micro-crediting and crowdfunding are also an option, although, not used very often (Chichevaliev, 2019c). The practice in the country is challenged by other concepts with a narrower understanding of social entrepreneurship, but also limited space due to traditional welfare institutions (European Commission, 2020b).

2.6.2. Denmark

The social enterprises' origins in Denmark can be traced back to the cooperative movement. The concept of social enterprise has recently gained legitimacy. In the mid-2000s, the country started supporting capacity building and policy making for social enterprises. They established the Center for Social Entrepreneurship and a year later the Center for Social Economy, supported by government grants. A decade ago, the Danish Government adopted a National Civil Society Strategy which was focused on social

action. The local governments followed that example and adopted strategies for development of social enterprises on their own. Several years ago, the city of Copenhagen has adopted the initiative – "A Market for Social Enterprises", including government funding for local government aimed at raising awareness, capacity building and bringing down barriers faced by social enterprises with support from the public institutions. The legal solution was adopted in 2014, a law on registered social enterprises that provides a common identity (European Commission, 2015a). The law includes criteria for operation, transparency, social characteristics and other, but also adopting a definition which, by the researchers' opinion, is identical to the one stated in the Social Business Initiative of 2011. Some of the benefits for being a registered social enterprise is being a beneficiary of public procurement. When local governments need products or services, they purchase it from social enterprise. Other benefit is piloting social services. When the state or the municipality is implementing a new social service, the social enterprises are the implementors of the service, financed by the authorities. In conclusion, a combination of institutional support, legal solution and fiscal incentive formed the national ecosystem for social enterprises in Denmark (European Commission, 2019b).

2.6.3. Italy

The social enterprises case of Italy has started even earlier than Sweden and Denmark. It spans nearly four decades and it is one of the most advanced countries in the field. Social entrepreneurship is mostly focused on cooperatives given that association and foundations were prevented from undertaking economic activities. This also presents the reason for the creation of a new type of cooperative, the 'social solidarity cooperative'. In the last 30 years, these social solidarity cooperatives have been multiplying and contributing to the change of the Italian welfare. The Italian ecosystem for such cooperatives has been developing ever since, prescribing its success to the cooperative movements, favorable legal environment, decentralization of public competencies and public financial support for the provision of social services by social cooperatives. Further liberation of the legislation for associations and foundations which allowed them to undertake economic activities have significantly increased the actors in the social service provision, but also in other areas such as sport, culture, research, health and others. In 1991, these cooperatives were recognized by Law 381/1991 on social cooperatives as 'social cooperatives', but in 2005-2006, a more general regulation was introduced creating the legal category of 'social enterprise'. New legislation was adopted in 2016-

2017 which brought even more conducive environment by providing a common regulation for both the social enterprises and the third sector. The adopted definition, even from the social solidarity cooperatives time, included three criteria: a) using entrepreneurship for achieving social mission, b) non-profit nature, and c) participatory management. In conclusion, the Italian tradition of cooperatives working in the country's welfare landscape has been nurtured for decades, but they are also open to new developments. In the last 15 years, they have made two laws that contribute to their social enterprise ecosystem, and with the financial support for provision of social services the sector is continuously growing (European Commission, 2020a).

2.6.4. Spain

Similar situation can be seen in Spain. With a view on cooperatives, regulation have been adopted in 1999. The national law on cooperatives included the model 'Social Initiative Cooperatives' which was understood as a qualification of cooperatives. In Spain, work integration enterprises are also ever present. They are regulated by a different and specific legislation on national and regional levels. The Law 31/2015 qualifies the commercial companies that work in training provision and integration of people in the labor market as 'Employment Integration Enterprises' – companies that provide services of general economic interest. They also have the special employment centers which is a designation for commercial companies, most often limited liability companies that provide social services and offer paid employment to people with disabilities. With the newest legal developments there is a distinction between non-profit and for-profit special employment centers which in practice is very similar to the legislation in Italy, despite not mentioning the term social enterprises specifically. With the rise of the social entrepreneurship in Spain, new forms of social enterprises are emerging. In the near future, it may be necessary to formulate new legislation or amend the existing. The social economy ecosystem in Spain is conditioned by the authorities, although a novelty are the social entrepreneurship and innovation agents that act as promotors of business development, accelerators, incubators, learning platforms and other. The public financial support is framed through public procurements within the Law 9/2017 on public sector contracts (European Commission, 2020b). In conclusion, Spain is one of the countries with advanced development of the field.

2.6.5. Germany

The case of Germany is a bit different. They do not have definition or policy documents that are focused on development of social entrepreneurship and enterprises. Despite the lack of focus on the terminology, social enterprises are enrooted in the philanthropic action, cooperatives and other forms of association working toward work integration, community development or entrepreneurial traditions. Social enterprises are a part of a larger third-sector that goes beyond social economy including various organizations. The welfare organizations in Germany date from a century ago and even further and were strongly connected to the church. However, with the newest developments and increase of social enterprises there are certain change in the legislation and in the practice of the organizations providing welfare services. Currently, there are two types of work integration social enterprises –for people with disabilities and for long-term unemployed people. In 2001, these organizations received legal recognition as 'inclusion enterprises'. In practice, the use of 'public-benefit organization' status is used for work integration social enterprises that are registered as limited liability company. Also, from 2009, the trademark/label 'Wirkt' ('It Works') is in use. Issued to effective social initiatives. "The 'Wirkt' label is aimed at distinguishing public benefit organizations that are especially effective in resolving social problems." (European Commission, 2014, p.5). Approximately 600 organizations have applied for the 'Wirkt' label and have a subject of screening since 2009. Around 25% of the applicants or 150 organizations have received the 'Wirkt' label. Estimated 10-15% of those organizations have market-revenue based business models, qualifying them as authentic social enterprise. The latest reports argue that the public is not interested in social entrepreneurship and the authorities do not recognize the need. "These perceptions, strongly enshrined in German society, may lead to a scenario in which new-type businesses like social enterprises are seen as 'too commercial' for the civil society/third sector and yet 'not commercial enough' to attract investments and public economic promotion" (European Commission, 2018a, p.105).

2.6.6. Poland

The Poland's case is the newest of the aforementioned, understandable when understanding the country's history in the past century. They also introduced a trademark/label or in this case a social enterprise [eS] certificate - Social economy

enterprise in 2011 (European Commission, 2014). The organizational definition prioritizes social aim and provides specific restrictions in terms of distribution of profits and governance. Its rationale is to acknowledge social enterprises as a particular legal entity. Policy documents that support social enterprises and development of social entrepreneurship is the National Development Strategy 2020 as an umbrella strategy which was integrated in the Human Capital Development Strategy 2020 and Social Capital Development Strategy 2020 mentioning social economy and social enterprises. There is also a National Program for Social Economy Development of 2014-2018 and 2019-2023. In Poland, the social enterprise concept is politically and legally accepted, but the focus is on work integration social enterprises which is a narrow understanding of the concept. "Social enterprises are embedded in their place of origin, as in, for instance, the non-profit sector. The lack of a common identity and the reluctance of Polish social enterprises to recognize themselves as a united sector are ascribed to the fragmentation of the legal schemes." (European Commission, 2020b, p.69). The narrow understanding of the concept has contributed to the misunderstanding of social enterprises that are not operating in the work integration service provision which is very similar to the case of Sweden. The social enterprises in Poland use the financial support provided by the European funds and grants and subsidies from public authorities. Interesting funding opportunity is the 'tax assignation system' which allows taxpayers to allot a percentage of their taxes to a non-profit organization of their choice (a system already adopted in Italy) (European Commission, 2020b).

2.6.7. Conclusion

The degree of acceptance of the social entrepreneurship concept in the countries vary. Despite the countries' provided support, social enterprises are still struggling to reach sustainability and access the available sources of funding. In some of these countries, for e.g. Sweden and Germany, social enterprises are still stuck in the grey zone given that they are recognized as non-profit or a trade company. In Poland, social enterprises are still donor dependent, especially from the European funds, while in Denmark are dependent on public funding (public procurement calls). The situation with social entrepreneurship is not ideal even in the developed countries, but they recognize the concept and the new way of working and are providing the instruments for social entrepreneurship to develop (European Commission, 2020).

All aforementioned countries had three necessary elements that contributed to the development of the sector – institutional support, public funding and organizational legitimacy. All three elements are a part of a different dimension (institutional, financial, and legal). In the table below, the cross-country comparison main similarities and differences are presented.

Table 3. Cross-country comparison of countries with more developed social entrepreneurship

		SWE	DEN	ITA	ESP	GER	POL
Political Dimension	National strategy	✓	✓	✗	✗	✓	✓
	SE concept use & acceptance	✓✓	✓✓	✓✓✓✓	✓✓✓	✓	✓✓
Legal Dimension	Regulation	✗	✓	✓	✓	✓	✓
	Trademark/Certification	✗	✗	✗	✗	✓	✓
	Public benefit label	✗	✗	✗	✗	✗	✓
	Organizational definition	✗	✓	✓	✓	✓	✗
	Sector-specific definition	✓	✗	✗	✓	✗	✓
Institutional Dimension	Degree of data availability	✓	✓	✓✓✓✓	✓✓✓	✓✓	✓✓✓
	Degree of acceptance	✓✓	✓✓	✓✓✓	✓✓	✓✓	✓✓
	Institutional support	✓	✓✓	✓✓✓✓	✓✓✓	✓✓	✓✓
Financial Dimension	Fiscal benefits	✗	✓	✓	✓	✓	✓
	Financial independence	✗	✗	✓	✓	✗	✗

Legend:

SE concept use and acceptance & Degree of data availability:

✓	Low
✓✓	Average
✓✓✓	High
✓✓✓✓	Very High

Others:

✓	Yes
✗	No

2.7. Social Entrepreneurship in the Western Balkans

The development of the social entrepreneurship in the region is still in its beginning. The lack of political stability on regional and national level has changed the focus and the priorities of the countries toward political and economic stability, neglecting the social security and the social issues that are dragged for decades. Moreover, the lack of data for the development of the sector makes it almost impossible to showcase a transparent picture of the state-of-the art on a national level, especially about the size, activities, number, impact and other characteristics in the field. However, the literature and field research show that the sector in the region is characterized as small with scarce political, institutional, financial and legal support for social enterprises (Rosandic & Kusinikova, 2018; Chichevaliev, 2019c; European Commission, 2020).

2.7.1. Albania

Social entrepreneurship in the country is directly associated with the non-profit sector. The non-profit organizations were the first who opened the gates to social entrepreneurship, triggered and sustained by foreign investment. The non-profit organizations compose the largest part of the social enterprises in the country, focused on social service provision by filling the institutional gaps. Social enterprises offer their services to various vulnerable groups such as people with disabilities, mental health problems, victims of trafficking and other. Albania furthered the development of social entrepreneurship by adopting a legislative solution and providing a legal status of social enterprises. The recently adopted Law on Social Enterprises, but it was a hastened decision given that the law confines social entrepreneurship and enterprises instead of liberating the field. The law recognizes only non-profit organizations as an eligible form for working as a social enterprise excluding the other existing typologies such as trade companies and cooperatives. The case of Albania is a classic case of hastening legal solutions and regulation without much practice and evolvement of all stakeholders in the process. This has furthered the confusion about the concept an is still far from being fully acknowledged. Although the sector is currently regulated, the lack of comprehensive legal framework, lack of institutional support and fiscal incentives are hindering the development of the sector (European Commission, 2019a).

2.7.2. Bosnia and Herzegovina

The case of Bosnia and Herzegovina is the most specific of cases given that their governance structure is unique in the region. The social and economic development of the country has been hampered by the political instability and the uni-ethnic focuses of the authorities and institutions. There is no regulation for social entrepreneurship in the country, but the relevance of the field has been recognized in the Social Inclusion Strategy, focused on work integration and social inclusion of vulnerable groups. The strategy provides a clear definition which states "Social Entrepreneurship is an approach that aims to recognize social problems and uses entrepreneurial solutions to bring about social change". It is unusual for the region as a whole for a country to have a clear definition, but Bosnia and Herzegovina have made the first step toward defining social entrepreneurship in a broader matter, that works for social enterprises. The strategy also includes all sectors (public, private and civil society) as eligible to practice social entrepreneurship, and provides measures that will streamline administrative services and provide financial support on all levels.

The sector is in its infant stages registering a small number (approximately 30-40) of social enterprises, cooperatives not included. The ecosystem for social entrepreneurship in the country is focused on work integration and social inclusion of vulnerable groups. Social enterprises can be found in the most common legal forms; civil society organizations, cooperatives, limited liability companies and sheltered companies. The social enterprises are grant-dependent and unsustainable without unceasing funding. Scarce public funding on a national, regional and local level is hindering the sustainability of the social enterprises. Only the sheltered companies have access to continuous public funding provided by the Fund for rehabilitation, training and employment of people with disabilities in the country (Rosandic & Kusinikova, 2018).

However, the lack of policy design and framework, institutional and financial support and legal framework, combined with weak implementation has impeded the development of the sector (Rosandic & Kusinikova, 2018).

2.7.3. Kosovo

Kosovo is the newest case in the region given that they are the youngest country in Europe, declaring its independence in 2008. The sector is labeled 'in emergence', comprised of small entities, most of them being non-profit organizations. The social entrepreneurship sector was recognized by the Kosovar Government, and in 2016, the Ministry of Labor and Social Welfare proposed a Draft Law on Social Enterprises to the government, but the Government of Kosovo was disbanded (Kartallozi & Xhemajli, 2017). In the beginning of 2017, the process was continued and the next year was adopted by the government. The law provides benefits such as "exemption tax on profit and exemption from Value Added Tax for imported goods and/or services". (Dervishi, 2019, p.7). The law is narrow and is focused on work integration and social inclusion. It also "makes it mandatory for vulnerable/marginalized groups to be included whether that is in the provision of goods and/or services or on the receiving end of such goods and/or services" (Dervishi, 2019, p.16), which is seen as a restriction and a limitation on the Kosovar social enterprises functioning context (Kartallozi & Xhemajli, 2017). The definition is also in the narrow context as is the law, however, it still enables further growth of social enterprises because they have organizational legitimacy and legal identity. Despite the legal developments, the social enterprises in Kosovo are still in initiation phase and need increase of fiscal incentives and recognition by the institutions and the general population.

2.7.4. Montenegro

The sprouts of social entrepreneurship in Montenegro can be found even before the World War II, in the form of agricultural cooperatives, as in many states from the region. However, these cooperatives did not produce the positive effect as in other countries and the idea was jeopardized, a practice that still continues to this day. Moreover, these concepts are associated with the former political setting which failed. Thus, the country did not provide any support to social enterprises.

The commencement of the European integration processes has contributed to develop a different model and mechanisms in the economy and invigorate various types of social economy organizations. Still, the Montenegrin government has not provided any policy development, legislation processes, institutional or financial support for social

enterprises. Social enterprises can be found as various legal entities such as associations, cooperatives, limited liability companies and sheltered companies ("protective workshops"), but this has increased the hybrid organizations given that the non-profit organizations "are not allowed to have more than 4,000 EUR revenue from their economic activity as an NGO. However, should they have a turnover greater than 20,000 EUR in the previous year, their economic activities are limited to 20% of this turnover (which can correspond to a higher amount than 4,000 EUR). If their economic activity is above these thresholds, they need to register a separate limited liability company to carry out economic activities" (European Commission, 2018). This presents a specific case which fosters registering commercial businesses and it is different from other countries in the region. An interesting and significant development in the Law on Non-governmental organizations is the provision of a wider definition for organizations of "general interest" (similar to Poland's public benefit company), but still there is no data how many organizations have been assigned the "general interest" label.

The biggest obstacles for the development of social entrepreneurship remain the scarce financial resources, project-dependence, and recognition and support from the institutions (European Commission, 2018b).

2.7.5. Serbia

The traces of the socialism and the structure left from Yugoslavia can be seen in the whole region, and in relation to social entrepreneurship, the focus on cooperatives and sheltered companies. The emergence of the social entrepreneurship and enterprises in Serbia is due to various reasons including social policy transformation, high percentage of unemployment and social exclusion, foreign donors financial support, entrepreneurial sense of civil society organizations and leaders and others. Despite their emergence, the authorities do not help and support promotion and development of the field. The public sector financing is non-transparent and inefficient which makes social enterprises project-dependent on foreign financial aid. The growth of the sector is sluggish and needs a serious push to reach its potential.

Given that there is no current regulation for social enterprises, most of them are registered as associations which are currently regulated with the Law on Associations of Citizens and Foundations. Both forms are allowed to undertake economic activities and

generate income which is exempted from paying value income tax for revenue up to 8 million RSD a year, excluding donations and membership fees. The lack of data on social entrepreneurship and enterprises hinders the approximation of exact size, market, employment and other indicators that help in sector development. There is no institution responsible for social enterprises work and growth. Most concerning is that there is no policy that fosters their development and there is no recognition from the authorities on every level.

Currently, the discourse in the field is about the regulation of the sector focusing on several aspects for social enterprises i.e. legal provisions, and financial and institutional support. Adding to the discourse is the issue of developing platforms and networks for empowering social enterprises and entrepreneurs by developing their business and entrepreneurial skills and increase their capacity for advocacy. In terms of challenges, the lack of political will and funding mechanisms are the biggest constraints for sector development (European Commission, 2018c).

2.7.6. Conclusion

The region is still affected by the previous political set-up and the understanding of what the term 'social' means. The remaining infrastructures such as cooperatives and sheltered companies does not provide the expected results despite being associated with practicing social entrepreneurship.

The lack of any kind of support and recognition is hindering the development of the sector. Social enterprises are struggling to reach sustainability and achieve their social mission. The need for tailored policy and support is enormous and without it, the social enterprises will be just another form of enterprise that is dependent on grants and donations.

There is also a need for more research in the area to increase the degree of data availability to better disseminate the impact that social enterprises, but also to provide tailored support and to promote the development of the field. On Table 4, we have compared the Western Balkan countries through several attributes that are indicative and vital for social entrepreneurship ecosystem development.

Table 4. Cross-country comparison of Western Balkan countries

		ALB	BIH	KOS	MON	SRB
Political Dimension	National strategy	✗	✗	✗	✗	✗
	SE concept use & acceptance	✓✓	✓✓	✓✓	✓	✓✓
Legal Dimension	Regulation	✓	✗	✓	✗	✗
	Trademark/Certification	✗	✗	✗	✗	✗
	Public benefit/ General interest label	✗	✗	✗	✓	✓
	Organizational definition	✗	✓	✗	✗	✗
	Sector-specific definition	✓	✗	✗	✗	✗
Institutional Dimension	Degree of data availability	✓	✓	✓	✓	✓✓
	Degree of acceptance	✓✓	✓✓	✓✓	✓	✓✓
	Institutional support	✓	✓	✓	✓	✓
Financial Dimension	Fiscal benefits	✗	✗	✗	✗	✗
	Financial independence	✗	✗	✗	✗	✗

Legend:

SE concept use and acceptance & Degree of data availability:

✓	Low
✓✓	Average
✓✓✓	High
✓✓✓✓	Very High

Others:

✓	Yes
✗	No

2.8. Emergence of Social Entrepreneurship: The Case of North Macedonia

Social entrepreneurship in North Macedonia has entered the public life debate in the last decade. The research on this field is contemporary and mostly tackles legal issues and factors for development of the field.

However, social entrepreneurship, or some form thereof, is not a big novelty in the country. Many researchers state that the initial predecessors of social enterprises existed since the 1900s, in various forms, including cooperatives, comradeships and other forms of voluntary autonomous associations existed and operate (Sivchev & Randelovic, 1966). In 1938, youth cooperatives emerged that focused on the provision of short-term employment for young and unemployed people in order to provide experience and to get familiarized with the open labor market (Ilijovski & Iloska, 2018).

In the period 1945-1991, starting immediately after the World War to the point of state independence, a variety of forms and models of economic cooperation emerged, such as cooperatives, workspaces, social organizations and associations (Ilijovski & Iloska, 2018). The cooperative movement in the country has reached its potential during the 80s and 90s, utilizing a top-down process (Pashoja, 1999).

In the aforementioned period, the social welfare system was established with a particular focus on persons with disabilities, by creating sheltered companies. This kind of companies existed in the country since the '70s, with the main purpose being the provision of training and inclusion on the labor market for this particular target group (Ilijevski et al., 2015). The social associations and organizations were organized and controlled by the state during the same period. They were the recipients of substantial financial support, and the regulatory environment guaranteed their autonomy and implementation of their social objective, while providing the possibility to undertake economic activities. Such developments paved the path for today's emergence of social entrepreneurship and enterprises.

Still, there is a lack of research, theory and practice for the emergence and development of social entrepreneurship in North Macedonia. The need for investment in

research and development of the field is enormous, given that social entrepreneurship is directly connected to and is one of the main contributors in finding innovative approaches and sustainable solutions to various social issues and sustainable development.

Throughout this research, we have found a gap in the literature and in the field of monitoring and evaluation, especially for social entrepreneurship, focused on the development of the field. In the literature and in practice, monitoring of the social value of social entrepreneurship and enterprises and the creation of an appropriate policy foundation that facilitates the development of social entrepreneurship remain two of the greatest challenges for both researchers and practitioners in the sector and the sustainability field. In this thesis, we do not focus on measuring the social value of the social entrepreneurship; instead, we focus on introducing the possibility to design and establish a measurement tool that would be able to provide quantitative and qualitative data that will offer a contemporary picture for creation of appropriate policies for development of social entrepreneurship.

We do not focus on social value, since it is known in practice and in the literature that "most elements of social value stand beyond measurement and quantification" (Emerson, 2003, p.40). We also concur with other scholars (Mair and Martí 2006; Certo and Miller 2008) that it is crucial to undertake substantial efforts in order to provide a framework or develop a tool that would provide for meaningful measurements and present the social entrepreneurship impact and the attainment of the chased goals. This picture has to be somehow interpreted into tangible policies which can facilitate the development of social entrepreneurship.

2.8.1. Political Dimension

North Macedonia is a parliamentary democracy with a population of 2.1 million (World Bank, 2018; State Statistical Office, 2018). Since declaring independence in 1991, the country has set about establishing a market economy and plotting a course to membership of the European Union (EU). Gross national income (GNI) per capita has doubled since independence, and with GINI index of 31.9 (State Statistical Office, 2019) the country now belongs to the group of upper-middle-income economies. The Heritage Foundation's Index of Economic Freedom (2019) puts the country on 33rd place and 17th in Europe, from a total of 45 countries. According to Transparency International's

Table 5: Country Facts and Figures		
Indicator	**Value**	**Source**
Population (2018)	2,077,132	SSO, 2019
Human Development Index	0.757	HDR, 2018
Gender Inequality Index	0.149	HDR, 2017
GDP (nominal, billion $)	12,67	WB, 2018
GDP growth (2018)	2.7%	SSO, 2019
GNI per capita, PPP ($)	15,67	
Foreign direct investment, net inflows (BoP, current US$) (millions)	675	WB, 2018
Domestic credit provided by financial sector (% of GDP)	50.4	WB, 2018
Tax revenue (% of GDP)	17.2	WB, 2019
Unemployment rate (2018)	20,7%	SSO, 2019
Unemployment rate (male) (2018)	21.3%	SSO, 2019
Unemployment rate (female) (2018)	19.9%	SSO, 2019
Unemployment rate (youth 15-24 years) (2015)	47.3%	SSO, 2016
Long-term unemployment (>12 months) (2018)	15.5%	SSO, 2019
Employment rate (male) (2018)	54.4%	SSO, 2019
Employment rate (female) (2018)	35.8%	SSO, 2019
Average monthly net wage (MKD) (01.2019)	24,517	SSO, 2019
Poverty rate (2014)	21.9%	SSO, 2019
Child poverty rate (ages 0-17)	29.9%	SSO, 2017
Households with internet access	79.3%	SSO, 2018
Sources: • Human Development Report 2017 & 2018 • World Bank 2018 & 2019 • State Statistical Office 2016, 2017, 2018 & 2019		

Corruption Perception Index (2019), the country is positioned on 106th place from a total of 198 with score of 35 from 100.

The Freedom House report, Freedom in the World (2020), states that North Macedonia is a partially free country with a score of 63 from 100. The political rights 24 out of 40, and civil liberties 39 out of 60.

The most pressing challenge is the rule-of-law that needs improving, since the due process remains compromised by corruption, which was highlighted by global reports and by the European Union (Freedom House, 2019; European Commission, 2019). The low level of public trust in institutions, not only in the rule-of-law instances but in general, has hindered the business climate and the development of a more conducive business environment.

2.8.2. Legal Dimension

Social entrepreneurship is a part of the economy that is neither privately nor publicly controlled. It includes various forms of organizations, such as not for profit, cooperatives, foundations, associations, mutual organizations and others. However, social enterprises differ from classical non-profit organizations, since they use business models, innovation and entrepreneurial strategies to reach their objectives (Haugh, 2010).

The size and scale of the sector are not yet determined and mapped conclusively. The various legal forms that social enterprises adopt among different states across the continents make it difficult for researchers to provide conclusive data, which makes national and international comparisons unreliable at the moment.

The lack of data and commonly accepted definition contributes to the challenge of mapping social enterprises, but also to the development of this nascent field, especially in the developing countries (Dees & Anderson, 2006; Light, 2006). "According to EMES, 'social enterprises' must bear a significant level of economic risk, which means that the success of the 'social enterprise's' social mission depends on its market performance as much as its ability to obtain public subsidies and to mobilize voluntary resources" (Bacq & Janssen, 2011, p.385).

Legal frameworks and contexts for social enterprises vary from continent to continent and from country to country, based on legal traditions, state and welfare systems and mechanisms, among other factors.

The European Commission's Social Business Initiative definition integrates the key dimensions of a social enterprise developed in the literature over the last decade. It incorporates an entrepreneurial dimension that delineates social enterprises form traditional non-profit organizations; the social dimension that delineates social enterprises from commercial enterprises; and governance dimension, which is considered to have existing mechanisms that will cement the social objectives in the organization.

The established core criteria for a social enterprise are:

- The organization must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services;
- It must pursue an explicit and primary social aim: a social aim is one that benefits society;
- It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritize the social aim over profit-making;
- It must be independent i.e. have organizational autonomy from the state and other traditional for-profit organizations; and,

- It must have inclusive governance i.e. characterized by participatory and/or democratic decision-making processes (European Commission, 2015).

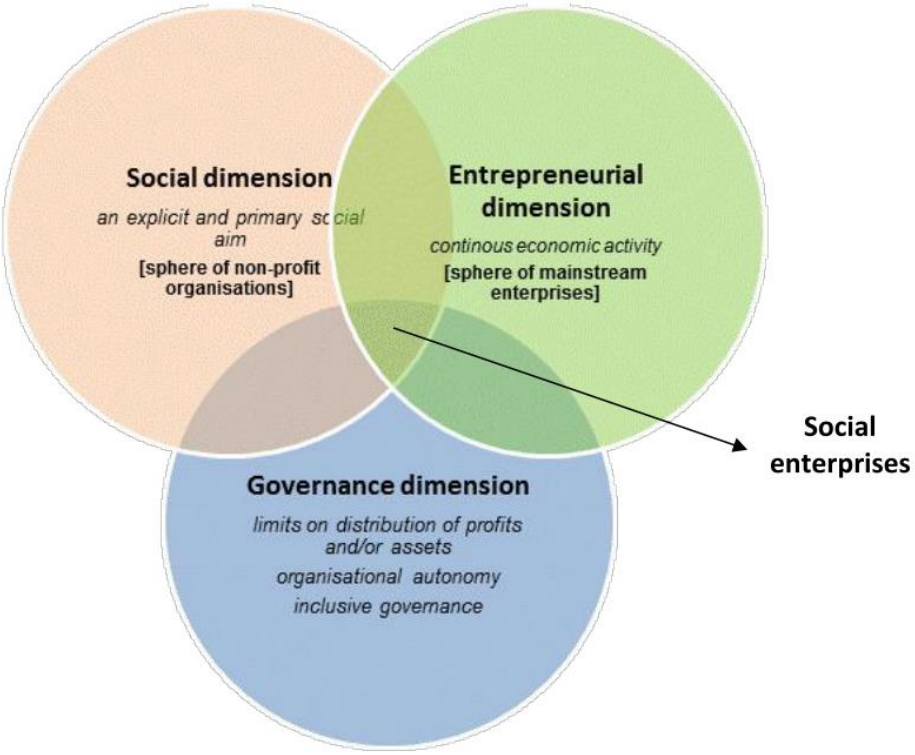


Figure 5. The three dimensions of a social enterprise

(Source: European Commission (2015) A map of social enterprises and their eco-systems in Europe Figure: Synthesis Report, p.6)

In Europe, social enterprises are more focused on the welfare and main socio-economic issues at national level.

This is the reason behind the anticipated variety of methods, solutions and activities. Reay (2009) identifies two trends of the evolution of legal frameworks, with the first one being the use of cooperative and association legal forms. He argues that the degree of freedom is the key factor for adoption of legal form for social enterprises.

For example, in France and Belgium, associations have a degree in freedom in trading on the open market (selling goods and services). In Nordic countries and Italy, the social enterprises are more limited as associations, thus they are more often created as cooperatives.

The second trend covers the adjustment of the cooperative method by introducing legal forms and categories which are economic forms recognized by their social objective. Such recognition was marked by conducting activities related to social welfare, such as provision of social services or work integration.

The current legal environment is crucial for development of the field. It provides, establishment and operation of social enterprises, and a place on the market. Legal gap or vagueness is a social entrepreneurship killer, as confirmed through interviews in this research.

Current legislation that enables establishment of legal entities that could be partially or fully recognized as social enterprises covers:

1. Law on Trade Companies
2. Law on Associations and Foundations;
3. Law on Employment of Disabled Persons;
4. Law on Cooperatives;
5. Law on Agricultural Cooperatives;
6. Law on Craftsmanship; and
7. Law on Social Protection.

The **Law on Trade Companies** provides several legal forms:

- **General partnership** - a trading company wherein two or more natural persons and legal entities join together, and who are liable to the creditors regarding the company's obligations unlimitedly and jointly with their entire asset;
- **Limited partnership** - a trading company wherein two or more natural persons or legal entities are joined, and at least one partner shall be personally liable for the obligations of the company with his/her entire assets, that is unlimitedly and jointly if there are two partners (hereinafter: general partner), and at least one partner shall be liable for the obligations of the company only up to the entered contribution of the company (hereinafter: limited partner). The contribution of the limited partner cannot be in labor and services;

- **Limited liability company** - a trade company in which one or more natural persons or legal entities participate with one contribution each in the company's pre-determined basic capital;
- **Joint-stock company** - a trading company in which the stockholders participate with contributions in the basic capital that is divided into stocks; and
- **Limited partnership by shares** - a trading company in which the basic capital is divided into stocks, wherein one or more partners shall be jointly and severally liable with their entire assets for the company's liabilities and few partners having the status of stockholders and who shall be liable up to the amount of their contributions and who shall not be liable for the company's liabilities.

The **Law on Associations and Foundations** provides two legal forms already stipulated in the name of the law – associations and foundations.

The **Law on Employment of Disabled Persons** provides one form, a protected company which is a trading company founded for employment of persons with disability. A sheltered company can be established if it employs at least five people for an indefinite period of time, of which at least 40% are disabled persons from the total number of employees, of which at least half are persons with a defined disability within this Law.

The **Law on Cooperatives** provides two forms:

• Cooperatives with unlimited liability - the cooperative is responsible for its obligations with all its assets, and in cases of liquidation or bankruptcy of the cooperative. Its members are subsidiarity suited for the obligations of the cooperative, whereby their responsibility is unlimited and solidary.

• Cooperatives with limited liability - the cooperative is responsible for its obligations with all its assets. The statute of the limited liability company may stipulate that in case of liquidation or bankruptcy of the cooperative, the members will be subsidiary and jointly liable to pay an additional amount, which will usually be expressed as multiple amounts of the value of their shares in the company.

The **Law on Agricultural Cooperatives** regulates the agricultural cooperative - an organizational form of voluntary association of agricultural holdings for the purpose of

achieving their economic, social, cultural and other interests and needs in carrying out the agricultural activity.

The **Law on Handicraft** regulates the handicraft companies – a trading company for production or service of handicrafts.

2.8.3. Institutional Dimension

The institutions are key figures in the development of the social entrepreneurship field. If developed and competent, they can facilitate the process and contribute to the development of an emerging market. However, when a country is dealing with an emerging market, it faces a combination of underdeveloped institutions and volatile environment (Khanna et al., 2010).

Such a situation creates institutional voids that can harm or facilitate market development. On one hand, institutional voids can increase costs of trading, which is a risk for the assets, transactions and contracts of the businesses. Such a situation demotivates the small and medium enterprises to enter the market, since they have fewer possibilities and opportunities to survive in the emerging markets in comparison to the multinational enterprises that can attempt to mitigate the costs and similar issues by collaboration and partnerships with local enterprises (Danvinboon, 2018).

Effective institutions can mitigate these challenges, but developing such institutions requires a considerable period of time, since they are shaped and influenced by indicators such as country's political and social system, culture, history and many others (Khanna et al., 2010). Despite the numerous measures taken to stimulate the market, institutional voids still persevere in multiple forms and influence funding, labor markets and other (Danviboon, 2018).

Some of the factors that facilitate the development of the institutional voids are political instability, gaps in the infrastructure, law enforcement deficiencies, lack of sharing information, weak intellectual and property rights, and many more.

On the other hand, institutional voids can be drivers of innovations. Existing institutional voids in regulation, such as lack of clear innovation policy frameworks, technical support, information, trust in the institutions, safety nets, finance institutions

and other that can be seen by social entrepreneurs as opportunities to support their social mission (Voeten et al., 2017). The institutional voids will push the social entrepreneurs and enterprises to develop strategies around that environment and to adopt proactive and perspective approaches. Thus, in every scenario, innovation is driven within and outside enterprises and institutions. Consequently, if the institutions in the country are weak, it is left to the ingenuity of the social entrepreneur to develop different strategies that can drive the enterprises to attainment of their social objective.

When talking about North Macedonia, the country is considered to have an emerging market. Although the country has made improvements in reforming its economy, it still remains one of the poorest countries in Europe.

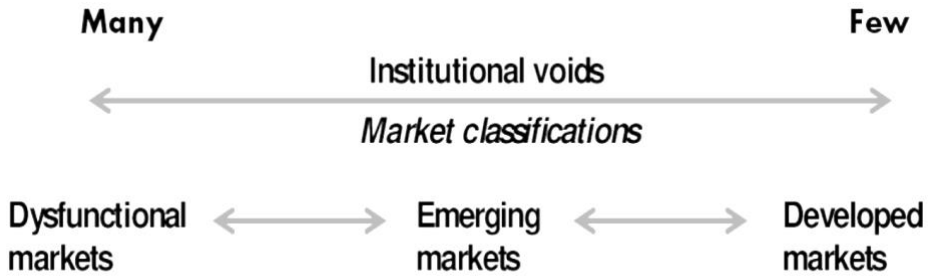


Figure 6. Continuum of Institutional Voids and Market Definitions

(Source: Khanna T, Palepu, KG, Bullock RJ, (2010)
Winning in emerging markets: a road map for strategy and execution,
Boston, Massachusetts: Harvard Business Press, p.25).

In terms of social entrepreneurship, the designated institution responsible for development of the field is the Ministry of Labor and Social Policy. The ministry is formally responsible for development and drafting of the legislation and other social entrepreneurship policies.

Despite the institutional voids that refer to "limited government support especially for social programs" (Stephan et al., 2014, p. 4), which results with an increase of social needs which can be seen as opportunities to foster social entrepreneurship and entrepreneurs. This perspective is associated with a less active government that generates space and the need for social enterprises. In contrast, there is another perspective that

refers to active governments. According to Zahra & Wright (2011), active governments provide support and facilitate social entrepreneurship. This is the institutional support perspective.

This perspective contributes to the stream of thought that the "key role of government is to provide public goods and to look after the welfare of citizens, while social entrepreneurs create their enterprises to address social needs" (Stephan et al., 2014, p.4). They state that it is natural for the government to partner up with social enterprises, since both are working toward achieving the same/social goals. There are many studies that contribute to this perspective and underline the importance of government support for development of the field (Zahra & Wright, 2011; Santos, 2012; Stephan et al., 2014).

Government activism and its vibrant actions foster support to social enterprises through developed policies and methods, such as tax deductions, subventions, grants, donations, training and other resources needed to energize the sector. Findings of Stephan et al. (2014) stipulate strong backing for the institutional support and state that government activism is proportional to social entrepreneurship activity.

The collaboration with authorities is crucial for the success of social enterprises, especially with multiple stakeholders. The multi-stakeholder collaboration includes the government, businesses, civil society organization and third sector organizations. The collaboration with the authorities on both national and local level is one of the key ingredients to success (Wronka, 2013). It includes important issues, such as exchange of information, outsourcing of public activities and assignments by the municipalities and national authorities, fundraising, welfare centers, employment office, and many others. Third sector organizations have the potential to provide their experience and skill in the work for the community and society and play a substantial role in providing social services. Therefore, the need for strong encouragement of public-social partnership focused on tangible cooperation and solving social problems in the collaboration of various stakeholders and in the long term. Appeal and clarity of innovative concepts can, in turn, allure private capital to the projects (Wronka, 2013).

