

Stakeholder Brief 3

Executive summary

This Stakeholder Brief provides an overview of the main topics discussed in the COST Empower-SE meeting in Budapest, "Towards an international typology of social enterprise models: Progress, perspectives and common trends". The goal of this meeting was to bring together Hungarian SE researchers, other stakeholders of the Hungarian SE field and researchers of the COST Empower-SE network. Innovative conference networking formats provided a space for discussion about social enterprise research in Hungary and in other parts of Europe. The comparison between the social enterprise fields of various European countries reaffirmed that the historical developments and institutional contexts greatly influence the SE fields across Europe.

Towards an international typology of social enterprise models: Progress, perspectives and common trends

Melinda Mihály¹, Julianna Kiss², Fanni Bársony³ and Orsolya Lazányi⁴

1. Introduction

The second scientific meeting of the Working Group on the theoretical foundations of social enterprise (WG1 "Foundations") was co-organized by the Corvinus University of Budapest (CUB) and the Hungarian Academy of Sciences – Centre for Economic and Regional Studies (CERS HAS) on January 16 and 17, 2019. The meeting had three main objectives. The first objective was to provide a space for authors participating in the COST Empower-SE network to demonstrate the progress they had made since the first WG1 meeting in Lisbon in developing their country contributions. The second objective of the event was to provide a space for discussion on newly emerging transversal chapters and chapters

utilizing the ICSEM database. The third objective of the event was to provide opportunities for networking between Hungarian SE scholars, policy-makers, representatives of social enterprises and researchers of the COST Empower-SE network. Innovative conference networking formats—such as a stakeholder panel, a scientific pitching and poster session, as well as a World Café with six tables—provided a space for interactive exchanges between the various stakeholders.

In line with the triple goal of the meeting, this stakeholder brief gives an overview of current research on social enterprise in Hungary and of the contextual diversity of the SE field in Europe through highlighting the two WG1 panel sessions.

2. Current research on SE in Hungary

Due to an increased interest on the part of the EU and at state-policy level, a growing number of research projects have been conducted on social enterprise. The organizers of the meeting aimed to give a glimpse of the various research projects on the SE field which are currently being carried out in Hungary. In order to allow for a high number of presentations in a relatively short time, the format of the session that introduced Hungarian research on social enterprise was a scientific "pitching and poster" presentation. The researchers had five minutes to pitch their research, after which an opportunity was given for informal discussions in front of the posters of the eleven selected Hungarian research projects.

Out of the eleven presentations, six introduced sub-projects of a CUB research project entitled "The organizational-level analysis and development of social innovation".⁵ The CUB social innovation researchers explicitly aimed to bring environmental considerations into SE research through studying subjective well-being in **alternative food networks** (Ágnes Neulinger, Fanni Bársony, Natasha Gjorevska, Orsolva Lazányi, György Pataki, Sándor Takács and Áron Török) or through looking at the business relationships of social enterprises involved in **short food supply chains** (Irma Agárdi and Áron Török). Beyond that, the inclusion practices of social enterprises, with a special attention towards women, Roma people and people with disabilities (Henriett Primecz, Andrea Toarniczky and Julianna Kiss), the **social aspects of digital innovation** (Julianna Faludi, György Pataki and Tamás Veress), the narratives of the **"new generation" of social entrepreneurs** (Réka Matolay and Noémi Krátki), the **coping strategies of social entrepreneurs in constructing a positive work identity** – also aiming at channelling the findings of the research into higher education (Réka Matolay, Andrea Toarniczky and Tamás Veress) were also examined by CUB social innovation researchers.

The challenges faced by marginalized rural areas in Hungary directed research interest towards

the potential of rural social enterprises in local development. According to Edina Berlinger (CUB), new **financial products and services** may support the social and economic integration of disadvantaged people in "underprivileged" regions in Hungary. The financial products and services Berlinger focused on in her research include income-contingent repayment with an affordable, maximum 10% repayment rate over a 10-to-20-year period, after which the remaining debts are cancelled. György Molnár and Attila Havas (CERS HAS) looked at the potentials of a **social microcredit** program for the Roma, who are subjected to socio-spatial marginalization in Hungary. Based on their case study, Molnár and Havas argued that in the case of socially excluded groups, social innovation should simultaneously target institutions, social networks and cognitive frames. They also argued that strictly focusing on financial sustainability potentially hampers the successful implementation of social-innovation projects and might not lead to the expected empowerment of the members of the disadvantaged groups. The research led by Luca Koltai (HÉTFA Research Institute and Center for Economic and Social Analysis) showed that **social enterprises engaged in food and agriculture** are more likely to operate in "less developed areas" and are more likely to be active in food processing than agriculture. According to Koltai, between 1 and 2% of enterprises active in the food and agricultural sector can be considered as social enterprises; they employ approximately 1,500 people. The local effects of these initiatives include creating workplaces, providing opportunities for the social inclusion of vulnerable and unemployed persons, fostering community development, developing skills and strengthening local markets, among others. Melinda Mihály (CERS HAS) aimed to better understand the production of "less developed areas". Relying on a research she is conducting with Katalin Kovács (CERS HAS), Katalin Rácz (Research Institute of Agricultural Economics) and Gábor Velkey (CERS HAS), Mihály **discussed how socio-spatial inequalities may be reproduced through looking at a case study producer organization (PO)**. The case study PO provided a platform in which the small- and large-scale producers could cooperate

