



SOCIAL ENTREPRENEURSHIP AND SUSTAINABLE DEVELOPMENT
(THE CASE OF SOCIAL ENTERPRISES IN AZERBAIJAN)

by

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Abstract

In the last decades, social entrepreneurship phenomenon has been in the center of global attention. The social entrepreneurship theory is still in the conceptualization phase, as each country has individual specifics and approaches to define social entrepreneurship initiatives. Social entrepreneurship as business philosophy does not only include social, environmental, and economic efficiency but also with its effectiveness contribute to business sustainability.

This thesis complements the lack of research work on the social entrepreneurship phenomenon by offering a conceptual framework and indicate social entrepreneurship, as an assistance mechanism for the government and applied to the solving social problems, can provide analysis framework to provide a response to the challenges of sustainable development. The main objective of the thesis is exploring the characteristics and backgrounds of social entrepreneurship phenomenon, particularly in relation to what are the entrepreneurial motivations for starting new social ventures from Azerbaijan's perspective, especially its importance in achieving Sustainable Development Goals. The study on social entrepreneurship phenomenon is still in its first stage. Therefore, it was essential to include new and valuable information to the existing literature on the topic. In order to fulfill the objective and attain the goal, there are a few main research questions defined: How to understand Social Entrepreneurship phenomenon and its realization in business? What do the concepts of the Sustainability and Sustainable Development mean in social entrepreneurship? How do social entrepreneurs use both business acumen and philanthropic principles to address social, cultural, and environmental challenges? How can Social Entrepreneurship contribute to the Sustainable Development Goals (SDGs)?

A qualitative research method was used to gather data through a semi-structured questionnaire to define the needs and learn the views of stakeholders concerning the impact of social enterprises on sustainable development. It was found that there is a high relation between social entrepreneurship and sustainable development. Social enterprises not only operate on a sustainable basis but also encourage others to get involved either. The thesis suggests that social innovation may change the structures and systems that create the conditions for poverty, and the development processes need to consider the link between social entrepreneurship and sustainable development. This research analyzes Azerbaijani social enterprises while looking at the phenomenon from a global standpoint.

Key words: social entrepreneurship; social entrepreneur, sustainable development, sustainable business; Azerbaijan;

Xülasə

Son illər ərzində Sosial Sahibkarlıq mövzusu əldə etdiyi nailiyyətləri ilə dünyanın diqqətini özünə cəlb etdi. Bu mövzu hələ də konseptuallaşma mərhələsində olduğuna görə, hər ölkənin sosial sahibkarlıq təşəbbüslərinə dair özünəməxsus cəhətləri və yanaşmaları mövcuddur. Sosial sahibkarlıq öz biznes fəlsəfəsinə sadəcə sosial, ekoloji və iqtisadi elementləri daxil etməklə kifayətlənmir, həmçinin dayanıqlı biznes mövzusunə də öz effektivliyi və səmərəliyi ilə töhfə vermiş olur. Bu tədqiqat işi sosial sahibkarlıq üçün konseptual yanaşma təklif edir və sosial problemləri həll etməkdə dövlətə yardımçı vasitə kimi təqdim edərək bu mövzu üzrə akademik ədəbiyyatda olan boşluğu doldurur və dayanıqlı inkişaf yolunda çətinliklərə bir cavab olaraq təqdim edir. Müdafiə işinin əsas məqsədi sosial sahibkarlıq anlayışının mahiyyətini və xüsusiyyətlərini araşdıraraq onun Azərbaycanda Dayanıqlı İnkişafa nail olmaq üçün nə qədər əhəmiyyətli təsirə malik olduğunu vurğulamaqdır. Bu sahədə elmi araşdırmalar hələ də ilkin mərhələdədir. Buna görə də, hazırki ədəbiyyata yeni və dəyərli məlumatlar əlavə etmək çox vacibdir. Bu vəzifəni icra edib tədqiqatın məqsədinə nail olmaq üçün bir neçə tədqiqat sualları müəyyən olundu: Sosial Sahibkarlıq nədir və biznesdə hansı şəkildə tətbiq olunur? Dayanıqlılıq və Dayanıqlı İnkişaf Sosial Sahibkarlıq sahəsində necə başa düşülür? Sosial sahibkarlar biznes və xeyriyyəçilik prinsiplərini sosial, ekoloji və mədəni problemlərin həlli üçün necə istifadə edirlər? Sosial Sahibkarlıq Dayanıqlı İnkişaf Məqsədlərinə hansı şəkildə töhfə verir?

Sosial müəsisələrin dayanıqlı inkişaf üzərindəki təsirlərinə dair maraqlı tərəflərin fikirlərini əks etdirən və ehtiyaclarını müəyyənləşdirən məlumatları toplamaq üçün yarım-struklaşdırılmış sorğuya əsaslanan keyfiyyət tədqiqat metodu istifadə olunmuşdur. Nəticədə müəyyən olundu ki, sosial sahibkarlıq və dayanıqlı inkişaf arasında güclü əlaqə vardır. Beləki, nəinki sosial müəsisələr sadəcə dayanıqlı əsaslarla fəaliyyət göstərmir, həmçinin başqalarını da bu yola təşviq edir. Bu tədqiqat sosial innovasiyanın yoxsulluğa gətirib çıxaran struktur və sistemi dəyişdirə biləcəyinə və sosial sahibkarlıq və dayanıqlı inkişafın qarşılıqlı əlaqəsini əks etdirən inkişaf prosesini formalaşdıracağına inanır. Eyni zamanda, sosial sahibkarlıq anlayışının qlobal təcrübələrinə əsaslanaraq Azərbaycanın yeni inkişaf etməkdə olan sosial müəsisələrinin fəaliyyət və xüsusiyyətlərini araşdırır.

Açar sözlər: sosial sahibkarlıq; sosial sahibkar; dayanıqlı inkişaf məqsədləri; dayanıqlı biznes; Azərbaycan;

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Introduction

Over two centuries, the world's most developed countries have experienced an unprecedented generation of wealth. Nevertheless, such success is not enjoyed in all countries and is not always matched by an equal caliber of social progress. The apparent gap between the class of have and have not, is rising frequently affecting severely upon the global economy and power. According to the published research of World Institute for Development Economics Research at United Nations University, only the wealthiest 1% of adults had control on 40% of global assets at the beginning of the 21st century, and that the wealthiest 10% of adults estimated for 85% of the world, and we live in a period that approximately over three billion people struggle to survive with less than \$ 2 per day, and nearly 1 billion people cannot find enough food to eat.

Every year, ten million people die of starvation, or hunger-related diseases, more lives taken by AIDS, malaria, and tuberculosis combined, seventy-five million children do not have access to education, women earn one-third less than male colleagues for doing the same work and compose only eighteen percent of parliament seats around the world, two and a half billion people live without access to adequate sanitation. On the horizon, we can predict a world population that will reach nine billion people in the next decades—triple what it was just seventy years prior. Climate change, as a global concern, threatens with extreme weather patterns as well as a rise in sea level and impact on existing species.

Numerous attempts have been taken to address the immense social and environmental problem. Some of those efforts have been successful, but unfortunately, most of them have failed to generate substantial progress. Over the last four decades, “social entrepreneurship” or attempts to use entrepreneurial, private sector approaches to address social and environmental needs have emerged. Many experts believe that social entrepreneurship represents a new structure, and ideology can cover multiple social challenges. The study will define how extraordinary people like Muhammad Yunus (Nobel Peace prize winner in 2006) succeeded with a brilliant idea of creating revolutionary products and services dramatically improving human lives (Yousry 2007).

When we talk about Social Entrepreneurship, Sustainability and Sustainable development terms will appear as a central part of it. Hubbard argues, “the emergence of the concepts of ‘sustainable development’ and ‘sustainability’ reflects a fundamental change in global minds, which is forcing firms to re-evaluate again their approach to measuring organizational performance. Sustainable development will be one of the big themes of this research paper. In order to invest to Sustainable Development, UN member countries developed Sustainable Development Goals within the 2030 Agenda for Sustainable Development. The 18th Sustainable Development Goal deals with an

enhanced set of capabilities. In order to contribute to the huge challenges of our times – as expressed in the 17 existing SDGs – certain conditions in terms of innovation, scalability, and sustainability have to be met. (Harry Hummels, 2018). Achieving on these goals will demand collaborative efforts of governments, business, and third sector actors. However, the study mainly concentrates on understanding Social Entrepreneurship's crucial role to play in the achievement of these global goals. More specifically, a conceptual framework was designed to define how social enterprises can contribute to the SDGs and presented with social enterprise models from around the world. Azerbaijan participates closely in the worldwide development initiatives of the international community, including the United Nations (UN). This involvement is of great significance for learning and sharing the best practices and innovative ideas, and has been a major factor for successful implementation of Millennium Development Goals (MDGs) in Azerbaijan in the last 15 years. As main actors of Sustainable Development in Azerbaijan, neither the Social Economy nor Social Entrepreneurship is clearly defined by the state. In this research, the data is explored related to current situation and performance of socially oriented enterprises in Azerbaijan in order to create literature on this issue for further development of the conception and to be a push factor to increase the number of social enterprises.