2.8.4. Financial Dimension

The importance of finances for development of social entrepreneurship and enterprises is colossal. The economic support measures to the emergence of new social enterprises and is one of the major factors that prevent the development of the sector (Ferri & Urbano, 2011).

The relation between social entrepreneurship and social and economic outcomes is crucial. In order to implement their social plan and achieve a social mission, social enterprises need to produce financial outcomes (Dacin et al., 2010). They need to be on the market and employ business strategies and activities to finance their social actions. Putting themselves on the market, the social enterprises are in search of their sustainability (Lasprogata & Cotton, 2003).

Public support for social enterprises is comprised of small grants from the Ministry of Labor and Social Policy, the Employment Service Agency or other social contracts with the Government (Yada Foundation, 2017). The Employment Service Agency provides a non-refundable grant amounting to 5,000 – 10,000 EUR for self-employment, to unemployed people with a sustainable business idea, which can be used for materials and equipment. The program is jointly implemented by the Ministry of Labor and Social Policy, Employment Service Agency, and in cooperation with the United Nations Development Program (Employment Service Agency, 2018). This subsidy can also be used as support for subsidized jobs for the employment of young people, people at social risk, people with disabilities and others, training programs and internships, and start-up youth businesses.

On paper, there are many available sources of funding both described in practice and in the literature, but the access to these funding sources is limited and is one of the key challenges for sector development (European Commission, 2011; OECD, 2013; Pache and Santos, 2013).

To bridge the financial challenges and to be eligible for a variety of grants, benefits, incentives and donations available to civil society organization on one hand and trade companies on the other, the social enterprises engage in combining two legal forms and adopt a hybrid organizational form or model. This also connects with the Battilana and Lee's (2004, p.397) concept of "*hybrid organizing"*, related to *"activities, structures,*

processes and meanings by which organizations make sense of and combine multiple organizational forms". According to Gidron (2017, p.2), this is the concept of "*hybridity of form* not *hybridity of substance"*. "*The hybridity of form focuses on the analysis of the structural properties of these organizations such as their governance system, which on a more concrete level can be viewed as a hybrid between a non-profit and a for-profit organization. The hybridity of substance has to do with the content and the organizational processes of the social enterprise's activity: The modes of personnel management, the dual outcomes of such entities - creating simultaneously social and business value and the methods for measuring those*".

2.8.5. Business Dimension

Teece (2007) views the business ecosystem as "the community of organizations, institutions and individuals that impact the enterprise and the enterprise's customers and suppliers." Besides the business ecosystem, Koenig (2013) states that there is an extensive variety of ecosystems and not only one type. Baumol, Litan & Schramm (2007) differentiate four types of ecosystems: oligarchic, state-directed, big-firm and entrepreneurial.

In the country, the business environment notes weak institutional capacity to enforce the law, which contributes to inefficient contract enforcement and business uncertainty. The commercial dispute is time-consuming and expensive. The grey market is extensive and estimated at around 20% by the State Statistical Office, but other sources estimate 25-45% (Garvanlieva et al., 2012; Mickovska-Raleva & Shurkov, 2014, Sanfey & Milatovic, 2019). It hinders the competitiveness of the formal private sector and weakens competition policy enforcement (Sanfey & Milatovic, 2019).

The Business Environment and Enterprise Performance Survey (BEEPS) states that the biggest obstacles to doing business are the competition from the informal sector, access to finance, political instability, tax rates and inadequately educated workforce (Table 6).

	ALB	BIH	MKD	KOS	MNE	SRB	Average
Competition from informal sector	16.8	4.1	26.0	23.3	12.5	9.8	15.4
Political instability	4.8	30.2	8.8	3.6	4.8	26.7	13.2
Access to finance	12.9	14.9	18.6	14.6	6.3	9.0	12.7
Tax rates	9.8	7.9	7.6	5.0	26.4	15.0	11.9
Corruption	6.3	7.8	1.4	9.8	0.9	10.9	6.2
Electricity	13.6	1.5	5.7	7.0	1.8	0.2	5.0
Customs and trade regulations	1.0	7.6	1.8	8.4	6.3	3.1	4.7
Tax administration	11.6	1.2	2.4	3.9	1.8	4.9	4.3
Inadequately educated workforce	1.9	2.0	5.9	6.3	1.9	5.7	3.9
Courts	0.2	3.3	4.5	1.3	0.2	4.2	2.3
Access to land	5.9	0.8	1.1	1.8	0.9	0.9	1.9
Labour regulations	0.1	6.5	0.6	0.4	3.0	0.1	1.8
Crime, theft and disorder	1.5	1.9	1.0	2.2	1.8	1.2	1.6
Transport	2.7	2.8	1.0	0.9	0.7	0.4	1.4
Business licensing and permits	1.3	3.7	0.4	1.3	0.3	1.2	1.3
Don't know	6.5	2.0	0.5	1.8	15.9	4.1	5.1
Refused to answer	0.0	1.4	9.9	8.0	9.1	1.1	4.9
Does not apply	3.3	0.5	3.0	0.5	5.6	1.7	2.4

Source: BEEPS V.

Table 6. The biggest obstacles to doing business, percentage vote by country

(Source: Kresic, Milatovic & Sanfey (2017), Firm performance and obstacles to doing business in the Western Balkans, p.9)

The same survey shows that the major or very severe problems are seen in competition from the informal sector, electricity, political instability, access to finance and inadequately educated workforce (Table 7).

	ALB	BIH	MKD	KOS	MNE	SRB	Average
Competition from informal sector	19.9	16.0	34.6	58.9	11.2	12.6	25.5
Political instability	11.1	34.3	21.7	45.7	0.4	31.5	24.1
Corruption	17.0	26.4	13.3	51.0	3.2	24.5	22.6
Electricity	21.6	10.2	28.9	49.5	6.0	6.6	20.4
Tax rates	12.8	20.3	16.0	30.2	8.7	25.5	18.9
Access to finance	6.5	14.1	19.3	44.9	7.6	15.7	18.0
Tax administration	13.1	13.1	10.3	28.2	2.7	17.4	14.1
Crime, theft, disorder	3.8	7.2	9.1	46.6	4.1	7.4	13.0
Inadequately educated workforce	6.4	7.4	14.0	25.9	0.3	11.3	10.9
Customs and Trade regulations	2.0	5.7	6.6	34.2	3.0	4.9	9.4
Access to land	12.9	4.6	9.8	17.7	0.3	3.6	8.1
Telecommunications	3.1	4.9	16.3	13.0	4.0	3.9	7.5
Courts	1.5	8.2	6.7	13.0	1.1	13.9	7.4
Transport	4.1	3.7	5.4	22.7	2.0	4.6	7.1
Labour Regulations	1.8	11.1	4.0	4.9	0.4	6.9	4.9
Business licensing and permits	3.5	8.4	5.1	4.6	0.3	3.7	4.3

Source: BEEPS V.

Table 7. Obstacles to doing business, by the percentage who see a major or very severe problem

(Source: Kresic, Milatovic & Sanfey (2017), Firm performance and obstacles to doing business in the Western Balkans, p.10)

Although the latest round of BEEPS was carried out in 2013, it still shows that almost the same issues and obstacles to doing business are observed in 2019, by both commercial and social entrepreneurs.

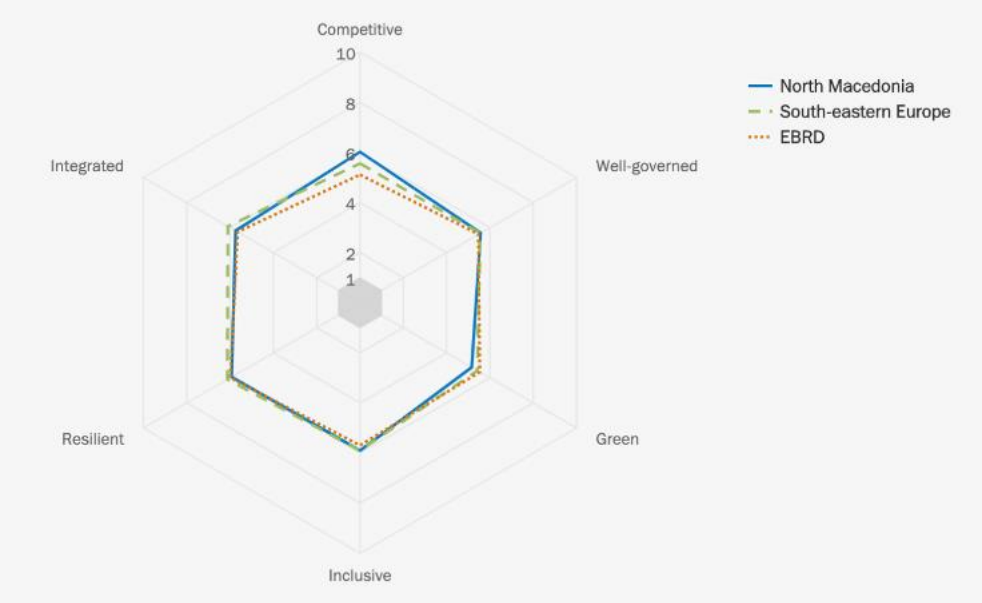
In the World Economic Forum's 2019 Global Competitiveness Index (GCI), the country is relatively low-ranking, at 82nd out of 141 countries. Improvements are needed in terms of transport infrastructure, education and innovation, but also removing the distortive taxes and subsidies (European Bank for Reconstruction and Development, 2019).

The European Bank for Reconstruction and Development (EBRD) in its Transition Report 2019-2020, as key priorities for 2020, indicate that further measures are needed to improve the business climate, more competitiveness in the labor market, sustainability of public finances and fiscal consolidation. The EBRD projections for 2019 foresee an increase in the GDP by 0.5%, decrease in the inflation for 0.3%, government balance/GDP by 0.7%, current account balance/GDP for 0.9% and net foreign direct investments /GDP for 3.1%. On Figure 7, it is shown where the country has improved in comparison to South-Eastern Europe, areas such as competitiveness and governance, but lacks integration, resilience and greenness. Competitiveness, governance, inclusiveness and integration are above the EBRD expectations and the others are below the expected line.

Table 8. EBRD projections for the main macroeconomic indicators for 2019

Indicators %	**2019**
GDP growth	3.2
Inflation (average)	1.2
Government balance/GDP	-2.5
Current account balance/GDP	-1.0
Net FDI/GDP [neg. sign = inflows]	-2.5

(Source: EBRD, Transition Report 2019-2020, Country Assessment North Macedonia [online])



Category	North Macedonia	South-eastern Europe	EBRD
Competitive	6.02	5.56	5.11
Well-governed	5.57	5.55	5.47
Green	5.16	5.42	5.53
Inclusive	5.9	5.9	5.69
Resilient	5.93	6.12	5.99
Integrated	5.75	6.1	5.65

Figure 7. Assessment of transition qualities (1-10)

(Source: EBRD, Transition Report 2019-2020,
Country Assessment North Macedonia [online])

Related to social entrepreneurship, the business environment plays a key role in its development. It encourages current entrepreneurs to enter and participate in social entrepreneurship activities and practices providing an example for future entrepreneurs. It can also build the entrepreneurial skills of social entrepreneurs that lead social enterprises and prepare them for the life cycle of the social enterprise.

The Global Entrepreneurship Monitor 2015: Special Report on Social Entrepreneurship (Bosma et al., 2015) states that social entrepreneurs are mostly represented among 18 to 34 years of age, while in North Macedonia the age representations are higher. It also should be highlighted that the aforementioned report states that the country's percentage of adult population involved in social entrepreneurial activity is almost 2%, which speaks volumes about the scarce number of social

entrepreneurs in the country (Figure 8: Prevalence of nascent social entrepreneurial activity (SEA-SU-BRD), by economyFigure 8).

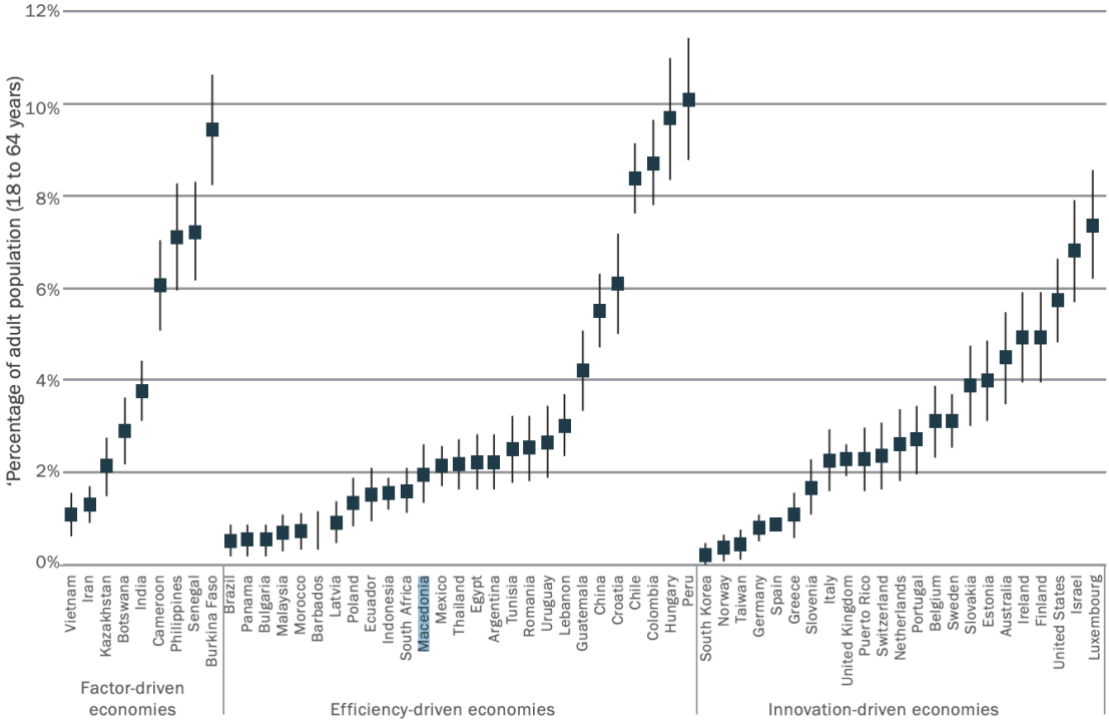


Figure 8: Prevalence of nascent social entrepreneurial activity (SEA-SU-BRD), by economy

(Source: Bosma N, Schøtt T, Terjesen S, Kew P (2015) The Global Entrepreneurship Monitor 2015: Special report on social entrepreneurship, p.11)

The data from the Global Entrepreneurship Monitor also states that social entrepreneurship activity with dominant value creation in the country is almost half of the prevalence of the nascent social entrepreneurial activity, and amounts to nearly 1%.

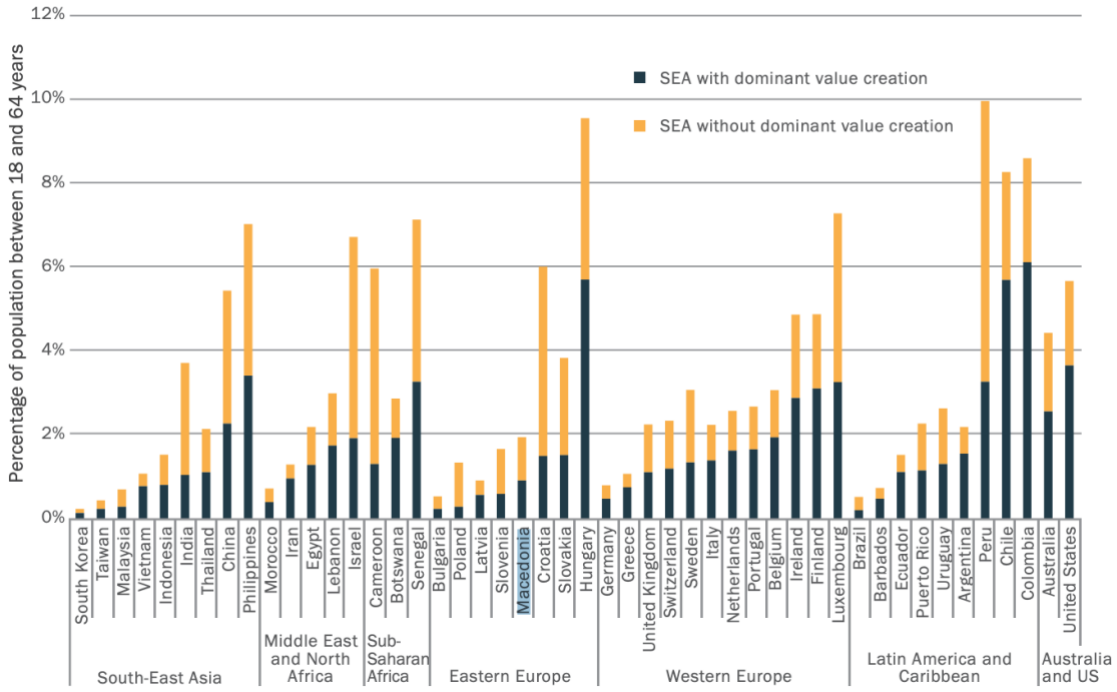


Figure 9. Currently operational social entrepreneurship activity and dominance of value creation over value capture

(Source: Bosma N, Schøtt T, Terjesen S, Kew P (2015) The Global Entrepreneurship Monitor 2015: Special report on social entrepreneurship, p.14)

Most social enterprises start as initiatives, as undeveloped ideas, meaning they know how to start, but they do not how to continue. On the other hand, some know what they want to reach, but they do not know to do it. And that is why the first phase is **developing an idea** from the beginning and trying to anticipate where and when it will be realized. Some ideas lose their momentum, some have reached their momentum.

The **organization and governance** of the social enterprise are important because they must balance financial responsibilities and social impact and must coordinate among multiple stakeholder groups, including investors, employees, regulators, clients and beneficiaries. As a result, social enterprise leaders manage complex trade-offs.

Developing a business model is a very important strategic tool for entrepreneurs. A good business plan not only helps entrepreneurs to focus on the specific steps necessary to make business ideas succeed, but it also helps them to achieve both their short-term and long-term objectives.

Financial projections are part of the business plan, but can also be used as a tool to anticipate whether an idea, product or service should be implemented or not. It would show whether sustainability can be reached in the near future or would it take more than a decade.

Also, **implementation of activities** should be according to the context, moment, and need of society. To reach the objectives and provide the planned outcome, strategic thinking must be applied. A strategy should be developed on how to implement the activities and when to do so to maximize the impact.

Social impact can be achieved in a lot of manners, not only by social enterprises, but by individuals as well. Anyone can achieve social impact. For example, social entrepreneurs do not just pick a social cause they are personally passionate about, they find one that fundamentally connects to their (social) business idea. They have to be clear about their objectives. After they have determined the social cause that their program/project will support, they have to be clear about what they want to achieve in terms of social impact.

After identifying a cause related to their (social) business idea and determining their objectives, they should think about how their products and services can get them there. When it comes to social impact, whom they partner with is equally as important as what they are doing. They have to look for opportunities to engage with local governments, non-profit organizations, community leaders, or other businesses and organizations.

On Figure 10, Koh et al. (2012) present the four stages in the life cycle of social enterprises.

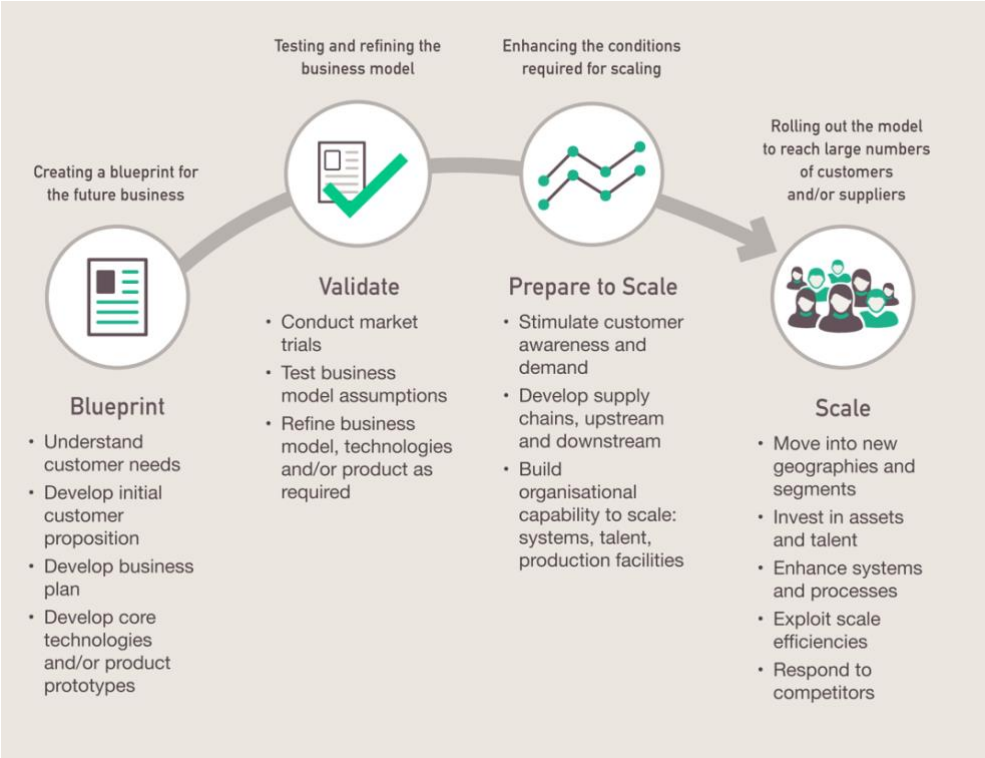


Figure 10. The life cycle of social enterprises

(Source: Koh H, Karamchandani A, Katz R (2012) From Blueprint to Scale: The Case for Philanthropy in Impact Investing, April 2012 In: Varga E (2017) Social Enterprise Ecosystems in Croatia and the Western Balkans: A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro And Serbia, p.5)

However, this life cycle is not applicable to every social enterprise. There are social enterprises who do not want to scale and want to remain organizations at a local level or social enterprises that would register a social franchise and then just sell the business model to other interested parties. That is why we attempted to simplify the starting position of the social enterprises, although it is simplified as a model, but not as the difficulty of the process (Figure 11).

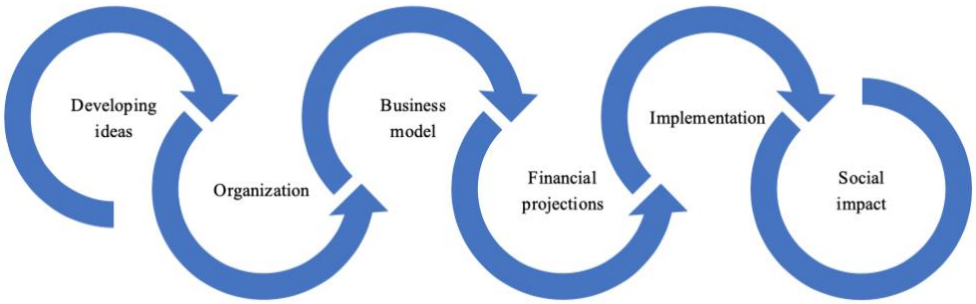


Figure 11. Starting position of social enterprises

(Authors own interpretation)

In order for social enterprises to start working and access the market with products or services, they need start-up capital. The phases of financing and supporting social enterprises are explained in section *4.4. Financial Dimension.*

However, Varga (2017) gives a similar explanation of the instruments and the capital for social enterprises in four phases (Figure 12).

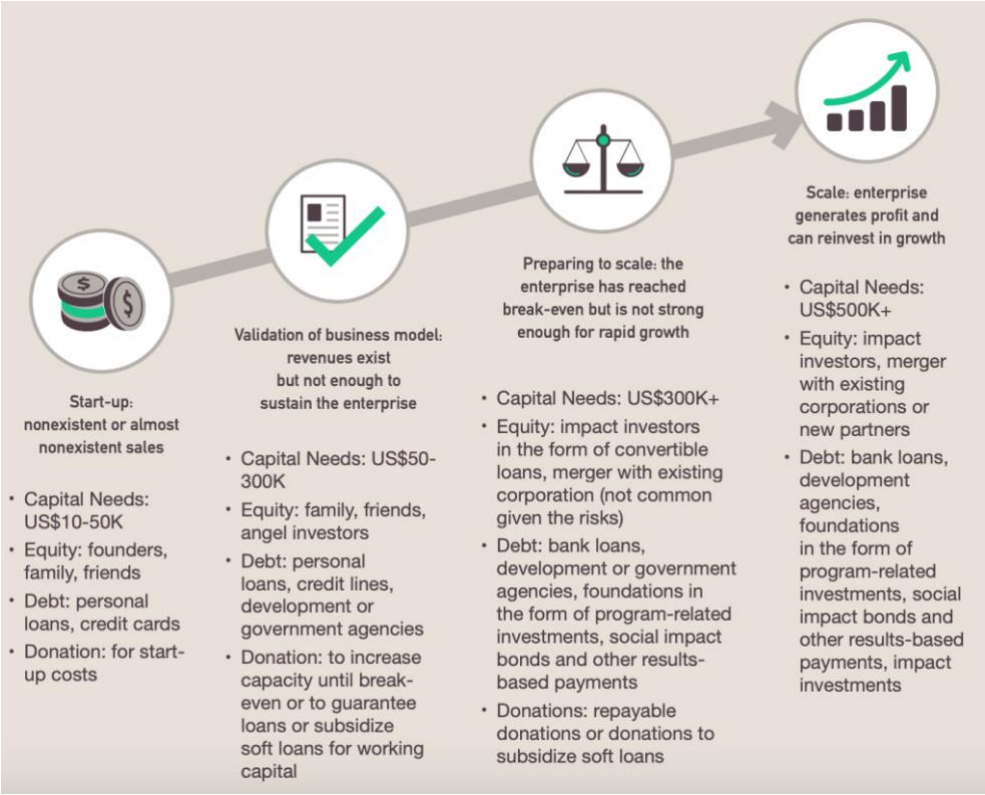


Figure 12. Mixed Instruments and Patient Capital for Social Enterprises

(Source: Varga E (2017) Social Enterprise Ecosystems in Croatia and the Western Balkans: A Mapping Study of Albania, Bosnia & Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia, p.6)

Besides the difference in the model or the presentation of it, the conclusion is the same. Social enterprises need capital and assistance in getting proper access to it in order to thrive.

2.8.6. Conclusion of Phase 1 - Literature review

According to the specific objectives 1 and 2, Chapter 2 gives a theoretical overview of the potential macro-environmental determinants of social entrepreneurship, provides an overview of social entrepreneurship development in developed countries and Western Balkan region, and deliberates in which ways the ecosystem impacts the development of the field. Specifically, we identify the main subjects used in preceding years.

For this part of the research, the methodology used is constructed on exploratory analysis. The literature review is mainly focused on articles published in key academic journals in the areas of economics and management, business, entrepreneurship and social entrepreneurship. Also, for the purpose of providing a broader picture, we used books and reports from renowned authors in the aforementioned fields.

The key findings of the literature review suggest that the social entrepreneurship literature is focused on case studies describing experiences of acclaimed social entrepreneurs, their characteristics and main success factors. Moreover, the research on social entrepreneurship is fixed on conceptual and exploratory research. Considering all the factors and taking into account these findings, our investigation shows that there is no solid evidence explaining how the macro-environment as a whole and the combination of determinants affects the development and promotion of social entrepreneurship, as one of the most intriguing aspects in the field. The country reports provided an overview on the development of the field on national level, however, did not address how the factors affect its growth.

These results confirm that social entrepreneurship is still in its nascent phase and that there is a need of empirical studies that explore and explain the effect of a combination of determinants on the social entrepreneurship ecosystem and how it affects the social entrepreneurial activity. Based on this literature review, we have identified that the main determinants that influence the development and promotion of social entrepreneurship are political, legal, institutional and financial factors, as well as the business environment that is consisted of a combination of the aforementioned factors.

3. METHODS AND DATA

Choosing an appropriate research methodology is vital. The choice should be made based on the research objectives and the work the researcher is focused on. A research methodology determines the focus that a study will follow and the approach used to collect the data, as well as the depth of the data. It also determines the quality of the data that should be collected. Choosing a methodology will determine the analytical tools that should be used to originate and draw conclusions from the collected data. For instance, the quantitative methodology would be used if the researcher wants to collect quantitative data, generate hypotheses, verify existing theories or question them. Analyzing quantitative data collected about different variables by collections and use of statistics may be one way to go if we are testing a hypothesis. Qualitative research, on the other hand, explains and provides the possibility to understand meanings, beliefs, and experience. However, the use of qualitative methodology and research is frequently perceived with doubt since it includes small samples which may not be representative of the broader population, it is viewed as not objective, and the outcomes are evaluated as biased by the researchers' own experiences or views. “In qualitative circles, quantitative research can be dismissed as over-simplifying individual experience in the cause of generalization, failing to acknowledge researcher biases and expectations in research design, and requiring guesswork to understand the human meaning of aggregate data.” (Hammarberg et al., 2016, p.498). Thus, both have their own sets of disadvantages and advantages, and both can be used separately and together depending on the need and the purpose of the research.

3.1. Method

Identifying the key factors of a conducive environment for development and promotion of social entrepreneurship is a research issue that requires a vast and overall, holistic, research of the determinants that facilitate the development of the social entrepreneurship ecosystem. In order to identify, analyze, and evaluate the impact of the factors, but also to discover the needs and challenges for development of the social entrepreneurship ecosystem, there was a need to discover “what” people think and “why” they think so. In order to better understand the motivation, views, perceptions and feelings of the relevant stakeholders and to provide a suitable response of the established research

questions, qualitative methodology was used. Utilization of qualitative methodology has provided the opportunity to understand the context, based on identified key factors for development of social entrepreneurship from the literature (political, legal, institutional, and financial), to understand the relevant stakeholders and how they make sense of their experiences, but also what are their views and perceptions in relation to the research area, and to understand the interaction meaning how the relevant stakeholders and various actors involved in different social entrepreneurship activities interact with each other. The choice of utilizing qualitative methodology was made because this research has a broader, more contextual, flexible research questions that did not have a predefined expected outcome. It also provided a circular hierarchy of phases, meaning that the process was perpetuating and the confounding factors were searched in the field (Aspers & Corte, 2019). The qualitative methodology also allowed a more flexible sampling by using open-ended and less structured protocols, guides, but also utilization of a tool that depended on interactive interviews, which opened the possibility to produce results that give meaning, experience and views of the context, experience and interaction of the relevant stakeholders for development of social entrepreneurship in the country. In order to gather valuable data, the participants needed to have the freedom to express themselves and the data to be collected in their natural setting, environment. It also provided the use of a more holistic approach in order to take the magnitude of the contextual factors into account. This choice of the methodology involved the researcher in every step of this research, being responsive, flexible, adaptive and a good listener. Since this is still a young and an unexplored field, the study design emerged as further insights were gained through the data collection and analysis phases (for instance, including the business dimension in the data collection and results). It also allowed data collection to be based on the saturation principle, which permitted for the research to not be burdened with specified sample size, but to be a continuous process until it reached a stage where the additional interview was not believed to add any new information. This is participatory action research that analyzed individuals' experiences and their views and perceptions related to the development of the social entrepreneurship settings - ecosystem.

The research was conducted by analyzing documents, and obtaining primary and analyzing secondary data. The primary source of data was gathered through in-depth interviews as a tool.

For the document analysis, the methodology used is constructed on exploratory analysis. This method allowed us to research an issue that is under-represented in social entrepreneurship literature. It also allowed us to establish specific objectives in order to achieve the main goal of the research and improve its final design.

The introduction and the literature review were mainly focused on articles published in key academic journals in the areas of economics and management, business, entrepreneurship and social entrepreneurship. Also, with a view to provide a broader picture, we used books and reports from renowned authors and organizations in the aforementioned fields. The search was conducted by using keywords, such as: 'social entrepreneurship', 'social enterprises', 'social entrepreneurs', 'conducive ecosystem', 'factors', 'determinants', 'conducive factors/determinants', 'sustainable development', 'developing countries', 'development' and 'promotion', included in the title, abstract, and/or text of the articles and books, and a few global reports. In the second phase, the search was conducted by using keywords such as 'political environment for social entrepreneurship', institutional factors for social entrepreneurship', 'legal issues for social entrepreneurship/ social enterprises', 'access to finance for social enterprises' and 'the importance of funding for social enterprises' to provide a detailed insight in the ecosystem identified factors.

In the introduction, global reports are used to establish the importance of social entrepreneurship and its contributions to societal issues. They are also used to present the recognition of the field by world and European institutions and their support for its promotion and growth. Then, in the problem statement, we used contemporary research to explain the importance and necessity of a conducive ecosystem and to provide evidence to state the issue we are addressing in this dissertation. Identifying how the combination of crucial macro-environmental factors contributes to and affects the development and promotion of social entrepreneurship, focused on developing countries, is of enormous value for growth of the field that would add to the contemporary knowledge. The documents used and the literature review papers and references were collected in the computer software Mendeley which allowed to comment, mark, highlight and note important data within the documents and papers. It reduced the time of document analysis and literature review, since the software allows using numerous papers and documents simultaneously.

For the primary sources of data, we used semi-structured, face-to-face in-depth interviews as a qualitative tool for gathering data. The semi-structured, in-depth interviews are used to assess and determine how the interviewee understands and perceives the social entrepreneurship ecosystem, social-enterprise-specific development options, possible intervention points for sector growth, identifying opportunity and gaps based on identified key factors for development of the field. The focus in on what the interviewee recognizes as important in describing the social entrepreneurship environment. Using in-depth interviews allows us genuine access to the views of the key stakeholders in the research related field. It also provides us with the opportunity to use the already gathered data related to preceding interviewees to be utilized and presented to the following interviewees (Bryman, 2012).

Interview, as a tool, was also used in order to better comprehend the views and standpoints of various actors (e.g. donors, government, academics, entrepreneurs, representatives of institutions etc.) making sense of the collective identity of social entrepreneurship. Similarly, interviews were used to assess how actors in Macedonia judge progress and identify possible intervention points for growing the sector and to assess the role of the various mechanisms and instruments in identifying opportunities, providing resources and business advice to social entrepreneurs. They were used for better understanding of the work of social enterprises and for analysis of the reigns of social entrepreneurship.

Interviews helped to better comprehend the effects of cultural contexts on successes and failures in social entrepreneurship and the links between social entrepreneurship and sustainable development, as the factual comparison would bring the situation closer to the readers. Follow up interviews were implemented in the research and conducted as a tool for additional check and confirmation of the data, gathered by the respondents from the first set interviews, considered to be doubtful or potentially unsuitable (Bryman, 2008).

Like any other method and tool, semi-structured interviews have disadvantages and advantages. On one hand, the disadvantages are focused on the interviewer's ability to prepare the guide and questions based on the prescriptive or leading questions, to conduct the interview and the skills to analyze that data since it includes the risk of too much interpretation, sample size in order to make general comparisons, time consumption, and

ensuring confidentiality. On the other hand, semi-structured interviews are used by many researchers because they allow better preparation of the questions ahead of time. It also allows for better preparation and presenting competence during the implementation of the interviews. It encourages two-way communication by asking questions both from the interviewer and the interviewee, but also provides the freedom of the interviewees to express their views in their own terms. The tool provides reliable, comparable qualitative data and can be used as an extension tool. During the interviews, a confirmation of what is already known is provided, as well as the opportunity for learning. It provides responses, but also reasons behind answers. The extended freedom and two-way communication help the interviewees more easily to express their views and discuss sensitive issues. Their main job is to get the interviewee to talk freely and openly while making sure that the researcher gets the in-depth information on the research related topic (Nigatu Haregu, 2009; Aspers & Corte, 2019).

The decision to use such a tool was made because of its appropriateness for this research, since the focus is on the depth of meaning and gaining insight and understanding. It also provides inclusion of participatory and emancipatory models, as well as recognition of the potential significance of context, which provide the opportunity to generate rich data, to understand others' perception of the contextual and relational aspects of development of social entrepreneurship, but also the possibility to analyze the data in a variety of ways (Newton, 2010).

The interviews were focused on understanding the views and perceptions of two main groups – social entrepreneurs and employees of social enterprises and key stakeholders (e.g. donors, government, academics and other). When interviewing the first group (social entrepreneurs and employees of social enterprises), we asked general information about the social enterprise with indicators including founding year, main sector of activity (e.g. education, employment, social services etc.), the size of the social enterprise in accordance with the country's legislation, the legal registration form of the social enterprise, the economic situation and independence, as well as their perception of what constitutes social entrepreneurship, their motivation for involvement in the field and social enterprises that impressed them with their work. These indicators are followed by five dimensions – political, legal, financial, institutional and business, as well as the overall view of the ecosystem for social entrepreneurship.