with each other. Thanks to this cooperation, the members of the PO managed to keep their business alive in free-market capitalism, but the PO is under constant pressure to lower the production costs of its vegetable products, and it is therefore facing various social and environmental conflicts. With a view to overcoming the pressure generated by free-market capitalism, Benjamin Márkus introduced an alternative economic initiative, the **Hungarian Solidarity Economy Network**. The newly emerging grassroots initiative aims to function as a metacooperative (a cooperative of cooperatives), i.e. a horizontally-organized, democratically-governed network of economic activity partly sealed and protected from market volatility and commodification.

The posters are available on the COST Empower-SE website, under the following link: <http://www.empowerse.eu/events/2nd-wg1-foundations-meeting/>

3. SE in Europe

The goal of the **first panel on country contributions** was to better understand the different factors influencing SE development through discussing the context in which SEs develop and operate in three historically and institutionally differing European countries: Norway, Portugal and Romania. **Norway** provides an example of an institutional context characterized by a highly developed welfare state. In Norway's system of welfare provision, non-profits and for-profits play a complementary role only; most welfare services are delivered by public agencies. However, since 2008, there has been a growing interest by state actors in social entrepreneurship. The growth of the SE sector is driven both by public funds and social ventures. The publicly funded social enterprises are expected to increase the innovative capacities of the welfare state, whereas the social enterprises funded by social ventures follow a more "entrepreneurial" approach and are driven by the goal of liberalizing the welfare state. In **Portugal**, the successive different welfare regimes of the last few decades have determined the legal and political context

within which social enterprises operate. The democratic revolution, in the 1970s, was followed by the renewal of the social cooperative movement. This was in turn followed by the emergence of entrepreneurial non-profits, in the 1980s. In the 1990s, the public-policy focus was on the creation of work-integration social enterprises (WISE); later on, the solidarity economy enterprise model was promoted within the framework of sustainable local development. From 2010 onwards, similarly to some Norwegian developments, the social business concept and the corresponding more entrepreneurial and commercial forms of SE started to prevail in the field. In contrast to what happened in Norway or Portugal, the **Romanian** SE sector could only formally develop after the fall of state socialism, in 1989. However, informal community economic practices already existed before the regime change. Today, in Romania, most formally existing social enterprises are associations and foundations, and most of them are bottom-up initiatives, which have developed based on the needs of their members and communities. As part of the institutionalization of the sector, a law on the social economy was introduced in 2015; it mainstreamed work-integration enterprises. Despite the renewal of the social economy sector, by 2018, only 114 social enterprises were included in the General Registry of social economy entities nationwide. Externally-driven enterprises have recently been stimulated by EU funds, but the lack of public support as well as the limited awareness of the SE concept represent key challenges for the sector in Romania.

Comparisons of the different SE contexts were continued in the **second panel session**. Large-scale comparative studies, such as the SE typology developed by the ICSEM project, and small-scale comparative studies carried out (1) in Serbia, Armenia and Greece, (2) in the Baltic States and (3) in Bulgaria and Russia were discussed.

In **Armenia, Serbia and Greece**, the role of endogenous and exogenous drivers in the development of the SE sector was studied. The study confirms the influence of the historical

background on the development of the SE sector in each country. While SEs in Armenia play a minor role in welfare provision, their counterparts in Serbia and Greece are important actors in solving pressing social issues. The comparative analysis of the three countries reveals that SEs undoubtedly play the most significant role in Greece, where they are connected to the social and solidarity economy movement. In all three countries, both endogenous and exogenous drivers are important: exogenous drivers under the form of support by international funds and international organizations; endogenous drivers under the form of national laws and historically rooted institutional contexts. These factors are inter-related: without strong internal resources, skills and will to develop a fertile SE sector, international support can only contribute to a narrow top-down approach, and only short-term effects can be expected.