Purpose of the study

The main aim of the thesis is finding out how social enterprises operate and contribute to Sustainable Development. There is no clear answer provided on the situation of social enterprises in Azerbaijan. Therefore, this study has great importance to understand SE coverage and its impacts. The purpose is to fulfill that gap in literature by interviewing Azerbaijani social entrepreneurs. The questionnaires can provide valuable information about their performance of activities in tackling socio-economic, environmental issues, and thus give useful insights on their role in achieving SDGs.

Previous studies have shed light on the definitions of social entrepreneurship in different ways. This study aims to present local concept of social entrepreneurship comparing to global context examine the local socio-economic climate for social entrepreneurship and find out the main challenges and perspectives for social entrepreneurs. The paper is targeted at anyone who is interested in social ventures, social entrepreneurship, and sustainable development.

The implications of this thesis are quite broad. The thesis identifies the importance of social enterprises in the process of adopting and realizing Sustainable Development Goals.

Research methodology and questions

The study is based on the literature on social entrepreneurship and sustainable development, and with the support of empirical data. The empirical data were gathered with a semi-structured questionnaire. Interviewees are Azerbaijani social entrepreneurs who were agree to participate in the research, and the questionnaires were conducted via telephone, Skype and email.

As this topic is new in academic literature, data is scarce. The gap in knowledge required study to be qualitative in nature, but quantitative figures is also included. This research method enabled obtaining new information and having a new perspective on the topic.

In order to fulfill the objective and attain the goal, there are a few main research questions defined as:

- How to understand the Social Entrepreneurship phenomenon and its realization in business?
- What do the concepts of the Sustainability and Sustainable Development mean in social entrepreneurship?
- How do social entrepreneurs use both business acumen and philanthropic principles to address social, cultural, and environmental challenges?
- How can Social Entrepreneurship contribute to the Sustainable Development Goals (SDGs)?

Preliminary Literature review

Understanding social entrepreneurship in a comprehensive manner is a challenge. This part attempts an extensive literature review related to Social Entrepreneurship, Social Entrepreneurs, Sustainable Development in business, strategy and related areas. This chapter aims at a conceptual clarity on the topic with an objective to identify the research gaps in the current literature and create a research framework.

The literature review is divided into three parts. First, the study literature focuses on conceptualization of social entrepreneurship and how social entrepreneurial ventures are differentiated by exploring papers defining them.

The term 'Social Entrepreneurship' itself is seen as too broad and vague and hence many people tried to give various definitions to it (Austin et al., 2006; Bac & Janssen, 2011; Mair & Martí, 2006a; Stevenson and Wei Skillern 2006). Gregory Dees (1998b) defined one of the earliest definitions of a social entrepreneur. He proposed that:

"Social entrepreneurs play the role of change agents in the social sector, by: adopting a mission to create and sustain social value (not just private value); recognizing and relentlessly pursuing new opportunities to serve that mission; engaging in a process of continuous innovation, adaptation and learning; acting boldly without being limited by resources currently at hand; and exhibiting heightened accountability to the constituencies served and for the outcomes created."

The theoretical definitions of social entrepreneurship include nonprofit organizations applying business practices and for-profit organizations working for social good. One group of researchers emphasize the nonprofit aspect (Weerawardena & Mort, 2006; Young, 1982) while a second group has focused on the self-sustainability and profit generation aspects of social entrepreneurship (Peredo & McLean, 2006; Seelos & Mair, 2005; Yunus, 2007). Social enterprises are characterized in the existing literature as organizations which aim to address societal problems in an innovative and financially self-sustainable way (Seelos & Mair, 2005; Yunus, 2007). Even though such organizations have existed for decades, academics have only been using the term social enterprise in the last twenty years (Bacq & Janssen, 2011; Dees, 1998a; Waddock & Post, 1991). There is still a vacuum in the literature, research, and awareness about the factors that lead to success in the field of Social Entrepreneurship (Alvord et al. 2004; Cramer 2003; Desa and Kotha 2006; Mulgan 2006). Leadbeater (1997) and Thompson (2002) stress in their publications the urgent need to foster social entrepreneurs. Mair, Robinson, and Hockerts (2006) expect more research to be done in understanding how values, systems, and processes can affect the sustainability of social enterprises.

At the second level, research defines Sustainable Development case through social enterprises. Sustainability and Sustainable Development concepts have developed into a prominent developmental philosophy after the Brundtland Report was published in

1987, (Dresner 2008), and there has been a growing body of research on sustainability (Crews 2010). Still, sustainability can mean different things to different people and organizations. To some, sustainability means having a real commitment to green practices and revamping the entire business model to its core (Smith and Sharicz 2011). To others, being a sustainable business only means survival. According to Berns et al. (2009), 40% of senior managers who self-identified as novices on sustainability issues defined sustainability as simply maintaining business viability.

As would be expected SDGs adopted lately, research literature examining broadly its relationship with social entrepreneurship is still limited. However, there are some examples for indicating this relation. For instance, we can observe in the studies of Buzinde et al. (2016) and Sheldon, Dredge & Daniele (2017) how social entrepreneurship in tourism can have highly positive impact on SDGs. Wanyama (2015) examines in his further studies that the social entrepreneurship plays an important role to contribute to the SDGs, particularly the goal concerning decent work. Meanwhile, Ramani, SadreGhazi & Gupta (2017) considers the role of SE in achievement of SDG 6 (Sustainable Management of Water and Sanitation) particularly in India. In the end, Rhadari, Sepasi & Moradi (2016), drawing attract on Schumpeterian theory, depict a canvas for the realization of the SDGs with social enterprises and social entrepreneurship which is identified as critical agents in this process.

The preliminary information – legal formation, financial tools of social enterprises in Azerbaijan within global context was overlooked through the country report by Andreja Rosandic and Mahammad Guluzade in the framework of “Social Economy in Eastern Neighborhood and in the Western Balkans” research. Several potential benefits and opportunities of social enterprises for Azerbaijan was discussed by Urxan Alekperov, Rajab Rahimli, Ziyafat Habibova, Murteza Hasanov in the research on “Human potential of social enterprises as a factor of sustainable innovative development in Azerbaijan”.

Outline

This thesis is organized into three sections. In the first chapter, introduction as background information and basics of the study are presented to the reader. This information includes an introduction to the topic, the objective of the study, literature review, and research methodology and questions. In the next two chapters, the theoretical framework of the study is introduced. General overview of the phenomenon of social entrepreneurship, the different definitions describing the phenomenon and information on how it influences on everyday business operations are main points in this framework. Chapter two analyzes social entrepreneurship in depth and learn its realization in business. Chapter three focuses on sustainability characteristics of this model, measuring outcomes of the impact and SDGs.

After the theoretical framework is covered, the next chapter explains research methodologies, data collection process and data analyze method. In that chapter of the thesis, the general information on how the study was conducted is presented. The research method is portrayed, as well. The empirical examination is displayed in the next chapter after the research methodology. In that chapter, data on social enterprises in Azerbaijan were described, and additional information collected through research tried filling the gap in the literature.

The last chapter ties the research paper together. It contains key results, contributions of the study, recommendations, and suggestions for future research topics.

Chapter I

Social Entrepreneurship is thoroughly reviewed based on the recent studies on the topic in the first chapter. In order to develop a clear overview of the topic, the phenomenon and its emergence will be defined. Multiple definitions of social entrepreneurship are introduced in this chapter. The conception gets clarity better through all of various definitions, despite the large spectrum at first sight.

1.1 Historical Background and Prevalence

There are many assumptions about the roots of Social entrepreneurship. Some believe the history of social entrepreneurship is as old as the world's religions. As M. Yunus mentioned, "all religions encourage the quality of helping others in human beings, making social welfare an integral part of human history." Others support that social entrepreneurship is associated with the values of "Victorian liberalism" (Alvy, Lees, & Thompson, 2000; Johnson, 2000; Mair & Marti, 2006, p. 36; Skoll)

Other scholars contest that the modern concept of social entrepreneurship as we perceive today came out in the 1980s by Bill Drayton, who is the founder of Ashoka. Some even argue, "no one is charged with shaping or defining the field and term" (CASE, 2008, p. 5).

Drayton's Ashoka was founded 25 years back from now, however the phenomenon of social entrepreneurship emerged centuries ago. The first social entrepreneurs include many eminent personalities from the 19th century. One of them is Robert Owen, who was pioneer in bettering work conditions at factories. He opened the store for factory workers to purchase high-quality products at little cost and restricted the sale of alcohol and laid the foundation of the cooperative movement. He was also founder of the infant childcare in Great Britain. Florence Nightingale was almost known by everyone with her establishment of first nursing school in the world and inspired modern nursing practices. Another great example for social entrepreneurs – Henry Durant was French businessman who was the witness of the Austro- Sardinian War in 1859, then he encouraged national voluntary relief organizations to aid nurses and wounded soldiers during the war and worked for the development of international treaties to assure protection of medicos and those injured in battlefield. William Booth (1829-1912) with his wife Catherine founded the "East London Christian Mission" to run social, and charitable work to deliver the Christian message to the poor, and hungry people through meeting their physical and spiritual needs. Later in 1878, he organized "The Salvation Army" mission along military lines which was open to everyone not depending their color, race, or belief. Frederick Law Olmstead (1822-1903) adopted the "City Beautiful" movement aiming to transform cities with open space and building many famous urban parks such as Rock Creek Park in Washington DC and Boston's Emerald

Necklace. His determined attempts were essential in altering the initial concept of cities transforming primary centers of commerce to “wonderful places to live and work.”