The political dimension covers indicators encompassing the country's political stability, political will, policies, involvement in policy development, and main political challenges for development of social entrepreneurship in the country. The legal dimension includes indicators such as definition, legal framework for social entrepreneurship, classification of the legal environment (e.g. enabling, partially enabling, not enabling), the perception of the legal environment, legal procedures for establishment of social enterprise, benefits for social enterprises and the largest legal challenges for development of social entrepreneurship in the country. The third dimension – financial, includes indicators such as available sources of funding, current usage of funding sources, overall used funding sources, financial sustainability, the process of reaching financial sustainability and the main financial challenges for development of social entrepreneurship as indicators. The institutional dimension is comprised of institutional voids, institutional support, collaboration and support with national and local authorities, supporting environment (grant schemes, institutional and technical support, business counselling, national, regional, global networks and platforms for social entrepreneurship, alliances, umbrella organizations, among others), and key institutional challenges for development of the sectors. The business dimension is comprised of indicators focused on market competitiveness, networking, innovation, governance, human resources, initial and contemporary challenges, as well as anticipated future challenges.

In regards to the view of the ecosystem for social entrepreneurship, it covers the importance of the aforementioned factors, the interconnectivity of the factors and immediate next steps for the development of the field in the country.

In the end, we asked every respondent to state what would help the most for development of their social enterprise and to send a personal message to the readers.

The interviews with the second group – key stakeholders constitute of the same structure as the interviews with the social entrepreneurs and employees in social enterprises. However, we almost excluded the business dimension (we are asking only about the business challenges) and other questions related to the process and inner operation of a social enterprise. The two interview protocols (guides for interviews) are available in Appendix 4. Guide for Interviews with Social entrepreneurs and Employees in Social Enterprises (Group 1) and Appendix 5. Guide for Interviews with Key Stakeholders (Group 2).

3.2. Sampling

The aim was to generate a sample which allowed an understanding of social entrepreneurship, development thereof and the contemporary ecosystem. For the sampling in this research, purposive and snowball sampling was applied. It helped to make initial contact with a small group of people relevant to the research topic and then to use them to establish contacts with others. The purposive sampling provided the opportunity to select the most productive sample to answer the research questions and add to the data for the research objectives, but also a great foundation of data for the research. The starting purposive sample, interviewees indicate who should be approached, including identification of missing voices (views and perceptions).

The mapping of the potential stakeholders is a prerequisite for any participatory planning process, but also for receiving relevant information about the research topic. Without proper mapping, the relevant stakeholders could be missed and not invited to participate in the research. It is also important the stakeholder analysis to be prepared by consulting a variety of actors since it would provide a better participatory planning process and easier access to the identified stakeholders. Such process implementation provides assurance that the stakeholders would have a deeper understanding of the research topic and avoids the early stage exclusion of relevant stakeholders. The process was time-consuming since a variety of actors were consulted in order to reduce the risk of underrepresentation and misrepresentation if done only by a few people. Although time-consuming, it reduced avoidance of implementation failures, it guaranteed, as much as possible, the involvement of relevant stakeholders and the possibility to enable the interviewees to contribute and share their views and perceptions, as well as to have an impact on development of the field.

In terms of sample size, it is generally known that the qualitative analyses typically require a smaller sample size than quantitative analyses. However, it had to be large enough to acquire sufficient data and to describe the phenomenon of interest and address the research questions/objectives. The aim was to reach the moment of saturation. Saturation arises when adding more participants to the study does not result in additional perspectives or information. The number of the sample size needed to reach the saturation moment varies and is related to the research topic and the research questions/objectives,

but also with the researcher's skills, knowledge and experience. For instance, Guest et al. (2006) suggest that saturation often occurs after interviewing around 12 stakeholders in homogeneous groups, Crouch & McKenzie (2006) insinuate that less than 20 participants in a qualitative study would aid the researcher to build and maintain a rapport, a close relationship and thus expand and improve the 'open' and 'frank' interchange of information and data.

The interviewees were clustered in two groups – social entrepreneurs and employees of social enterprises and key stakeholders.

This research encompasses data from interviews conducted with 19 social entrepreneurs and 8 key stakeholders. The first group included interviewees conducted across six cities: Skopje, Bitola, Strumica, Struga, Prilep and Gostivar, and the second group was comprised of donors, academia, policy and decision-makers on a national and local level.

The respondents were identified by mapping the existing social enterprises and relevant stakeholders as people who, because of their position, actions and/or obligations, have a suitable understanding of the investigated and researched problem. Consequently, they were stakeholders that are and could be affected by the outcome of the research and can have an effect on development of the field. The identification was conducted by answering questions such as:

- Who are the people/groups/institutions that are interested in social entrepreneurship?
- What is their role (social entrepreneur, an employee of a social enterprise, policymaker, decision-maker, representative of an institution, academic etc.)?
- Who are the potential beneficiaries?
- Who might be adversely impacted?
- Who may impact the development of the field?
- Who has the power to influence?

They were contacted by phone, mail, but also face-to-face on various events, based on previous relations and referrals by the respondents and relevant stakeholders.

After 22 conducted interviews, we have reached data saturation. The last five interviews, which included interviewees from both groups, have shown that we have reached the point where no new information or data can be included in the dataset. The interviews were conducted in the period October - December 2019.

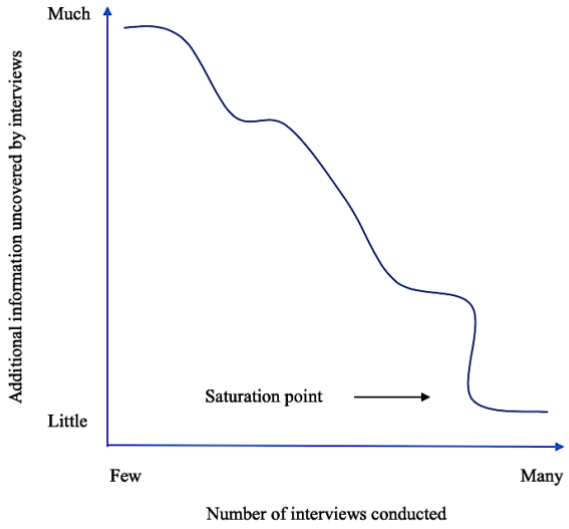


Figure 13. The saturation point in intensive interviewing

(Authors own interpretation)

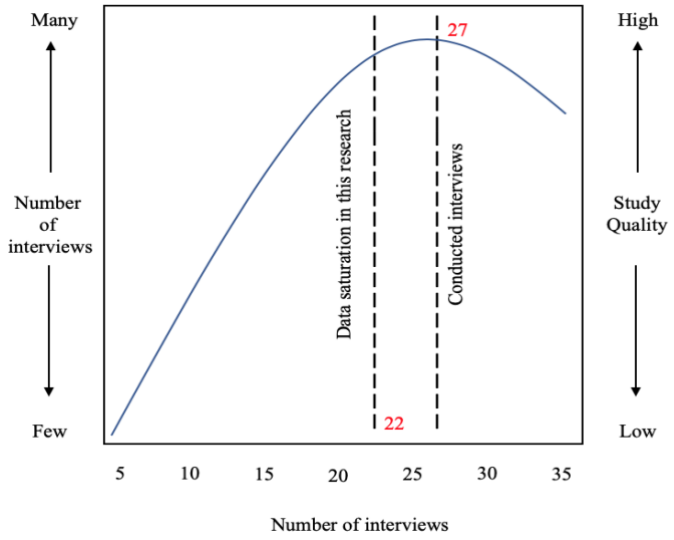


Figure 14. Data saturation in this research

(Authors own interpretation)

3.3. Analysis

The qualitative analysis is used for analyzing text, rather than numbers, especially at the beginning of the analysis. It is more focused on the research questions/objectives and there are no variables and hypothesis. In the words of Patton (2002) "Qualitative analysis transforms data into findings. No formula exists for that transformation. Guidance, yes. But no recipe. Direction can and will be offered, but the final destination remains unique for each inquirer, known only when—and if—arrived at" (p. 432). The analysis of the text for qualitative data analysis remains the most important feature. The qualitative analysis of the "text" is most frequently the transcripts of interviews or notes from interviewees or participants in the research study, but can also refer to pictures, tables and other images.

Some perceive analysis of a text as an approach to identify what participants "really" thought, or did in a certain situation or at some point in time. The text provides a way to get "behind the numbers" that are documented in quantitative analysis to see the richness of real social experience. Other qualitative researchers consider the analysis to be a view of a text as an interpretation or explanation that can never be considered true or false. The text is only one possible interpretation among many (Patton 2002, p.114). To some extent, there is a consensus, an agreement about meaning at a particular time and place. That consensus can only be based on validation of the community. The quality of the qualitative data analyses is also notable by the focus on the interconnectivity, the inter-related aspects of the setting, group, or person under examination, rather than separation thereof into various and separate parts. It is always better, if not essential, to interpret the whole picture, based on investigated events, thoughts, and actions. The qualitative data analysis is an on-going process which begins with the interaction and reflection while the data is being collected (Stake, 1995). This process of reading through the data and interpreting perpetuates throughout the project.

For this research, five steps were used for the qualitative data analysis:

1. Documentation of the data and the process of data collection;
2. Organization/categorization of the data into concepts;
3. Connection of the data to show how one concept may influence another;

4. Corroboration/legitimization, by evaluating alternative explanations, disconfirming evidence, and searching for negative cases;
5. Representing the account (reporting the findings).

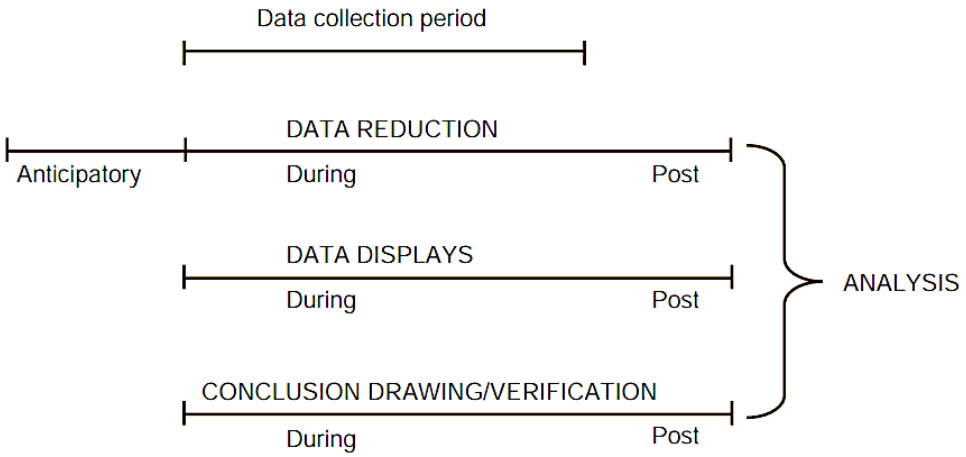


Figure 15. Flow model of qualitative data analysis components

(Source: Miles BM, Huberman AM (1994), Qualitative Data Analysis: An Expanded Sourcebook, p.10)

The documentation phase was conducted through audio recordings of the interviews, notes on the field and during the interviews. The audio recordings/files were transcribed in computer program Microsoft Word, in order to preserve the data and the records, since it is essential for the development and creation of an outline of the analytic process. It also provides more structured thoughts that encourage a continuous process of conceptualization and strategizing about the data. The second step was the organization/categorization of the data into concepts which means conceptualization, coding and categorization. This phase is crucial for the iterative process of qualitative research. Related to this research, the concepts were identified in the field, during the interviews. The coding was done by constructing an index of central themes and subthemes, which were represented in a matrix with a display of cases and variables in order to emphasize, pinpoint, examine, and record patterns (or "themes") within data (Bryman, 2012). The matrix was designed based on the idea of evaluating the social entrepreneurship ecosystem in alignment with the identified key factors for development of social entrepreneurship in the country and with the perspective of development and establishment of a model for evaluating the overall development of the field. After

uploading the transcripts, we started with coding, using the dimensions as a starting point and then going in-depth with including the indicators for every dimension. The most used codes for this research are shown in Table 9.

Table 9. Hot codes list

Access_Funding	Institutional_Support
Age_Group	Institutional_Determinants
Benefits_SEs	Legal_Challenges
Biggest_Challenges	Legal_Determinants
Bureaucracy	Legal_Procedures
Business_Challenges	Market_Competitiveness
Business_Determinants	Most_Important_Factors
Collaboration_Support_NLA	Networking_Collaboration
Competitiveness	Perception_ Legal_Environment
Culture	Perception_Policy
Ecosystem	Perception_Social_Entrepreneurship
End_Message	Personal_Message
Factors_Inteconnectivity	Personal_Motivation
Financial_Challenges	Personal_Perseptions
Financial_Determinants	Political_Challenges
Financial_Sustainability	Political_Determinants
Future_Challenges	Political_Inclusion
General	Political_Will
Governance	Scaling_up
Human_Resources	Social_Enterprise
Immediate_Next_Steps	Sources_Funding
Impressions	Starting_Challenges
Innovation	Supporting_Environment
Institutional_Challenges	Support_Third_Sector

The third step was connection of the data to show how one concept may influence another. Investigating the interconnectedness and the relationships is the foundation of the analytic process. In every transcript, during the analysis, the dimensions were

identified and the indicators mapped, and the patterns and the interconnectivity of the data were recorded. It allowed moving from a simple description of the settings to explanations and interpretations why things happened as they did, or why the situation is currently explained like that. It provides an explanation, answers the question "why" and clears the way to the next step of the analysis - corroboration/legitimization, by evaluating alternative explanations, disconfirming evidence, and searching for negative cases or shortly, authenticating conclusions. There is no rigid evaluation framework for the validity or authenticity of conclusions in qualitative research. However, the need to carefully consider the evidence and methods on which the conclusion is based remains the same, as with any other types of research. According to Becker (1958), there are at least three criteria for assessing individual items of information:

1. *How credible was the informant?*
2. *Were statements made in response to the researcher's questions, or were they spontaneous?*
3. *How does the presence or absence of the researcher or the researcher's informant influence the actions and statements of other group members?*

In this case, the informants were professionals in the field and were not asked about personal relationships with people to have a requirement of building a strong rapport with the respondents. Instead, they were asked about their perception about specific factors in the social entrepreneurship ecosystem and the ecosystem in general. Also, they were not asked about an actual specific event or a person in order for them to be defensive, or in a position to lie in order to protect a person or evade a question. The developed design of the guide of questions has helped immensely during the interviews, to obtain actual and trustworthy data, the statements and responses to be both professional and spontaneous which was required for implementation of the qualitative data analysis. The interviews were conducted face-to-face and because of that fact, the third criterion does not apply in this context. In the making of the conclusions, an assessment was made of the credibility of the explanations and the possibility to capture the participants' actions and words. This research was not focused on the emotion of the participants, but rather on their knowledge, experience, thoughts and perceptions.

For the primary sources of data, gathered with tools from the qualitative methodological approach, a narrative analysis was applied. The narrative analysis is

focused on the whole (big) picture, in this case, the social entrepreneurship ecosystem, and it covers experiences that the participants have. It is focused on the story and the narrative provides the opportunity to make certain situations, perceptions, societies comprehensible as a whole. The research puts an emphasis on what is said rather than on how it is said.

The analysis was conducted by using the Text Analysis Mark-up System, a qualitative coding and analysis program, mostly known as TAMS Analyzer. It is a convention for identifying themes in texts, in this particular case in-depth interviews and field notes. It was designed for use in ethnographic and discourse research. Text Analysis Mark-up System Analyzer is a program that works with Text Analysis Mark-up System to enable assigning ethnographic codes to passages of a text that makes it simpler to analyse and save time. We have adapted these codes to the social entrepreneurship environment as described in Table 9. Hot codes list.

The final step was reporting of the findings based on the statements, views and perceptions of the interviewees included in this research. For this purpose, the inductive approach was used, given that the qualitative research was the main design of the research questions/objectives. In conclusion, and in the whole research, it began with more general questions, moving toward a greater precision as more information emerges.

The results of the field research provided an evident picture of the current situation of the development of social entrepreneurship in the country, but also the needs and challenges for the development of the ecosystem and the evaluation tool or instrument that would evaluate the development of the field.

3.4. Limitations

In this research, there are three sets of limitations. The first set is comprised of the critique for qualitative research, such as subjectivism, replication of the research, issues with generalization and lack of transparency. In the research society, it is known that quantitative researchers sometimes criticize qualitative research as being too subjective and the findings rely too much on the researcher's views. Another issue is the replication of the research, but since the research is reliant on the researcher's ingenuity, it is almost impossible to conduct a true replication because there are hardly any standard procedures

to be followed. The last issue in this set of limitations is the question of generalization. It is often suggested that the scope of findings of qualitative investigations is classified. Some researchers argue that it is impossible to know how the findings can be generalized to other settings (Bryman, 2015).

The second set of limitations were contacting key stakeholders, especially those who work in public institutions and local government. This limitation was bridged by announcing two weeks ahead and providing a period of two weeks to set a date for an interview.

Since the research was conducted with the qualitative method, the third set of possible limitations is the process of evaluating the qualitative research and its integrity, which encompass trustworthiness, credibility, applicability and consistency. The issue of trustworthiness was mitigated by offering a robust procedural description transparently and explicitly explaining how the research was conducted, the process of decision making, and data generation and management in order to make it easier for reviewers and researchers to follow the progression of events and decisions and to better understand the logic, since there is suitable and sufficient description, explanation and justification of the chosen and used methodology. The issue of credibility was moderated by providing explicit descriptions of the context in order to be recognizable to people who work in the social entrepreneurship field. This issue was also tackled by using the triangulation method and substantial description of the interpretation process. The data from the participants was used to provide verbatim quotations, as a more efficient and effective validation to the general direction and the picture as a whole in order to illustrate and support the interpretations. The applicability issues were targeted by considering the context outside the study and reflecting on the findings in order to provide a meaningful and applicable experience for other researchers. When the sample size has reached the point of saturation, and where obtaining new information and data did not change the context of the research, we stopped the interviewing process (more detailed and explicitly explained in the *3.2. Sampling* section). The last one is the issue of consistency, a criterion focused on assessing the reliability of the research. This issue was addressed by providing a "real" context of development of social entrepreneurship in the country, but also by evaluating alternative explanations, disconfirming evidence, and searching for negative cases.

Such a strategy allowed the various strengths to be capitalized upon and the weaknesses to be neutralized. With such an approach this research should be balanced to reach its validity and reliability.

4. KEY FACTORS OF CONDUCIVE ENVIRONMENT FOR DEVELOPMENT OF SOCIAL ENTREPRENEURSHIP IN NORTH MACEDONIA

In this chapter, we present the results and provide a discussion of the key factors of a conducive environment for development of social entrepreneurship in North Macedonia.

In order to not disrupt the flow of the document, we present the data from the field together with the document analysis and secondary data that complement, confirm and deny the data interchangeably. In some sections, we highlight that the data is provided through field research and in-depth interviews with the social entrepreneurs and employees in social enterprises and key stakeholders.

4.1. Socio-Demographic Data

In this more general section, we present the socio-demographic data of the first group - social entrepreneurs and employees in social enterprises, since it contributes to the data related to social entrepreneurs, enterprises and entrepreneurship in general. We also present a short historical development of the field, including social enterprises activities, value creation, the motivation of the social entrepreneurs, evaluation tool specified for development of the ecosystem for social entrepreneurship and social enterprises in the country that have impressed with their work according to the respondents.

We have provided 6 age groups with a) 18-29, b) 30-39, c) 40-49, d) 50-59, e) 60-64 and f) over 64. Most of the interviewees in this research were from 30-39 years of age.

According to the responses from the interviewees, most of the social enterprises have been established in the last three to four years; however, there are some who are pioneers in the field working for almost ten years. This contributes to the data that social entrepreneurship in the country is a nascent field, already stated in several country reports such as the Social Entrepreneurship in the Western Balkans: State of Play (Phillips et al., 2016), Social Economy in Eastern Neighbourhood and in the Western Balkans, Country report – Macedonia (Rosandic & Kusinikova, 2017), Social Enterprises and Their Ecosystems in Europe, Country Fiche (Ilijevski & Iloska, 2018), Conducive Factors for Development and Promotion of Social Entrepreneurship in North Macedonia (Chichevaliev, 2019a) and others.

Work integration social enterprises are most common, providing training and preparing marginalised groups of people for the labour market. Other sectors in which social enterprises are involved encompass education, rehabilitation and resocialization, home care and assistance, personal assistance for people with disabilities, as well as sales, craftsmanship, production of organic food, various types of tourism, healthcare and health promotion, sports and recreation, local community development, promotion and protection of traditional arts and crafts, among others.

The social entrepreneurship sector is slowly growing and spreading in a variety of fields. That is a global phenomenon and in the last few years, many registered companies and civil society organizations are declaring themselves as social enterprises. Most social enterprises are micro-enterprises with 3-4 employees and a few volunteers, with rare cases where the enterprises have more than 10 employees and more than 10 volunteers.

The most represented form in which these enterprises are registered is the non-profit organizations as association of citizens, followed by legal forms as shelter company, sole proprietor and limited liability company.

The biggest motivation for entering and working in the social entrepreneurship field is personal challenge to help others and give back to the community. For these types of entrepreneurs, it is in their nature to help others and they cannot accept violation of human rights, bad treatment, chaotic processes in the society, and other similar situations. They want to fulfil the gaps in the system and in the society where state mechanisms cannot act and work, and thus act as a correction of the state mechanisms.

Still, there is a difference between those social entrepreneurs who run a civil society organization based-social enterprise and trade company-based social enterprise. The former put an emphasis on the social mission and helping others regardless of the revenues, while the latter highlight the revenues as a means to help others. The personal motivations for the social entrepreneurs from the civil society sector are based on the culture they were raised in, personal lifechanging or a family event, while for the social entrepreneurs from the business sector, it presents a challenge to help others while doing business.

Respondent 1 states: *"From a young age I was raised in the spirit of humanity and as a young person, I was involved in many volunteering initiatives. So, I'm growing up with that spirit."* To the same question, Respondent 2 responded: *"My biggest challenge was to show that the economy does not always solve social problems, that there must be some other sector that will push things and be more innovative and participatory in that sense. I am sure that the state and the economy itself do not have the power to make those changes."* Respondent 4 contributes: *"I'm an economist with a business background and previously a civil society activist since high school. So, social entrepreneurship was a golden environment, on one hand, to do what you want to do, and to contribute to improving certain aspects of society on the other."* Respondent 8 adds: *"I worked in the business sector my whole career. I saw how the revenues were used to make more profit and that is ok, that is how business works. For me personally, that was not enough. I wanted to make a change and working in a business sector just wasn't enough. I left my job and established a social enterprise".*

On a national level, the interviewees are mostly impressed by the work of a) the Association for Counselling, Treatment, Reintegration and Resocialization of People Addicted to psychoactive substances "Izbor", Therapeutic Community "Pokrov", the first long-term drug, alcohol and hazard programme in the country, opened in 2009; b) the Association for Research, Communications and Development "Public" and their street magazine "Face to Face" (Lice v Lice) that promotes corporate social responsibility, and provides for a better future of the marginalized groups, public space and the environment; c) Red Cross's "Button" (Kopche), a second-hand store where anyone can donate, buy second-hand clothes or get it for free, and they provide a more efficient clothing distribution system for people at risk, easy access to low-cost clothing for low-income people who do not require help, employment of vulnerable target groups, and contributing to preservation of the eco-environment; d) Red Cross's "NEGA CENTER", a home care and assistance service for the elderly and the disabled, by certified and professional caregivers, for anyone who is unable to function independently and wants to stay in the comfort of their homes; e) Health Education and Research Association "HERA", "NEGA PLUS" which works to improve the economic and personal well-being of Roma women who are faced with social and economic marginalization in the City of Skopje; f) Association for Support of Persons with Disability "SOLEM" that works together with adults with intellectual disability on their education, encouragement and empowerment,

with the sole purpose of enabling them to exercise their human rights and to have greater involvement in society; g) The children educational centre "ZHABEC", working towards psychophysical development of children through lectures and interactive exercises. Environmental protection, ecology, cycling, mountaineering, sustainable living, healthy eating and emergency situations are some of the themes that are part of the weekly sessions in the centre; and others.

On which social enterprises impressed, respondent 2 states: *"I would point out Pokrov, with their social mission and everything they do on the field. The social enterprise Zhabec, which works with children and works in a very innovative way, i.e. innovative games and opportunities for children to be more creative and during those hours, the focus of the education should be on the possibilities of these exercises and games, not on technology. Another interesting social enterprise that also stays with me is, Public with Lice v Lice."* Respondent 18 confers: *"At the national level? "Pokrov." Because I have had the opportunity to collaborate directly, to be directly informed of what they are doing and to get the impression that they are really led by their mission, not anything else. And on the other hand, I have had the opportunity to indirectly hear information from someone else, how satisfied they are with the approach, satisfied with what they do and how they do it."*. Respondent 22 adds: *well, Nega Plus, for example, is a social enterprise that operates within the Association Hera, in terms of helping older people through the day, isn't it? There are, of course, some monetary benefits that are given in that respect and after that, the elderly get some money. "Lice v Lice" is also a good example of marginalized groups, not only people with intellectual disabilities but also Roma, who somehow get some benefits, half the price of the magazine goes to the people who sell it, half comes to the organization that prints it. Kopche and Nega Centar, a Red Cross social enterprise too. Kopche is a second-hand shop and Nega Centar is in the same line of work as Nega Plus"*.

Given that there are no currently available data on the value creation of social enterprises in the country and there is no known and widely accepted evaluation tool specified for development of ecosystem for social entrepreneurship, we provide a starting point and a possibility for a tool that would measure development of social entrepreneurship on a national level - in the next chapter of results and discussion.

4.1. Political Dimension

What we have found as evidence from the field research is that the political dimension constitutes of several indicators (Table 10). The implications of these findings are discussed below.

Table 10. Political dimension indicators

Dimension	Indicators
Political dimension	Political stability
	Political will
	Policies
	Involvement in policy development
	Main political challenges for development of the social entrepreneurship

4.1.1. Political Stability and Will for Development of a Conducive Social Entrepreneurship Ecosystem

Political stability is one of the main drivers of economic growth and contributes to enabling political and economic environment (Chowdhury et al., 2013). It presents one of the indicators for governance and measuring the quality of the governance which straightforwardly impacts the 'doing business' factor, as well as the entrepreneurial rate. The political stability is facilitating the business environment which results in an increase of entrepreneurial activity, the number of registered businesses and other (Kaufmann et al., 2016; Klapper et al., 2009). Political activities are crucial for the appeal to innovative entrepreneurial activities and create standards and norms (Griffiths et al., 2013).

The political stability, as a factor, is connected to political will, which can be measured through the government policies related to SE and their commitment to implement those policies, political focus and agenda and political commitment (Prahalad, 2004). Political focus toward social entrepreneurship is a key aspect for the development and promotion of the field (Heckl et al., 2007).

Focusing the efforts towards building capacities and developing quality political and economic institutions, compact laws, and others are needed, to demonstrate political will and support for the development of entrepreneurship activity (Kaufmann, 2006).

Policies are an expression of a political will to organize societal efforts towards a goal, and the interviewees are very aware of it. The need for development of policies is clear and must be based on evidence-based policy development, as well as a whole-of-society approach that would include all key stakeholders and the general public (Chichevaliev, 2019b).

The ruling government in their Program for Parliamentary Elections in 2016 "Plan for Life in Macedonia" stated:

"We will adopt the Law on Social Entrepreneurship, which will facilitate access to the labour market for socially vulnerable categories of citizens. Social enterprises will offer vulnerable groups the opportunity to manage the enterprise, to make decisions for managing the generated revenues and their investment in social purposes" (Social Democratic Union of Macedonia, 2016).

The political stability of the country seems like it is always in question. Our findings demonstrated that the interviewees link political stability to stable decision-making in general, including transparency and all-inclusiveness as part of it; thus, in their view, the lack of stability in decision and policy-making, the lack of participation of social partners, and insufficient capacities in terms of qualification and funding continue to hinder economic progress and development of social entrepreneurship.

The interviewees view fair policies as policies that do not create an unfair advantage. Their view on the country's policies for development and promotion of social entrepreneurship does not vary: they are unanimously pessimistic, not only in defining the gaps but also in the prospects of their efficient implementation (if and when established). Namely, all interviewees argue that the country does not have strategic direction and specific policy, nor operational guidelines (action plans) to support the sector. Also, and based on their experience, policy implementation in the country is weak in general (and linked to the rule of law as a mechanism of good governance, and healthy

policies), which does not provide for optimism that the efforts to establish such strategic directions and operational guidelines would have any impact.

Most of the interviewees have been involved in collaboration with national and/or local authorities. Some of them were consulted for policy-making related to strategies and operational plans, and some were just subcontractors for a specific grant programme. Their experience show that the centralized system and the insufficient capacity of the state intuitions limit the implementation of national policies in general.

Some interviewees emphasized the civil society organizations' and international projects' impact on development of informal policies in the absence of the governmental one for social entrepreneurship.

Our findings highlight the influence of the European integration processes while respondents clearly state *"that the policies are created based on the guidelines provided by the European Union"*

Respondent 7 states "They are aware of the change in the political awareness, although they do not see yet a strong decision making with a clear objective to support the social entrepreneurship." To the same question, *respondent 12 argue that "the country should work in a different direction and should do that faster because the country is very backward about what is happening in Europe. And it is unfortunate that until a few years ago the politicians were not informed well what social entrepreneurship and social economy mean. Currently, I see a difference in the political will, but I do not know where that will go"*.

Respondent 15 also states that "The government has made a lot of commitments for the development of the sector. However, presently, the practice is the same. The political will is more expressed on the papers than in practice.", Respondent 13 adds that the authorities do not have the capacity to implement what has been pledged to do by stating *"I work in a state institution that should be involved in development of the sector, but many of my colleagues do not know what social entrepreneurship is, the need for raising the capacities of public officials regarding the field is enormous."*

On one hand, respondent 9 comments that *"anytime there is an initiative for furthering social entrepreneurship the institution I work for is silent and states that there*

are other priorities at the moment. It seems that social entrepreneurship is never a priority", on the other hand, respondent 16 states that *"We, as a ministry, have provided grants and possibilities for social enterprises to get involved in the social service provision. We need also need results before continuing the support."*

Thus, the results determined that there is not yet political stability that could foster policies related to social entrepreneurship, and the existence of weak and nominal commitment significantly contributes to obstacles for development of the area. However, the political focus is sharpening, the European agenda increases awareness, and therefore there is an expectation that the political commitment will gradually increase, although the pace is still languid.

Participants in this research have highlighted the need for a tool for monitoring and evaluating the political stability and expression of political will, as an advocacy tool that can push the national and local governments toward social entrepreneurship development and hold them accountable if the situation stays status quo or regresses.

Respondent 14 argues that *"We need a mechanism, a tool, that can measure the development of the field and put the institutions on the spot, to compete with each other. For example, if on ministry have given their needed input, the focus and the burden should be transferred to the others to contribute also".* Respondent 17 contributes to this statement by highlighting that *"the lack of mechanisms for measuring the development of the field and the social impact of social enterprises has been used by the authorities to stay reluctant and weary of the calls for social entrepreneurship development".*

4.1.2. Policies Across Sectors, Themes, and Levels That Work for Social Entrepreneurship

Social entrepreneurship is of intersectoral interest. Thus, public policy reforms currently ongoing in the country are expected to have an impact on the ecosystem in which social enterprises operate in the country. There is hope that the undeveloped ecosystem for social entrepreneurship would benefit from those reforms across different sectors, themes and levels; and bring about more coherence in addressing complexities of the social entrepreneurship ecosystem which are in dire need of change, to provide prerequisites for the social enterprises to thrive.

The Ministry of Labour and Social Policy is working on a new draft law for SE with a broader approach where SEs could provide other social services besides employment of people at social risk.

"*As a minister, I inherited several editions of text for a draft law with different forms of proposals. Now, I am reviewing them and thinking that if we have been thinking about social enterprises as an opportunity to create new jobs for people at social risk, I think that we should expand the level of this law and expand it, if possible, to establish plural social system protection. The Law on Social Protection provides it, but with the social enterprises, we will be given the opportunity socially vulnerable groups to be trained to offer certain services to support other groups of citizens in Macedonia* "– Ex-Minister of Labour and Social Policy Mila Carovska (MLSP, 2017).

Other current processes particularly beneficial to social entrepreneurship focus on the following sectors and themes:

- New Law on Public Procurement introduces the opportunity for public institutions to use reserved contracts. By this law, the contracting authority may reserve the right to participate in the public procurement procedure of economic operators whose primary goal is social in its core, including professional integration of persons with disabilities or persons from socially vulnerable groups and who reinvest the profits for that purpose by law.

In this case, at least 30% of the employees of the economic operator are persons with disabilities or persons from socially vulnerable / excluded groups, by the regulations in the field of labour and social protection. The contracting authority that intends to conduct a reservation procedure shall state this in the contract notice and the tender documentation. If the contracting authority seizes this opportunity, the organization must meet the prescribed requirements comprising provision of public services related to the provision of health, social and cultural services as its main purpose, reinvesting the profits for achieving the goals of the organization, and the management or ownership structure of the organization to be based on employee ownership which requires active participation of employees, users or stakeholders.

• Deinstitutionalization of social services started with the adoption of the new Law on Social Protection. The new law opened the doors for civil society organizations and private entities to provide social services encompassing personal assistance, home care, and assistance, rehabilitation, reintegration and resocialization centres and other services focused on the vulnerable groups in the society.

In practice, these processed are not used much since horizontal institutional and policy coordination is still deficient and hinders the development and integration of social entrepreneurship throughout policies in line with its features.

The interviewees suggest that the policies should be more flexible for those who want to engage in social entrepreneurship, to understand the real needs of vulnerable groups to be included and to strengthen their capacities. Thus, empowering local authorities as key agents for change and strengthening the ecosystem at a local level to support social entrepreneurship through expansion of the decision-making space, including financing, would be utmost beneficial.

Policy coherence across levels (national-local) and themes is a welcome attribute to healthy policies for social entrepreneurship.

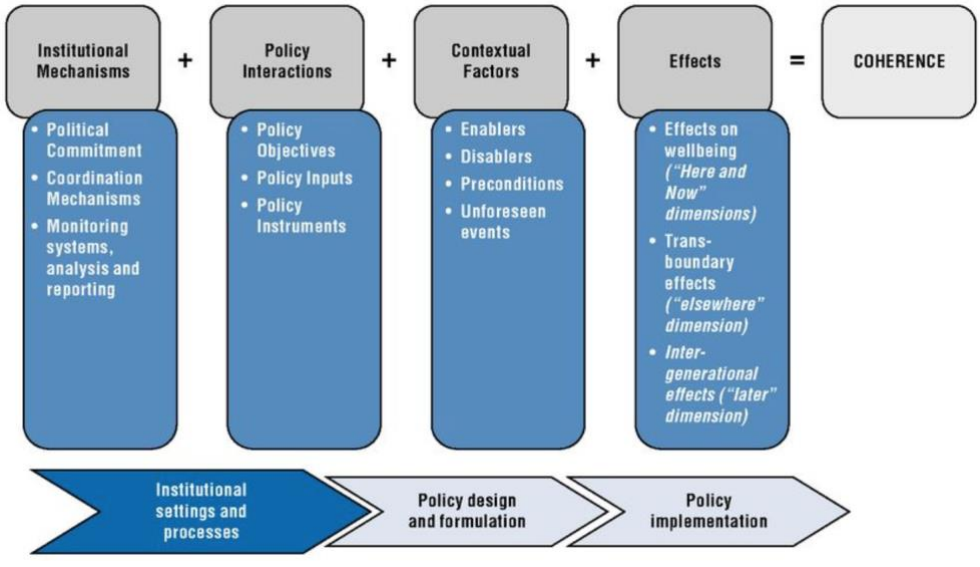


Figure 16. Key elements for policy coherence

(Source: OECD (2015), Better Policies for Development 2015: Policy Coherence and Green Growth, OECD Publishing, Paris, p.40)

The new Strategy for development of social entrepreneurship that is being developed has this critical task to contribute to coherence of efforts across sectors, themes and levels. It will be followed by an action plan that should introduce clear objectives, an intersectoral and multilevel responsibility framework, and a robust monitoring and evaluation framework with defined indicators of success, if it is expected to work for the social entrepreneurship. These documents should be adopted in 2020. Furthermore, a law on social entrepreneurship is in the works, but that process is still in its nascent stage.

Public policy reforms are expected to have an impact on the ecosystem in which social enterprises operate in the country. Currently, they exist in an undeveloped ecosystem which does not have capacities to address the current challenges and obstacles of social enterprises. Horizontal institutional and policy coordination is still deficient and hinders the development and integration of social entrepreneurship throughout policies in line with its features. The need for monitoring and evaluation of the implementation policy processes has been emphasized by the interviewers, a need for a tool that can be used by both authorities and social enterprises to follow the development of the field.