The **Baltic states** (Estonia, Latvia and Lithuania) are strongly influenced by their turbulent history, which resulted in a lack of social services and a high level of poverty, especially in rural areas. SEs emerged in rural areas as an answer to these problems; they deliver social services and address the needs of various stakeholders. As in other post-socialist countries, the terms “social” and “collective” have a negative connotation; as a result, the key players in the SE field are foundations and NGOs, not cooperatives. As in the cases of Serbia, Armenia and Greece, cooperation among the various actors of the field—including not only SEs but also private companies, public institutions and municipalities—is essential in the Baltic countries. However, the institutional context can constitute a hindrance when it comes to fostering such cooperation. Even if in Lithuania and Latvia SEs have gained legal recognition the definitions of SEs are either too narrow or too broad – according to the authors, while in Estonia legal definition does not exist yet. There is a need to support collaboration among actors, including not only public authorities but also local communities and social investors.

Regarding **Russia and Bulgaria**, the SE sector presents some peculiarities, due to these countries' special historical background. In both countries (as was also the case in the abovementioned ones), the concept of social enterprise emerged in the last decades as an answer to market and government failures. Nevertheless, we can retrace SE-like activities in the pre-socialist times, and even during the socialist period. However, state socialism negatively influenced the civilian capacities to build up a social economy from the bottom. Instead of cooperatives, NGOs or SMEs characterize the SE field in Russia and Bulgaria. Regarding the main drivers of development in the sector, the Bulgarian SE field is greatly influenced by international foundations and EU regulations, while in Russia, the field is shaped to a large extent by the state and large corporations.

The **ICSEM project**, which included an international survey carried out among SEs from 43 countries around the world, aimed to explore the various models of SE. The results show that while SEs are influenced by institutional factors at the macro level, they do stem from all parts of the economy and can be related to different organizational backgrounds—namely, the nonprofit, cooperative and traditional-business sectors—that exist in almost all countries. During the discussions, the ecological aspects of SEs were also mentioned, but this question remained opened for further discussion.

4. Conclusions

Hungarian SE researchers made efforts to better integrate environmental considerations into SE research in two different ways. While certain CUB researchers selected environmentally-conscious social enterprises as case studies, a group of CERS HAS researchers analyzed the environmental impact of a social enterprise focusing primarily on channeling small-scale vegetable products to the market. Free-market capitalism puts high pressure on producers. Economic democratization through an integrated cooperative may help to protect producers and consumers from market

volatility and commodification. The Hungarian Solidarity Economy Network is a newly emerging grassroots initiative aiming to become an integrated cooperative.

Due to rising socio-spatial inequalities, an increasing number of Hungarian research projects are directed towards understanding the role of rural social enterprises in local development. While financial products and services and microcredit programs may have a potential for the integration of the socially excluded, it is important to simultaneously target institutions, social networks and cognitive frames of the marginalized. It should also be noted that requirements of financial sustainability may *a priori* exclude the most marginalized.

The comparison between the social and solidarity economy of various European countries revealed that the historical developments and institutional contexts greatly influence the SE fields across Europe. The founding sources of social enterprises are influenced by EU policies and are embedded in different welfare regimes and state policies at the national level. The COST Empower-SE meeting reaffirmed that a country's SE field cannot be understood without considering the national policy framework and historical background.

Acknowledgements

We would like to thank Marthe Nyssens for her comments, which helped us to improve an earlier version of this Stakeholder Brief. We are also grateful for her and György Pataki's advice and support in organizing the international conference. We also thank the various stakeholders of the Hungarian SE field for joining our meeting and the EMES International Research Network for supporting the organization of this meeting in so many ways. We are especially grateful for the EMES Coordination Unit and its collaborators for the work done with the language and graphic editing of this document. Finally, we are grateful to COST Empower-SE scholars for the thought-provoking discussions on social enterprise in Europe.

¹ Melinda Mihály (mihalym@rkk.hu) is a researcher of the Centre for Economic and Regional Studies, Hungarian Academy of Sciences (CERS HAS). She is a co-leader of EMPOWER-SE Working Group 1.

² Julianna Kiss, PhD, Corvinus University of Budapest.

³ Fanni Bársony, PhD candidate, Corvinus University of Budapest.

⁴ Orsolya Lazányi, PhD candidate, Corvinus University of Budapest.

⁵ This research was supported by project No. EFOP-3.6.2-16-2017-00007, entitled "Aspects of the development of an intelligent, sustainable and inclusive society: social, technological, innovation networks in employment and digital economy". The project was supported by the European Union, co-financed by the European Social Fund and the budget of Hungary. The research was led by György Pataki, PhD.