In the early 20th Century, Social Entrepreneurship was more or less a continuation of the movement that started in the 18th century. There were entrepreneurs during the nineteenth and twentieth centuries who made efforts to eliminate the social problems. Besides this, many communities and organizations work for child rights, women empowerment, saving environment, utilization of waste products, etc. Except addressing the social issues, social entrepreneurship also begins to get involved in recognition and addressing the environmental problems and financial issues for rural and urban poor.

We can show some of the leading luminaries of social entrepreneurship for the early 20th include:

- Dr. Maria Montessori (1870-1952) – She founded the “Casa dei Bambini” (Children’s House) in Rome. Her idea was reformation for education, according to this system, children teach themselves, without the help of adults. Her techniques evolved into the popular Montessori method of early childhood education.
- John Muir (1838-1914) – naturalist, author, environmental philosopher, glaciologist, an early advocate for the preservation of wilderness in the United States of America, who set up the Sierra Club and worked with President Roosevelt to create the US national park system, struggling against the devastation of the Sierra Nevada because of ranching. Muir was one of the people who personally participated in the establishment of Sequoia, Mount Rainier, Petrified Forest, and Grand Canyon national parks.
- Franklin Delano Roosevelt (1882-1945) - US President acted as a social entrepreneur establishing the Tennessee Valley Authority to overcome the influences of the Great Depression. The Tennessee Valley Authority strengthen the local economy by harnessing the power of the local rivers to produce cheaper energy.

1.1.1 Modern Social Entrepreneurship

Figures from the last two decades describe that social entrepreneurs have transformed their problem solving tool from philanthropies and charities to more effective and sustainable ways.

One of the initiators of such contemporary social entrepreneurship concept was introduced for Famine Relief by Oxford academics and social activists in 1942.

The corporate-based model of social entrepreneurship was emerged with the initiatives of Michael Young. He established more than sixty social enterprises over the world including Young Schools for Social Entrepreneurs in the UK.

Prevalence of modern social entrepreneurship movement was mainly related with lack of state support, absence of social programs and funding by government. In 1980s and 1990s, withdrawal of state support, to differing degrees, was experienced in the United States, Western and Eastern Europe. As unemployment level increased, and government employment programs failed, social enterprises began to increase as the response to this. Therefore, the first main mission was the work integration of unemployed people.

After the “Washington Consensus” structural adjustment program initiated within the market reform, unemployment rate increased and social benefit programs decreased as the result of state withdrawal in South America. It is a global implication by social enterprises to reduce unemployment and social exclusion problems related to inequality in income distribution, poverty, when the state or economic sphere do not address anymore.

The history began in Southeast Asia and South Africa because of the same reason which is lack of state support and weakened economy. In Southern Africa, unemployment level increased up to 60-80% after structural adjustment programs which drove emergence of social enterprises. Meanwhile, “the term social enterprise” is more associated with certain companies involved in sustainable development in Southeast Asia.

A reputable philanthropist Jeff Skoll established Skoll Foundation to provide a help to those who want to continue or expand their work for social change across the globe. He also founded Skoll Centre for Social Entrepreneurship at Oxford University to support social entrepreneurs.

1.1.2 Social Entrepreneurship Ventures in Third-World Countries

Today the concept of social entrepreneurship has been widely used in different forms. Grameen Bank by Muhammad Yunus, Ashoka: The Innovators for the Public by Bill Drayton, Youth United by Jyotindra Nath, Rand De by Ramakrishna and Smita Ram, SKS Microfinance by Vikram Akula and Roozi.com by Nick Reder, Brent Freeman and Norma La Rosa are the essential steps that popularized the term.

Recent social enterprises mostly have emerged in third world countries as a poor economy and low level of living conditions make these interventions compulsory. Examples for these social entrepreneurship initiatives in these countries include:

Grameen Bank which provides micro-finance to villagers to start their business in Bangladesh

Rang De - a peer to peer online platform to offer low-cost microcredit to underserved communities in India.

The George Foundation's Women's Empowerment program which provides access to education, training, business development assistance to poor women in India and incomes coming from its activities are reinvested in bettering economic status of the employees and serve as funds for other charitable activities of the foundation.

The Academy of Young Social Entrepreneurs located in Turkey trains young entrepreneurs and supports their start-up and help to maintain the sustainability of their social entrepreneurship projects.

Along with the history, social entrepreneurs tried to fill the gaps left by the governments or worked more closely with public organizations for the common good. They have successfully created incredible synergies and got benefits by combining business principles with social activities.

1.2 The phenomenon of Social Entrepreneurship

Entrepreneurial activities have significantly increased in the last few decades; therefore, this period is often called “the age of entrepreneurship”, “entrepreneurial renaissance”, and “entrepreneurial revolution”. Entrepreneurship exists in many forms. One of the most traditional conceptions is that entrepreneurs are people who organize, manage, and assume the risks of a business or enterprise. The more in-depth look at the phenomenon is that entrepreneurs are people who pursue opportunities and generate innovation. This approach reveals that entrepreneurship is a broad phenomenon with many other different variables. Morrison (2006) divided entrepreneurial types into nine categories: co-entrepreneur, ethnic, family, intra-entrepreneur, lifestyle, micro, business portfolio, serial, and social. As one of the main types of it, Social entrepreneurship evolved as part of the entrepreneurship literature. Most of the entrepreneurship literature concentrated on the creation of new ventures to generate profits. However, establishing new ventures and their outcomes were not defined only for profit-making (El Ebrashi, 2010). Entrepreneurship is about finding out a fit between certain needs and resources, creating an innovative venture, working on the venture’s development, discovering more opportunities to perpetually innovate in the venture (Moore, 1986; Bygrave, 1997) and producing sensible outcomes (Weick, 1979). That enables to redefine entrepreneurship, or in other words, to establish new organization typologies with different outcomes. Social entrepreneurship is a reflection of this evolution of consciousness. At its core is the disruptive innovation that successful businesses not only must create a profit but also have a material positive effect on society and the environment. Social entrepreneurship is better suited than a conventional business to help our one human family take care of each other and our shared planetary home.

Determining what social entrepreneurship is, and its conceptual frameworks is not a simple task. This is in part, because the phenomenon is inherently complex and very diverse that converges many fields, and in part, because the literature in the area is so new that little consensus has emerged on the topic. The phenomenon has emerged for several decades now, but as a research field, Social Entrepreneurship is still relatively new, the scholarly achievement in mainstream management and entrepreneurship journals has been relatively small (Short, Moss & Lumpkin 2009). Each author provides different and individual definitions of social entrepreneurship. According to them, components range from social justice, social value, viable socio-economic structures, forging a new equilibrium, employing innovation, entrepreneurial skills, market gaps, solving social problems, to social entrepreneur as a change agent. They do not agree upon a single definition for the concept because there are several ways to describe this rich phenomenon.

According to some opinions, Social Entrepreneurship equals to non-profit organizations. They claim that the social entrepreneurship or social entrepreneurial

initiative is the most common term to identify the activity in the non-profit sector. However, the sector includes a majority of non-profit organizations, which do not classify as social entrepreneurship, in spite of that, they are linked with social change, and that somehow favor or promise solutions to spiky problems as poverty, hunger, and disease. While others believe that, Social Entrepreneurship is about for-profit companies that are conducted by non-profit organizations (Wallace 1999). Some researchers even assume that the concept of Social Entrepreneurship describes firms created at a financial loss (Baron 2007), and some of them even defined it as philanthropy (Ostrander 2007). In early studies of the topic, Social Entrepreneurship was not seen as an economically feasible and sustainable option for an organization. That conception has evolved over the years and, now it is considered as a real solution to many challenges and problems faced by companies and societies.

In the 1970s social entrepreneurship was introduced to tackle the issue of social problems sustainably. The term “social entrepreneur” was first mentioned in the seminal work named “The Sociology of Social Movements” (1972) by Joseph Banks where he used the term to describe the need to use managerial skills to solve social problems as well as to deal with business challenges. Bill Drayton pushed “social entrepreneurship” as a key term back in 1980 and practices began with the establishment of Ashoka, which is the first international organization that promotes social entrepreneurship by affiliating individual social entrepreneurs, but his definition had much to do with outcomes and the vehicles to deliver those outcomes. Bill Drayton’s (Ashoka’s founder) quote is also a unique inspiration for the thesis: "Social entrepreneurs are not content just to give a fish, or teach how to fish. They will not rest until they have revolutionized the fishing industry." After developing the world's largest network of leading social entrepreneurs and understanding the value of collaborative entrepreneurship, Bill is now bringing attention on social entrepreneurship’s eventual goal: building a society where everyone is a change-maker; where everyone understands they can fix the issues at hand instead of only pointing to them.

As we see social entrepreneurship in the past decade attracted particular attention from academics, policymakers, practitioners, and the public. It is a genuine tool to address social challenges and to respond to them when the market and the public sector do not.

Social entrepreneurship with its innovative initiatives address social challenges and create a social value for different individuals and whole community. Michael Porter shows social entrepreneurship as the future model of business and transformational capitalism, as SE drive better distribution of wealth. SE is very advantageous for whole society, because it offers benefits to different stakeholders including increase in profits, customers’ quantity, loyalty and satisfaction, business reputation. It has particular beneficial sides for social targeted groups, as well: reducing unemployment and social exclusion of social targeted groups; for the state: response to market failures, financial

sustainability creating favorable public opinion, reduced pollution, and the state's image. The definition of social-economic development is emphasized differently for countries, but it is seen as the main success factor for the well-being of the society, therefore, it is important to use social innovation methods as social entrepreneurship (Kostetska & Berezyak, 2014).