4.1.3. Political Challenges for Development of the Social Entrepreneurship

Significant political challenges that obstruct the development of social entrepreneurship are the following:

The results highlight that lack of policies for development, support, and promotion of social entrepreneurship are one of the main challenges in the country, and evidence shows that social entrepreneurship has a low priority status on the political agenda despite political pledges. Also, the lack of inter-sectoral cooperation and support is evident and adds to the absence of strategic planning and regional development for social entrepreneurship (Chichevaliev, 2019a).

The research showed that the nominal expression of political will does not account for a real investment for change (legislative, financial, structural). Thus, the lack of political will is one of the main political challenges for development of social entrepreneurship. The lack of awareness of the policy and decision makers and institutional capacities of the ministries across the board of sectors, and especially the social sector as a leading one for social entrepreneurship does not insert belief in

acceleration of the development of social entrepreneurship. The collaboration and coordination between sectors and institutions are weak, at both national and local level. It is essential that the Ministry of Labor and Social Policy, Ministry of Economy, Ministry of Finance, and others, team up to provide a better ecosystem where social enterprises can thrive applying a Whole-of-Government approach. The local governments should be included in the process and lead the Whole-Community approach at the local level. Thus, the lack of inclusiveness and participation in the policy and decision-making and implementation process at all levels should be overcome for the benefit of social entrepreneurship to thrive forward.

From the review above, the key findings are: The everchanging political scenery solidifies the ambiguity in policy development for social entrepreneurship, unawareness of the current needs of social enterprises, lack of systemic approach for development of the sector, lack of operational, financial, monitoring and evaluation framework for the policies on national and local level, weak significance of social entrepreneurship to the government which contributes to the low place on the political agenda, weak governance, low capacity of the national and local institutions, weak enforcement, policy compliance and implementation ("Reactor – Research in action," "Konekt" & "Public," 2016; Rosandic & Kusinikova, 2017; Ilijevski & Iloska, 2018; Chichevaliev, 2019a). The lack of inclusiveness and participation in the policy and decision-making process also plays a big role and contributes to the lack of political will, weak political support and slow development of social entrepreneurship in the country.

Looking forward, there are increased requests of social enterprises for political support and putting social entrepreneurship higher on the political agenda. Many enterprises and organizations are advocating to this end. The light at the end of the tunnel starts widening through a slow rise of the social entrepreneurship. Several policy documents such as the Program of Work of the Government 2017-2020 (Government of Republic of North Macedonia, 2017) and Strategy and Action Plan for Collaboration with and Development of the Civil Society 2018-2020 (Government of Republic of North Macedonia, 2018) are a piece of good evidence for increased action.

Despite the vast political challenges, social entrepreneurship is on the rise. What is certain is that the process of development of social entrepreneurship is important for the overall development of the country. It would also contribute to alleviating and mitigating

the social issues and reduce the social inequality. There is a great need for social enterprises that work towards the social development of the marginalized groups of people, the general population and the country in general since the data shows that North Macedonia cannot provide stability, balance and reduce the inequalities on its own. There are huge gaps that need to be fulfilled and with the rapid political changes, the state mechanisms continue to fail to fulfil their objective and stagnate, leaving the country and its population behind.

4.2. Legal Dimension

The results show that the interviewees' perception of the legal dimension includes indicators related to definition, legal framework for social entrepreneurship, and the biggest legal challenges for social entrepreneurship in the country (Table 11).

Table 11. Legal dimension indicators

Dimension	Indicators
Legal Dimension	Definition
	Legal framework for social entrepreneurship
	Classification of the legal environment
	The perception for the legal environment
	Legal procedures for establishment of social enterprise
	Benefits for social enterprises
	The biggest legal challenges for development of social entrepreneurship in the country

4.2.1. Definition

The result on social entrepreneurship definition was that it is still indefinite. The interviewees have provided several definitions, which is commonly understandable, since there is not a unified and widely recognised definition (Dees, 1998; Boschee, 1998; Dees and Anderson, 2003; Dart 2004; Austin et al., 2006, Dey & Steyaert 2010; Nicholls 2010).

For some “social entrepreneurship is an innovative concept that undertakes economic activities to reach social issues. Not to solve them completely, but to address the social issues that the state does not have the mechanisms to do so. And it does so in a very innovative way, in a way that provides participation of all key stakeholders, to be part of the whole process”.

For others “social entrepreneurship is using the resources of the classic entrepreneurship to achieve social goals”. The third most common statement is “social enterprise is a for-profit enterprise, but uses that profit to solve a social problem”.

The fourth one is the European Commission definition of social entrepreneurship/social enterprises:

“Social enterprises combine societal goals with an entrepreneurial spirit. These organizations focus on achieving wider social, environmental or community objectives”.

European Commission classify social enterprises as: “a) those for who the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation; b) those whose profits are mainly reinvested to achieve this social objective; and c) those where the method of organization or the ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice”. Although there are diverse social enterprises, mainly they function and undertake activities in work integration, personal social services, local development of disadvantaged areas and other (European Commission 2019).

The county’s draft law on social entrepreneurship provided the following definition:

“Social Entrepreneurship represents an organized activity with a goal of creating opportunities, forms, organizations and measures that result in sustainable social values and benefits, the employment of persons in the production and sale of products or services where profit is not the sole or main purpose of activity i.e. profits are used for employment of certain socially excluded or vulnerable social groups and to address needs and concerns in the community”.

However, we have found that the definition remains vague and uncertain, since public debate and development of regulation for the field is incomplete. At this point, the stipulated definition only provides the perception of the government for social entrepreneurship. The views and perceptions of the interviewees are that the definition should be broadened in order to include all the existing and possible organizational forms and to provide the possibility of unity in the understanding of the concept and its definition.

4.2.2. Legal Framework

In North Macedonia, historically, we have found that both trends - cooperatives and associations (discussed in 2.8.2. Legal Dimension) were present at various periods. The cooperatives were more present in socialism, mostly represented in the agricultural sector. Nowadays, associations are more present and recognized as actors focused on achieving a social mission. Those who use business models and undertake economic activities to attain their objective, most commonly focused on social issues such as unemployment, poverty, building capacity and others, are declaring themselves and are perceived as social enterprises.

Currently, the legal dimension has been deemed by the interviewees as partially enabling. On one hand, there is no obstacle for declaring a legal entity as a social enterprise, and on the other, the social enterprises do not have a legal identity, organizational legitimacy, support and legal framework that is targeting the development of social entrepreneurship.

Respondent 8 stated that *"The previous draft-law was suggested by a project, a law that at that time did not offer the necessary opportunities and form on how social entrepreneurship should be developed and what actually is social entrepreneurship. And because of that, the law was not adopted even though there were many open discussions"*. To the same question, respondent 10 argued that *"given the fact that there is no legal framework, there is no competent ministry or state authority. It is therefore natural to include ministries that are assumed to be competent, which would be the Ministry of Labour and Social Policy and the Ministry of Economy. In my opinion, the local government should have a leading role, but in small municipalities, it should be in partnership with the state."* Respondent 11 added that *"despite being able to work as a*

social enterprise under these conditions, the current legislation put social enterprises in a grey zone, not belonging to the civil or private sector hindering their access to market and recognizability".

We also found a similar situation where the mapping of social enterprises is almost impossible, since the definitions of social entrepreneurship vary between sectors and institutions, practitioners, and academia. Consequently, the ever-present debate is whether there is a need for a legal framework, a law for social entrepreneurship.

There are three streams of thought currently flowing related to the need for a legal framework. The first stream is advocating for adoption of a law on social entrepreneurship, arguing that such law would provide legal identity for social enterprises and a bridge towards a more conducive environment and political and institutional support. Their argument is that a social enterprise has to register as a trading company according to the Law on Trade Companies (and other related laws, for e.g. Law on Handicraft) or as an association in accordance with the Law on Associations and Foundations, which complicates things for social enterprises. If an enterprise is registered as a trading company, then they would not be eligible to apply for grants and donations that are essential for the first biennium. On the other hand, if they choose to register as associations, then they would be facing other challenges that they would not otherwise face if they are registered as trade companies. Additionally, the fact that there is no legal framework for social entrepreneurship also means that there is no competent and accountable ministry or state institution which implies inclusion of ministries that should be responsible, i.e. Ministry of Labor and Social Policy and Ministry of Economy. However, there are some in this stream of thought which argue that law is needed only if it is adapted to the local conditions and provides a picture of the real situation in the country. A law only for the purpose of having a law for social entrepreneurship could do more harm than good. Before adopting such a law, there is a need for serious preparation, to research, identify and map what is happening on the field. The law should also be just, meaning that social enterprises should not be favored in comparison to the commercial enterprises, to have equal opportunities and possibilities on the market. If this could be achieved, then it would be good to regulate social entrepreneurship, highlighting that the law should draw from other experiences, but in a manner whereby it would be adapted, rather than blatantly copied therefrom. If this is possible as a legal solution, then the social

enterprises would gain legal legitimacy as a legal form that can be delineated from the classical/commercial entrepreneurship. It will also change the perception for social enterprises as entities solely for employment of people with disabilities. They could also gain some subsidies or benefits from the state. When a legal framework is provided, it will be easier for things to work and then social entrepreneurs can be more motivated to open social enterprises. Currently, social entrepreneurship is regulated by various laws, for example, the law on employment of disabled people and employ disabled people because they receive certain benefits from the state. It would also clear the doubt and dispute whether the current social enterprises reinvest the money from their economic activities or take financial share. Such legislation would provide an even playing field for social entrepreneurs and for stakeholders, providing criteria for the social enterprises which would increase the quality of their work. They think that the concept of social entrepreneurship in the country is misguided and that a legal framework in the form of law is needed to provide a better direction.

The second stream advocates for organizational legitimacy and they do not think that a law is needed to provide that for social enterprises. For them, it makes no sense to draft and adopt a law when the social entrepreneurship is still a nascent field in the country and in a phase of experimentation. The country does not have experience working with social enterprises, since the institutions still do not recognize what social entrepreneurship is and what social enterprises do. They state that almost nine years have gone by talking about the law and working on draft-laws that are not accepted by the civil society and the social enterprises, which is an indicator that the country cannot provide conducive legislation in the form of a law. It is better if the country provides benefits such as financial and institutional support, rather than focusing on regulating the field. Implementing social entrepreneurship in the policies and their implementation should be a priority. They argue that regulating a nascent field would just add to the challenges and only complicate things.

The third stream of thought supports the idea of regulating the field to provide legal legitimacy for social enterprises, but not in the form of adopting a law. They state that waiting for a law to start developing the field is in vain and, in principle, the law is probably not enacted because it further restricts the development of social entrepreneurship. The advocates of this stream of thought suggest trademark, certification

or licensing as one of the ways that could be a solution for legal and organizational legitimacy without the fear of overregulating the field. In their opinion, social entrepreneurship firstly needs guidelines, to provide a track for development thereof. Social entrepreneurship needs experimenting, trying out models to see what are the factors that contribute to building a conducive environment for its development.

There is also a difference in perception between the social entrepreneurs from civil society and trade companies. The latter think that the Law on Trade Companies provides an advantage because it enables unhindered work on the market. It is because the social enterprises in the form of civil society organizations have to deal with activities including decision-making by the established bodies i.e. board of directors, advisory board and others. In business, these processes are factors that slow down the processes. That is something that big corporations adopt. The existing social enterprises are micro or small enterprises which require flexibility, the ability to adapt and seek innovative ways of selling. It requires changing the marketing strategy or the message it sends and needs to do that fast in order to be competitive.

The former aforementioned group is more inclined towards the adoption of the legal form of a civil society organization. As a trading company, social enterprises are not eligible to apply for funds and pilot their social idea. Most of the social enterprises are established and started working because of project funding. Also, the civil society organizations that had a successful piloting phase of the social idea, continue to work in the field and start declaring themselves as social enterprises. It all starts with the initial project funding and piloting. A trading company would not have the luxury of piloting with capital gained or received by projects and donors, which is hindering the start of a social enterprise registered in the legal form of a trading company.

However, both forms can receive some kind of benefits, but the benefits are more countrywide subsidies that stimulate employment, such as the employment of young people or people from vulnerable groups. And that is one of the measures that can be used by a trading company, association, social enterprise or some other organization or company that works with a social mission. Such benefits are not targeting social entrepreneurship and enterprises. Through these available benefits, the state is trying the mitigate unemployment.

There are also a few dilemmas with the other legal forms that can be adopted by social enterprises. For instance, there is doubt about the sheltered companies covered under the Law on Employment of Disabled Persons that they do not have appropriate controlling mechanisms for system abuse. The sheltered companies receive funds from the state. The funds for improving conditions for employment and work of the disabled, the adaptation of the workplace and the procurement of equipment, are provided by the Special Fund for improvement of the conditions for the employment and work of disabled persons. In recent years, there were cases in which some of the sheltered companies have been manipulating the system, which contributed to the already weak reputation of the sheltered companies. These have the potential to become work integration social enterprises if the state mechanisms function properly.

For the other three laws, Law on Cooperatives, Law on Agricultural Cooperatives, and Law on Handicrafts, the perception is that the state does not provide systemic support and does not help these cooperatives and handicrafts enterprises reach their potential.

The research also indicated a need for incentives and development and establishment of protective mechanisms for private investors in both commercial and social entrepreneurship in order to attract more foreign investors, angel investors and other. Currently, the state does not make a difference between an angel investor and co-owner, and this situation will also transfer to social entrepreneurship, since development thereof would require various types of investments. At the same time, there is no mechanism in place that monitors and evaluates development of the legal framework for social entrepreneurship.

In 2015, the Ministry of Labor and Social Policy attempted to regulate the field and developed a draft law for social entrepreneurship, but the process decayed due to numerous reasons. In the last two years, the process was revitalized and the public debate has been rejuvenated. However, currently, no one is measuring the development of the regulatory framework in relation to the development of social entrepreneurship in the country.

Besides the data from this research, the situation should be monitored and evaluated on a regular basis in order to provide a more comprehensive data on development of the legal environment in the country that targets development of social entrepreneurship.

4.2.3. Legal Challenges for Development of Social Entrepreneurship

There are several main challenges that hinder the development of social entrepreneurship in the country, beginning with the lack of regulation of the field and a non-applicable definition, since the country's legal environment for social entrepreneurship is non-existent. The country still does not have an operational definition to measure and map the activity of the social enterprises and the ecosystem, but also to delineate commercial and social enterprises. The lack of regulation adds to the challenges related to system mechanisms that provide help and support for development of social entrepreneurship in the country, such as access to social enterprise criteria, legal and organizational form, financing and support, public procurement procedures, tax policy, and trust among the stakeholders.

A critical legal challenge that needs an immediate resolution to unblock the development of social entrepreneurship is the lack of regulation. Multifaceted benefits would be gained by regulating social entrepreneurship. Moreover, such regulation would address the following gaps:

- **Social entrepreneurship definition**. There are no operational definitions of the social enterprises, the ecosystem, and other social terms, that could bring legal clarity and order into the legal system for social entrepreneurship/enterprises. To provide legal identity, a strong positioning of the social enterprises and help to delineate commercial and social enterprises would assist in clarifying the role of social enterprises in the economic growth and mitigation of social issues;
- **Multisectoral and multilevel responsibility for social entrepreneurship**. Although social entrepreneurship has been recognized as a multisectoral and multilevel phenomenon, in practice, roles and responsibilities of different sectors and levels (national/local) are not regulated, and neither is their interactions. Regulating those would help create a multisector partnership for social entrepreneurship beyond the labor market and social welfare with clear roles and responsibilities and interrelations regarding social entrepreneurship;
- **Promotion of social enterprises.** Identification of implementable strategies and approaches necessary for promotion and strengthening of social entrepreneurship in the country is needed. These steps would provide increased awareness for social entrepreneurship and its components, will show the impact of the social enterprises and will increase opportunities;

- **Lack of defining specific features of social enterprises**. Nowadays, every company or civil society organization that contributes to society or employs a person from a vulnerable group can deem the company or the organization a social enterprise, since there is lack of defining the specific features of social enterprises. Such a situation is contributing to the data and falsely present the real situation about the development of the sector. Criteria are needed in order to provide for real data that would help both, the researchers and practitioners to contribute to the development of social entrepreneurship in the country. It would also provide for improved mapping of the social enterprises since there are a lot of cases where social entrepreneurship practices are present but are not perceived as such.
- **Establishing the specific types of non-profit organizations that allow conduct of economic activity which are de facto social enterprises**. This is more focused on the organizational and legal identity of social enterprises. As explained in the 4.2.2. Legal Framework section, a variety of laws provide numerous forms in which social entrepreneurship can be found or social enterprises registered. However, there are different rules and regulations for every form. Instead, it would be easier for the state and social enterprises to establish the specific types of non-profit organizations that allow conduct of economic activity and respect the criteria anticipated.
- **Criteria and operational standards and norms.** The International Research Network EMES, a network of university research centers and individual researchers on social enterprise has divided the indicators and the criteria in two clusters, an economic and a social. Across the network's published works, the following criteria can be found:
    - Economic and entrepreneurial initiatives criteria:
        - *A continuous activity producing and selling goods and/or services;*
        - *A high degree of autonomy;*
        - *A significant level of economic risk;*
        - *A minimum amount of paid work.*
    - Social criteria and social dimensions of the initiative:
        - *An explicit aim to benefit the community;*
        - *An initiative launched by a group of citizens;*
        - *Decision-making power not based on capital ownership;*

        - *A participatory nature, which involves the various parties affected by the activity;*
        - *Limited profit distribution.*
- **Public procurement procedures.** Social enterprises have difficulties accessing the public sector markets (i.e. social service provision) due to lack of contacts, capital and non-transparent public procurement contracting procedures. Although the procedure now includes reserved contracts, focused on social enterprises, there is still a need for more transparent procedure, education and awareness in this area.
- **Tax regulation.** Regulatory frameworks contain contradictions (e.g. tax regulation) that hinder social enterprise growth. Many social enterprises are struggling with the tax regulation system, especially when there is a case of hybridity, not just in the model, but in the organizational sense too. In this area, just as in the area of public procurement, there is a need for education and awareness for both social enterprises and public institutions.
- **Instrument for monitoring and evaluation of development and implementation of the legal framework.** Without such a tool that will show the development and implementation processes of the legal framework, but also provide data for continuous advocacy and asking accountability of the government officials, development of social entrepreneurship in the country will go slowly. In this research, the respondents have stated that the development of the ecosystem for social entrepreneurship should be done through accepting responsibility for the actions of both the authorities and social enterprises. The need for mechanisms for monitoring and evaluation is great, especially among social enterprises. They want to implement a tool that would help them in their advocacy actions and gain support from both the public and business sector.
- **Legal harmonization.** At this point, it is not a matter of adopting a social entrepreneurship law or regulations, but harmonizing the state laws to include the context of social enterprise, so to be recognized as a concept, but also to be tailored to the needs of social enterprises.

These challenges provide a wide array of needs, including expanding the definition and providing operational definition to differentiate social enterprises from both commercial enterprises and non-profit organizations; to include other sectors beyond

labor market and social welfare; to include cross-cutting character across sectors; legislation focused on recognition, promotion and fostering social entrepreneurship; adaptation of existing legal forms to take account of the specific features of social enterprises; to provide for innovation, economic growth and mitigation of social issues; to provide legal identity, criteria and operational standards and norms; to shape public procurement procedures around partnerships for achieving social goals, among others.

4.3. Institutional Dimension

The results of the field research showed that the institutional dimension is comprised of the following indicators (Table 12).

Table 12. Institutional dimension indicators

Dimension	Indicators
Institutional Dimension	Institutional voids
	Institutional support
	Collaboration and support with national and local authorities
	Supporting environment
	Key institutional challenges for development of the sector

4.4.1. Institutional Voids

According to our research, this has been highlighted as one of the challenges for developing a conducive environment. The lack of coordination and collaboration between the institutions does not offer a promise of perspective policies and legislation that will regulate and promote the field. The inclusion of a variety of ministries, such as the ministry of labor and social policy, economy, finance, agriculture, local self-governments and many others is needed. They should also have an interest and authority to facilitate the process. For example, the ministry of labor and social policy can facilitate development and establishment of definition, policy, and legislative processes, the ministry of finance can implement cost-benefit analysis that will show the savings the country will make with the investment in social entrepreneurship, the ministry of agriculture can facilitate the process of the EU Instrument for Pre-accession for Rural Development Program for social enterprises working in the agricultural field, and other. This has also contributed to the case of institutional voids, since the capacity of the institutions is not efficiently and effectively used, especially when the inclusion of other state institutions to react proactively in development and support of the social entrepreneurship is not restricted.

Currently, there is no formal mechanism in place to support development of the field, which demands improved intersectoral coordination and collaboration in order to maximize the commitment from the institutions, but also to include the social enterprises and all relevant actors. In Table 13, we show the policymakers in the social enterprise ecosystem in the country.

Table 13. Policy Makers in Social Enterprise Ecosystem in North Macedonia

Organization	**Role**
Policy Makers	
Ministry of Labor and Social Policy	• Responsible for drafting and implementation of the social entrepreneurship legislation • Responsible for drafting and implementation of the strategies and programs related to employment and social welfare
Ministry of Finance	• Responsible for drafting the taxation and fiscal regulation for social enterprises • Contracting authority for EU IPA funding
Ministry of Economy	• Responsible for drafting and implementation of legislation and strategies related to small and medium enterprises • Implements the Program for Support of Small and Medium-sized Enterprises • Responsible for legislation related to cooperatives
Ministry of Agriculture	• Responsible for legislation related to agricultural cooperatives
General Secretariat of the Government of RM, Unit for Cooperation with NGOs	• Responsible for drafting and coordination of implementation of the National Strategy for Cooperation with civil society organizations • Administers the Program of the Government for financial support to civil society organizations

(Source: EU (2017) Social Economy in Eastern Neighbourhood and in the Western Balkans Country Report – Macedonia)

Other emphasized challenge is the role of the local authorities. Although the municipalities play a crucial role in development of social entrepreneurship at local level,

the vast majority of them lack awareness and understanding of the concept, and consequently, the capacity to foster social entrepreneurship at local level.

One of the conclusions from the research is that the state institutions need serious capacities and a serious look from the outside which is currently lacking. They cannot see what is missing because they are in the system, a part of the whirlpool. Awareness-raising and capacity building for the institutions is needed to better understand the field and to provide support for social enterprises. In order to provide that, monitoring and evaluation of their performance are needed. It would be crucial to develop such a tool that would be able to measure the openness of the authorities to collaborate with social enterprises, the support they provide, the establishment and development of supporting mechanisms and the impact of existing ones. This would help the authorities and the social enterprises to establish, develop and scale their collaboration, in order to provide a greater impact in the society.

4.4.2. Institutional Support

The current setup in North Macedonia creates various challenges for various types and models of social enterprises, but it also shows that governmental activism contributes to the support for development and support of social entrepreneurship.

Currently, evidence show that the institutional support for social enterprises in the country is almost non-existent. One of the reasons is low public and institutional recognition of the field. Subsequently, the abundance of institutional voids in the country presented through the high rates of the shadow economy, unemployment, poverty, at-risk-of-poverty, weak education and low investment in innovation among others provided by the governmental passivism did not do any favors for development of social entrepreneurship.

In the last two years, the country recognized the need for support in tackling these social issues and institutional voids, and started to proactively search for partners in provision of social services. These developments have started the actual process of deinstitutionalization, where the government would provide funds for the municipalities to outsource and contract enterprises that offer social services in order to meet the need for social services in their municipality. Many social enterprises are currently in collaboration, communication and coordination with the municipalities focused on

provision of social services, which contributes to the institutional support for development of the sector. The municipalities will outsource some of the social services to social enterprises and will support the sector by providing funds, while the social enterprises will improve their capacities, capabilities, and resources while adding to the local development of the sector with experience and practice.

However, our research showed that the lack of capacities of the local authorities is evident and the social enterprises emphasize the need to further strengthen the capacities of local authorities and institutions. There is also a lack of infrastructure in the municipalities such as transport, local roads and streets and traffic signage, public street lighting, parking space, traffic and public transport regulation, parks and green areas, and many others. There is a need to allocate adequate resources to support local development, transparent allocation of capital grants to municipalities; and financial sustainability to carry out the responsibilities that are transferred to the municipalities. Another need in terms of capacity building is financial literacy and management of the local institutions.

All these challenges contribute to the contemporary situation where there is almost non-existent institutional support. What is encouraging is that the established collaboration will continue during the year 2020 and probably further. There are social enterprises already contracted by the municipalities for the period, which is promising, since it adds to the social entrepreneurship practice and experience and produces best practices and lessons learned.

There is strong evidence that institutional support, relying on the conception that access to resources from a variety of sources including the government, is a key enabler of entrepreneurial activity, which also contributes to development of the social entrepreneurship. Social enterprises are highlighting the need for institutional support to endure and to continue to do the already established work, but also to provide the perspective of scaling up. Their needs are numerous and include capacity building, technical support, mentoring, consulting, legal advice, development of platforms, models, and tools, education, innovation, research, among many other needs.

Respondent 4 states that *"if a social entrepreneur has an idea, but does not know how to develop a business plan, or how to develop a suitable marketing strategy or financial projection, there is no designated institution that can provide support for these social*

entrepreneurs". Respondent 2 add to this that *"institutional support in a sense of a technical support is crucial for social entrepreneurs to thrive given that most of them are not educated business wise"*.

The same case is in the area of finances. Respondent 20 argues that *"the institutions does not know how to provide an answer on how to handle finances for a social enterprise, whether as a trading company, non-profit organization or a civil society organization. They are not certain what applies to the social enterprise. There are a lot of inconsistencies, the institutions that need to provide the support are uninformed and confused just as the social entrepreneurs are*. *"Respondent* 23 provides a more general view including both perspectives by stating that *"the institutions, public officials need capacity building for social entrepreneurship given that they are not obliged to follow the trend when the institution does not provide such services. The same need have the social entrepreneurs, they are not equipped with business skills because they are focused on the social impact."* Respondent 2 contributes to this view by stating "*the social entrepreneurship community is so small in the country. We should use the existing potential and use it to share and transfer the knowledge to other social entrepreneurs and public officials. However, for that to happen the authorities and the institutions need to provide support in terms of trainers, places, accelerators, incubators…"*.

Evidence show that the institutions are too slow in recognizing the social entrepreneurship model, the mindset of the public officials has to go through a transformative change, since they are comfortable with the existing system and rigid to systemic changes. The institutions do not know how to work with social enterprises because of their hybridity. They have not been faced with a blended model of enterprises and the system does not recognize it and, consequently, cannot support it.

4.4.3. Collaboration with Authorities

To ensure development of social entrepreneurship in North Macedonia, it is crucial to provide an environment that boosts the role of social enterprises and encourages stronger links between these entities, local authorities and other actors, while acknowledging the important role of the users of the social enterprises.

The research has shown that the experience of the collaboration between social enterprises and the national and local authorities varies. Some of them collaborate closely

with the national institutions, and some cannot reach them. The collaboration between social enterprises and the national institutions is comprised of consultations and sharing of information with the Ministry of Labor and Social Policy. Few of them consult constantly with the ministry about developing policies that would help development of the field. The ministry contacts some of the social enterprises that are pioneers in the field and consults with them in terms of social services, public calls and the like, since they want to delegate the responsibilities to the municipalities and they have recommendations, as someone who has the experience, practice and capacity to implement such services, activities and programs.

However, experience with other institutions on a national level is lacking. Social enterprises state that other state institutions are not included in the process of developing social entrepreneurship and there is no point in consulting with them. If they get included, they can contact social enterprises that work in the field to consult about benefits, taxes, incentives, standards, norms, procedures and many other issues depending on which institution is involved.

On a local level, a good example is the City of Skopje and some of the municipalities in the City of Skopje. Several social enterprises have stated that they have good collaboration and have already signed a cooperation agreement with the city.

Another group of social enterprises that work in the field of social service provision cooperated with the city by offering caregiver training service and social services, such as personal assistance and home care and assistance. Some of the social enterprises have an already established collaboration with other municipalities, that are a part of the city, (such as Centar and Karposh) related to provision of social services.

There are also negative experiences of social enterprises while working with, or presenting an idea to, the local authorities. There are cases where some social enterprises contacted and communicated with several municipalities to pitch them an idea and to offer their activities, experience and practice to contribute to the community and the municipalities did not have the interest and will to continue with the proposition and the activities, even though, some of the activities did not have any financial implications to the municipalities. They were not interested in what the social enterprises were trying to offer in terms of social services, education, training, even helping the community pro

bono. Some of the social enterprises stated that they had funds available from their economic activities or some grant. They argued that this case was not only in one municipality but it was perpetuating as an experience. The disinterest of the municipalities to collaborate with entities that they do not understand very well hinders the access to positive impact, funding, platforms of collaboration and networking and the development of the social entrepreneurship in the country in general.

Another challenge is the lack of data that the institutions have, which hinders the research and waste resources, loses time and productivity, or wastes marketing and communications expenditure. It also presents poor organization and coordination and obstructs the fight against social issues including poverty, unemployment, education, inclusion and many others. One of the ways to remedy this situation is with a centralized, complete data management strategy.

From the local authorities' and institutions' side, social enterprises need to be more proactive and have to learn to communicate their ideas better. It does not matter what their idea is if the municipality already started implementing activities that are not in the same direction as the social enterprises' ideas. They also have to monitor and follow the municipalities' activities so they can add to the already existing activities and plans put in motion. In order to do so, certain mechanisms or a tool for monitoring and evaluating the municipalities activities should be developed and established.

The collaboration between social enterprises and municipalities is still in its initiation phase and needs to be developed quickly, on a national level, given that the majority of the practices are with the City of Skopje and the municipalities within the city.

4.4.4. Supporting Mechanisms

Mechanisms that support the development of social entrepreneurship are crucial for provision of opportunities and scaling up of social enterprises. Our research showed that these mechanisms include finances, capacity building, research, consulting, mentoring, coordination and collaboration, partnerships, platforms for the exchange of knowledge and experience, tools for monitoring and evaluation of the development of the sector, among other mechanisms that facilitate the development of social entrepreneurship.

Currently, there are a few support institutions and organizations for social enterprises that offer such services, but there is an enormous need to develop this area of the sector. Such institutions and organizations are an impetus in the development of the field (Table 14).

Table 14. Support institutions and organizations for social enterprises

Alliance of Microfinance organizations	• Aims to achieve financial inclusion, poverty reduction and support to entrepreneurship; • Provides capacity building to the clients of microfinance organizations.
Association Konekt, Mladiinfo/ Social Impact Lab	• Builds partnerships between companies and social enterprises; • Organizes workshops, conferences and other public events to promote social entrepreneurship.
EU Technical Assistance for Civil Society Organizations (TACSO) Project – ended in November 2017	• Offers brokerage between individual social enterprises and companies for counselling, mentoring;
UNDP in North Macedonia	• Promotes integration of social enterprises into companies' supply chains; • Advocates for encouraging legal framework and effective ecosystem for development of social enterprises.
Sustainable Development Centre	• Advocates for encouraging conducive ecosystem for development of social enterprises; • Provide counselling and mentoring for social enterprises; • Research and contribute to the development of conducive environment for social entrepreneurship;

Social Entrepreneurship Observatory	• Regional Network and Resource Center, a platform for collaboration and partnership for development of social entrepreneurship in South-East Europe; • Aggregator of news, policies and research for social entrepreneurship; • Develop a registry of social enterprises; • Advocate for encouraging conducive ecosystem for development of social enterprises; • Provide counselling and mentoring for social enterprises; • Research and contribute to the development of conducive environment for social entrepreneurship; • Provide trainings for social entrepreneurs and develop their skills.
CEED HUB Skopje	• Aim to support innovation and transfer of technology within the social enterprises.

These organizations and institutions need to coordinate and communicate better in order to provide the support that social enterprises and entrepreneurs need. This research has shown that everything is combined and no one knows what the impact of it is. There is a lack of tools and instruments to measure the impact of these institutions and the development of the ecosystem for social entrepreneurship in general. Social entrepreneurs are going through a variety of mentoring programs and social enterprise capacity building and most of them cover only one segment of the concept, which is not suitable for everyone included, according to the interviewees.

Respondent 24 argues that *every social enterprise goes their own way, but the issue is that no one is interested in what the other social enterprises are doing which presents an uncoordinated approach"*. For the same question, respondent 27 adds that *"social enterprises do not network and coordinate their approaches, experiences and knowledge to provide for a greater impact, or to provide a better service or product"*. Respondent 3 attest that *"social entrepreneurs and enterprises are not collaborating with each other, on the contrary they see themselves as competition"*.

This increases the need for a platform of collaboration, networks and partnerships. However, the uncoordinated efforts of the public national and local institutions also

contribute to the confusion and hinder the development of social entrepreneurship in the country.

4.4.5. Institutional Challenges for Development of Social Entrepreneurship

The evidence show that these five points are fundamental for development of a conducive institutional environment that could facilitate the process of development of the field in the country.

- **Communication with institutions**. The communication is a general issue, not only between social enterprises, but also between the institution and between the social enterprises. The lack of communication between all actors is hindering the development of the sector. Social enterprises express the need for platforms of collaboration, networks and partnerships that would help them grow and scale-up.
- **Recognition by institutions**. The institutions do not recognize social enterprises and see them as associations or trade companies depending on the legal form they are registered under. This complicates things, as institutions cannot provide a consultation or advice. The concept of social entrepreneurship is still not perceived as a common practice and is viewed somewhat differently from social businesses, which further creates confusion in the public discourse. There is an institutional recognition of the need for the government to provide a package of incentives and direct financial support to the social enterprises, but such package is still not provided.
- **Collaboration with institutions**. The institutions collaborate with social enterprises if they are obliged to, especially if it is recommended by some political document or instruction of some ministry. The institutions are reactive, rather than proactive, and that is what makes the collaboration with them hard, time-consuming and without impact. The openness of the institutions to collaborate with social enterprises is weak. They do not have the capacities to help social enterprises especially if human resources are needed. Also, institutional recognition of social entrepreneurship is low, which hinders the access to them and the establishment of possible partnerships. Social enterprises need more institutions open for collaboration and partnerships, especially social enterprises that work towards solutions to local issues and provide local impact.

- **Institutional support**. The support by the institutions is scarce, since they still not recognize the concept, but also because there is no experience and practice in supporting social enterprises. The education level for social entrepreneurship is low and is contributing to the misunderstanding and confusion of public officials. The traditional mindset of the public officials does not contribute to making the change or the adaptation a smooth process. Their viewpoint needs to change in order to start supporting social enterprises. Education is needed for both social enterprises and public officials on how to communicate, collaborate and support each other's work.
- **Development of an instrument for monitoring and evaluation of the authorities' activities.** The need for monitoring and evaluation in order to enquire the responsibility and accountability of the authorities is colossal. Such an evaluation tool would help social enterprises and entrepreneurs to ask for the recognition and support from the country's institutions, but would also improve the communication and coordination with each other.

4.4. Financial Dimension

The fourth dimension – financial, according to our field research, is focused on sources of funding, their use, sustainability, and social enterprises' challenges (Table 15).

Table 15. Financial dimension indicators

Dimension	Indicators
Financial Dimension	Available sources of funding
	Funding sources that social enterprises currently are using
	Financial sustainability
	The process of reaching financial sustainability
	Main financial challenges for development of social entrepreneurship

4.3.1. Available Sources of Funding

The available sources of funding are an important measure for starting a social business. According to the European Commission, in Europe, the forms of finance used by social enterprises are depend on the demand and supply. The demand includes impact-seeking purchasers such as the government's procurement of services, and impact-driven organizations like social enterprises. The supply is comprised of the challenges of impact capital, for instance impact investment fund managers or crowd funding platforms, and sources of impact capital. Available sources of funding include grants from projects, bank loans, donations and/or fundraising, crowdfunding, microcredits, social investments, private investments and others (Figure 17).

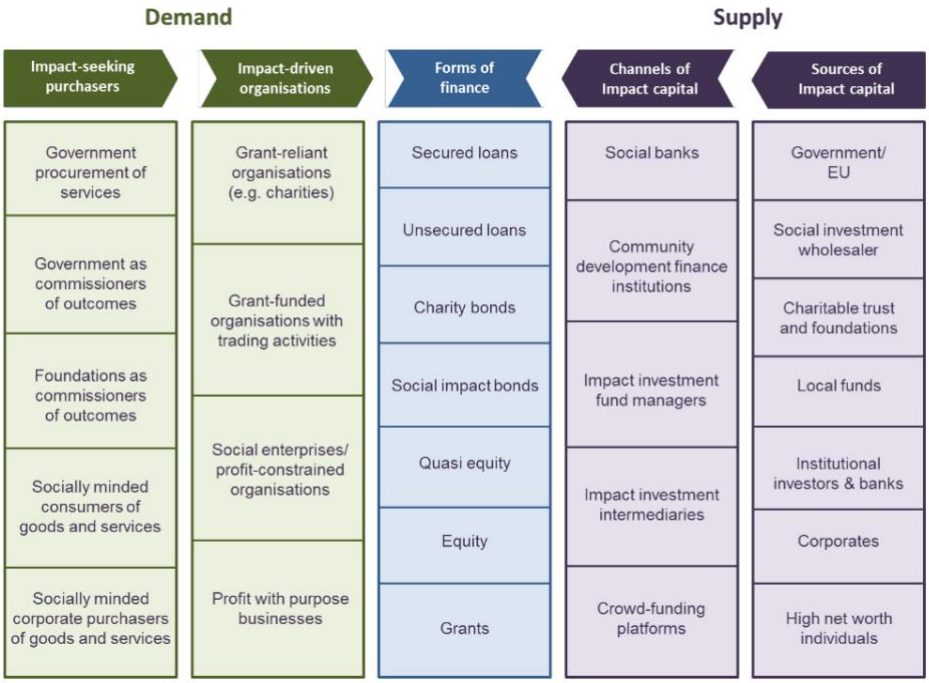


Figure 17. Funding in Europe

(Source: European Commission (2015) A map of social enterprises and their eco-systems in Europe - Synthesis Report, p.89)

However, only some of these forms of finance are available in the country and it properly shows how the financial support for development of the field is like in comparison EU – North Macedonia. The Global reports, the literature and the European institutions state that the available sources of funding should be increased and the access to funding should be eased.