Some authors generally divide Social Entrepreneurship in two parts: integrated and complementary social entrepreneurship. Integrated Social Entrepreneurship occurs when profit-generating activities simultaneously create social value. On the other hand, complementary SE concentrates mostly on cross-subsidization for social goals. In this case, profits earned from commercial activities used as subsidies for social objectives.

Several differences have been observed in identifying SE in two countries known as the most successful in this field. US model emphasizes the ability of social enterprises to generate its profit to reinvest for social value creation. Meanwhile, in the UK definition, there is a focus on community involvement (Burns, 2011).

The most widely used Social Entrepreneurship definition was offered by Greg Dees, who is often called the father of social entrepreneurship education. The fundamental idea of social entrepreneurship is the combination of a social mission with a business-like operation of the organization. Since governmental and philanthropic initiatives do not achieve satisfactory outcomes, Dees (1998) sees social entrepreneurs as potential actors for creating new models that meet social needs. They are affected by the environment that intensifies and stimulates social entrepreneurs to take initiatives (Oana & Shahrazad, 2013) and innovations, that play one of the significant roles in the social entrepreneurship and its efforts (Datta, 2011). A basic attribute in the common understanding of social entrepreneurship is having a mission to benefit society in any way. This is synonymous to improving social value, meaning a contribution to the welfare or well-being of a given society. Dees introduced his definition of social entrepreneurship based on a collection of concepts on entrepreneurship from the literature. He combines the phenomenon by Say, who defines entrepreneurs as value-creators; the scholarly contribution by Schumpeter, who presents entrepreneurs as change agents that drive the economy; and the concepts of two current theories. These are by Peter Drucker, expressing that entrepreneurs have a mindset that identifies opportunities to cause a change, and Howard Stevenson's approach, where he added to the opportunity management the element of acting regardless of resources currently controlled. Peredo and McLean add the capacity to undergo risk or risk-tolerance, after Tan et al. (2003), to the definition of social entrepreneurship, and the concepts of balanced judgment and steadiness of purpose, after Mort et al. (2003). The balanced judgment and steadiness of purpose remind Dees' definition of social entrepreneurs regarding their persistent pursuit of opportunities and self-assessment of impact.

Transformative social entrepreneurship is causing a systematic social change through the assessment and precise measurement of the effect of the social entrepreneurial company, creating systems, and intentionally replicating the model of the company through others to maximize and sustain social impact.

Inputs are resources allocated to a certain project, whether these resources are human or financial resources. Outputs are the direct products of the project's activities, for instance including number of trainings provided for beneficiaries, number of beneficiaries participating in the project, number of service hours, and so on. The outcomes are the benefits for only participants in the project activities, and usually those will be short-term benefits as an immediate result of the project. For instance, outcomes may include changes in beneficiaries' performance, increase in beneficiaries' knowledge, the ability of beneficiaries to work better, etc. Influence is the sustainable long-term change that happens in beneficiaries' lives as well as the community in general.

Mair and Marti (2008) identify social entrepreneurship "as a practice that integrates economic and social value creation" and "a process that drives social change and addresses important social needs in a way that is not dominated by direct financial benefits for the entrepreneurs" (p. 36). They view social entrepreneurship as a "process of creating value by combining resources in new ways" (p. 37).

According to Fowler (2000), social entrepreneurship is purely not for profit and about producing a "surplus" to protect organizational sustainability. Robinson (2006) definition of social entrepreneurship includes social enterprises, social venture capital, and social purpose companies. When he mentions for-profit organizations, he defines companies creating financial, social, and environmental returns, as the social/environmental impact is as important as the financial return (Mair, 2006; Austin, 2006). Robinson (2006) defines social entrepreneurship as a process which includes the identification of a particular social problem and a specific solution (or set of solutions) to address it, the assessment of the social impact, the business model and the sustainability of the venture, and the establishment of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues the double (or triple) bottom line.

In spite of the different definitions of social entrepreneurship, a common feature connects almost every description: the 'problem-solving nature' of social entrepreneurship is well known, and the corresponding emphasis on building and carrying out initiatives that create measurable results in the form of changed social outcomes and/or impacts.

As we discussed, some were concerned that definitions are too broad and 'water down' the concept, while others worry definitions are too narrow and elitist (CASE, 2008, pA). However, many are willing to "acknowledge that social entrepreneurship has

enough problems, concerns, and passions in common to be part of a shared community of practice and knowledge” (CASE, 2008, p. 5)

Social entrepreneurship is the process that:

- discovers opportunities to get rid of social and institutional barriers and address market
- resolves failures related to the provision of public goods and distributional equity;
- experiments ideas;
- establishes innovative social organizations;
- has clear social results and impact;
- performs activities to accomplish social outcomes and impact;
- working on the social organizations’ growth; and
- uses specific indicators to measure the success of the organization through achieving
- social impact.

Social entrepreneurship (SE) has gained incredible popularity and become one of the main social trends in recent years. In 2006 Grameen Bank and its founder Muhammad Yunus was granted to Nobel Peace Prize Award “for their efforts to create economic and social development from below”. It was the reward to the significant contribution of the social venture to peacebuilding and progress around the world. It is explicit that inequality can be one of the main reasons for tensions and instability. Therefore, comprehensive growth benefits to peace. Many researchers and practitioners note that social entrepreneurship has an especially significant role when governments, philanthropic organizations and large corporations fail to tackle some of the most crucial social issues (Dees, 2011; Hartigan, 2004; Seelosa and Mairb, 2005). Education, healthcare, nutrition, housing, accessibility of water and sanitation, environmental issues, human rights are just small part of problems that social entrepreneurs face and intend to solve (Dees, 2001; Dees 2011; Girija, 2008; Seelosa and Mair, 2005).

Today it is the most exciting time to be alive and in business, because the collective consciousness of humanity is on the rise, changing to being altruistic and global from being selfish, tribal and local. In business, this shift is reflected in a re-orientation to a triple bottom line approach—planet, people, profit—from a solitary focus on profits. Social entrepreneurs and their businesses are leading this shift. Social entrepreneurship is a reflection of this evolution of consciousness. At its core is the disruptive innovation that successful businesses not only must create a profit but also have a material positive effect on society and the environment. Social entrepreneurship is better suited than conventional business to help our one human family take better care of each other and our shared planetary home.

As consciousness evolves, corporations that exist to optimize both social good and profit replace corporations that exist solely to maximize profits for shareholders. In the new paradigm, corporations compete to not only "be the best in the world but also to be the best for the world". The vehicles for this new paradigm are new corporate forms such as the benefit corporation, which are structurally aligned with the foundational premise of social entrepreneurship because they expressly authorize the simultaneous pursuit of profit and social impact.

Overall, we can summarize Social entrepreneurship as a movement for addressing social problems by catalyzing the transformation of existing ideologies. It could also be expressed that social entrepreneurship "emphasizes problem-solving and social innovation developing radical new approaches to solving old problems" (Johnson, 2000, p.1). According to some researchers, social entrepreneurship is the incorporation of business practices into the nonprofit sector, while others claim it is the incorporation of social value into the economy. Social impact, innovation, sustainability, development of society, individual or citizen driven social change, challenging existing structures, merging traditional sector boundaries, and developing a more inclusive market system, all characterize social entrepreneurship. However, the precise definition we can mention:

“Social entrepreneurship is the product of individuals, organizations, and networks that challenge conventional structures by addressing failures -and identifying new opportunities - in the institutional arrangements that currently cause the inadequate provision or unequal distribution of social and environmental goods” (Oxford Said Business School, 2009). Operational definitions of the business phases and entrepreneurship characteristics are represented in the figure below:

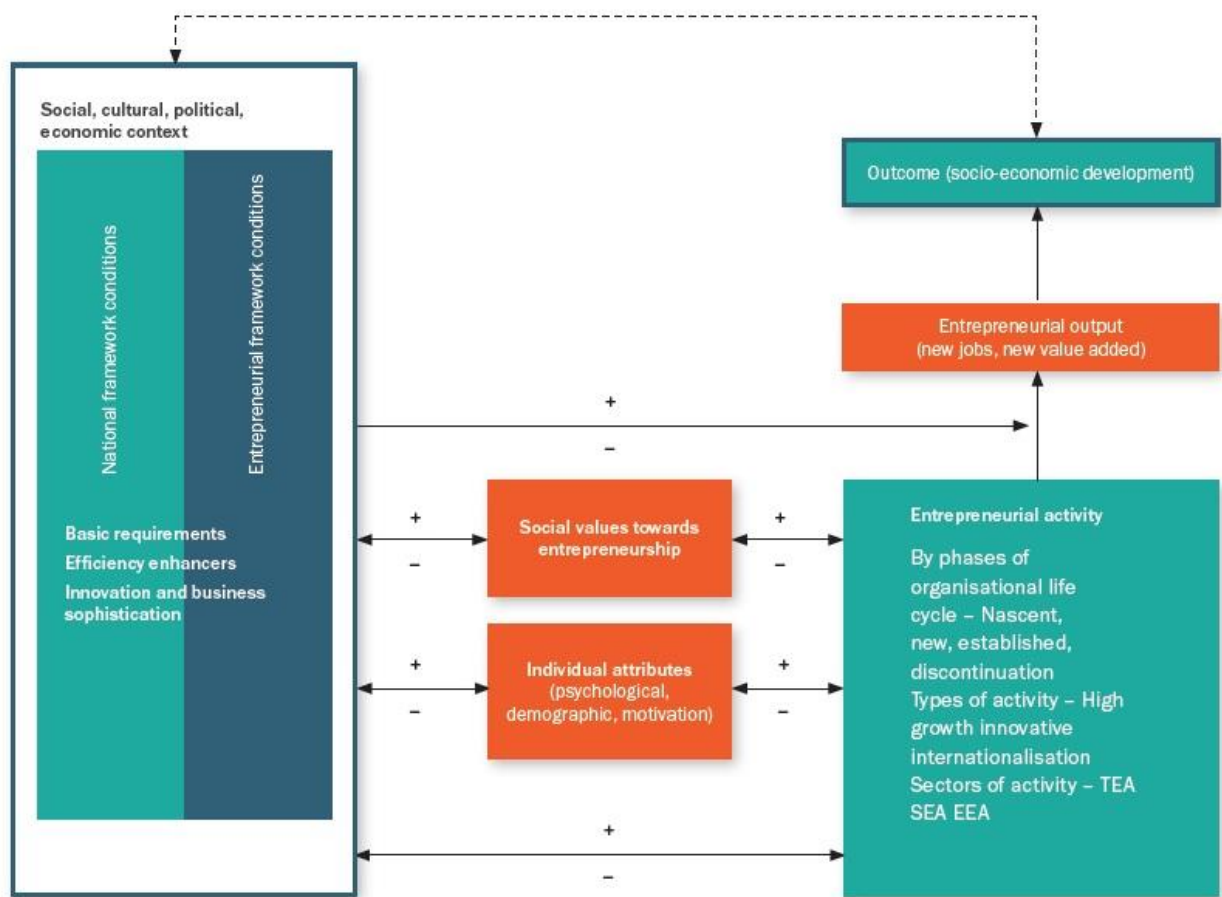


Figure 1.1: Operational definitions of the business phases and entrepreneurship characteristics;
Source: Global Entrepreneurship Monitor 2016-2017

Nevertheless, the social entrepreneurship theory is still in the conceptualization stage as different countries cover social entrepreneurship phenomenon in different ways with different specifics and attitudes.

1.2.1 The role of Social entrepreneurs

Gartner, in his work on “Is there an elephant in Entrepreneurship?” discusses three ways of describing entrepreneurship as a phenomenon. The first focuses on the entrepreneur as an individual and his or her characteristics. The second stream emphasizes economic, environmental impact created by entrepreneurs by identifying, assessing, and exploring business opportunities by creating firms and renewing existing ones. The third set of studies explores how entrepreneurs drive the economy forward through innovation, competence, job creation, and general well-being of the society (Gartner 1985a).

Entrepreneurs are people who often create and innovate to build something of recognized value around perceived opportunities. They can be found in all steps of life and create social, artistic, or financial value (Thompson 2002). Many earlier theorists have isolated entrepreneurial driven innovation in products and

processes and say they are the essential engine driving the change process in an economy (Shane et al. 2000).

Social entrepreneurs bring large scale transformations and the reason behind social progress while working hard to replace short term charity with sustainable solutions. After examining the various definitions, it can be concluded that the term social entrepreneurship denotes the following components:

Social enterprises define social impact as their primary objective, and profit-making as their secondary objective:

- Social entrepreneurs are driven by altruistic motives,
- Their services and products mainly benefit the people at the bottom of the pyramid,
- They deal with a variety of social issues, like poverty, illiteracy, ill health, etc. by applying business practices.

Famous researcher on the field of SE, Brooks (2008) lists those activities that mainly characterize social entrepreneurs:

- Adoption of an objective to create and sustain social value
- Acknowledgment and continuous pursuit opportunities for social value
- Involvement in constant innovation and learning
- Action beyond the limited resources at hand
- Sense of accountability

Role of social entrepreneurs: Nagler says the current literature review does not provide enough evidence to comprehend the relationship between social entrepreneurship and economic development. According to his study “the social entrepreneur sector is getting more and more essential for economic and social development because it drives social and economic values as listed below (Nagler 2007):

- Employment development: Grameen Bank of Bangladesh has developed 6 million women micro-entrepreneurs who hail from the underprivileged section of the society.
- Innovation / New Goods and Services: Social enterprises create and apply innovation, which is necessary for social and economic development and develop new goods and services. Issues are addressed related to some of the biggest societal problems like lack of education, poverty, lack of essential medical care, crime, and so on.
- Social Capital: The most important values created by social entrepreneurship are social capital, usually understood as “the resources which are linked to

possession of a durable network of relationships of mutual acquaintance and recognition” (Burt, 2000).

- Equity Promotion: Social ventures bring inclusive growth and promote a more equitable society by addressing social issues. Mohammed Yunus of Grameen Bank supports disadvantaged women. American social entrepreneur J.B. Schramm has helped thousands of low-income high school students to get into tertiary education (Dees 2008; Dees 2009; Nagler 2007)

Social entrepreneurs are so aware of the common social issues and want to develop viable solutions to relieve them. They are the answer to the questions;

- “Who should be responsible for the future generations and who should meet needs of society?” (Roper et.al. 2005a:102)
- “Do the idleness and wrong choices of individuals cause the problem of poverty or is it driven by the greed of society, continually oppressing and exploiting those at the bottom of the pyramid?” (Theron 2010:16)

The differentiation element which is described more often in literature is the motivation – with business entrepreneurs spurred on by money and social entrepreneurs driven by altruism. Most people will describe traditional business entrepreneurs as being motivated by profit. But the truth is that entrepreneurs are rarely motivated by financial gain, because the chances of making lots of money are clearly not possible due to the nature of their businesses. The distinctive difference between the traditional business entrepreneur and the social entrepreneur is said to be entrenched in the motivation behind the initiative (Nicholls 2006)

Many researchers agree to that fact that the most noteworthy difference between a social entrepreneur and a business entrepreneur is in bringing a significant contribution to improving the world rather than having made millions (Dorado 2006a; Elkington et.al. 2008). Having a social purpose involves a commitment to creating value for a community or society rather than just wealth for the owners or personal satisfaction for customers (Dees et.al. 2003). This altruistic motive makes social entrepreneurs different from that of commercial entrepreneurs.

Brozek in her paper explores how a non-for profit and for-profit ventures enhance their values by adding financial returns to their social mission and vice versa and how a for-profit venture incorporates social mission into their business model (Brozek 2009). Boschee affirms the need to convert non-profits into becoming social businesses as most of them suffer a series of issues including inefficiency in raising and sustaining their ventures and reaching their mission. She lists out ten critical success factors which can lead to the successful conversion, which include passion, mission, customer focus, thinking like a business among others (Boschee 1998).

Thus it’s been argued that social entrepreneurs can be found in,

- Profit-seeking businesses that have some commitment to doing good and helping society and the environment
- Social enterprises which are set up mainly with a social purpose, but still act as businesses and,
- Voluntary sector (Thompson 2002:413).

1.2.2 Social Enterprise

Another expression for social entrepreneurship is “social enterprise”, where social entrepreneurs consider strategic moves to subsidize their services through benefiting profitable opportunities in the core activities of their non-profit firm (Nicholls, 2006; Dees, 1998), or via for-profit firms (Cleveland and Anderson, 2001), or through cross partnerships with commercial companies (Nicholls, 2006).

“A social enterprise is a cause-driven business whose primary reason for existing is to develop social objectives and serve the common good.” A social enterprise exists to accomplish a social mission, such as providing healthcare or safe drinking water for the poor, contributing to the generation of renewable energy, creating job opportunities for the unemployed or promoting education initiatives. Social enterprise is differentiated due to its sustainable revenue from a traditional charity which is dependent on donations or grants as outside funds to achieve its social mission.

However, using the term “social enterprise” as synonymous for social entrepreneurship may not be accurate because there are social companies that are highly entrepreneurial without producing independent profit streams. This entrepreneurial factor derives from continuous innovation (Schumpeter, 1934) in providing public goods (Nicholls, 2006). The generated income concept might not be a defining characteristic of social entrepreneurship, but it is critical for social entrepreneurs to sustain their organizations (Anderson and Dees, 2006; Boschee and McClurg, 2003). If the social entrepreneur operates at full cost recovery or beyond (i.e. gaining profits), he/she has entered the business world and that is called “social business entrepreneur” (Yunus, 2006, p. 40).

The existing and universally accepted definition of social enterprise is articulated by the European Commission’s Social Business Initiative (SBI) communication. The SBI definition incorporates three key dimensions of a social enterprise: entrepreneurial, social, and governance. The following core criteria were established (European Commission, 2015):

- Engage in a continuous economic activity of production and/or exchange of goods or services;
- Follow an explicit and primary social aim that benefits society;

- Define limits on distribution of profits and/or assets to prioritize the social aim over profit making;
- Be independent, autonomy from the State and other traditional forprofit organizations; and,
- Adopt inclusive governance, characterized by participatory and/ or democratic decision-making processes.

Social enterprises were first formed in Italy in 1991. After a few years, the phenomenon emerged in the United States. During the last decades, other European nations began to catch up in passing laws to promote social enterprises. In Europe, social enterprises are mainly considered as part of the third sector, at the crossroads of market, public policies and civil society, whereas, following European researchers, US-research use the term addressing non-profit organizations that engage in market-oriented activities. In other words, the practical US-understanding sees social enterprises as any type of non-profit organization that is involved in earned income generation. While the European definition includes co-operatives as a type of social enterprises, the worker co-operatives in the US are not considered as social enterprises. On the other hand, entrepreneurship is identified by innovative behavior, creativity in the use of resources and addressing with opportunities, striving to find out fresh challenges and move on. Thompson (2008) points out that entrepreneurship can occur within or outside a social enterprise.

However, in the United States, social enterprise is not a concept that should be differentiated from social entrepreneurship. Although the use of each term depends on the focus and the context of the study, the terms are often used in the simple amalgam of social enterprises do social entrepreneurship activities.

European researchers see social enterprise as “a kind of social entrepreneurship,” and as a “subset of social entrepreneurship activities.” While Nicholls, an English researcher, sees social enterprises as non-profit organizations located at the entirely self-financed end of the social entrepreneurship continuum, the EMES sees social enterprises as multi-resourced organizations. Social enterprises in Europe mainly focused on benefiting the community and independently and control the economic risk that emanate from their socio-economic activities.

In their network the organization identifies the following types of social enterprises:

- **Co-operatives** are associations of individuals or groups united to meet common economic and social needs through jointly owned enterprises.
- **Employee-owned businesses**, a form of co-operative, create or preserve jobs that help to keep businesses running and protect profits from being lost to remote shareholders

- **Social Firms are small businesses** established to provide integrated employment and training to people with disabilities or otherwise disadvantages in labor market.
- **Development Trusts** are community or led organizations utilizing self-assist, trading for social purpose, bringing long-term social, environmental and economic benefits in their community.
- **Intermediate Labour Market Companies** organize trainings and provide temporary jobs for the long-term unemployed.
- **Social and Ethical businesses** use trade to raise money for specific commitments and are set up by charities or non-governmental organizations, or simply ethically minded individuals.
- **Community businesses** can be any of the businesses above but with a particularly strong geographical definition and focus on local markets or services that come together to address challenges.

Then, new question is raised in our minds that what kind of organizational structure Social enterprise has. A social enterprise "can be the product of a for-profit or nonprofit organization, as well as many hybrids in between these two poles" (Oxford Said Business School, 2009). The choice of set-up is typically "dictated by the nature of the social needs addressed, the amount of resources needed, the scope for raising capital, and the ability to capture economic value" (Mair & Marti, 2006, p. 39).

Extreme researchers support the view of social goal(s) as exclusive aim. For example, Dees (1998) focuses on the understanding of absolute social orientation. It is the "central criterion" and financial wealth is only a mean. The exclusively social goals can be combined with a not-for-profit business model, like a grocery store that distributes goods, which cannot be sold anymore to the poor. In this model, no fees are charged or other kind of return is demanded. Organizations of this category are non-profit (NPOs) or non-governmental organizations (NGOs).

Social goals can also go along with earning income. When not-for-profit organizations are combined with profit creating activities, they are often called hybrids. The first has itself the goal to produce something beneficial for disadvantaged people, like the *Grameen Bank*. Muhammad Yunus also believes social enterprises should earn a surplus. In the article, "Social Business Entrepreneurs are the Solution", the original inspiration for this research, Yunus (2006) outlines his vision for social entrepreneurship. He classifies social enterprises into four categories 1) no cost recovery, 2) some cost recovery, 3) full cost recovery and 4) more than full cost recovery (2006, p. 5). Like Massetti, he believes that "profit-making is perfectly legitimate" with the condition that "investors not receive any dividends, or receive only token dividends (15%), if any at all" (Yunus, 2006b, p. 9). According to this model,

any initial surplus should be used to pay back the initial invested capital as soon as possible.

The second is not itself involved in social goals but supports other social activities, such as foundations. A prominent example of this complementary type of social entrepreneurship is the Bangladesh Rural Advancement Committee (BRAC).

In her model, Massetti divides organizations into four quadrants: The Traditional Not-for-Profit (socially driven and dependent on donor funding), The Tipping Point (socially driven but must also make a profit to survive), The Transient Organization (responds to market needs but are not driven by the need to make a profit), and The Traditional Business (market-driven and required to make profits). She sees social enterprises as 'Tipping Point' organizations and believes social enterprises must make a profit to distinguish themselves from other arrangements.

Furthermore, Gregory Dees (2008) wrote an important article on this issue entitled "Social Entrepreneurship is about Innovation and Impact: Not Income. Therefore, social enterprises are sometimes nonprofit initiatives to find alternative funding strategies, and entrepreneurial management schemes in order to become more sustainable but not necessarily entirely self-sufficient (Mair and Marti, 2006, p37 via Austin, Stevenson, & Wei-Skiller, 2003; Boschee, 1998b.).

Social enterprises are the organizations mainly combine the philanthropic elements with financial aspects with sustainability, therefore, the most common model for these ventures are "hybrid" model which includes both for-profit and non-profit organizational features.

According to the book of "The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World" (J. Elkington and P. Hartigan 2008), three types of social entrepreneurship were defined:

- Leveraged non-profit ventures, where the entrepreneur engages a cross section of society, including private and public organizations, to realize a particular social innovation. This kind of companies mainly rely on donations and grants, only if their partners contribute its continuation, they become more sustainable.
- Hybrid non-profit ventures are non-profit type organizations as well, but this model includes some cost-recovery by means of selling goods and services. In order to sustain their activities, entrepreneurs must mobilize other resources of funding besides public or philanthropic sectors. Donations or loans offer a solution to money shortages, as well. However, these loans need to be repaid at a certain point.
- Social business ventures are for-profit entities, which offer a social or ecological product or service. Here financial profits are an underlying goal, collecting wealth is not the central objective. The mission of the enterprise is to grow as a

social venture in order to help more people and positively impact one or multiple sectors of society. Therefore, a great amount of the profits is reinvested in the enterprise to fund expansion. The entrepreneur of this type of venture searches investors who are interested in combining financial and social returns on their investments.

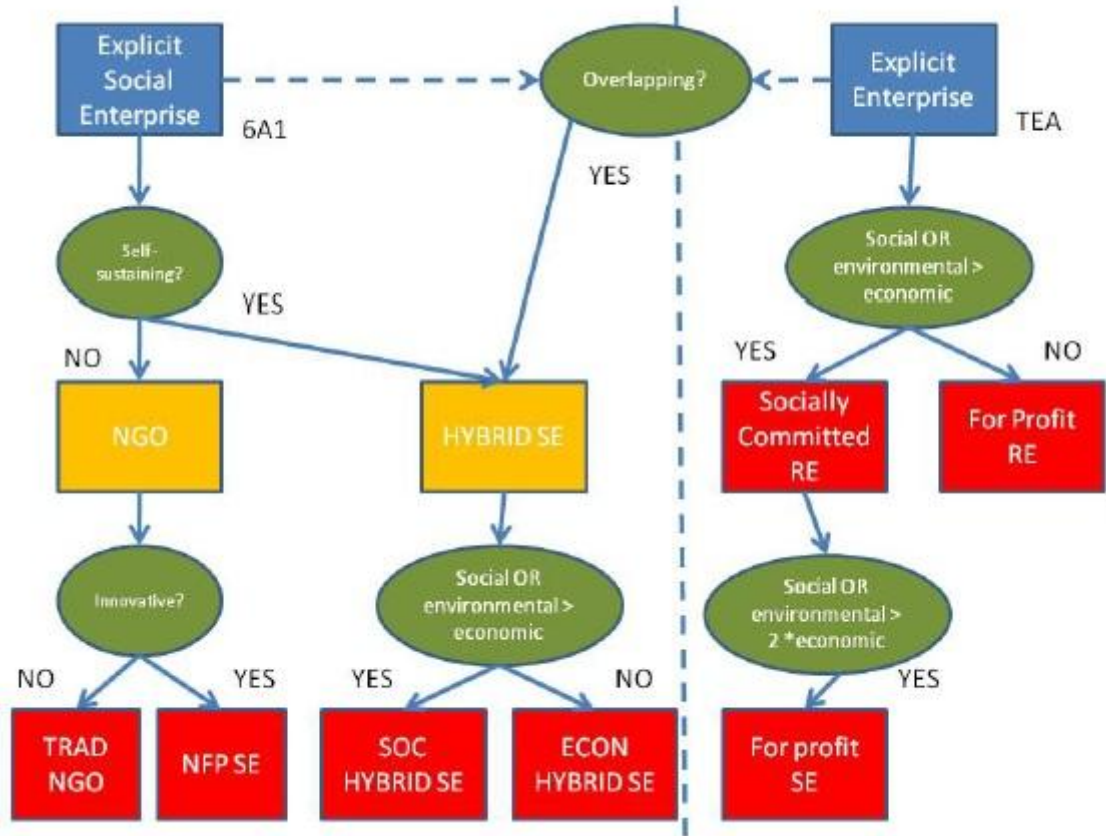


Figure 1.2 Basic methodology to identify individuals involved in social entrepreneurship;
Source: Global Entrepreneurship Monitor 2016-2017

1.3 Realization of social entrepreneurship in business

Social Entrepreneurship would stay only an ideology if it were not realized into an actual business. The primary purpose of SE is to solve social problems and create social value. These social problems include increasing poverty, inequalities concerning income distributions or among people, and environmental challenges like global warming and loss in biodiversity (Houtbeckers 2014).