The evidence showed that in North Macedonia, there is lack of tailored start-up and growth funding for social enterprises. There are only several sources of funding, mostly coming from project grants and donations. Bank loans are available on standard and high credit/commercial rates that are not cost-effective. Micro crediting as an option is currently available in two banks - Sparkasse Bank and Stopanska Banka AD Bitola, but the credit rates are still very high.

There are also private micro crediting institutions or financial companies that are non-bank financial institutions issuing consumer loans. Unsecured loans can be obtained through company affiliates or online. There is no need for guarantors. Larger amounts have a fixed payment schedule, but smaller loans must be repaid in one payment. In most

cases, people use these loans for unexpected situations in life when they need extra funds. Non-bank consumer loans are not intended as a solution to long-term financial problems or other debts.

Table 16. Available sources of funding

Funders for social enterprises	
Yunus Social Business	• Provides social impact financing to social businesses • Manages accelerator program for start-up SEs, which includes mentoring, technical assistance and networking
Agency for promotion of entrepreneurship of RNM	• Responsible for implementation of Government's policies on SME development
Fund for Innovation and Technology Development	• Implements support measures for SMEs, such as the Voucher counselling
HUB Skopje/CEED	• Aims to support innovation and transfer of technology within SMEs
Microfinancing institutions (MFI) members of the Alliance of MFI	• Promotes cross-sector partnerships in transfer of technology, research and development
Employment Service Agency	• Provides financial support and technical assistance to SMEs for innovation projects through several support schemes
Agency for financial support of agriculture and rural development	• Implements pre-acceleration and acceleration program for young companies. SEs are eligible to participate and use the services of the HUB
EU Funding (Civil Society Facility, IPA, EIDHR, EaSI)	• Provides co-working space for entrepreneurs • Provides equity loans to SMEs. SEs registered under the company law are eligible for funding
Macedonian Bank for Development Promotion	• Opportunity for matching the loan with angel funding • Provides micro credits to SMEs and informal businesses
Sparkasse	• Micro crediting
Stopanska Banka AD Bitola	• Micro crediting
Other financial institutions	• Micro crediting

(Source: Adapted from EU (2017) Social Economy in Eastern Neighbourhood and in the Western Balkans Country report – Macedonia)

The results demonstrate that the start-up capital presents a colossal challenge for social entrepreneurs. Most of the social enterprises start with private funds, personal savings or joint financial efforts, but eventually use a mix of available resources and

sources of funding to ensure sustainability of the social enterprise and to achieve its social objectives/mission. The majority of the interviewed social entrepreneurs/enterprises in their starting phase used a mix of their personal finances and grants and donations as sources of funding before they have their own revenue stream and generate own income. There are specific cases where the social enterprises are depended on donations from commercial businesses and the general population, in addition to the invested private funds and grants. One such instance would be second-hand shops for clothes and furniture. These kinds of social enterprises quickly start generating revenue from selling refurbished clothes and/or furniture.

The evidence show that available grants are project-bound and depend on foreign donor priorities. Public grant-schemes are non-existent and most of the current support measures for small and medium-sized enterprises are not open to social enterprises registered as civil society organizations and cooperatives. Local social market investors are also absent, which contributes to the already weak financial environment. There is lack of internal and external incentives for financial institutions to do more on the topic of social entrepreneurship. Alternative funding, such as venture capital, business angel funding etc. remains scarce.

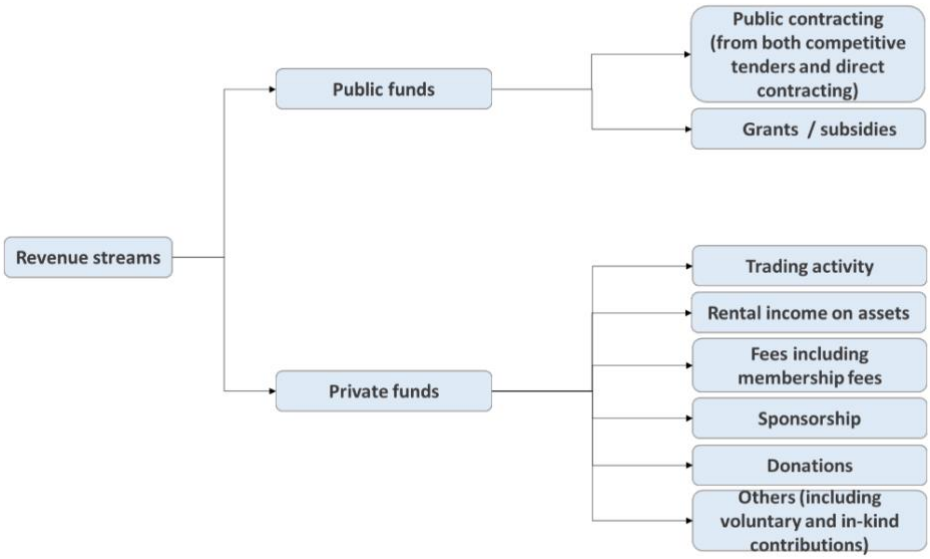


Figure 18. Revenue streams of social enterprises

(Source: European Commission (2015) A map of social enterprises and their eco-systems in Europe Figure: Synthesis Report, p.11)

Another available source of funding is the public procurement procedure with the New Law on Public Procurement, which introduces the possibility and the opportunity for public institutions to use reserved contracts. The law provides that the contracting authority may reserve the right to participate in the public procurement procedure of economic operators whose primary goal is social in its core, explained further in section 4.1. Political Dimension.

Respondent 5 states that *"the law on public procurement now has provided the opportunity for social enterprises to participate in tenders. However, my question and doubt are which social enterprises and with which capacities can participate in such tenders"*. To the same question, respondent 1 assert *"we do not know if someone is actually using the reserve contracts. What are the statistics about this? Can we see them? The information is not available, we have not heard from the social enterprises that someone has included them in such contracts. What is the use then?"*. Respondent 6 argues that *"small social enterprises should be given some public contracts, powers to act locally and help the local government. In my opinion, that would be ideal."*

With the aforementioned deinstitutionalization of social services, the social enterprises can compete for public contracts. It provides a funding opportunity for social enterprises, but will also improve communication and collaboration with authorities.

4.3.2. Access to Funding

In terms of access to funding for social enterprises, the research showed that it is the same as with traditional businesses. However, with activities that social enterprises are undertaking it makes it twice as difficult. There are no incentives for social enterprises, and when investors consider where to invest their money, they search for a business model that will return their investment and provide profit. In most cases, they are not concerned with whether the entity is a social enterprise.

In classical/commercial entrepreneurship, the funding is developed in several phases and there is additional funding if the enterprise achieves its first landmark or starts trading, or even develops a prototype, depending on the business model, and the process is the same with social entrepreneurship.

In North Macedonia, in terms of access to investors, there is the social business award, a few accelerator and incubator programs for social businesses, and that is all about initial capital to start the business.

Respondent 26 argues that *"when we are talking about social entrepreneurship funding, in the country, even funding in the first phase is lacking. For instance, if the social enterprise needs 15,000 EUR, from these awards and regranting schemes they can raise 2-3-5,000 EUR which is not enough for starting the business."* For the same question, respondent 5 contributes to this statement from its own experience *"we are almost ready for the next stage, we have exhausted several programs that provided us almost 13,000 EUR combined. Currently, we are looking for angel investors and business partnerships that would launch us into the second phase, which for us is increase of production and access to regional market, but it has been almost a year and we are still struggling".*

The accelerator and incubator programs cannot provide more starting/initial capital, despite the great need. Even if social enterprises find a way to finance their first phase of development, they will face one of the greatest obstacles related to funding, the second stage of development where these enterprises need an investment of 25-75,000 EUR, even up to 100,000 EUR if there is a need for more expensive equipment, if they continue developing. This is the phase where the business is scaling when it reaches the breakeven point. Then comes the third phase in which, if the business is scalable and susceptible to export, an investment of possibly 500,000 EUR may be needed. However, these phases in the country are currently non-existent.

Respondent 25 states that *"the country is still in a phase where one of the biggest investments in a social enterprise is around 20,000 EUR."* To the same question, respondent 19 adds "*I have not heard of a social business getting an investment or a grant of 50,000 EUR or more. The authorities do not provide such subsidies, the private sector is still blind and deaf to social business ideas and partnerships and the competition and grants are small.*"

To start talking about real investments in the development of social entrepreneurship and in social enterprises, the country needs to have a more organized systemic approach. It is a combination of political will, budget calculations, impact and benefit monitoring

evaluation, cost-effectiveness of the investment, measuring the development of the social entrepreneurship ecosystem, coordination and collaboration among the institutions, more effective and efficient implementation of policies and many other things, which shows that there is still a long way to go to talk about developing and investing in social entrepreneurship.

Even if we are talking about local social enterprises without a plan for scaling, these enterprises need support from the local businesses, investors, organizations and others to generate revenues and achieve their social mission.

In order to attract investors, the country needs an organized and integrated approach with specific incentives for both social enterprises and investors, to provide a bridge and a platform for collaboration and coordination. This, in turn, will help the development of such enterprises and, consequently, development of the social entrepreneurship sector in the country. It also needs regular evaluation of the access to funding for social enterprises and provision of support for further access thereto. Such evaluation tool would map and locate funding opportunities, but also measure the process of funding schemes and the process of funding, in order to identify the challenges of social enterprises in accessing funds.

These challenges contribute for social enterprises to adopt a hybrid business model, but also a hybrid organizational form which would combine two legal forms in the search for funding and undertaking activities. The hybrid business model means that social enterprises locate and use resources i.e. revenues through combining public (public contracting) and private funds (trading activity, membership fees, sponsorship, grants and donations and others). The hybrid organization form means that social enterprises entail two legal entities (for instance, civil society organization and limited liability company) in order to improve their possibilities in the search for funding, since the country still does not recognize social enterprises as a separate and delineated legal and organizational form.

In the last decade, the hybrid organizing and the hybridity of form have taken the researchers by storm, since they are ever-present and defy the conventional legal structures. It is also important that these forms of organization shape the values and practices of doing business.

4.3.3. Financial Challenges for Development of Social Entrepreneurship

The research indicated that financial resources are one of the main challenges for social enterprises. Critical financial challenges that need an instantaneous resolution to unlock the development of social entrepreneurship are presented below:

- **Lack of funding sources**. The lack of funds poses an obstacle to the realization of social enterprises' social goals. Most social enterprises are project dependent, which fuels uncertainty in their existence.
- **Access to capital.** The access to capital is hindered, since they do not have a clear organizational form, political support and developed and established financial instruments that could provide financial support. Social enterprises cannot access appropriate and affordable financing that corresponds to their stage of development.
- **Business sector involvement and collaboration**. Another obstacle for development of the field is the low interest from private companies. They are not interested in collaboration with social enterprises, since they view them as something similar to their corporate social responsibility actions, which showed that the awareness for social entrepreneurship is still at a low level. Also, they are not perceived as service providers by the big corporations for their value chains. Social entrepreneurs should focus on both social and economic objective, and develop pitching skills in order to present the ideas properly.
- **Investments**. Another challenge is looking for investments. When social enterprises look for the first/initial investment, they are confronted with the view that they are equal with all other companies and there is no differentiation between social entrepreneurship and commercial entrepreneurship, especially when private investors and funds are at stake. Social enterprises need to work on developing a sustainable business model in order to draw investors and funds into their enterprise.
- **Public sector awareness**. Even the Fund for Innovation and Technology Development does not make a difference between social and traditional/commercial enterprises. Social enterprises are placed on the same line as commercial enterprises when it comes to access to funding.
- **Support from the local government.** Financial support from the local government for social activities of social enterprises is still negligible. There are some cases where

the local community has supported risk groups (long-term unemployed, women, the Roma, the elderly, etc.).

- **Partnerships.** Social enterprises should constantly be in communication with the private and the public sector to share and gain information that could be crucial when conducting their activities.
- **Monitoring and evaluation of the funding schemes and access to them.** Development of an instrument that would map the funding opportunities, but also identify and analyze the challenges of social enterprises in accessing those funds is one of the prerequisites for development of the sector. Knowing the needs and challenges of social enterprises and providing suitable support could prove to be crucial in their development and promotion.

These challenges are hindering the development of the sector on both national and local level and contributing to the double burden social enterprises already face.

However, social enterprises lack business planning and financial management skills, which prevents them from strategic growth and repayable financing options. They also have weak social impact measurement culture and lack of tools and skills.

Social enterprises have many needs and suggestions about how to improve the financial dimension/ environment in the country to work toward development of social entrepreneurship fields, such as: a) increase of public financing for innovative solutions to societal issues; b) development of tailored policies for financing; c) development of financing platforms and funds; d) development of networks that financially support social enterprises; e) development of social fund; f) more effective and efficient implementation of already existing policies; g) implementation of cost-benefit analysis to see how much social enterprises contribute in the overall ecosystem and save state fiscal implications h) facilitation of access to variety of funding opportunities for social entrepreneurship; i) capacity building for social entrepreneurs concentrated on developing business skills i.e. pitching, fundraising, investing, return of investment and others; awareness-raising among institutions, private sector and the general public about social entrepreneurship.

4.5. Business Dimension

In the results and discussion chapter, we have included the business dimension as one of the key factors for development of the sector given that the business environment is affected by all the aforementioned dimensions in this paper. The evidence showed that we need to add the business dimension as one of the key factors for development of a conducive environment for social entrepreneurship, given that it has a key contribution to the early entrepreneurial activity and access and engagement of social entrepreneurs on the market, among many other contributions. Business has the potential to significantly change society by developing living standards and improving people's quality of life.

Several indicators affect the external business environment, most of them explained in detail in the previous dimensions (*4.1. Political Dimension*, *4.2. Legal Dimension*, *4.3. Institutional Dimension* and *4.4. Financial Dimension*)

However, the field research showed that the business dimension is also comprised of additional indicators, as shown in Table 17.

Table 17. Business dimension indicators

Dimension	Indicators
Business Dimension	Market competitiveness
	Networking
	Innovation
	Governance
	Human resources
	Initial and contemporary challenges
	Predicted future challenges

In this section we will present the challenges and needs provided by the field research, with focus on the entrepreneurial ecosystem, specifically on the social entrepreneurial ecosystem within the case of North Macedonia.

4.5.1. Challenges and Needs of Social Enterprises

Social enterprises are a phenomenon and are currently researched in various economic, welfare and legal country settings. In the last two decades, we have witnessed an extensive growth and diversification of needs, stimulated by changing lifestyles, behaviors and patterns connected with the transformation of the previous welfare systems.

However, social enterprises face multiple, multifaced issues besides being double burdened by nature, having to contribute and compete on both social and economic areas. Public funding limitations and bureaucratic burdens have made it increasingly problematic to expand, or even sustain, the provision of certain general-interest services. "The inability to ensure the previous level of security – through guaranteed employment, old-age pensions, free healthcare and other services – has led to unemployment or under-employment, and severe shortages in the delivery of general-interest services, especially for those who are unable to pay" (Borzaga et al., 2008, p.12). This background has contributed to development of social enterprises as entities capable of fostering the convergence of public- interest services demand with supply and, consequently, contributing to development of the socio-economic agenda in a variety of ways.

The challenges of social enterprises can be found all across the presented palette of factors. The result of this analysis showed that social enterprises need support, assistance, protection and a safety net to conduct their experiments. The experimentation phase is well on the way but requires sector liberation in order to provide an increasing number of models, cases, practices and lessons learned. Every country with developed social entrepreneurship has gone through the experimentation phase, connecting social enterprises to social issues which needed resolution. Social enterprises in the country are still exploring their options, but without the support they need. Their numerous and various needs have hindered the process of their development.

Constant monitoring and evaluation of the national business environment is needed in order to provide data for the challenges and needs of the social enterprises in practice, but to also show authorities where it is a hot zone and where it is most crucial to act to improve the business environment for social enterprises.

Respondent 23 argues that *"without mechanisms that will measure the development of the field and provide data to the authorities about the obstacles that social enterprises are facing, it would be very hard to develop social entrepreneurship in the country. The authorities are not aware of what is happening on the field, and if there is such a tool that would help them see the real picture."*

Additionally, there is a need of education for social entrepreneurship in terms of drafting a business plan, strategic thinking, financial projecting, working with financial plans, creating a strategy, establishing an organizational culture among others.

Besides the aforementioned needs and challenges, involvement of the state is seen in encouraging unemployed people, to motivate potential workers.

Respondent 13 states that *"the Employment Agency Service need to make certain changes, to have people go through a mentorship program where they will not only receive social assistance, but will work to strengthen and prepare them for the job market."* In the same direction is the respondent 21 comments adding "*I am not just talking about qualifications, but to be more involved in building a working culture, to explain the authorities, rights and obligations that a person has with the employment. When a social enterprise hires a person from a vulnerable group several steps are frog leapt because it is assumed that people have working attitude and culture.*"

According to social enterprises, one of the immediate steps further should be inclusion of social entrepreneurship in the educational system, to be part of the formal education and to start from secondary education. The informal education system can back up the starting position of the social entrepreneurs, but for the future and sustainability of the concept, future entrepreneurs need to change their mindset in terms of the stream of thought, not to be motivated and live for profit, but to think from the aspect of social entrepreneurship, working towards social impact.

In a recent survey, conducted by GEN Global, where respondents were entrepreneurship support organization leaders and public sector officials responsible for entrepreneurship policy and programs, the identified barriers entrepreneurs face are in line with the given explanations in this section, with the main obstacle being the access to capital, followed by inadequate skills and training and weak support systems.

Regulatory or policy barriers are just around the corner with access to markets and mindset barriers (Figure 19).

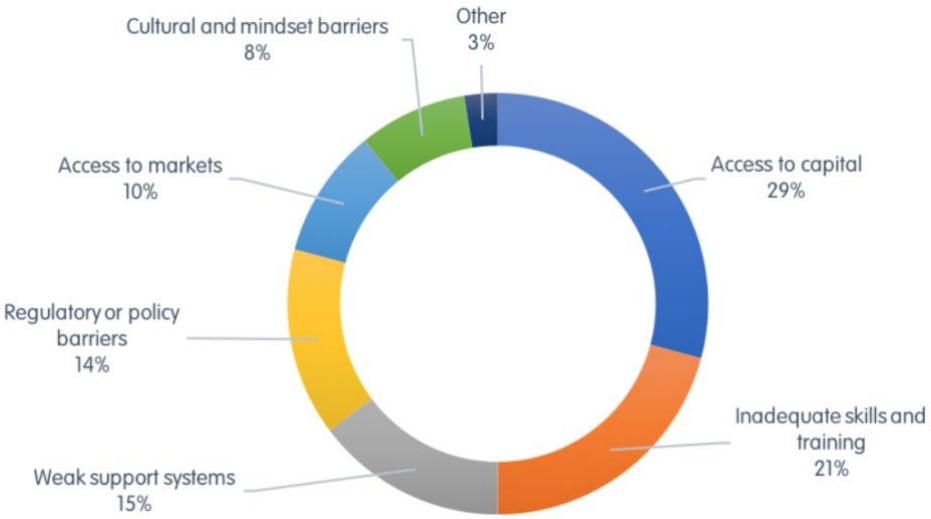


Figure 19. Identified barriers for entrepreneurs

(Source: GEN Global (2019) Barriers to Entrepreneurship: Views from Support Organizations. [Online] Available: https://www.genglobal.org/gern/barriers-entrepreneurship-views-support-organizations. [Accessed 08 January 2020])

Other challenges related to the business dimension are the citizens understanding of social entrepreneurship and their purchasing behavior. In a recent introductory study conducted by the Social Entrepreneurship Observatory, citizens vision on social entrepreneurship is blurred when compared to humanitarian organizations given that they can clearly differentiate social enterprises from traditional/commercial companies. When social enterprises are involved, the citizens look at the social mission and expect to be more involved in achieving social impact than in making profit activities (Social Entrepreneurship Observatory, 2020).

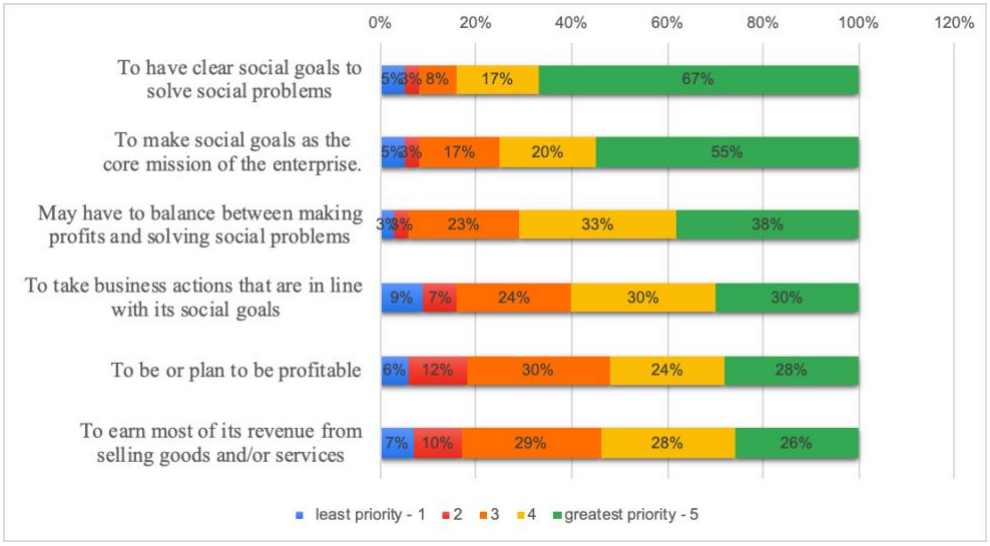


Figure 20. What should be the key priorities for social enterprises

(Source: Social Entrepreneurship Observatory (2020) Citizens Perception of Social Entrepreneurship. [Online] Available: https://seobservatory.org/wp-content/uploads/2020/07/05_Final_eng_Citizens-Perception-of-Social-Entrepreneurshipwww.seobservatory.org_.pdf [Accessed 23 July 2020])

Their purchasing behavior, consisted of the motivations and reasons for buying from social enterprises leans toward the social mission of these enterprises and the feeling of the customers/consumers that they help someone when they buy from them. The consumers intention is to buy from these enterprises desire to help achieve a higher community cause and it is not consumer choice of utilitarian value.

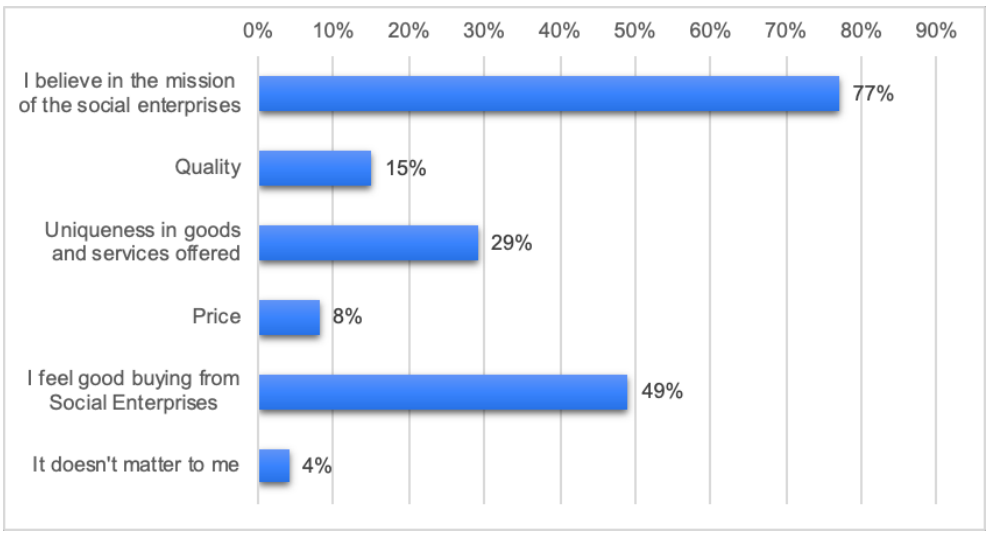


Figure 21. Motivation for buying from social enterprises

(Source: Social Entrepreneurship Observatory (2020) Citizens Perception of Social Entrepreneurship. [Online] Available: https://seobservatory.org/wp-content/uploads/2020/07/05_Final_eng_Citizens-Perception-of-Social-Entrepreneurshipwww.seobservatory.org_.pdf [Accessed 23 July 2020])

One of the biggest business challenges for social enterprises is that the consumers are not buying their products because they are competitive, have quality or are easy to find, but because the consumers think that is how they can contribute back to society and to the social cause of a social enterprise.

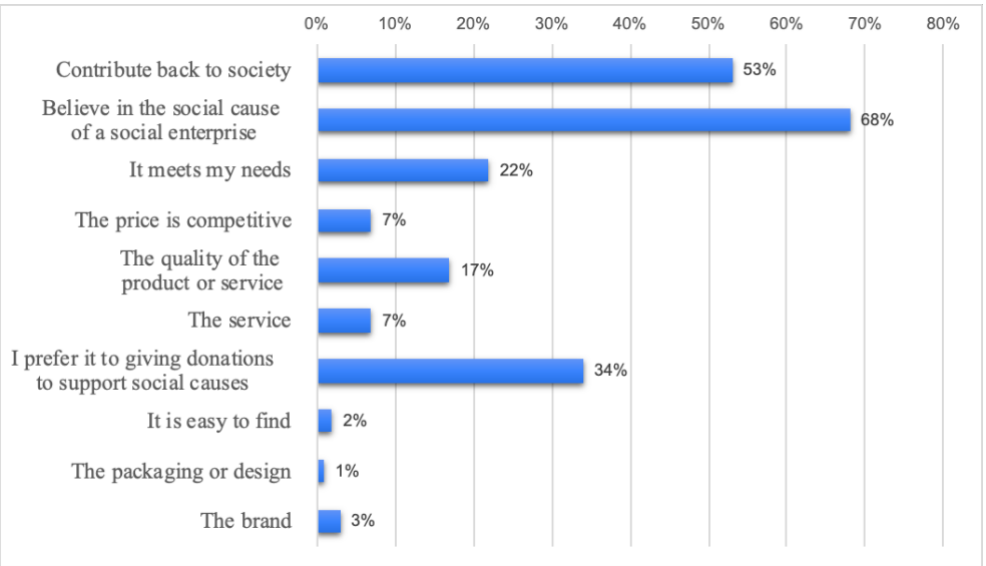


Figure 22. Reasons for buying from social enterprises

(Source: Social Entrepreneurship Observatory (2020) Citizens Perception of Social Entrepreneurship. [Online] Available: https://seobservatory.org/wp-content/uploads/2020/07/05_Final_eng_Citizens-Perception-of-Social-Entrepreneurshipwww.seobservatory.org_.pdf [Accessed 23 July 2020])

Social enterprises are double burdened, since they work to achieve profit and social impact. Attainment of their goals is even more difficult when the business environment is not conducive. In the country's current setting, the business ecosystem is not enabling for commercial enterprises, which makes it even more challenging for social enterprises. The political uncertainty contributes to such developments, especially since there is not a

foreseeable change in the scenery. The development of social entrepreneurship under these settings is one of the most challenging areas for growth and it will take a long time to achieve and reach social entrepreneurship as in states where this field is developed.

5. INTRODUCING THE NEED FOR THE SOCIAL ENTREPRENEURSHIP INDEX AS A TOOL FOR MONITORING AND EVALUATION OF THE DEVELOPMENT OF THE SECTOR

Throughout this research, we have found multiple indications for development and establishment of a variety of tools for monitoring and evaluation of separate or different sectors, issues, challenges and needs related to the development of social entrepreneurship. The diversity of numerous challenges pertaining to the field has been highlighted by participants in this research as causality for the need for such tools. The country's political vibrancy has increased the necessity for an evaluation tool that would hold the authorities accountable and responsible for their actions, but would also provide recommendations based on both theory and practice. It would provide an improved position of social enterprises to advocate toward improvement of the ecosystem that target social enterprises. Such development could be the platform they need in order to promote growth.

Respondent 6 argues that *"a combination of political will, budget calculations, benefits and impacts, measuring the ecosystem, although, I still haven't heard about such a concept where the whole ecosystem can be measured, but let's say there is such a model and it will be put in to practice. If not individually, a combination of the indicators supported by access to finance could help attract funding and private investors interested and keen on investing in this region. The funding and investments are there, but in order to reach them we need a more organized approach",* to the same question respondent 13 adds *"if such a model becomes available, it would be of great support for social enterprises since it will provide a common purpose, but also to public authorities in order to better understand the concept and become more open to communication and collaboration"*. Respondent 17 states that *"the institutions could benefit the most of such a tool given that it will provide recommendations and directions for the development of social entrepreneurship. It will make their job easier by providing guidelines what to address"*. Respondent 9 responded *"As a public official I believe that such a mechanism would be beneficial for everyone interested in the development of the field. However, it has to be developed in such a way that will include all stakeholders. It would have to provide tangible data that could be used for creation of policies and measures"*. Respondent 25 contributes *"establishment of a model that would measure the social entrepreneurship development would help the local governments to support the local*

initiatives and social entrepreneurs, but also in policy design and implementation thereof."

The need to develop a model for growth and expansion of social entrepreneurship is evident and could help the public, business and the third sector in addressing the key factors of a conducive environment for development of social entrepreneurship in the country.

However, even if such a tool is designed, developed and established, in order to measure the social value, we need practice, experimentation, experience and social enterprises that will achieve and show how they have achieved the creation of social value and reached social impact. These pioneers would have to provide data from the field, and back it up with a measurement tool that would provide evidence of the achieved results, anticipated challenges and provide immediate steps further, a road map and/or recommendation for creation of substantial and suitable policies that will foster the development of the sector.

In North Macedonia, there are not many pioneer social enterprises that could provide such information, data and direction and recommendations that could facilitate the development process. Social entrepreneurship in the country is still a nascent field and in the last few years, the discussion and the debate have been on and off. The momentum that social entrepreneurs have created over the years has opened a new dialogue about social entrepreneurship.

Currently, there are no available data on the value creation of social enterprises in the country, and there is no known and widely accepted evaluation tool specified for development of the ecosystem for social entrepreneurship. However, we provide a starting point and a possibility for development and establishment of a tool that would measure the development of the social entrepreneurship at national level in the next chapter *5.1. Social Entrepreneurship Index*.

5.1. Social Entrepreneurship Index

Before we present the Social Entrepreneurship Index parts, dimensions and indicators, we provide an overview of how these elements deliver tangible results and measurements

for development of the social entrepreneurship ecosystem in general, on a country-based level. To achieve that, we need a holistic approach to national social entrepreneurship policies that can rapidly adapt to changing circumstances, and an ever-growing evidence base is required. For that purpose, we are including these dimensions that would help to integrate policy coherently and to establish an enabling environment for social enterprises to thrive.

The holistic approach to creating national policies for social entrepreneurship includes many instruments and mechanisms related to state typology and political context, components of governance connected to the economic and socio-cultural context, coherence of the sectors and inclusion of the civil society.

When introducing the Social Entrepreneurship Index, we focus on five crucial dimensions - the political, legal, technical or institutional, financial and structural or business dimension. Since we are introducing a tool that would measure the development of the ecosystem for social entrepreneurship, we focus on policy coherence between dimensions, subdimensions and indicators.

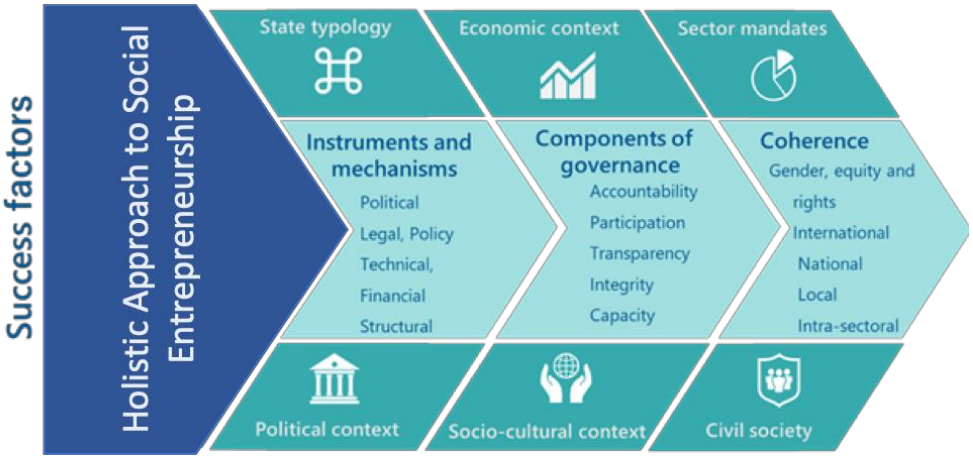


Figure 23. Holistic approach to social entrepreneurship

(Author's own interpretation)

The cross-border nature of the economic, environmental and social problems that gave rise to the Sustainable Development Goals reinforce the importance of utilizing regional and inter-country mechanisms, as well as legal instruments (Figure 24) to tackle social-related issues within these domains. Moving forward, it will be of utmost importance to

ensure that the most successful regional policies for social entrepreneurship are leveraged in support of the 2030 Agenda.

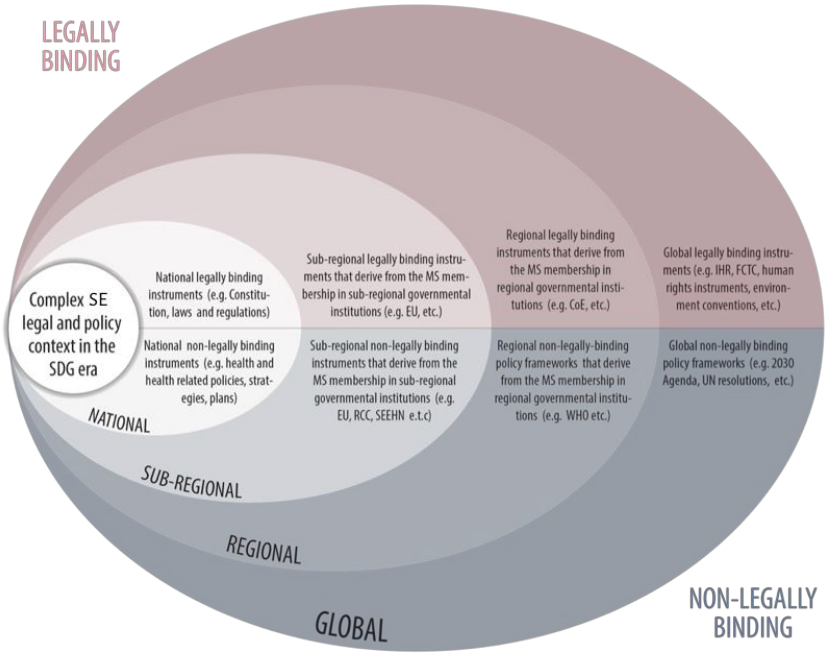


Figure 24. Legal and policy context of national social entrepreneurship policies in the SDG era

(Author's own interpretation)

Social entrepreneurship policies are an integral part of furthering social, economic and environmental, as well as sustainable development in countries. Developing comprehensive and feasible national social entrepreneurship policies is simultaneously a political and a technical process, and both of these aspects should be repeatedly acknowledged as policies develop. As indicated in Figure 25, national social entrepreneurship policies should consist of dynamic, non-linear approaches that engage stakeholders at several levels and across various sectors to achieve multiple aims. Given this complexity, one-dimensional approaches to national social entrepreneurship policies are ill-suited to addressing multi-dimensional social problems, as well as the needs of present and future generations. Instead, flexible, integrative and holistic approaches to national social entrepreneurship policies that can rapidly adapt to changing circumstances and an ever-growing evidence base are required. Well-designed national social entrepreneurship policies processes engage both professional policymakers and the

general public in identifying social priorities, needs and areas for strategic action. In addition to enhancing accountability, public engagement can also reduce and pre-empt resistance to introduction and implementation of social reforms, and, ideally, channel and generate public support. Furthermore, empowering citizens through democratic policy-making processes has been shown to enhance social capital (Putnam et al., 1993).