SE initiative development moves through several steps: 1. Exploring the context; 2. Processes, and 3. Results. First of all, the context should be defined by exploring the environment and conditions for identifying opportunities to address social problems (Grimes, McMullen, Vogus, & Miller 2013). The role of a social entrepreneur is significant in having a social impact on communities - by means of business models (Zahra, Gedajlovic, Neubaum, & Shulman, 2009). SE initiatives development levels and conceptual model were introduced by Perrini, Vurra, & Costanza (2010):

1. Discovering the opportunity for addressing the social problem;
2. Evaluate the project's sustainability and potential social impact;
3. Defining the mission, principals, and innovativeness;
4. Mission and principles on social Responsibility are shifted into an appropriate model;
5. Accepting the opportunity and provide more comprehensive coverage of the social impact

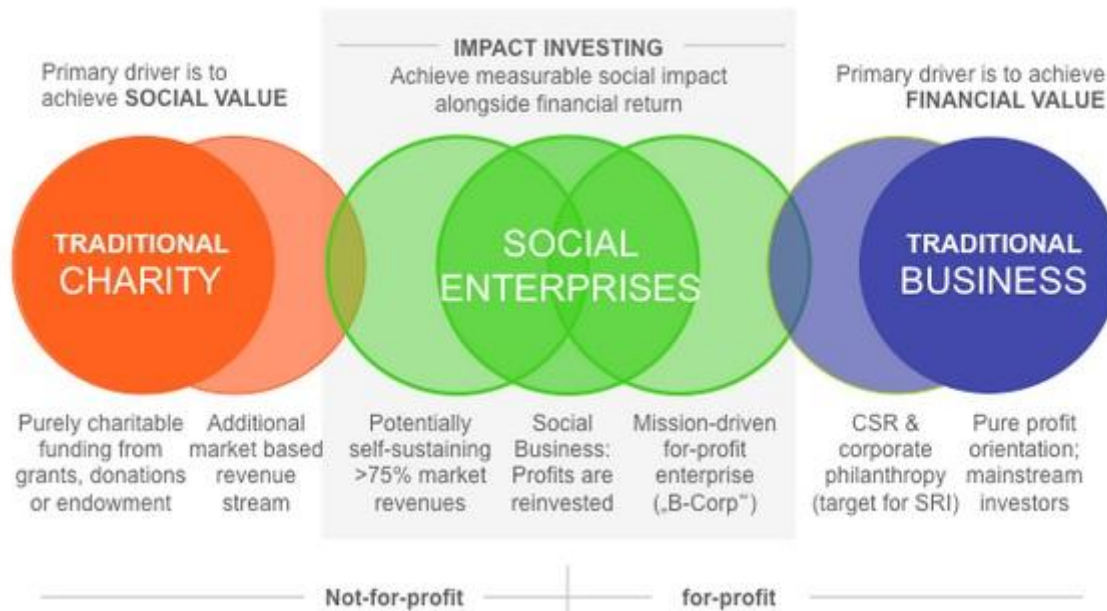


Figure 1.3 The business model spectrum; Source: J. Kingston, CAF Venturesome and EVPA (2016)

If you want to establish a social enterprise you should assure that:

1. It is compatible with the agency
2. You are aware well of your industry
3. You treat your enterprise as a business
4. You work with the right people
5. You define realistic expectations
6. You improve your financial literacy

The essence of the entrepreneurial process lies in the design of useful business models. It is also one of the crucial determinants of success for entrepreneurial ventures. During the start-up phase of any venture, the key strategic issue is managing start-up uncertainty (Shane et.al. 2000). Developmental issues include constructing a viable model for creating direct social impact (derived from the activities of the social entrepreneur/enterprise) and for creating indirect social impact (derived from influencing the activities of other enterprises). It also includes the creation of models or approaches for resourcing, capability building, and growth (Dees et al. 2002).

A business model identifies the components of a business and their relationships between each other (Casadesus-Masanell et.al. 2007). A successful entrepreneur not only coordinates or recognizes opportunities and translate them into profitable ventures, but also optimize a system composed of material and immaterial factors by using practical reason to direct the process towards a final purpose (Grassl 2012).

In 2012 Wolfgang Grassi (aka W. Grassi) categorized social business into nine models. He started his analysis with three significant factors which guide any social business: the mission, the kind of integration, and the target population. He then explored how these three factors intersected with the three traditional categories of business (for-profit, not-for-profit and hybrids) to generate the nine specific types of social business models that any social enterprise could adopt. Some of the most common frameworks that successful social enterprises using are presented below:

Table 1.1 Business Models of Social Enterprises

Business model	How it works	Examples	Key success factors
Entrepreneur support	Sells business support to its target population.	Microfinance organizations, consulting, or tech support	Appropriate training for the entrepreneur
Market intermediary	Provide services to clients to help them access markets.	Supply cooperatives like fair trade, agriculture, and handicraft organizations	Low start-up costs, allows clients to stay and work in their community
Employment	Provide employment opportunity and job training to clients and then sells its products or services on the open market.	Disabilities or youth organizations providing work opportunities in landscape, cafes, printing, or other business	Job training appropriateness and commercial viability
Free-for-service	Selling social services directly to clients or a third-party payer.	Membership organizations, museums, and clinics	Establishing the appropriate fee structure vis a vis the benefits
Low-income client	Similar to fee-for-service in terms of offering services to clients but focuses on providing access to those who couldn't otherwise afford it.	Healthcare (prescriptions, eyeglasses), utility programs	Creative distribution systems, lower production and marketing costs, high operating efficiencies
Cooperative	Provides members with benefits through collective services.	Bulk purchasing, collective bargaining (union), agricultural coops, credit unions	Members have common interests/needs, are key stakeholders, and investors
Market linkage	Facilitates trade relationships between clients and the external market.	Import-export, market research, and broker services	Does not sell clients' products but connects clients to markets
Service subsidization	Sells products or services to an external market to help fund other social programs. This model is integrated with the non-profit organization; the business activities and social programs overlap.	Consulting, counseling, employment training, leasing, printing services, and so forth	Can leverage tangible assets (buildings, land, employees) or intangible (expertise, methodologies, or relationships)
Organizational support	Similar to service subsidization, but applying the external model; business activities are separate from social programs	Similar to service subsidization– implement any type of business that leverages its assets	Similar to service subsidization.

These social enterprise business models mentioned above can be applied equally to organizations, programs, or service delivery. These models are devised according to the social enterprises' financial and social objectives, mission, marketplace dynamics, client needs or capacities, and legal environment. Most of the business models are set within the organization.

Contrary to popular belief, companies can operate successfully and still can have a positive social impact, so these factors are not mutually exclusive.

I believe the for-profit social impact model is the model of the future. There are four reasons why:

Firstly, a for-profit social enterprise is more sustainable than a nonprofit organization that is mainly dependent on money granted, donations or federal programs alone. As a for-profit model, you define your density.

Second, for-profit business can scale in ways other organizations cannot. The incentives of the company are outlined such that a greater impact directly correlates to a high profit.

Third, today more conscious customers, investors and business partners want to know that the companies they prefer are doing more than just providing a product or service. They search for companies that are involved in doing good for the environment and society. They will feel a special connection to those companies whose values align with their own.

1.3.1 Social Business

As a for-profit social enterprise, we offer to focus especially on Social Business phenomenon. The concept of social business was introduced by the Nobel Peace Prize winner of the year 2006, Muhammad Yunus. His most famous project is the Grameen Bank, which lends microcredits to poor people in Bangladesh.

Yunus et.al in their work explore two extreme types of corporations, profit-maximizing organizations whose main objective is to create shareholders value and non-for-profit organizations to fulfil social objectives. They illustrate how a social business borrows from both these entities. A social venture has to recover the owner's invested money and has to cover its full costs of operations, but is hardly profit driven. Social ventures have both the potential to act as a change agent for the world, and sufficient business like characteristics to ensure it survives to do so. Social businesses are not charity, but a business in all sense. Surpluses earned through the social business are reinvested in the business and ultimately passed on to the target group or beneficiaries in the form of lower prices, better services or greater accessibility. Thus, a social business is built and operated just like a 'regular' business enterprise, with products, services,

customers, markets, expenses and revenues. They sell their goods and services and repays its owners and is a no-loss, no-dividend, self-sustaining company whose primary purpose is to serve society and improve the lives of the poor (Yunus et.al. 2010).