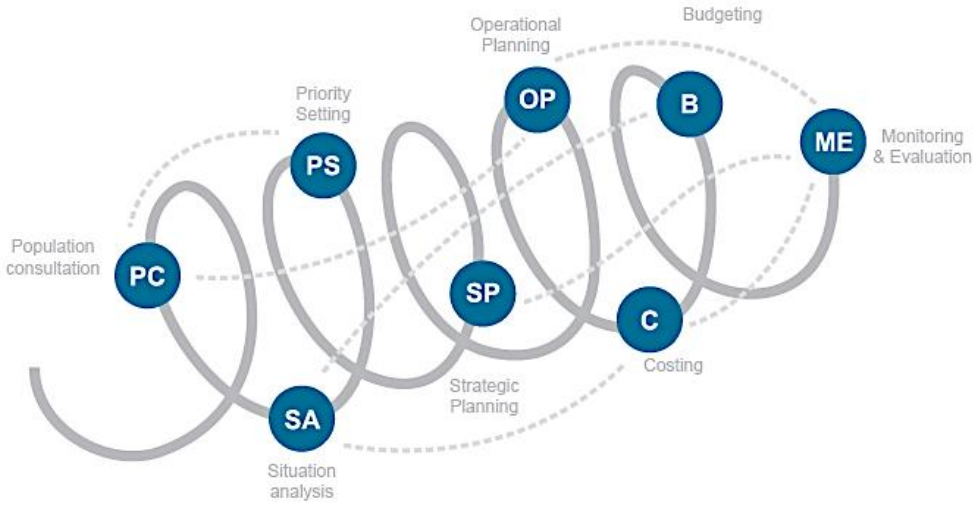


Figure 25. How the national social entrepreneurship policies development process should be

(Source: World Health Organization (2016) Strategizing national health in the 21st century: a handbook. Geneva)

National social entrepreneurship policies should be evidence-based and outcome-focused. The Sustainable Development Goals illuminate the ability of national social entrepreneurship policies to advance, and even accelerate social, economic and sustainable development through inclusive policy dialogue, as well as by mainstreaming social entrepreneurship across economic, environmental and social domains in countries. Furthermore, re-envisioning the normative underpinnings of national social entrepreneurship policies is essential for catalyzing this transformation.

Transformative change for social, economic and sustainable development requires a paradigm shift in development and implementation of national social entrepreneurship policies, leading to a range of combinations and permutations in implementation plans, changes in how policy instruments are employed and other innovations necessary to achieve strategic goals and meet international commitments. Evidence suggest that

policies promoting such a shift include a universal rights-based approach, policy integration across the economic, environmental and social domains, markets that work for society and the environment, and empowered participation.

5.1.1. Perception About the Ecosystem for Social Entrepreneurship in North Macedonia

While conducting this research, we have asked the interviewees to provide their view and perception of how they understand the ecosystem for social entrepreneurship in the country, what is its current situation and how they think it should be. We asked the respondents to tell us how do they perceive the current state of the development of social entrepreneurship in relation of the determinants.

Respondent 7 states *"for me, it is ideal when the political factors influence the institutional, financial and legal factors. I think that what is done in practice is not conducive and what is said that it is going to be done seems to be ideal. In practice, however, what I see is that the political factors and influence is not enabling"*, to the same question respondent 12 adds *"the reality is that if tomorrow there is a tender, no social enterprise will have the capacity to apply on one hand, and on which criterion the enterprise will prove to be a social enterprise on the other."* Respondent 4 argues that "*there is an expression of political will, but the practice shows that the political will is only on paper"*.

For respondent 14*, "these are factors that one cannot do without the other in the chain. So, if you don't have policies ... Let's talk about the country from a positive point of view - if you have policies, you should also have finances that will help social enterprises to get on their feet. If you don't have those finances, you need to have good promoters and leaders who will lead the social enterprises and provide opportunities for the next ones that are going to set up the social enterprises. If you have the leaders, you have to have the human resources as well ... that means employees. And lastly, there is the market, where you need to present yourself well and market yourself so that your service or product can find its way to the end-user."*

We presented the political dimension as a circle and the legal, institutional and financial dimension each of them as a corner of a triangle (Figure 26).

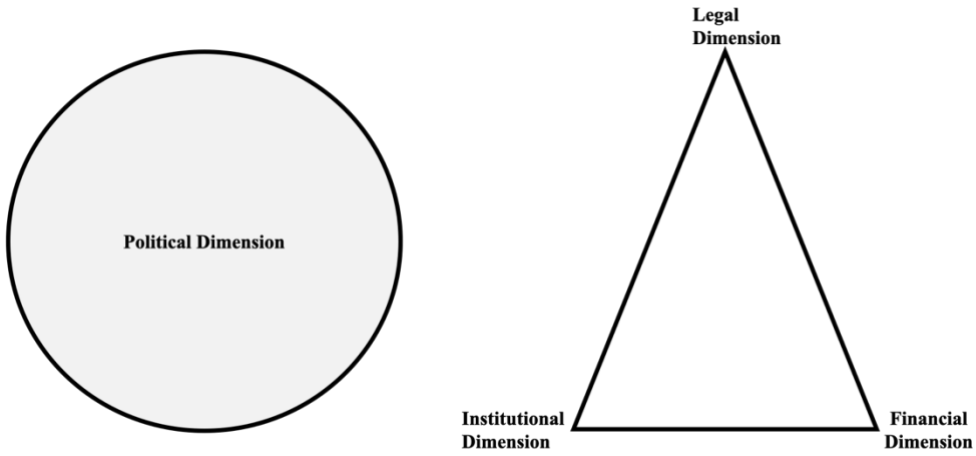


Figure 26. How the dimensions were presented

(Author's own interpretation)

In terms of the political dimension, it was clear that it is overreaching dimension and that development of the other dimensions is dependable on the political situation and will. After establishing the position of the dimension and its role, the evidence of the research showed that the expectation of a conducive ecosystem for development of social entrepreneurship should contain all dimensions in one place, feeding and sustaining each other (Figure 27). The political dimension should be expanded and developed further in order to provide space for the other dimensions to thrive.

The government plays a key role in development and establishment of the social entrepreneurship as a legitimate field that can help and find solutions to social and societal issues. The imbalance of harmony between the government and the social sector makes the difference in whether the sector is going to develop. Thus, the political climate is an essential factor in development of the field. The country's political stability is a key indicator, in this case, subdimension with several indicators, as to whether it will facilitate or hinder the development of the social entrepreneurial activities, behaviors and performances. Austin et al. (2006), Chowdhury (2007), Poon (2011), among many other scholars, state that the political stability has an enormous influence on economic development and growth, as well as on business growth. Chowdhury et al. (2013) go even further stating that it is a pre-condition for development of businesses globally.

Additionally, political will is also linked to political stability. The government's focus on development of social entrepreneurship is crucial. Development of the factors

(dimensions) depends on undertaking steps for development of the field, such as policy changes, regulation and including social entrepreneurship on the political agenda, which can also be seen as a manifestation of political will. It is obvious that without political stability and political will the economy is obstructed and it is almost impossible to record economic growth.

This research has confirmed that that the political dimension presented by the political stability and will, among other indicators and situations, is the overreaching dimension and it is crucial for development of social entrepreneurship.

Respondent 8 states *"In terms of what it should be like, I mentioned that each of the factors should develop together, so I would mention that this is a very important moment because speaking nationally, I will not end this, I will put the circle out, that means with all the possible factors we are involved with. Unfortunately, the state at this moment and in the past decades as well is just continuing to sink in the sense that the state is not taking matters into its own hands. To help in any sector that is being prioritized by the people, currently the social entrepreneurship, among others",* while to the same question respondent 17 asserts *"the interconnectivity is very strong because, in order to revive and sustain, the concept requires a strong enabling environment which will provide a legal framework that includes support mechanisms and benefits. These benefits and support mechanisms determined in the legal framework need to be fully supported by the partners, i.e. the institutions in order to function"*. Respondent 27 responded *"if there is no political will, there will be no development of the legal regulation, no available funding, and what can the institutions do!?"*

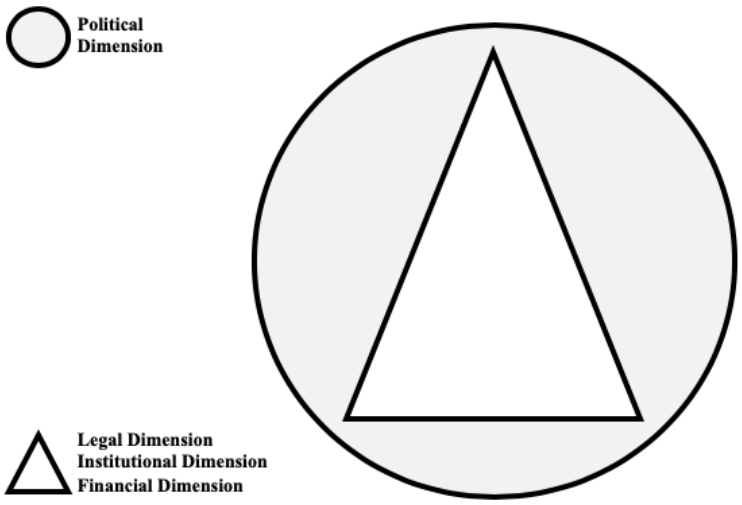


Figure 27. How a conducive ecosystem for development of social entrepreneurship should look like

(Author's own interpretation)

The business environment has been stressed as one of the areas that the government needs to focus on developing, both for social and commercial enterprises. This environment is comprised of a combination of factors from all the dimensions mentioned in this research. Because it has been highlighted by the interviewees, we included it in the results and conducted the same exercise, now with the business environment included. To better present and do the exercise, we changed it from a triangle into a diamond. It was more suitable for the research process and later for the presentation and dissemination of the results (Figure 28).

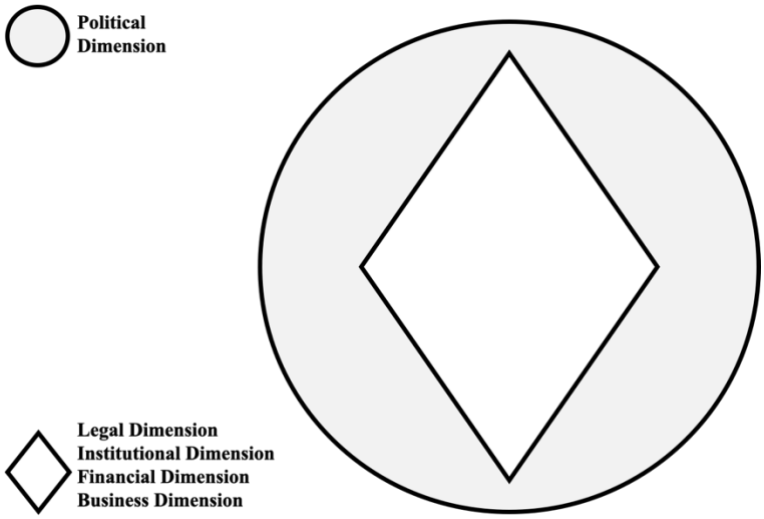


Figure 28. How a conducive ecosystem for development of social entrepreneurship should look like, the business environment included

(Author's own interpretation)

The interconnectedness of the factors has been highlighted as essential for development of social entrepreneurship. For instance, the legal framework cannot be developed, without developing the other aspects. It must be a coordinated process in which participation is key. It is crucial to say that the government cannot create a policy for a person or an organization without inquiring their needs. The evidence show that development should take place all around the sectors, which requires active participation of employees, users or stakeholders. Consequently, the lack of inclusiveness and

participation in the policy and decision-making and implementation process at all levels has been mapped by the interviewees as one of the main challenges for the development of the sector. Good governance is a vital factor and has a huge impact on development of the country, as well as on social entrepreneurship.



Figure 29. Interconnectedness of the factors

(Author's own interpretation)

Currently, the research showed that the environment for development of social entrepreneurship in the country is not conducive. The sector needs a more systematic approach and cannot afford to be unorganized. The policies have to be coherent and harmonized in order to deal with such serious issues.

The results also determined that there is a need for capacity building, financial support, partnerships with local and state institutions, regional networks and especially export channels and hopefully, the government will not neglect the business aspect, and this is just the base for development of the field. What is also essential are business skills, management practices, skills for export, finance for sales delegation, marketing, IT and all that is interconnected with traditional businesses.

Support from the government is currently missing, and it is very important as an incentive for future social entrepreneurs. Currently, social enterprises future is uncertain. The government should contemplate concerning the support for development of social entrepreneurship and to recognize social enterprises as solutions to social problems.

Incentivizing the sector should foster opening of social businesses as initial response to resolution of problems. The change in the mindset of both the government and the general population is needed in order to introduce a culture in the country in which a social enterprise is recognized as a problem-solver. If that could happen in the near future, it would mean that a great deal of work would be done and the bases for development of social entrepreneurship would already be established.

Respondent 5 adds *"we need political will and an expert person at the head of the Ministry of Labor and Social Policy. Lately, we had some positive shifts with a minister coming from the non-governmental sector or from the field and a feeling that there is a little more sense about this. Some small shifts, but this would be the answer that first a political will is needed. Irrelevant whether if it is this particular minister or another…"*

In terms of how the interviewees view the current ecosystem for development of social entrepreneurship in the country, we will present three scenarios which were a result of the research. In the first scenario (Figure 30), the perception of the contemporary system for development of the sector is that the political dimension is not up-to-date with latest developments in social entrepreneurship, globally and regionally. The current system for development of social entrepreneurship bares traces form the past political system, and there are no major changes in that area. The legal environment is status quo, the institutions do not recognize social enterprises, the financial instruments are almost non-existent and the business environment is not conducive for commercial enterprises and even more so for social enterprises. In this scenario, the political dimension needs to expand. The government should provide stability in the country, commence effective and efficient policy implementation that will include financial instruments for growth of the sector and scaling of social enterprises. Capacity building for both public officials and social entrepreneurs is needed to induce a change in the mindset.

Respondent 2 states *"at the moment I would fit the political dimension inside the triangle literally because it is a little bit on the narrow side, which does not mean that I favor it."*

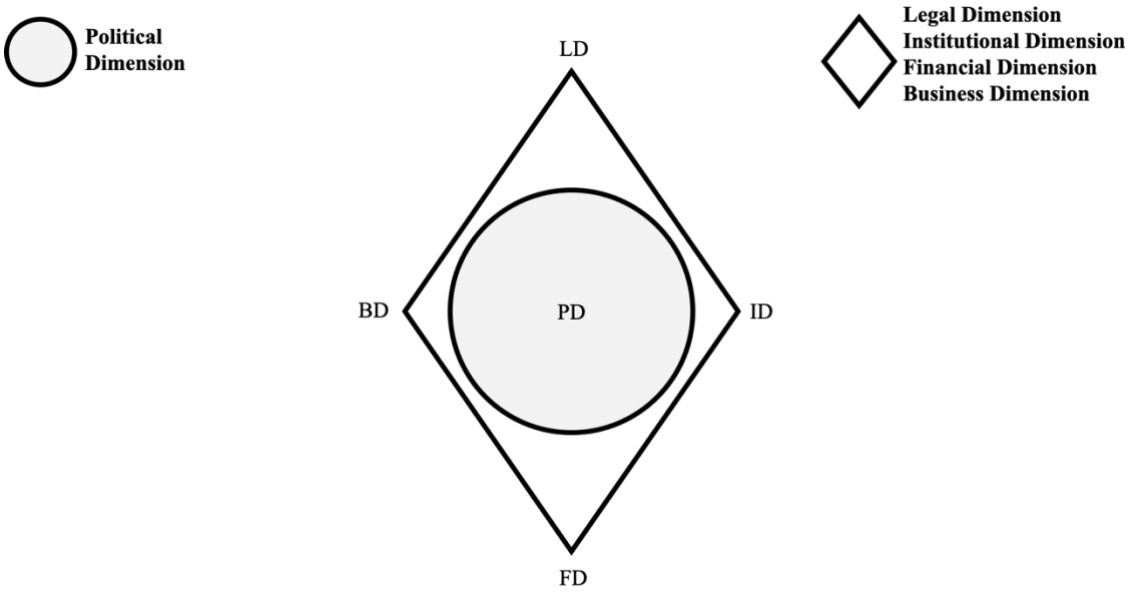


Figure 30. Scenario 1 - Perception of the current ecosystem for development of social entrepreneurship in North Macedonia

(Author's own interpretation)

In the second scenario (Figure 31), the political dimension is mostly focused on development of the legal dimension, but without any prospective solutions. There are no any new developments in this area in the last years, although there is some information that a law on social entrepreneurship is in the works.

Respondent 10 argues that *"the legal framework cannot be developed while the other aspects are missing, so it must be a coordinated process and it must be I don't know how many times I mentioned the word participation in this interview but that is crucial. Again, I will say you cannot create a policy for someone, social enterprises in this case, without asking what they need. It is not something you can draft in a document that stands there since a lot of money are spent on designing draft-laws. In the future, we'll be a member of the European Union and subject to a series of directives that will manage and highlight good governance, and finally the responsibility of employees"*.

However, that is not even remotely enough to what is needed in the other dimensions, especially in the institutional and financial ones, which contribute to development of the business dimension. Institutions are not prepared for development of social entrepreneurship, not only because they do not understand and recognize the concept, but

also because most of the institutions operate in their traditional ways without the prospect of adapting and accepting change.

Respondent 24 states that *"we need capacity building for both national and local institutions and social enterprises. With some institutions we had collaboration and still do, but in other just did not happen. I have to say that in some cases I cannot blame them, they do not have the capacities, I mean to do the work that is why they need a person who will work on those aspects"*

In the financial dimension, the research showed that the focus should be on attracting investments, more funding for social funds, funding that would come from domestic and foreign capital, private or from the European Union, funding that would be invested in social enterprises under the criteria needed for social enterprises, seed grants as initial investments, more venture capital, a second stage of financing that will cover a larger volume of funds, regional expansion, and others.

Respondent 5 adds *"If I am a decision-maker, I would start with attracting investments, funding. We have to start from somewhere. We can't develop staff of both social and managerial level if they don't have funds which would attract investments and will provide motivation for investors to get into social entrepreneurship."*

In the business dimension, market rules need to be set to begin with. However, the start should be more focused on the financial dimension, since staff on both social and managerial positions cannot be developed if there are no funds to adhere to and will continue to demotivate others to assume such social entrepreneurship activities/practice.

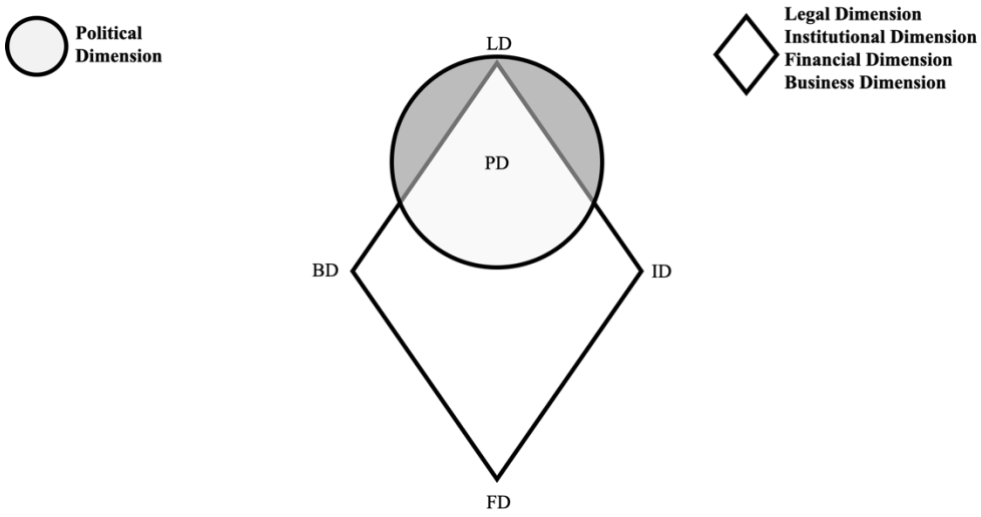


Figure 31. Scenario 2 - Perception of the current ecosystem for development of social entrepreneurship in North Macedonia

(Author's own interpretation)

In the third scenario (Figure 32), the largest change is in the institutional dimension. The perception is that institutions work mostly with social enterprises, especially after subsidies and grants. The political dimension is still not conducive enough and it is still inside the diamond. The focus of political institutions is still more shifted on development and improvement of the institutions, instead on providing an improved financial and business dimension.

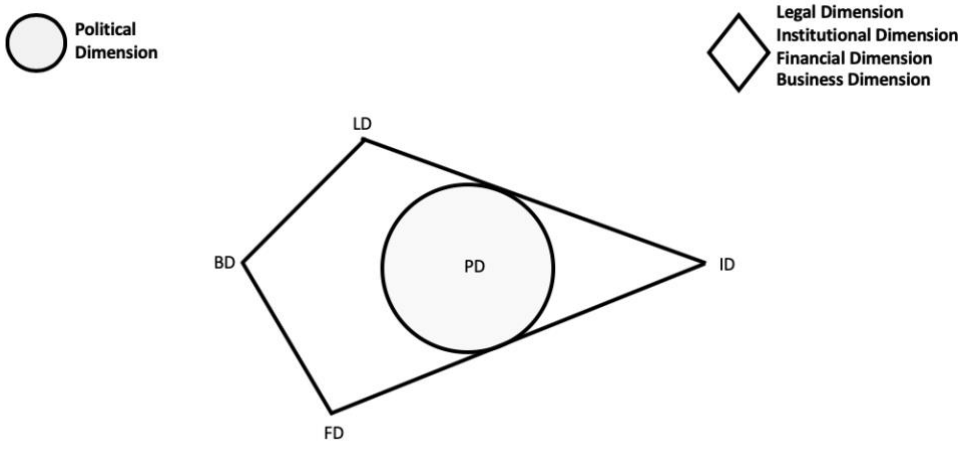


Figure 32. Scenario 3 - Perception of the current ecosystem for development of social entrepreneurship in North Macedonia

(Author's own interpretation)

The similarities of these three scenarios, especially in political, financial and business dimension, are astonishing. There is no movement forward and no improvement in the expression (manifestation) of political will, sources of funding and access to funding, and business environment. Policy coherence is one of the ways and solutions that can be adopted to bring the ecosystem a step further and to improve the policies by using bottom-up and top-down approaches, including all policies related to social entrepreneurship dimensions. An inclusive process in which participation of all relevant stakeholders is crucial for social entrepreneurship development.

5.1.2. Policy Coherence for Social Entrepreneurship

All UN members have committed to pursuing policy coherence and to creating an enabling environment for sustainable development and SDG target 17.14 (to "Enhance policy coherence for sustainable development"). Coherence is also one of the 3Cs (coordination, complementarity, and coherence) incorporated into the Treaty of Maastricht and thereby serves as a foundational element of the European Union's development framework.

Policy coherence promotes social entrepreneurship and sustainable development by embedding social entrepreneurship priorities within the economic, environmental and social domains of policymaking, both domestic and international. In so doing, it seeks:

(i) To positively reinforce and even accelerate implementation of global and regional policy frameworks supporting social entrepreneurship and sustainable development at national and subnational levels;

(ii) To identify trade-offs between domestic and foreign policy objectives in the context of other international commitments;

(iii) To reconcile any apparent trade-offs; and

(iv) To prevent negative spill-over effects across space and time, ensuring that activities currently taking place in one country do not undermine – and ideally instead support – both the developmental aspirations of other countries and those of present and future generations.

National social entrepreneurship policies play a crucial role in achieving policy coherence, particularly within the context of broader national development plans. Policy coherence is inextricably linked to policy dialogue, including verbal and written communication between all actors related to policy development and implementation. More than merely defining the vision and undertaking plans and actions to improve social entrepreneurship, national policies focused on social entrepreneurship can institutionalize an ongoing process that ensures mutually beneficial, constructive and meaningful policy dialogue across sectors, agencies, levels and technical areas. Such policies, then, are one mechanism through which the country could fulfil the commitment to policy coherence and to foster the conditions necessary for sustainable development of social entrepreneurship. It is this *process* – as much as any national policy document itself – that facilitates the transformative change required for improving social entrepreneurship in the context of the 2030 Agenda.

National social entrepreneurship policies also facilitate policy coherence for sustainable development of social entrepreneurship, by encouraging countries to consider the effects of their national social entrepreneurship policies holistically, within and beyond their own national borders, now and in the future, as well as their effects for sustainable development. Figure 33 presents critical questions to be asked at different stages of the policy process to promote policy coherence for social entrepreneurship.

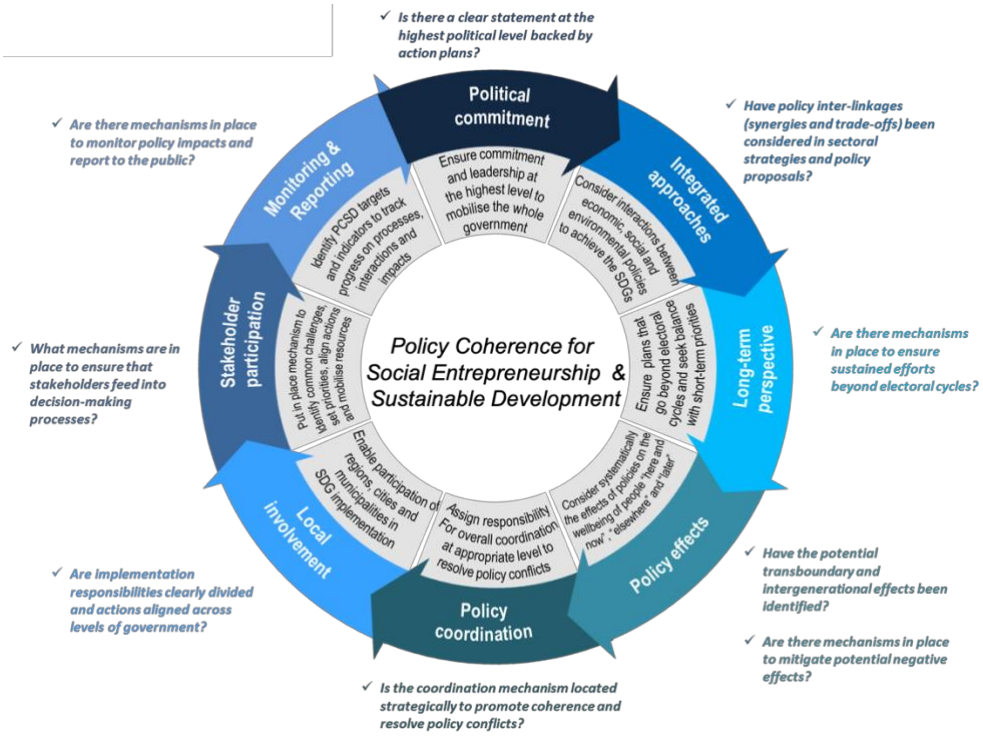


Figure 33. Questions to promote policy coherence for social entrepreneurship and sustainable development

(Source: Adapted from Figure 1.1 in the OECD's Policy Coherence for Sustainable Development 2017: Eradicating Poverty and Promoting Prosperity, p.21)

5.1.3. Vertical and Horizontal Policy Coherence

Vertical policy coherence for social entrepreneurship is achieved through democratic processes of dialogue and coordination between stakeholders at all levels. This consensus-building process determines both the direction of travel and the subsequent implementation strategy needed to promote social entrepreneurship and sustainable development. Considerable challenges remain in achieving vertical coherence; fragmentation between international agencies and national governments combined with persistent power imbalances between richer and poorer countries can undermine democratic practices and processes. Some policy domains, such as the economic policy domain, may come to dominate the policy space over the social and environmental domains, and certain voices may be systematically excluded.

Horizontal policy coherence for social entrepreneurship is achieved through balancing priorities and activities within the economic, environmental and social policy domains to ensure that actions taken in one domain do not cancel out actions in other domains, as well as to ensure that these actions promote activities that accelerate attainment of Sustainable Development Goals across domains (Kickbusch & Glicher, 2012). Ensuring that national social entrepreneurship policies reinforce and perpetuate appropriate modes of policy coordination for social entrepreneurship and sustainable development across and between agencies and sectors will be essential to promoting policy coherence and strengthening partnerships across policy domains, while ensuring that key stakeholders travel together toward Sustainable Development Goals attainment.

5.1.4. Organizational Properties Affecting Policy Coherence

Policy coherence is also a function of intra- and inter-organizational dynamics. Evidence suggests that international organizations (both governmental and non-governmental) facilitate purposive action and that the nature of such action depends

heavily on the organization's mandate and its resource base, including monetary, technical and ideational resources (Kentikelenis & Shriwise, 2016).

Cutting across sectors, agencies, levels and technical areas, policy coherence for social entrepreneurship and sustainable development implies cooperation among key stakeholders, better sequencing and integration of policy instruments, and adequate capacity to address coordination problems that often result in, and even perpetuate, incoherence. While some degree of incoherence is present in all policies, policy incoherence becomes problematic when: it induces conflicting normative and conceptual points of departure; fundamental imbalances in the policy space which result in the exclusion of key stakeholders from the policymaking processes; or the priorities of one policy domain consistently take precedence over others, so that actions taken within one domain or technical area cancel out others. For example, global governance structures tend to facilitate economic expansion and growth through trade, finance and investment but do so with insufficient consideration for other policy areas, such as social issues and the environment.

5.1.5. Dimensions, Subdimensions and Indicators of the Social Entrepreneurship Index

Policy coherence is the basis for development of social entrepreneurship. In the previous sections, we explained what are the challenges and needs of the sector, but also, we provided some solutions about how to bridge the challenges and improve development of social entrepreneurship. Now that we established the need for such interventions, we have developed grounds for a model for growth and expansion of social entrepreneurship in countries, by measuring the contemporary external factors, the environment, or the ecosystem in which social entrepreneurship works, the perception, satisfaction and experience of the practitioners, academia, and all other relevant stakeholders, in order to find what and where are the accelerators and bottlenecks for development of the field and provide solutions for them. This model role is not only to provide an assessment of the ecosystem for social entrepreneurship, but also to tackle the issues and provide the immediate next steps for its improvement.

In this section we will explain the possible dimensions, subdimensions and indicators for measuring development of the social entrepreneurship through the Social

Entrepreneurship Index. The Index is consisted of five dimensions, 17 subdimensions and 59 indicators. The included dimensions are political, economic, legal, institutional and financial dimension (Figure 34).

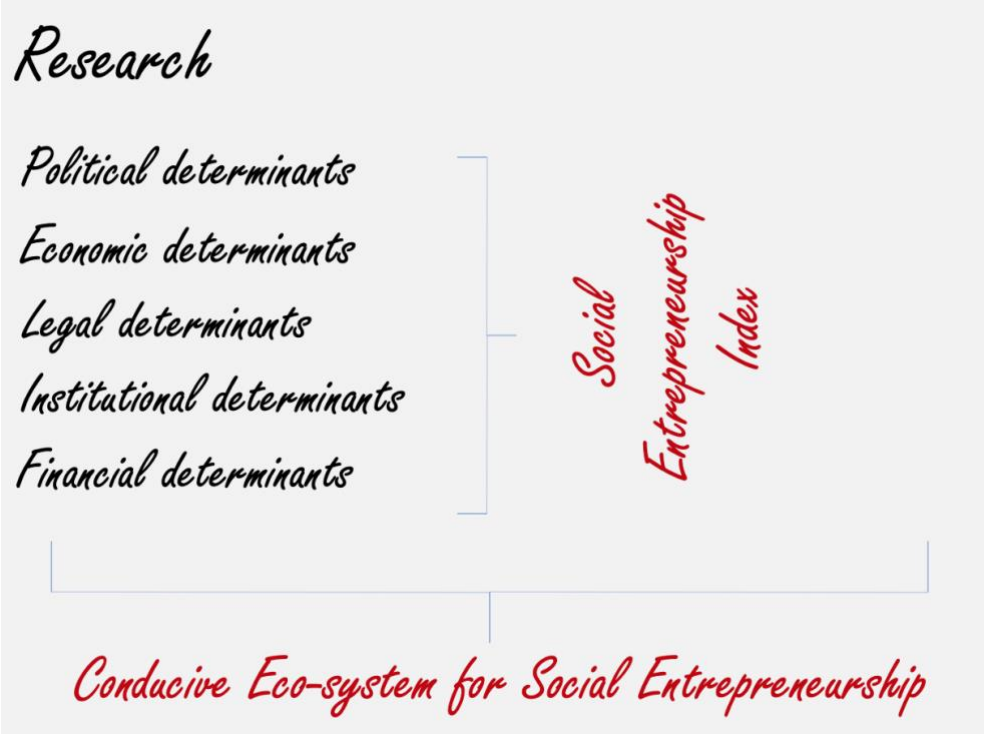


Figure 34. The five dimensions of the Social Entrepreneurship Index

(Author's own interpretation)

The integral parts of the Social Entrepreneurship Index are developed in accordance with the literature, Global reports and research conducted on the field. This Index is an aggregator of data related to the development of the sector, complemented by research on the field.

For implementation of the Social Entrepreneurship Index, mixed methodological approach should be used. Quantitative data is gathered through data from the Global reports and secondary sources, but also through questionnaires targeting social entrepreneurs and employees of social enterprises. The qualitative data will be gathered through semi-structured (in-depth) interviews about the perception, satisfaction and experience of the practitioners, academia, and all other relevant stakeholders. Using this methodological approach, we gather data for country indicators in different dimensions, socio-demographic data, data related to the social enterprise, and others.

5.1.5.1. Political Dimension

We start with the political dimension as the overarching dimension that connects the dots and pieces with the other dimensions. Its main subdimensions are political stability and political will. These indicators and subdimensions constitute the first dimension of the Social Entrepreneurship Index, which is measured using a mixed methodological method. Political stability is measured by researching secondary data in terms of the Global reports, such as: Corruption Perception Index, Global Innovation Index, Freedom in the World report, World Governance Indicators, and others. The political will is measured by using quantitative and qualitative methodological approach, in particular document analysis, survey and in-depth interviews. The calculations vary for each indicator. For example, data on government effectiveness is acquired from the Worldwide Governance Indicators score. For Rule of Law, data is acquired from the Worldwide Governance Indicators in percentage plus the calculation of the percentage of the Global report Freedom in the World divided by two (the formula: % of WGI + % of FH (calculate percentage)/2). Other examples for sources and calculations for the Political dimension of the Social Entrepreneurship Index are presented in Figure 35.

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
1.0 Political	*1.1*	*Political stability*	1.1.1	Government effectiveness	Worldwide Governance Indicators (WGI)	% of WGI data
			1.1.2.	Political and operational stability	Global Innovation Index	Global Innovation Index Score
			1.1.3	Rule of law	Worldwide Governance Indicators Freedom House (Freedom in the World)	% of WGI + % of FH (calculate percentage)/2
			1.1.4	Corruption	Worldwide Governance Indicators Transparency International (Corruption Index)	% of WGI + % of Corruption Index/2
			1.1.5	Civil liberties	Freedom House (Freedom in the World)	% of Freedom in the World
	1.2	*Political will*	1.2.1	Policies for development and promotion of SE	Desk research of government, regions and municipalities strategies and programs, and other national documents and reports (keywords-based research)	% of policy documents for development and promotion of SE
			1.2.2	Collaboration of national institutions with other sectors	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of satisfied + very satisfied/2
			1.2.3	Concerns and risks	OECD World Bank Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception)	Mentioned by OECD and World Bank, and expert's perception

Figure 35. Social Entrepreneurship Matrix for the Political Dimension

(Authors' own interpretation)

Figure 35. Social Entrepreneurship Matrix for the Political Dimension

(Authors' own interpretation)

5.1.5.2. Economic Dimension

The second dimension of the Social Entrepreneurship Index is the Economic Dimension. It covers three subdimensions Macroeconomic and Microeconomic Status of the country and Access to Market. This dimension is measured through 15 indicators presented in Figure 36.

For this dimension, secondary sources of data are predominantly used, such as Global Entrepreneurship Monitor Index, Global Innovation Index, Index of Economic Freedom, Consumer Price Index, State Statistical Office, but also a survey with public, private, and CSO/NGO sector, experts, social enterprises and employees of social enterprises (perception and satisfaction).

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
2.0 Economic	2.1	*Macro economic*	2.1.1	Consumer Price Index (CPI)	World Bank State statistical office	% of WGI + % of SSO/2
			2.1.2	Gross Domestic Product (GDP)	World Bank State statistical office	% of WB + % of SSO/2
			2.1.3	Economic growth (GDP)	World Bank State statistical office	% of WGI + % of SSO/2
			2.1.4	External debt to Gross National Income (GNI)	World Bank	% of World Bank data
			2.1.5	Unemployment	State statistical office (Labor market statistics)	% of SSO data
			2.1.6	Youth Unemployment	State statistical office (Labor market statistics)	% of SSO data
	2.2	*Micro economic*	2.2.1	Taxation	OECD World Bank Regulations Survey with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of perception – enabling and very enabling % of satisfied and very satisfied
			2.2.2	Firm birth rate	State Statistical Office	% of new firms to active firms (NF/AF) *100
			2.2.3	Firm death rate	State Statistical Office	% of closed firms to active firms (CF/AF) *100
			2.2.4	Survival rates of newly born enterprises	State Statistical Office	% of 1-year survival rate
			2.2.5	Investment in business sector	State Statistical Office Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of GDP % of satisfied and very satisfied
			2.2.6	Ease of getting credit	Global Innovation Index	% of Global Innovation Index data
	2.3.	*Access to market*	2.3.1	Public authorities are using reserved contracts (social clauses) in their procurement	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of public procurement calls with reserved contracts (social clause)
			2.3.2	Social enterprises have access to support for responding to calls for tender	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of SEs that have asked and received support for public procurement
			2.3.3	Measures that support social enterprises' access to private markets	Organizational Survey with SE Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of yes to both variables

Figure 36. Social Entrepreneurship Matrix for the Economic Dimension

(Authors' own interpretation)

5.1.5.3. Legal Dimension

The third dimension is the Legal dimension, encompassing four subdimensions: Definition, Legal Identity, Regulation and Judiciary. The dimension includes 12 indicators calculated by using both primary and secondary data (Figure 37).

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
3.0 Legal	*3.1*	*Definition*	3.1.1	The case of definition	Survey and in-depth interviews with public, private, and CSO/NGO sector, social entrepreneurship experts (perception and satisfaction)	Highest % of chosen definition
	3.2	*Legal identity of social enterprises*	3.2.1	Social enterprises are legally recognized	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of subjective views and experience Legal Framework Subjective experience with legal forms for social enterprises
			3.2.2	Legal forms of social enterprises	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	Legal Framework Subjective experience with legal forms for social enterprises
			3.2.3	Legislation on social enterprises is pertinent and has been developed together with relevant stakeholders	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of included in legal and policy development % of applicable /2
			3.2.4	Administrative procedures specific to social enterprises are accessible and clear	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of accessible, clear, accessible and clear
	3.3	*Regulation*	3.3.1	Ease of starting a business	Global Innovation Index Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of Global Innovation Index data % of satisfied and very satisfied
			3.3.2	Ease of resolving insolvency	Global Innovation Index Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of Global Innovation Index % of satisfied and very satisfied
			3.3.3	Subjective experience of the regulation	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of enabling and very enabling % of satisfied and very satisfied
			3.3.4	Experience of illegitimate restrictions	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of No.
			3.3.5	Burden of government regulation	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
	3.4	*Judiciary*	3.4.1	Judicial Efficiency	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
			3.4.2.	Judicial Independence	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of Independent

Figure 37. Social Entrepreneurship Matrix for the Legal Dimension

(Authors' own interpretation)

5.1.5.4. Institutional Dimension

The fourth dimension is the Institutional dimension. It includes the subdimensions efficiency, protection, education, transparency and social enterprises inclusion. Each of these subdimensions has a crucial role to play in the development of social entrepreneurship in a country. There are 17 indicators forming this dimension presented in Figure 38.

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
4.0 Institutional	*4.1*	*Efficiency*	4.1.1	Efficiency of the legal framework settling disputes	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.1.2	Efficiency of government spending	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
	4.2	*Protection*	4.2.1	Strength of auditing and reporting standards	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.2.2	Protection of minority shareholders' interests	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.2.3	Strength of investor protection	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
	4.3	*Education*	4.3.1	Tertiary education enrolment rate	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.3.2	Quality of educational system	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.3.3	Staff training	Organizational Survey with SE	Global Competitiveness' Index score
			4.3.4	Dedicated training initiatives available to social enterprises	Organizational Survey with SE	% of organizations that have been involved in such trainings
			4.3.5	Access to coaching and mentoring programs	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of organizations that have been involved in such programs
			4.3.6	Business development support structures available to social enterprises (Incubators & Hubs)	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of organizations that have been involved in such programs
	4.4	*Transparency*	4.4.1	Transparency of government policymaking	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
			4.4.2	Government and civil service transparency	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
			4.4.3	Budget transparency	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
	4.5.	*Social enterprises inclusion*	4.5.1.	Social services offered by the social enterprises	Survey and in-depth interviews with public, private, CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	Satisfaction percentage Case studies Evidence
			4.5.2	Relation between Institutional bodies and social enterprises	Survey and in-depth interviews with public, private, CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	Likert scale
			4.5.3	Process for developing policies to support social enterprise development	Survey and in-depth interviews with public, private, CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	Likert scale

Figure 38. Social Entrepreneurship Matrix for the Institutional Dimension

(Author's own interpretation)

5.1.5.5. Financial Dimension

Measuring the development of the financial support for social enterprises is complicated, but the importance thereof cannot be diminished. This dimension shows whether the field of social entrepreneurship has support from various stakeholders and, if yes, how to get that support. It also shows potential and perspective of the field and sends a message to the current and future social entrepreneurs that they are on the right track.

The last dimension is one of the most challenging aspects for social enterprises i.e. the Financial dimension. The focus is on sources of funding, access to them and the financial independence or dependence of the social enterprises. It is comprised of seven indicators shown in Figure 39. In this dimension, the data is mostly based on primary data.

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
5.0 Financial	5.1	*Available sources of funding*	5.1.1.	The financing market has been mapped	Document analysis; Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	Results from the document analysis Sources started with Sources used
			5.1.2	Sources of funding	Document analysis; Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	Results from the document analysis Sources started with Sources used
			5.1.3	Private funders	Document analysis; Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	Results from the document analysis Sources started with Sources used
	5.2	*Access to available sources of funding*	5.2.1.	Access to funding	Document analysis; Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	% easy access Case studies Evidence
			5.2.2	Access to public funds	Organizational survey	% of easy access Case studies Evidence
			5.2.3	Financing SMEs	World Bank	Score
	5.3	*Financial dependence*	5.3.1.	Financial dependence	Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	Case studies Evidence Perception % of revenues from economic activities

Figure 39. Social Entrepreneurship Matrix for the Financial Dimension

(Author's own interpretation)

5.1.5.6. Performance Assessment

The Social Entrepreneurship Index structures the assessment of performance holistically, using three steps.

1. Performance is defined and structured around five key performance dimensions that reflect what is strategically important for development of social entrepreneurship in the country.
2. Performance is assessed for each dimension with a set of performance attributes (indicators) that set forth clear expectations for delivery by variety of actors. These attributes clearly define exactly what is being measured under each dimension.
3. Each attribute is scored using a 0-100-point scale, using a common set of criteria across the outputs.

A scale with detailed explanation of the range of ratings should be provided to ensure a more objective measurement of the attribute. The average score of the attributes under each dimension defines the score for that dimension.

The approach to selecting leading indicators also represents a change in the way in which the indicators will be used to measure performance. The output delivery has been established by developing a logic model, or theory of change, for each output. The purpose is to analyze how the different actors' work leads to delivery of outputs, and then how the delivery of outputs influences the achievement of outcomes and impacts. From this, a set of the most critical leading indicators will allow the researchers and Social Entrepreneurship Index implementors to track its influence to outcomes and impacts to the development of social entrepreneurship in the country.

On Figure 40 we provide an example of the Social Entrepreneurship Index Diamond, in this case, similar to Scenario 1 - Perception of the current ecosystem for development of social entrepreneurship in North Macedonia (disregard the scores in the figure).

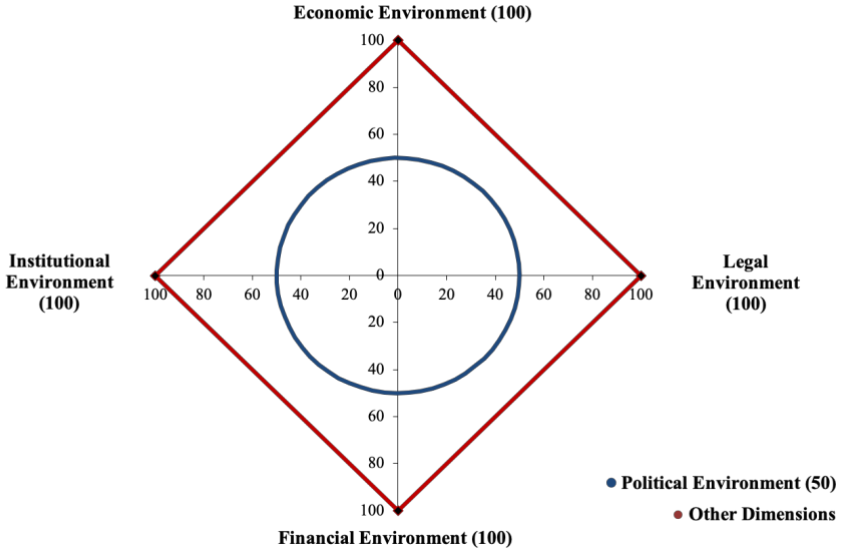


Figure 40. Example of the Social Entrepreneurship Index Diamond

(Author's own interpretation)

On Figure 41, we present a similar diamond to Figure 28, how a conducive ecosystem for development of social entrepreneurship should look like according to the results (disregard the scores in the figure).

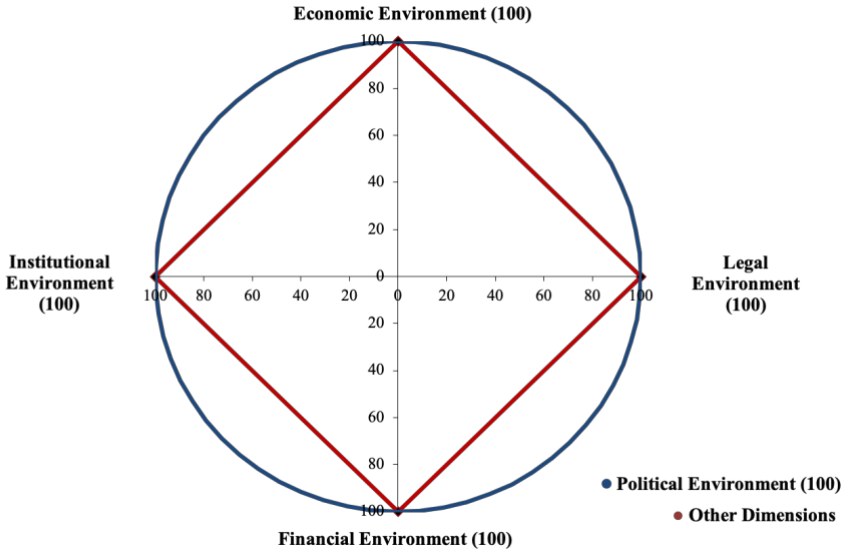


Figure 41. Example of the Social Entrepreneurship Index Diamond

(Author's own interpretation)

6. CONCLUSIONS

6.1. Main conclusions

In the last decade, social entrepreneurship has been on the pedestal, especially for people and businesses motivated by achieving social impact and sustainable development. Social entrepreneurship is a new way of doing business where social activities and achievements come in first. That is how social entrepreneurship differs from traditional or commercial entrepreneurship.

Entrepreneurship has also become an increasingly popular field for academia and practitioners, although it had been always present. From Cantillon's contribution in the economy and entrepreneurship as he views entrepreneurs as "contributors to society's economic value", Say's focus on the entrepreneur as a focal point which connects and relates entrepreneurs to leaders and managers, Edgeworth and Pigou's "equilibrium" on the market, Marshall's entrepreneur with all the responsibilities and the control, Schumpeter's inclusion of innovation in entrepreneurship, declaring that entrepreneurs drive the economic ecosystem forward as innovators which seek opportunities for profit and introduce new ways (innovations) to reach their objective, to Kirzner's entrepreneur who is on the top of the mountain in the market process. As years pass by, the evolution of entrepreneurs is evident. An entrepreneur is a leader and an innovator, a change-maker in the economic ecosystem and a great contributor to economic growth. However, entrepreneurs are motivated by profit.

Social entrepreneurship, as a nascent field, is hastily developing. Many scholars have explained how distinctive it really is from other entrepreneurial models. From social purpose embedded in the business ventures, innovative activity with a social objective across sectors, using business models in the non-profit sector, to socially responsible practices of the business sector. And these are just a few theories in the literature on how social entrepreneurship differs from the traditional or commercial entrepreneurship.

Its beginnings are traced back to the 19th century when social entrepreneurs were not perceived as such, but there were people such as Florence Nightingale and Robert Owen who worked on solving various social issues. Who is to say that there were no social entrepreneurs in the 15th or 9th century? People who worked on finding solutions to social

issues in their community can be found anywhere at any time. In the twentieth century, it was Howard Bowen who introduced the terms 'social entrepreneurship' and 'social entrepreneur'. People such as Bill Drayton and Muhammad Yunus made social enterprises' work modern and popular. Social entrepreneurship's rise is ascribed to the global developments and various issues, such as lack of funding in the United States, the uncertain economy in Western Europe, the fall of communism in East-Central Europe, the "Washington Consensus" in South America, the lack of trust in state authorities in Africa and/or the financial crises and high levels of poverty in Asia. The gaps created by the governments and institutions, and their programs, motivated the non-profit sector to directly contribute to alleviation and mitigation of the contemporary social issues.

With development of the social entrepreneurship, the inconsistencies in practice and theory are growing. Defining the concept, measuring the impact in the society, business and marketing strategies and their integration and implementation in practice, financial independence, institutional void or support, legal and organizational legitimacy are just some of the complicated questions for which there is no suitable or unified response.

Defining the social entrepreneurship concept has taken too much effort and time and, in turn, has taken a toll on its development and growth. There is still no concrete and universally acceptable definition, although there is a general agreement about its meaning. Similar experience and practice can be identified in regard to the other questions, there is a debate about which should be the next steps, and there is a general agreement about what is needed for social entrepreneurship to thrive. For instance, it is understood that one of the key prerequisites for social entrepreneurship is the creation of social value, or that the description of social entrepreneurship as enterprises with a social mission that address social issues. There is also a general consensus that social value creation is an effort made to help alleviate and mitigate, and if possible, find a sustainable solution to social issues such as poverty, provision of access to health care or education and inclusion of the disabled persons on the labor market. It is widely accepted that social value creation should be the central mission of social entrepreneurs. Any generated commercial value is a means-to-a-social-end and is pursued to ensure sustainability. Consequently, the core of social entrepreneurship is the creation of social value.

Another development related to social entrepreneurship is the emergence of hybridity as a new wave of organizational development that is on the rise in the last couple of

decades. This hybridity concept goes both ways, as non-profit organizations enter the market by undertaking economic activities to provide attainment of their social mission, it is also similar when for-profit organizations have started to get associated with a social mission. Hybrid organizations are on the rise, since the governments fail to decentralize and provide social services. It motivated both sectors to get involved in social service provision and to start offering services to the vulnerable population. To be eligible for more traditional bases of revenue, most social enterprises intertwine their social mission with a conventional legal form of business. Conversely, there are downsides to the hybrid organizational model, and that is the risk of alienating the entrepreneurs form their social mission and the risk of losing the identity of the social enterprise. The financial motive can diminish the reputation of the social enterprise for donors and investors. Despite the risks, the hybrid organizational model is on the rise. Whether that is the way forward is unclear at this point and should be researched further.

The social entrepreneur plays a big role in the way the social enterprise would lean on, whether it will be agents of change that adopt a social mission to generate social value or it would force more on the economic activities that help to attain the social mission. In some cases, the social enterprise has two social entrepreneurs, one more focused on the social mission, while the other on the economic and market activities. Social entrepreneurs are recognized because they must comprehend the social ecosystem in order to offer solutions for vital issues. Social entrepreneurs also play a key role in economic and social development. They create social and economic values by creation of employment opportunities, especially for vulnerable groups, such as, inter alia, the long-term unemployed, at-risk of poverty, discriminated groups, the disabled. They also provide a vital response to market failure by finding the gaps in the market and filling the voids left by the institutions. Social entrepreneurs are drivers of innovation. They create, develop and implement innovation that contributes to economic and social development while inventing new goods and services. They distribute social capital and promote values that foster cooperation and trust, but also promote equity to address the unmet needs of marginalized groups.

This thesis is more focused on the environmental, external factors of the ecosystem framework encompassing the political, legal, financial and institutional environment as the crucial factors that create a conducive ecosystem for development of social

entrepreneurship in the country. The evidence from the literature review shows us that these factors include politics and administrative structures, economics, markets and financing, and infrastructure as the bases for creating and establishing a suitable ecosystem in relation to the context and settings in the country. However, there is not a tool that can measure the external environment or the ecosystem in which the social entrepreneurship develops. That conclusion has been reached by analyzing the literature, but also the available tools for measuring an environment. As a discovery, there is no measuring tool that combines all four dimensions and factors in one simplified measuring tool that offers the possibility to adapt and contextualize the matrix and the manner of calculation in relation to the context and setting of the country in which the measuring tool is implemented. The conclusion is that development of the field cannot be facilitated and fostered if only one factor is under development or is developed. For instance, the field cannot develop if a country is politically stable, but there is no political will for social entrepreneurship growth. Another example would be the connection between the factors - if there is an institutional void to be exploited by the social enterprises, but there are no financial mechanisms to support the social enterprises in tackling and filling the void, then the result would be the same. A void would be left unfilled, and the social entrepreneurship development would be hindered.

The development of the social entrepreneurship in countries such as North Macedonia is based on development of these external factors. The political stability and political will are the enablers for social entrepreneurship growth and the overreaching dimension that fosters the development of other dimensions, the legal, economic, institutional and financial. These results were also confirmed by the cross-country analysis (*2.6. Social Entrepreneurship in Developed Countries*). Countries with developed social entrepreneurship such as Italy and Spain have accepted and recognized social entrepreneurship as a legitimate field and have provided legal regulation and institutional and financial support. In Sweden, there is weak political support for the field which resulted in lack of regulation, sector-specific definition, low acceptance, weak institutional support and financially dependent social enterprises. In the developing countries in the region, the social entrepreneurship is in emergence. The initiation phase has started in the last two decades, but it is still with almost non-existent political support. In most countries there is no regulation for social entrepreneurship, excluding Albania and Kosovo. In the latter cases, the evidence from the field show that the legal solutions

were hastened and contributed to more confusion in the sector. Serbia has the most similar situation to North Macedonia regarding the regulation debate, legal forms of social enterprises and the public benefit label. The acceptance of the concept on both political and institutional level is low, with scarce resources and no fiscal benefits in the whole region. Consequently, the social enterprises are not financially independent and double burdened. Montenegro is the country with the least developed social entrepreneurship in the Western Balkans, according to the global and European reports.

Development of the field in countries such as North Macedonia should be fostered equally among the dimensions. The coherence of the policies and their development and the harmonization are of utmost importance. Currently, the perception for development of the field is that the ecosystem is undeveloped and notes uncertain political stability and lack of political will that continue to be some of the greatest obstacles for development of social entrepreneurship. The other dimensions cannot find a way to be improved, given that the policies are not coherent and harmonized and there are different rules and regulations for each and every form of social enterprise. The absence of horizontal and vertical policy coherence has created a bubble of so-called grey area in which social enterprises participate, which further adds to the confusion, since everybody is informed of something, but nobody knows what is relevant and true. The evidence showed that the business dimension is one of the key factors for development of the field, and consequently, was included in the research key factors.

What worries the social enterprises in the country is that the business environment is not conducive and it is almost impossible to improve it to the level where social enterprises will thrive in the foreseeable future, mid-term at least. The perception of the legal and institutional environment is that they are in status quo, and there would not be any significant change in the future with the country's uncertain political situation. The frequent elections do not create trust in the institutions and their support. It also hinders the legal environment and leaves social enterprises with unknown legal status and without support. The financial support is also diminished in situations such as this, since no one wants to invest in an uncertain environment, non-conducive business environment, unclear legal status and organizational identity, without any institutional support, but also without any safety net for their investments and protection for investors.

For the mid-term future, social enterprises' perception is that they will continue to be project-dependent. The legal status would not change, but at institutional level would get more support. The collaboration with local and national authorities would increase in an attempt to provide experience and practice in order to start supporting development of social entrepreneurship accordingly.

However, the development of the field is hanging on the balance of policies, its coherence and participation in democratic processes of dialogue and coordination between stakeholders at all levels. Anything less would be destructive for the rise of social entrepreneurship in North Macedonia.

6.2. Implications and recommendations

The implications of this research thesis are threefold. This data contributes to development of social entrepreneurship on a national and local level, helps the social enterprises to better understand the environment they undertake activities in, and helps researchers and contributes to the literature by opening an area that currently lacks critical investigation. Consequently, to achieve the objectives in this research thesis, we look and approach the topic from a different angle which could also be seen as adding value.

In order to contribute to this context on a national level, but also to foster development of social entrepreneurship in the country, and in accordance with the aforementioned results, discussion and conclusions, we developed a tool called the Social Entrepreneurship Index. It was developed to offer a possible solution to this issue, but also to open a discussion about measuring the development of social entrepreneurship on a more holistic level. Despite its simplicity, the tool offers the possibility to adapt and contextualize the matrix and the manner of calculation (depending on the method used) in relation to the context and setting of the country. The Index is also a tool that can help governments know where the weakest spot lays in development of the field and to act accordingly. It also contributes to the evidence that the social entrepreneurship ecosystem is entirely connected, from policy, market, finance, support, human capital, to development of entrepreneurial culture. In this thesis, we introduced the Social Entrepreneurship Index as something currently non-existent, as a starting point in its development. We introduced it with five dimensions with their subdimensions and

indicators, but the Index can be adapted and contextualized and that is one of its best attributes.

For social enterprises, it is a tool they can use to measure the Social Entrepreneurship Index by themselves, but also their impact in the ecosystem. For instance, if a social enterprise works on improving the taxation for social enterprises or want to measure youth unemployment, they can measure their impact through the Index by customizing the indicators they have the interest to follow. The Index is also a great advocacy tool by providing most current data that can be used to advocate for better policies, support, and recognition, among other issues.

There are also implications on the body of knowledge, the literature, as opening an area, which is already an added value, but also for discourse and critical investigation. In the literature, as explained in the previous chapters, there are numerous studies and scholars that have been interested in the ecosystem as part of the entrepreneurship or a part of the ecosystem, such as institutional void and support, political influence and others. However, there is a lack of critical investigation in measuring the development of social entrepreneurship ecosystem on a national and local level while being involved through democratic processes of dialogue and coordination between stakeholders at all levels. The coherence of policies and dimensions in order to develop the social entrepreneurship ecosystem is highlighted as key, and this thesis provides an overview of the literature on the dimensions and their contributions on the ecosystem, provides contemporary data for social entrepreneurship development in developed countries and the Western Balkan region. Most importantly, provides the current state of affairs of North Macedonia through field research by involving stakeholders that contribute to and practice social entrepreneurship and provide support for the situation analysis. It also discusses development of the Social Entrepreneurship Index that has not been a subject of research thus far, as a measuring tool for researchers, social enterprises and national and local authorities.

This new approach is an important step forward to strengthen how performance should be measured with an aim to introduce an output assessment system that is more:

- **meaningful:** by being more directly focused on strategic priorities and development of social entrepreneurship in the country;

- **accountable**: by providing clear connections to what is expected under each output and from each actor;
- **holistic**: by covering different aspects of performance expressed through the five dimensions.

This new approach draws on experience elsewhere, including the use of indexes to measure human and economic development, but also performance assessment by various actors in the sector.

Therefore, we provide recommendations for each of the dimensions related to development of the ecosystem for social entrepreneurship.

1. Recommendations for the political dimension:
    - **Improvement of political stability.** The price of political uncertainty is higher than the price of insurance against political uncertainty. However, political insurance inclines to be more expensive when the economy is weaker. The interlink between the economy and political stability is strong, and it is proportionally driven. If there are political uncertainty and unstable positions, the economy takes the hit and gets weaker. Such situation discourages investors and real activity, especially if the firms' cost of capital is raised. Political uncertainty also demolishes market value, an effect that is extremely costly for the businesses and the economic activity of the general population. When such an effect takes place, the entrepreneurial activity rate crashes and the entrepreneurial ecosystem starts to crumble.
    - **Expression of political will.** The political actors need to show commitment to undertake actions to achieve a set of objectives – in this instance, development of social entrepreneurship ecosystem. Political will is hard to assess accurately and objectively, but it can be expressed as spoken and/or written words. That can be drafting policies, legal documents, manifestos, speeches and their effective and efficient implementation. Inactivity and inaction are frequently interpreted as an indicator for lack of political will. Governmental activity focused on the specific activities related to social entrepreneurship can be normally accepted as political will. Positive indicators for political will can be passing legislation, implementation of policies,

provision of support, supporting initiatives, enforcing sanctions, standardization of procedures, harmonization of laws and policies and many other. Maybe one of the most tangible expressions of prioritized political intent is the public budget and allocation of its finances. It provides an insight into the prioritized political intent and the priority level on the political agenda.

2. Recommendations for the legal dimension:
    - **Coherence of legal acts and documents**. This is one of the most troublesome areas which need to be resolved as soon as possible. The incoherence of the legal acts and documents contributes to the increase of misunderstandings and confusion among businesses and the general public, but also to mistakes that lead to sanctions which reduce the willingness to enter in entrepreneurial activity. It also creates confusion among institutions in terms of how to explain and provide support since they are the ones that work with the business and the general public. Coherence is a part of legal reasoning, the same as interpretation. Coherence presents a unity of principle in a legal system, arguing that the coherence of a set of legal norms involves being related either in virtue of being the achievement of some common value or values or in virtue of accomplishing some collective principle or principles.
    - **Provision of legal identity**. Asking the question "which type of social enterprises is right for me?" is exhausting and contributes to the uncertain nature of the social entrepreneurship activities. Whether to be registered as a sole proprietorship, partnership, limited liability company, cooperative, hybrid or some other form is a tough decision, especially if there is no supporting mechanism to provide you with the information, consult to explain the what can a social enterprise do in each and every one of these legal forms. It does not provide flexibility for future activities, only headaches and issues that were not foreseen in the beginning. For that purpose, legal identity for social enterprises is needed in order to provide standards, criteria and the possibility to be flexible and roam across sectors without having to register more than one entity. Whether that will be a new added legal entity called social enterprise, added a trademark, certification, or included in the variety of laws with amendments and separate and additional articles is a matter of choice, practicality and legal coherence.

- **The case of definition.** This is one of the main challenges on a global level. It is understood that there is no unified definition, but there is a common understanding of what social entrepreneurship and social enterprise are. This should be used in practice to develop and establish a definition that would make sense and would be appropriate for social entrepreneurship and enterprises in the country.

3. Recommendation for the institutional dimension:
    - **Improvement of institutional capacities.** The institutional capacities present crucial elements for policy and legal implementation, but also for providing support to social enterprises and increasing the development level of the social entrepreneurship sector. Institutional capacity building is needed because it enhances the capacity of governments, business, non-governmental groups and communities to plan and manage cost-efficiently and effectively. Effective capacity building also improves the performance of organizations, sectors and systems and provides suitable technical support to the variety of actors operating in the social entrepreneurship ecosystem. Providing technical support is one of the best supporting mechanisms that the institutions can offer. It provides information, security and a safety net for existing and new and upcoming social enterprises, but also stronger performance. To provide suitable technical support, quality education is needed. Education of public officials about the newest development in the institutions, but also of the system. When something new appears, such as social entrepreneurship, the public officials should be trained on how to react and respond to various new requirements and inquires.
    - **Improvement of institutional efficiency.** Institutions have to pursue various strategic initiatives to promote their efficiency and effectiveness, priorities and their internal structure related activities. They have to start using worldwide known and recognized methodologies to increase their agility and effectiveness. They have to focus on customers/users and value and to ensure customer/user-focused and effective processes and systems. They also have to improve their governance by utilizing balanced decision making and autonomy. The institutions should also have targets to increase effectiveness and efficiency, and user-centered approach. Institutions have to make use of the finance and IT systems. IT supports planning and analysis with suitable

data management systems, increases the efficiency of the process and develops the skills of the staff, but also user experience through appropriate system design.

- **Improvement of institutional transparency.** Transparency of the institutions is one of the essential prerequisites of a democracy based on the rule of law. It presents good governance and build trust in the policy-making processes, and boosts the legitimacy and credibility of the public institutions. Disclosure of information on policy-making and spending and ensuring that not only such information reaches the citizens, but they have access to such information. Thus, transparency presents a key element to establishing and developing accountability of public institutions. Another element that will improve institutional transparency is the use of a participatory approach by involving the key stakeholders in the processes. Transparency also establishes and develops the integrity of public institutions, which implies the use of their power for officially authorized and publicly justified purposes. It is one of the pillars of good governance which builds citizen's trust in the public institutions and clears the fog in the realization of the processes.

4. Recommendation for the financial dimension:
    - **Development of funding mechanisms.** One of the essential requirements is the creation and establishment of funding mechanisms that could help social enterprises survive for a longer period of time in order to become stable and continue their work. A pool of funding made available for a specific purpose, by an agency, organization, foundation, government, a private institution, private party, multilateral development funds, private foundations and other sources are crucial for development of social entrepreneurship and enterprises. It is up to the state mechanisms to start focusing funds on social entrepreneurship to show focus and will, and intrigue and motivate the other sectors to get involved in funding social entrepreneurship activities. These mechanisms could be developed in the form of a Fund for Social Entrepreneurship or Fund for Social Activities, similar to the current national Fund for Employment of Persons with Disability. Another possible solution is to develop granting schemes by every sector focused on a specific purpose, such as poverty, social inclusion, integration, tackling unemployment, climate change, and many other issues.

- **Improvement of access to funding**. Development of funding mechanisms is surely a big step forward for development of the sector, but it is not enough. It would not be helpful if there are funds that can be allocated and distributed to the social enterprises, if access to them is hindered. Whether there are high eligibility criteria, years of existence, certain amount of managed funds, return of investment, return of social investment or social return of investment, capacity, deficiencies, infrastructure needs, and many other obstacles that can make these available sources obsolete, since most of the social enterprises cannot have access to them. Such a situation is frustrating for social entrepreneurs, since social entrepreneurship is a nascent field and most of the established social enterprises have no more than three to five years of existence. Access to funds for social enterprises could be improved by improving access to bank loans with a small return rate, lending and reducing operational costs, such as rent, personal insurance and taxes, among others. Another possible solution is to address the mismatch between legal forms and financing tools. Social enterprises are in the grey area and are double burdened by their nature. Thus, the government and the banks should increase the availability of risk capital and the first loss of capital. All of these possible solutions can and should be implemented to improve access to funding for social enterprises, which would have a massive impact on development of social entrepreneurship in the country.
- **Financial dependency.** Social entrepreneurship finance from public sources of funding requires the project's sponsor to mobilize funding from other sources, including the private sector. The higher the leverage, the more effective is the use of public climate finance and an indication of the commercial viability of a project. However, in the current situation, it is evident that the social enterprises in the country are project dependent and that they need a regular financial injection for the realization of the anticipated activities. What makes it even more difficult for them is that they have to mold their business plans and activities for the donors and the subsidy calls in order to be eligible and suitable for the grant, donation or subsidy. This situation could be mitigated by combining several aforementioned measures encompassing the provision of start-up capital, risk capital, possibilities for financing to reach certain benchmarks that could launch the social enterprises

in the other phases, the establishment of a fund for social entrepreneurship or enterprises, institutional support in launching a product or service, and many others. In order to become financially independent, social enterprises need safety net mechanisms and instruments that could help them undertake bigger risks and enter the experimentation phase without pushing back. Financial independence is what social enterprises strive for, it is something that will make them even more influential in society and would help them make a bigger social impact.

6.3. Limitations and future research

There are several potential limitations of this research and model for measuring the development of social entrepreneurship in the country. Their effect on the study are nominal and was easily mitigated and overcome.

The first limitation is the lack of research and literature on key factors of the overall ecosystem and their coherence using a holistic approach, which should provide a clearer and more detailed picture of how the ecosystem functions and changes when the factors develop individually or simultaneously. This has been a limitation at the beginning of the research, which set the bases for identification and analysis of the key factors, but also later for development of the model for measuring the development for social entrepreneurship in the country. In this case, we mitigated the issue by utilizing the research and literature related to the individual factors, and their sub-factors and indicators, providing us with data that we can compare, combine and critically analyze in order to identify the key factors for development of social entrepreneurship in general and then in the specified country.

The second limitation is generalization of the research findings. The contemporary research on social entrepreneurship and enterprises are mostly based on in-depth interviews, observations and case studies, highlighting the need for quantitative research and data. However, the current situation in North Macedonia does not offer enough cases and information that can provide quantifiable data that contribute to research validity and reliability. Instead, it will only increase the conjectures and consequently, the limitations of the research. The use of qualitative methodology in order to get into the views,

standpoints and perceptions of the key actors and stakeholders responsible for social entrepreneurship policies and program development, but also practitioners in the field such as social entrepreneurs and employees of social enterprises, was the best solution that provides validity and reliability of the research, and it was one of the main objectives of this research. The generalization issue was overcome by comparing the data gathered from the field and analyzing the global reports on entrepreneurship and social entrepreneurship, and the already existing studies for the country. This approach has proven to be effective and efficient in confirmation of the data through triangulation.

The third limitation was the lack of instruments and mechanisms to evaluate the process of development of social entrepreneurship on a country level. This also meant that the model has to be flexible, and that can also be adapted and contextualized to a local or regional level and even provides the opportunity for scaling and measuring the development of social entrepreneurship on a regional, even continental level. In order to mitigate this limitation, we have developed a model inspired by several global reports and indexes, much like other global reports, such as the Global Competitiveness Report that was inspired and based on Jeffrey Sachs's Growth Development Index and the Michael Porter's Business Competitiveness Index and integrated the macroeconomic and the microeconomic/business aspects of competitiveness into a single index.

The fourth limitation was the process design for implementation of the Social Entrepreneurship Index. The Index combines methods and both primary and secondary sources of data in order to provide a more detailed mosaic of social entrepreneurship in the selected geographical area, but also to offer the possibility to validate the data through the method of triangulation. This Index should also mold and mend in relation to the needs and the scale of the geographical area that is being measured. Its indicators can be reduced and shaped based on the context of the country, region or a local area, which could be difficult to present the whole picture, but none the less it would provide insightful data and it would show the patterns and trends of the development of social entrepreneurship. The Index, as currently designed, has certain weaknesses in methodology that must be modified before it is further applied. However, these flaws are largely amenable to remedy and re-design. It should also be highlighted that a pilot phase is needed in order to gain a thorough understanding of the pilot phase’s achievements and challenges.

Although these limitations have slowed down the process of research, they have not impacted the realization of the research objectives set forth in this paper. We have explored the trends in social entrepreneurship literature with emphasis on the macro environment, and have identified the conducive factors for development and promotion of social entrepreneurship. We have also put the identified factors in a country setting and analyzed how the identified factors influence social entrepreneurship growth, particularly in North Macedonia. Based on the identified factors, both from the literature review and the field research, we have provided data to explain why we found that there is a need to develop a model for growth and expansion of social entrepreneurship, and introduced a possible solution in an Index that measures the development of the field depending on the geographical area and context. It also provides a holistic depiction of how the work of different actors leads to the delivery of the outputs, and then how the delivery of outputs influences the achievement of outcomes and impacts and the development of social entrepreneurship.

However, these limitations also open the gates to future research that should provide a response to unanswered questions. First is the need for more research by using a holistic approach and exploring the ecosystem encompassing all dimensions. In this case, such research has proven to be vital for researchers, social enterprises, and policymaking, which contribute to furthering the development of social entrepreneurship. Supporting research for the coherence of policies in future research is also one of the key elements to the holistic approach.

Second is the need for more statistically proven hypothesis and research in the social entrepreneurship domain; although, there are many difficulties for acquiring data by using a quantitative methodology, especially for countries such as North Macedonia where the social entrepreneurship is still a nascent, undeveloped, unregulated and confusing field. The lack of quantitative research and data on global level combined with the lack of practice within the country context makes it even more challenging to choose and implement such method for future research and PhD students in the country. Narangajavana et al. (2016) argues that the issue with measurements is how to be used for quantification of the impact and the performance of social enterprises. They add that many consider that it is very challenging to quantify social, environmental and socio-economic effects. However, the need for such research is evident and contributes to the

body of knowledge for social entrepreneurship (Mair & Marti, 2006; Certo & Miller, 2008).

There is also the need for research, development and establishment of instruments and mechanisms for evaluating the process of development of social entrepreneurship on a country level. However, it does not seem possible and attainable to develop one rigid set of instruments or a model that could be implemented in various countries. Consequently, suggestions for future research are presented in Table 18.

Table 18. Potential research topics

Key distinction	Potential topic
Country characteristics based on the five dimensions	- Differentiation between high- and low-income countries - Differentiation between countries with 'expressed political will' and 'tangible political support' - Differentiation between countries with 'regulated' and 'unregulated' social economy or entrepreneurship - Differentiation between countries with 'institutional support' or 'institutional void' - Differentiation between countries with 'improved access to funding' or 'hindered access of funding' - Differentiation between countries with 'conducive' and 'unconducive' business ecosystem
Country experiences	- Replicable best practices
Earned income strategies	- Lack of access to capital
Multiple stakeholder involvement	- Multiple stakeholders- multiple goals
Evaluation and assessment	- Evaluation models and instruments for measuring the development of social entrepreneurship - Social return of investment
Comparative analyses	- Cross-country comparison of the development of social entrepreneurship - Cross-country comparison of level of social entrepreneurial activity and determinants
Education and level of observation	- Social entrepreneurship educational activity and experiences - Business acumen of social entrepreneurs

The aforementioned potential research topics that have surfaced as needs for development of the field are in line with the schools of thought such as 'Social Innovation

School of thought', 'Social Enterprise School of Thought', 'EMES Approach' and the UK approach (Hoogendoorn, 2011), but also provides additional potential research areas, especially those related to cross-country comparisons and differentiating between various country characteristics, as well as evaluation mechanisms and instruments for measuring the development of the field. The added perspective themes go beyond the current empirical insights covering a broad spectrum of subjects addressed by only a few studies. Currently, most of the themes addressed individual factors of development of the field. This indicates that the contemporary state of empirical research provides a modest foundation for further theory building and testing purposes. Evidently, a nascent field of study such as social entrepreneurship needs rigorous and meticulous empirical evaluation to evolve, while this prerequisite implies an abundance of research prospects. Social entrepreneurship as a young field has been a subject of conceptual exploration that has provided insight and, in some cases, valuable contributions that have established a foundation for future verifiable research. Social entrepreneurship as a concept has been developing for the last two decades and currently is at a development stage that has provided momentum for going one step further.

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Appendix 1. Informative List for Participants (Group 1 – Social Entrepreneurs and Staff Members of Social Enterprises)

Research project title:

Key Factors of Conducive Environment for Development of Social Entrepreneurship in Republic of North Macedonia

Researcher:
Stefan Chichevaliev, e-mail: scicevaliev@gmail.com; telephone number: +38978305868

Dear participant,

Thank you for accepting to read this informative list.

You are invited to take part in this research closely related to your work and everyday life. It is of utmost importance to us that you understand why this research is conducted and what it will include, before you decide if you are going to participate. Please take time to read this information list carefully and to ask any questions you might have in terms of clarification or further information.
Receipt of the information list does not imply that you are obliged to participate. Should you decide to participate, you shall be required to sign the Declaration of Consent enclosed below, which you would also need to read carefully prior to signing.

Brief information about the research
The aim of this research is to collect and share useful and relevant information to determine the current state of social entrepreneurship in Republic of North Macedonia and to identify the key factors for creating conducive environment for development and promotion of social entrepreneurship. The research includes qualitative data gathering and analysis – through realization of semi-structured interviews conducted with social entrepreneurs and staff members of social enterprises, and other key stakeholders (academia, donors, representatives of institutions and others).

Why are you chosen for this research?
You are invited to participate as part of the group of social entrepreneurs and staff members (employees) of social enterprises.

What should you do? Procedure
You would take part in the group of social entrepreneurs and staff members of social enterprises. After you sign the Declaration of Consent, the researcher will ask you a certain number of questions enabling you to discuss this topic and to express your viewpoints and opinions. Please take note that there are no correct or incorrect answers and that your knowledge and experience in the field are of utmost significance for the research.
The interview will take no more than 40-60 minutes of your time.
For this, of course, it is necessary to provide a suitable location, which can be chosen by you - it may be your office / workplace, or any other location of your choice.

If neither of the options offered suits you, another place may be chosen to suit both parties.
The interview will be recorded with an audio device, unless you expressly request that it not be recorded.
The recorded interview will then be anonymized and transcribed in writing, enabling the researcher to better analyze the data. If you wish, the full transcript of the interview with you may be provided by the researcher.
Further, all interviews will be analyzed and the analysis will be used for the purposes of the researcher's doctoral thesis listed above in this information.
Furthermore, all interviews will be analyzed and the analysis will be used for the purposes of the research indicated above.

Making a decision – should you participate?
Accepting to read this informative list does not oblige you to participate in this research – the decision of whether or not you will participate is completely yours. Should you decide to participate, you will be required to sign the Declaration of Consent enclosed in this informative list.
As the research is done for academic purposes, no risks of participation have been identified.
Moreover, even if you decide to participate, you have complete freedom to withdraw from the research, without specifying the reasons.

Confidentiality and privacy
All information about you and from you received during this research will be stored in protected database and will be fully confidential. Should you make explicit request, any information enclosing your identity will be anonymized, and all other personal information will be adequately removed and replaced by pseudonyms or by other form of non-personal identification.
The audio recordings and information obtained during this interview will be used solely for analysis purposes. No other use will be realized without your written consent and no one outside the research will have access to the original audio recordings.

Research results – what will they be used for?
Research results will be primarily used for research and analysis of the state of social entrepreneurship in the country and identification of key factors for creating conducive environment for development of social entrepreneurship. You are welcome to read the research and analysis upon publication.

Contacts for additional information
Should you require clarification or additional information, or should you wish to discuss any aspect of the research, please contact researcher
Stefan Chichevaliev, e-mail: scicevaliev@gmail.com; telephone number: +38978305868.

I express my sincere gratitude for your cooperation.

Appendix 2. Informative List for Participants (Group 2 – Key Stakeholders)

Research project title:

Key Factors of Conducive Environment for Development of Social Entrepreneurship in Republic of North Macedonia

Researcher:
Stefan Chichevaliev, e-mail: scicevaliev@gmail.com; telephone number: +38978305868

Dear participant,

Thank you for accepting to read this informative list.

You are invited to take part in this research closely related to your work and everyday life. It is of utmost importance to us that you understand why this research is conducted and what it will include, before you decide if you are going to participate. Please take time to read this information list carefully and to ask any questions you might have in terms of clarification or further information.
Receipt of the information list does not imply that you are obliged to participate. Should you decide to participate, you shall be required to sign the Declaration of Consent enclosed below, which you would also need to read carefully prior to signing.

Brief information about the research
The aim of this research is to collect and share useful and relevant information to determine the current state of social entrepreneurship in Republic of North Macedonia and to identify the key factors for creating conducive environment for development and promotion of social entrepreneurship. The research includes qualitative data gathering and analysis – through realization of semi-structured interviews conducted with social entrepreneurs and staff members of social enterprises, and other key stakeholders (academia, donors, representatives of institutions, and others).

Why are you chosen for this research?
You are invited to participate as part of the group of key stakeholders (academia, donors, representatives of institutions and other).

What should you do? Procedure
You would take part in the group of social entrepreneurs and staff members of social enterprises. After you sign the Declaration of Consent, the researcher will ask you a certain number of questions enabling you to discuss this topic and to express your viewpoints and opinions. Please take note that there are no correct or incorrect answers and that your knowledge and experience in the field are of utmost significance for the research.
The interview will take no more than 40-60 minutes of your time.
For this, of course, it is necessary to provide a suitable location, which can be chosen by you - it may be your office / workplace or any other location of your choice.
If neither of the options offered suits you, another place may be chosen to suit both parties.

The interview will be recorded with an audio device, unless you expressly request that it not be recorded.
The recorded interview will then be anonymized and transcribed in writing, enabling the researcher to better analyze the data. If you wish, the full transcript of the interview with you may be provided by the researcher.
Further, all interviews will be analyzed and the analysis will be used for the purposes of the researcher's doctoral thesis listed above in this information.
Furthermore, all interviews will be analyzed and the analysis will be used for the purposes of the research indicated above.

Making a decision – should you participate?
Accepting to read this informative list does not oblige you to participate in this research – the decision of whether or not you will participate is completely yours. Should you decide to participate, you will be required to sign the Declaration of Consent enclosed in this informative list.
As the research is done for academic purposes, no risks of participation have been identified.
Moreover, even if you decide to participate, you have complete freedom to withdraw from the research, without specifying the reasons.

Confidentiality and privacy
All information about you and from you received during this research will be stored in protected database and will be fully confidential. Should you make explicit request, any information enclosing your identity will be anonymized, and all other personal information will be adequately removed and replaced by pseudonyms or by other form of non-personal identification.
The audio recordings and information obtained during this interview will be used solely for analysis purposes. No other use will be realized without your written consent and no one outside the research will have access to the original audio recordings.

Research results – what will they be used for?
Research results will be primarily used for research and analysis of the state of social entrepreneurship in the country and identification of key factors for creating conducive environment for development of social entrepreneurship. You are welcome to read the research and analysis upon publication.

Contacts for additional information
Should you require clarification or additional information, or should you wish to discuss any aspect of the research, please contact researcher
Stefan Chichevaliev, e-mail: scicevaliev@gmail.com; telephone number: +38978305868.

I express my sincere gratitude for your cooperation.

Appendix 3. Declaration of Consent

Research project title:
Key Factors of Conducive Environment for Development of Social Entrepreneurship in Republic of North Macedonia

Name of researcher: Stefan Chichevaliev

Participant identification number: __ Please use initials to sign

1. I hereby confirm that I have read and understood the project Informative List dated _____ that provides explanation about the research and that I was provided with opportunity to ask questions about the research. ☐
2. I hereby confirm I understand that my participation is voluntary and that I may choose to withdraw at any given time, without specifying reasons thereto, and that such decision will not result in any negative consequences. Furthermore, should I not feel comfortable in providing answer to any of the asked questions, I have the right to refuse to answer. ☐
3. I hereby confirm I understand that my answers shall be strictly confidential, should I make such request. Simultaneously, I grant permission for access to my anonymized answers. My name would not be associated with the research materials and it will not be possible for me to be identified in the research if I express such a wish. ☐
4. I hereby consent to the use of data provided by me for future research cases. ☐
5. I hereby consent to take part in this research. ☐

_____	_____	_____
Name of participant (*or legal representative*)	**Date**	**Signature**
_____	_____	_____
Main researcher	**Date**	**Signature**

To be signed in the presence of participant

Number of samples: 2

Once the Declaration has been signed by all parties, each party shall receive one sample in addition to the Research Information and other information provided in hardcopy. One sample of the Declaration shall be kept in the research file, stored at safe location accessible only to the researcher.

Appendix 4. Guide for Interviews with Social entrepreneurs and Employees in Social Enterprises (Group 1)

Research Title:
Factors of Conducive Environment for Development and Promotion of Social Entrepreneurship in the Republic of North Macedonia

General questions about the respondent

Q1. Name and Surname (voluntary)
Q2. Company's name
Q3. Job position
Q4. Age
a) 18 – 29;
b) 30 – 39;
c) 40 – 49;
d) 50 – 59;
e) 60 – 64;
f) Over 60.

General information about the social enterprise

Q5. In what year was the social enterprise established? (Year of establishment)
Q6. What is the social enterprise's activity sector? (Education, Employment, Social services…)
Q7. What is the size of the social enterprise? (Micro, small, medium-sized, big…)
Q8. Could you please tell me in what legal/organizational form is the social enterprise registered?
a) Limited liability company
b) Foundation
c) Non-governmental organization/Association of citizens
d) Cooperative
e) Other
Q9. Could you please tell me what is the economic independence status of the organization? (Independent from grants, donors, charities…)
a) Not independent;
b) Partially independent;
c) Totally independent;
d) Other _____;
e) I do not know.

Views on social entrepreneurship

Q10. In your opinion, what constitutes social entrepreneurship?
(How would you define it?)
Q11. In your opinion, what is the (personal) motivation for involving in social entrepreneurship (Why are you involved in social entrepreneurship)
Q12. Could you please name social enterprises that have impressed you with their work?

Political determinants

Q13. In your opinion, how would you classify the policies for social entrepreneurship? Fair, Motivating, Backward? Why?
Q14. Would you change anything? If yes -what? If not - why not?
Q15. Have you ever been involved in creating social entrepreneurship policy in the country? If yes, in which way? How long?
Q16. Do you have information or have you participated in other policies that mention or elaborate on social entrepreneurship (social protection, employment, etc.)?
Q17. Could you please tell me who is responsible for drafting and implementing social entrepreneurship policies? In your opinion, who should be involved?
Q18. Have you participated / are you involved in the process of developing and implementing social entrepreneurship policies?
Q19. In your opinion, what are the biggest political challenges for the development of social entrepreneurship in the country?

Legal determinants

Q20. Could you please tell me what constitutes the legal environment/framework for social entrepreneurship/enterprises in the country? (Laws and Bylaws)
Q21. In your opinion, how would you classify the legal environment for social enterprises in Sweden?
a) Not enabling;
b) Partially enabling;
c) Totally enabling;
d) Other _____;
e) I do not know.
Q22. Why do you think that is _____? Why do you have such an opinion?
Q23. In your opinion, how easy/ difficult is it to establish/ register a social enterprise? (What are the legal procedures?)
Q24. In your opinion, how easy/ difficult is it to close a social enterprise? (What are the legal procedures?)
Q25. In your opinion, is there a beneficial treatment for social enterprises? (Reduced tax, advantage in public procurement, reduced rent…)

Challenges

Q26. In your opinion, what are the biggest legal challenges for development of social entrepreneurship in Sweden?

Financial determinants

Q27. Could you please tell me what kind of funding do you use? (Private, public, private and public)

Access to finance

Q28. Available sources of funding
a) Bank loans;
b) Grants from projects;
c) Personal savings;
d) Donations / Fundraising;
e) Crowd funding;
f) Microcredit;
g) Regulated market;
h) Social investment;

i) Private investment;
j) Other _____
k) I do not know;

Q29. Could you please tell me what sources of funding have you used?
Q30. Could you please tell me has your enterprise reached financial sustainability?
If yes, how have you reached it?
If no, why not?

Challenges

Q31. In your opinion, what are the biggest financial challenges for development of social entrepreneurship in the country?

Business determinants

Competitiveness

Q32. Could you please tell me how do you compete with other businesses?
Q33. Could you please tell me how do you compete with other third-sector businesses?
Networking
Q34. Is your organization a formal member of an alliance in the Republic of North Macedonia (federation, network, coalition)?
Q35. If so, could you tell me which partnerships, networks, alliances you are participating in?
Q36. Is your organization a member of a regional, European or international alliance?
Q37. If so, could you list these alliances?

Innovation

Q38. In your opinion, has your social enterprise introduced any innovations?

Challenges

Q39. In your opinion, what are the biggest business challenges for the development of social entrepreneurship in the country?

Institutional Determinants

Q40. Have you ever collaborated with local authorities?
If yes, what was the collaboration about?
If no, why not?
Q41. Have you ever collaborated with state authorities?
If yes, what was the collaboration about?
If no, why not?
Q42. Have you ever received any kind of support from local or national authorities?
If yes, what kind of support?
If no, why not?
Challenges
Q43. In your opinion, what are the biggest institutional challenges for the development of social entrepreneurship in the country?

Governance

Q43. Could you please tell me who makes the decisions in the organization?
Q44. Could you please explain what is the decision-making process of the organization?

Human Resources

Q45. Could you tell me how many employees does your organization have?
Q46. Could you tell me how many volunteers does your organization have?

Infrastructure

Q47. In your opinion, do social enterprises have supporting infrastructure?
(Grant funds, institutional and technical support, counsellors, national or regional networks for social entrepreneurship, coalitions, umbrella organizations…)

Challenges for Social Enterprises

Q48. In your opinion, what are the initial difficulties for a social enterprise?
a) Human resources (difficulties in recruiting employees and volunteers, in drafting a business plan and employees' low motivation, skills and experience) – Business determinants;
b) Financial resources (low pay for employees/low-paid employees, margins from business activities, difficulties in getting funds from private sources, accessing capital market and getting equity investment) – Financial determinants;
c) Legal environment (lack of government funding, red tape, lack of clear legal status, lack of favorable tax treatment and difficulties in participating in public tenders);
d) Lack of support mechanisms (support from institutions, support structures) - Institutional determinants
e) Poor communication with local and national authorities - Institutional determinants
f) Network (lack of support organizations, difficulties in building strategic partnerships, limited public awareness of the organization, lack of trust in the organization and difficulties in communicating social values to stakeholders) – Business determinants
e) Market (difficulties in finding and affording a physical space to work, in selling products in the non-private market, competition with other third sector organizations, competition with for-profit businesses and the small size of the market) – Business determinants
f) Other

Q49. In your opinion, what are the biggest challenges for social enterprises?
a) Small market (Business determinants);
b) Competition with other third sector organizations (Business determinants);
c) Difficulties in finding and affording a physical space to work (Financial determinants);
d) Difficulties in communicating social value (Business determinants);
e) Limited public awareness of the organization (Business determinants);
f) Lack of support organizations (Institutional determinants);
g) Lack of favorable tax treatment (Legal determinants);
h) Bureaucracy (Institutional determinants);
i) Difficulties in getting financial support from various sources (Financial determinants);
j) Low pay for employees/low-paid employees (Financial determinants);
k) Low motivation of employees (Institutional determinants);
l) Difficulties recruiting employees and volunteers (Business determinants);
m) Lack of institutional support (Institutional determinants);
n) Lack of legal framework – laws and bylaws (Legal determinants).

Q50. Incidence of challenges over the life cycle of social enterprises

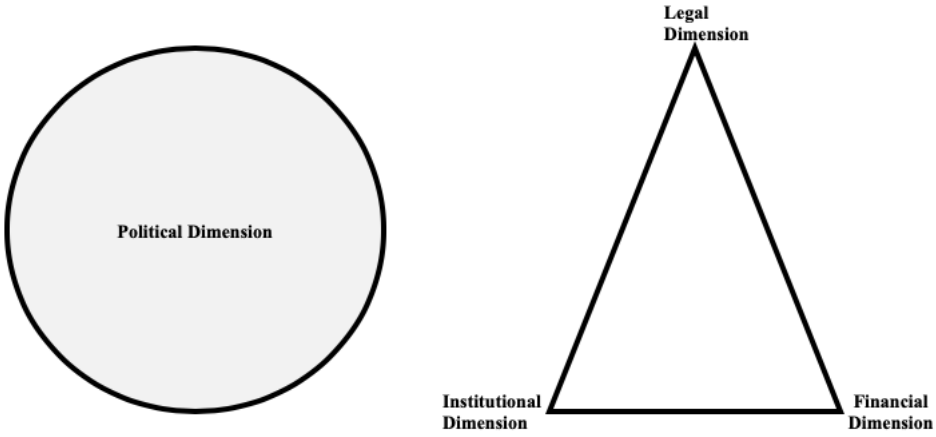
	Initial Phase – Start up	***Current phase***	***Future***
a) Small market (Business determinants);			
b) Competition with other third sector organizations (Business determinants);			
c) Difficulties in finding and affording a physical space to work (Financial determinants);			
d) Difficulties in communicating social value (Business determinants);			
e) Limited public awareness of the organization (Business determinants);			
f) Lack of support organizations (Institutional determinants);			
g) Lack of favourable tax treatment (Legal determinants);			
h) Bureaucracy (Institutional determinants);			
i) Difficulties in getting financial support from various sources (Financial determinants);			
j) Low pay for employees/low-paid employees (Financial determinants);			
k) Low motivation of employees (Institutional determinants);			
l) Difficulties recruiting employees and volunteers (Business determinants); m) Lack of institutional support (Institutional determinants);			
n) Lack of legal framework – laws and bylaws (Legal determinants).			

Ecosystem

Q51. In your opinion, what determinants are most important for the development of SE in the country (legal, financial or institutional)? Why?

- Legal - regulation, certification, legal legitimacy
- Financial - Available funding sources, access to funding sources
- Institutional - Collaborating with local and national authorities, supporting structures and mechanisms

Q52. In your opinion, what is the interrelationship of the determinants of social entrepreneurship?
Q53. In your opinion, what are the first three steps to be taken for development of the social entrepreneurship in the country?
Q54. In your experience, what would help you most in developing your company?
Q55. Can you please tell me how do you perceive the current state of the development of social entrepreneurship in relation of the determinants?
Q56. Can you please tell me how do you perceive the ideal state of the development of social entrepreneurship in relation to the determinants?



Appendix 5. Guide for Interviews with Key Stakeholders (Group 2)

Research Title:
Factors of Conducive Environment for Development and Promotion of Social Entrepreneurship in the Republic of North Macedonia

General questions about the respondent

Q1. Name and Surname (voluntary)
Q2. Job position

Views on social entrepreneurship

Q3. In your opinion, what constitutes social entrepreneurship?
(How would you define it?)
Q4. In your opinion, what is the (personal) motivation for involving in social entrepreneurship (Why are you involved in social entrepreneurship)?
Q5. Could you please name social enterprises that have impressed you with their work?

Political determinants

Q6. In your opinion, how would you classify the policies for social entrepreneurship? Fair, Motivating, Backward? Why?
Q7. Would you change anything? If yes -what? If not - why not?
Q8. Have you ever been involved in creating social entrepreneurship policy in the country? If yes, in which way? How long?
Q9. Do you have information or have you participated in other policies that mention or elaborate on social entrepreneurship (social protection, employment, etc.)?
Q10. Could you please tell me who is responsible for drafting and implementing social entrepreneurship policies? In your opinion, who should be involved?
Q11. Have you participated / are you involved in the process of developing and implementing social entrepreneurship policies?

Challenges

Q12. In your opinion, what are the biggest political challenges for the development of social entrepreneurship in the country?

Legal determinants

Q13. Could you please tell me what constitutes the legal environment/framework for social entrepreneurship/enterprises in the country? (Laws and Bylaws)
Q14. In your opinion, how would you classify the legal environment for social enterprises in Sweden?
a) Not enabling;
b) Partially enabling;

c) Totally enabling;
d) Other _____;
e) I do not know.

Q15. Why do you think that is? Why do you have such an opinion?

Q16. In your opinion, how easy/ difficult is it to establish/ register a social enterprise? (What are the legal procedures?)

Q17. In your opinion, how easy/ difficult is it to close social enterprise? (What are the legal procedures?)

Q18. In your opinion, is there a beneficial treatment for social enterprises? (Reduced tax, advantage in public procurement, reduced rent…)

Challenges

Q19. In your opinion, what are the biggest legal challenges for development of social entrepreneurship in the country?

Financial determinants

Access to finance

Q20. Available sources of funding

a) Bank loans;
b) Grants from projects;
c) Personal savings;
d) Donations / Fundraising;
e) Crowd funding;
f) Microcredit;
g) Regulated market;
h) Social investment;
i) Private investment;
j) Other _____
k) I do not know;

Q21. In your opinion, what and how is the social enterprises access to finance?

Challenges

Q22. In your opinion, what are the biggest financial challenges for development of social entrepreneurship in the country?

Business determinants

Challenges

Q23. In your opinion, what are the biggest business challenges for development of social entrepreneurship in the country?

Institutional Determinants

Q24. Have you ever collaborated with local authorities in the field of social entrepreneurship?

If yes, what was the collaboration about?

If no, why not?

Q25. Have you ever collaborated with state authorities in the field of social entrepreneurship?

If yes, what was the collaboration about?

If no, why not?

Challenges

Q26. In your opinion, what are the biggest institutional challenges for development of social entrepreneurship in the country?

Infrastructure

Q27. In your opinion, do social enterprises have supporting infrastructure? (Grant funds, institutional and technical support, counsellors, national or regional networks for social entrepreneurship, coalitions, umbrella organizations…)

Challenges for Social Enterprises

Q28. In your opinion, what are the initial difficulties for a social enterprise?
a) Human resources (difficulties in recruiting employees and volunteers, in drafting a business plan and employees' low motivation, skills and experience) – Business determinants;
b) Financial resources (low pay for employees/low-paid employees, margins from business activities, difficulties in getting funds from private sources, accessing capital market and getting equity investment) – Financial determinants;
c) Legal environment (lack of government funding, red tape, lack of clear legal status, lack of favorable tax treatment and difficulties in participating in public tenders);
d) Lack of support mechanisms (support from institutions, support structures) - Institutional determinants
e) Poor communication with local and national authorities - Institutional determinants
f) Network (lack of support organizations, difficulties in building strategic partnerships, limited public awareness of the organization, lack of trust in the organization and difficulties in communicating social values to stakeholders) – Business determinants
e) Market (difficulties in finding and affording a physical space to work, in selling products in the non-private market, competition with other third sector organizations, competition with for-profit businesses and the small size of the market) – Business determinants
f) Other

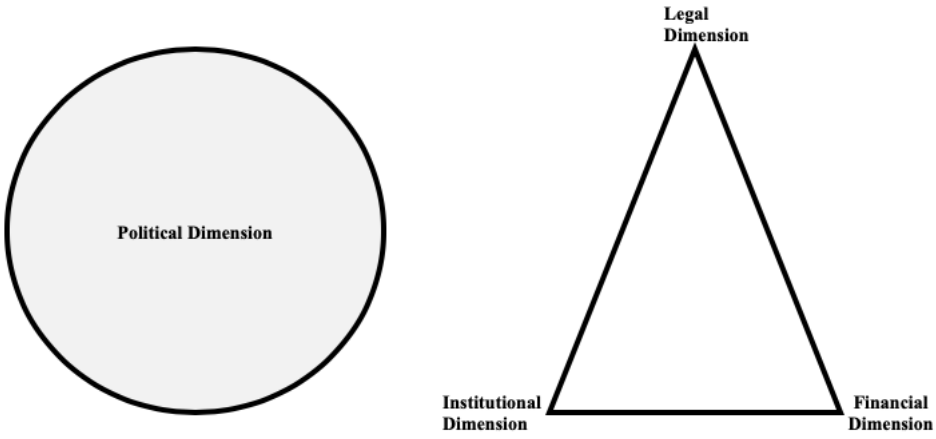
Q29. In your opinion, what are the biggest challenges for social enterprises?
a) Small market (Business determinants);
b) Competition with other third sector organizations (Business determinants);
c) Difficulties in finding and affording a physical space to work (Financial determinants);
d) Difficulties in communicating social value (Business determinants);
e) Limited public awareness of the organization (Business determinants);
f) Lack of support organizations (Institutional determinants);
g) Lack of favorable tax treatment (Legal determinants);
h) Bureaucracy (Institutional determinants);
i) Difficulties in getting financial support from various sources (Financial determinants);
j) Low pay for employees/low-paid employees (Financial determinants);
k) Low motivation of employees (Institutional determinants);
l) Difficulties recruiting employees and volunteers (Business determinants);
m) Lack of institutional support (Institutional determinants);
n) Lack of legal framework – laws and bylaws (Legal determinants).

Ecosystem

Q30. In your opinion, what determinants are most important for development of SE in the country (legal, financial or institutional)? Why?

- Legal - regulation, certification, legal legitimacy
- Financial - Available funding sources, access to funding sources
- Institutional - Collaborating with local and national authorities, supporting structures and mechanisms

Q31. In your opinion, what is the interrelationship of the determinants of social entrepreneurship?
Q32. In your opinion, what are the first three steps to be taken for the development of the social entrepreneurship in the country?
Q33. Can you please tell me how do you perceive the current state of the development of social entrepreneurship in relation of the determinants?
Q34. Can you please tell me how do you perceive the ideal state of the development of social entrepreneurship in relation of the determinants?



Appendix 6. Respondents Group Clarification

Respondents	Group/Characterization
Respondent 1	Social Entrepreneur
Respondent 2	Social Entrepreneur
Respondent 3	Social Entrepreneur
Respondent 4	Social Entrepreneur
Respondent 5	Key stakeholder – Accelerator/Incubator
Respondent 6	Social Entrepreneur
Respondent 7	Social Entrepreneur
Respondent 8	Social Entrepreneur
Respondent 9	Key stakeholder – Public official
Respondent 10	Employee in a Social Enterprise
Respondent 11	Social Entrepreneur
Respondent 12	Social Entrepreneur
Respondent 13	Key stakeholder – Policy maker
Respondent 14	Key stakeholder – Academia
Respondent 15	Social Entrepreneur
Respondent 16	Key stakeholder – Policy maker
Respondent 17	Key stakeholder – Investor/Donor
Respondent 18	Employee in a Social Enterprise
Respondent 19	Social Entrepreneur
Respondent 20	Social Entrepreneur
Respondent 21	Employee in a Social Enterprise
Respondent 22	Social Entrepreneur
Respondent 23	Key stakeholder – Academia
Respondent 24	Social Entrepreneur
Respondent 25	Key stakeholder – Local government
Respondent 26	Social Entrepreneur
Respondent 27	Social Entrepreneur

Appendix 7. Social Entrepreneurship Index Matrix

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
1.0 Political	*1.1*	*Political stability*	1.1.1	Government effectiveness	Worldwide Governance Indicators (WGI)	% of WGI data
			1.1.2.	Political and operational stability	Global Innovation Index	Global Innovation Index Score
			1.1.3	Rule of law	Worldwide Governance Indicators Freedom House (Freedom in the World)	% of WGI + % of FH (calculate percentage)/2
			1.1.4	Corruption	Worldwide Governance Indicators Transparency International (Corruption Index)	% of WGI + % of Corruption Index/2
			1.1.5	Civil liberties	Freedom House (Freedom in the World)	% of Freedom in the World
	1.2	*Political will*	1.2.1	Policies for development and promotion of SE	Desk research of government, regions and municipalities strategies and programs, and other national documents and reports (keywords-based research)	% of policy documents for development and promotion of SE
			1.2.2	Collaboration of national institutions with other sectors	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of satisfied + very satisfied/2
			1.2.3	Concerns and risks	OECD World Bank Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception)	Mentioned by OECD and World Bank, and expert's perception

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
2.0 Economic	*2.1*	*Macro economic*	2.1.1	Consumer Price Index (CPI)	World Bank State statistical office	% of WGI + % of SSO/2
			2.1.2	Gross Domestic Product (GDP)	World Bank State statistical office	% of WB + % of SSO/2
			2.1.3	Economic growth (GDP)	World Bank State statistical office	% of WGI + % of SSO/2
			2.1.4	External debt to Gross National Income (GNI)	World Bank	% of World Bank data
			2.1.5	Unemployment	State statistical office (Labor market statistics)	% of SSO data
			2.1.6	Youth Unemployment	State statistical office (Labor market statistics)	% of SSO data
	2.2	*Micro economic*	2.2.1	Taxation	OECD World Bank Regulations Survey with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of perception – enabling and very enabling % of satisfied and very satisfied
			2.2.2	Firm birth rate	State Statistical Office	% of new firms to active firms (NF/AF) *100
			2.2.3	Firm death rate	State Statistical Office	% of closed firms to active firms (CF/AF) *100
			2.2.4	Survival rates of newly born enterprises	State Statistical Office	% of 1-year survival rate
			2.2.5	Investment in business sector	State Statistical Office Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of GDP % of satisfied and very satisfied
			2.2.6	Ease of getting credit	Global Innovation Index	% of Global Innovation Index data
	2.3.	*Access to market*	2.3.1	Public authorities are using reserved contracts (social clauses) in their procurement	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of public procurement calls with reserved contracts (social clause)
			2.3.2	Social enterprises have access to support for responding to calls for tender	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of SEs that have asked and received support for public procurement
			2.3.3	Measures that support social enterprises' access to private markets	Organizational Survey with SE Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of yes to both variables

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
3.0 Legal	*3.1*	*Definition*	3.1.1	The case of definition	Survey and in-depth interviews with public, private, and CSO/NGO sector, social entrepreneurship experts (perception and satisfaction)	Highest % of chosen definition
	3.2	*Legal identity of social enterprises*	3.2.1	Social enterprises are legally recognized	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of subjective views and experience Legal Framework Subjective experience with legal forms for social enterprises
			3.2.2	Legal forms of social enterprises	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	Legal Framework Subjective experience with legal forms for social enterprises
			3.2.3	Legislation on social enterprises is pertinent and has been developed together with relevant stakeholders	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of included in legal and policy development % of applicable /2
			3.2.4	Administrative procedures specific to social enterprises are accessible and clear	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of accessible, clear, accessible and clear
	3.3	*Regulation*	3.3.1	Ease of starting a business	Global Innovation Index Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of Global Innovation Index data % of satisfied and very satisfied
			3.3.2	Ease of resolving insolvency	Global Innovation Index Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of Global Innovation Index % of satisfied and very satisfied
			3.3.3	Subjective experience of the regulation	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of enabling and very enabling % of satisfied and very satisfied
			3.3.4	Experience of illegitimate restrictions	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of No.
			3.3.5	Burden of government regulation	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
	3.4	*Judiciary*	3.4.1	Judicial Efficiency	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
			3.4.2.	Judicial Independence	Survey and in-depth interviews with public, private, and CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	% of Independent

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
4.0 Institutional	*4.1*	*Efficiency*	4.1.1	Efficiency of the legal framework settling disputes	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.1.2	Efficiency of government spending	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
	4.2	*Protection*	4.2.1	Strength of auditing and reporting standards	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.2.2	Protection of minority shareholders' interests	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.2.3	Strength of investor protection	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
	4.3	*Education*	4.3.1	Tertiary education enrolment rate	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.3.2	Quality of educational system	World Economic Forum - Global Competitiveness' Index in detail	Global Competitiveness' Index score
			4.3.3	Staff training	Organizational Survey with SE	Global Competitiveness' Index score
			4.3.4	Dedicated training initiatives available to social enterprises	Organizational Survey with SE	% of organizations that have been involved in such trainings
			4.3.5	Access to coaching and mentoring programs	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of organizations that have been involved in such programs
			4.3.6	Business development support structures available to social enterprises (Incubators & Hubs)	Survey and in-depth interviews with private, and CSO/NGO/SE sector experts (perception and satisfaction)	% of organizations that have been involved in such programs
	4.4	*Transparency*	4.4.1	Transparency of government policymaking	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
			4.4.2	Government and civil service transparency	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
			4.4.3	Budget transparency	Heritage Foundation Index of Economic Freedom	Index of Economic Freedom score
	4.5.	*Social enterprises inclusion*	4.5.1.	Social services offered by the social enterprises	Survey and in-depth interviews with public, private, CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	Satisfaction percentage Case studies Evidence
			4.5.2	Relation between Institutional bodies and social enterprises	Survey and in-depth interviews with public, private, CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	Likert scale
			4.5.3	Process for developing policies to support social enterprise development	Survey and in-depth interviews with public, private, CSO/NGO sector, and social entrepreneurship experts (perception and satisfaction)	Likert scale

Dimensions	No.	Sub-dimensions	No.	Indicators	Sources	Calculation
5.0 Financial	*5.1*	*Available sources of funding*	5.1.1.	The financing market has been mapped	Document analysis; Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	Results from the document analysis Sources started with Sources used
			5.1.2	Sources of funding	Document analysis; Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	Results from the document analysis Sources started with Sources used
			5.1.3	Private funders	Document analysis; Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	Results from the document analysis Sources started with Sources used
	5.2	*Access to available sources of funding*	5.2.1.	Access to funding	Document analysis; Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	% easy access Case studies Evidence
			5.2.2	Access to public funds	Organizational survey	% of easy access Case studies Evidence
			5.2.3	Financing SMEs	World Bank	Score
	5.3	*Financial dependence*	5.3.1.	Financial dependence	Survey and in-depth interviews with public, private, and CSO/NGO sector experts (perception and satisfaction)	Case studies Evidence Perception % of revenues from economic activities

Appendix 8. Cross-country Comparative Analysis

		SWE	DEN	ITA	ESP	GER	POL	RNM	ALB	BIH	KOS	MON	SRB
Political Dimension	National strategy	✓	✓	✗	✗	✓	✓	✗	✗	✗	✗	✗	✗
	SE concept use & acceptance	✓✓	✓✓	✓✓✓✓	✓✓✓	✓✓	✓✓✓	✓	✓✓	✓✓	✓✓	✓	✓✓
Legal Dimension	Regulation	✗	✓	✓	✓	✓	✓	✗	✓	✗	✓	✗	✗
	Trademark/Certification	✗	✗	✗	✗	✓	✓	✗	✗	✗	✗	✗	✗
	Public benefit label	✗	✗	✗	✗	✗	✓	✓	✗	✗	✗	✗	✓
	Organizational definition	✗	✓	✓	✓	✓	✗	✗	✗	✓	✗	✗	✗
	Sector-specific definition	✓	✗	✗	✓	✗	✓	✗	✓	✗	✗	✗	✗
Institutional Dimension	Degree of data availability	✓	✓	✓✓✓✓	✓✓✓	✓✓	✓✓✓	✓	✓	✓	✓	✓	✓✓
	Degree of acceptance	✓✓	✓✓	✓✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓	✓✓
	Institutional support	✓	✓✓	✓✓✓✓	✓✓✓	✓✓	✓✓	✓	✓	✓	✓	✓	✓
Financial Dimension	Fiscal benefits	✗	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	✗
	Financial independence	✗	✗	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗

[Source: Adapted from European Commission (2020b) A Map of Social Enterprises and Their Eco-Systems in Europe. Comparative Synthesis Report.]

Legend:

Degree of acceptance:

✓	No acceptance
✓✓	Emerging acceptance
✓✓✓	Challenged by other concepts, such as corporate social responsibility, social entrepreneurship and social innovation, narrow definition, weak self-recognition, limited space due to traditional welfare institutions
✓✓✓✓	Politically and legally accepted—large self-recognition

Other indicators:

✓	Yes
✗	No

SE concept use and acceptance & Degree of data availability:

✓	Low
✓✓	Average
✓✓✓	High
✓✓✓✓	Very High