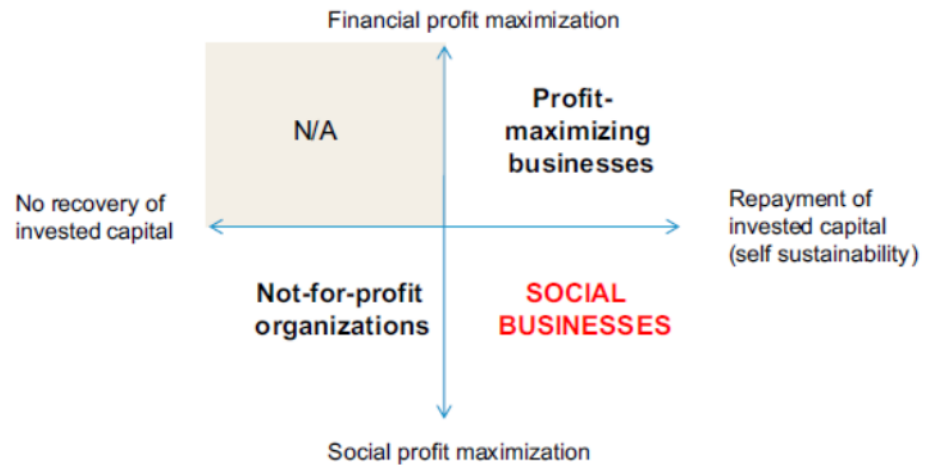


Figure 1.4: Comparison among Social Business and regular business over two variables: profit maximization and social impact (Source: Yunus, 2010)

Due to the failure of money-centric capitalism to give the permanent solution of basic problems of poverty of today’s world and insignificant role of charitable work towards fixing the problem, Muhammed Yunus realized the missing piece of concept of Social Business in the framework of the business world as quoted by him “So whenever I wanted to solve a human problem, I tried to think of how to use a business approach to address it. These were new kinds of companies, to help others rather than to make money for ourselves. Whatever profit we made from the companies, we reinvested to make them grow and solve even more problems. I started calling this type of company a social business.” (YUNUS SOCIAL BUSINESS Investment Report, 2013).

So, the concept is motivated by serving customers in the developing world. It focuses on the provision of goods or services, like water or high nutritional yogurt, to very poor people, which constitute a new market segment in developing countries.

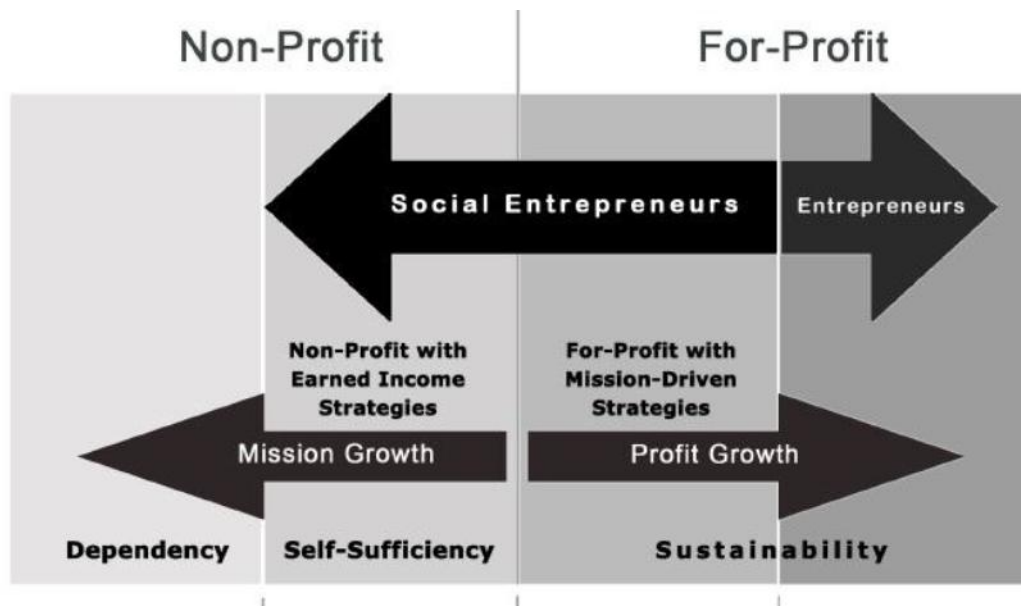


Figure 1.5: The boundaries of social entrepreneurship Source: Technology Innovation Management Review. Feb-2012, p.26

Muhammad Yunus is often classified as the traditional social entrepreneur (for example, Peredo and McLean, 2005, Martin and Osberg, 2007). However, the more precise character of social business compared to social entrepreneurship and social enterprise has recently been acknowledged. While a social enterprise in its broad sense may be for-profit or non-profit, commercially viable or subsidized, a social business complying with Yunus's concept is based on a commercially viable business model, at the same time adhering to the non-distribution constraint of non-profit organisations unless ownership is given to the company's target beneficiaries (Humberg and Kleemann, 2014).

He defines seven principles for social businesses:

1. The business objective is to overcome poverty, and/or it addresses other problems in the areas of education, health, technology access, and environment, which threaten people and society. The business goal is not profit maximization.
2. The business should be financially and economically sustainable. Financial sustainability depicts the commercial viability of the project and shows its strength from the financial angle. On the other hand, Economic sustainability concerns on the effect of business on the society/economy as a whole. In other words, financial sustainability focuses on benefits and costs to the enterprise only, while the economic sustainability considers the benefits and costs to the whole economy.
3. Investors get only their invested amount back. No dividend is given beyond the investment sum.
4. When a company generates a profit, some part of it goes out to the shareholders in the form of dividend, and the rest of the money is kept by the firm, which is called

retained earnings. This means retained earnings of the social business firm will be utilized for expansion and development purpose or sustainability of the firm. Besides, it can be used for financing new social business also.

5. A social business is environmentally conscious. An environmental issue can be incorporated in business by refraining environment from degradation through industrial wastage management, ensuring proper allocation of natural resources, developing environment-friendly production process or by adopting appropriate technology protecting the environment from deterioration.

6. Its workforce gets a market wage with better working conditions. Social business is beyond traditional capitalism view of wage and working condition instead it ensures that worker will get an appropriate wage while providing a congenial working environment where workers will be treated as human being, not work machine.

7. And it is essential to run the business with joy. Social business gives owners the platform of happiness by the feelings of satisfaction by serving society to overcome poverty. Thus owners of the social business work with joy, which comes from the intention of reducing poverty in the community, instead profit making. Workers and employees of social business also work with joy because they get fair wage with the better working condition while they can feel their importance as a part of the objective of the business towards the reduction of the poverty.

In contrast to social enterprises, social businesses have a non-distribution constraint of profits. This is typical for not-for-profit organizations; however, social businesses get money solely through market activities, without any philanthropic or public funding. Compared to the concept of social entrepreneurship, Yunus does not consider mixed-income models. Since social businesses founded by Yunus often consist of partnerships between the Grameen Bank and multinational companies like Danone or Veolia, it is possible that the empirical basis does not go beyond these examples. Yunus explicitly points at the issue of doing social and for-profit business at the same time. After him, it is possible to do both. However, if goals are mixed, managers will more often decide in favor of profit. Profit thinking will always dominate over other objectives. If one decides to achieve only a small profit, it is also possible to agree on zero profit, thus making the business a throughout the social business.

Chapter II

This chapter outlines the importance of sustainability in business and how social enterprises are sustainable by design. Measuring impact and outcome is essential to maintain sustainability for organization; therefore, we here explore the ways of scaling. No doubt, social enterprises have huge potential to bring sustainable development to nations and the world in general. While doing this, they should use universally adopted 17 Sustainable Development Goals in their organizational strategy. In this context, we see several samples of these type of social enterprises successfully operated.

2.1 Sustainability and Sustainable Development

The concepts of sustainability and sustainable development emerged into a prominent developmental philosophy after the Brundtland Report was published in 1987, and there has been a growing body of research on sustainability. Still, sustainability can mean different things to different people and organizations. Some understand sustainability as a real commitment to green practices and revamping the entire business model to its core (Smith and Sharicz 2011). To others, being a sustainable business only means survival. Berns et al. (2009) show that 40% of senior managers who self-identified as novices on sustainability issues described sustainability as simply maintaining business viability. The International Standard Organization's ISO 26000 standard defines that, 'sustainable business for organizations means not only providing services and products that meet the customer's need, and doing so while minimizing the effect on the environment, at the same time operating in a socially responsible manner. (Frost 2011). According to the ISO 26000 definition of sustainable business, it mainly implies the balancing of financial, social, and environmental concerns. This kind of triple bottom line perspective on sustainability is not only a method to measure business outcomes but also the process of doing business. To truly implement triple bottom line sustainability measures, businesses must practice a systematic review of organizational constituents, such as governance structures, leadership approaches, and measurement and reporting systems. They should also review business planning methods to ensure the early integration of plans and processes to measure sustainability performance. Systematically considering these elements should help organizations overcome the common problem of overemphasis on the economic bottom line in relationship to the social and environmental outcomes (Smith and Sharicz 2011).

Hubbard argues, "the emergence of the concepts of 'sustainable development' and 'sustainability' reflects a fundamental change in global mindset, which is forcing firms to re-evaluate their approach to measuring organizational performance again. Sustainable development embodies three inextricably connected fundamentals: environmental integrity, social equity, and economic prosperity. Performance in one area has effects on the other two areas" (Hubbard 2009). Kalam, in his book, "Target

3 Billion” says “the fundamental ingredient in the evolution of happy, peaceful and prosperous nations and societies is laying the foundation for sustainable development” (Kalam et al. 2011). He calls the three billion underprivileged people both from developed and developing nations who live in the villages often in a condition of underutilization of talents and resources and deprivation as “the other half of mankind.” Entrepreneurship is increasingly being accepted as a significant channel for bringing transformation in sustainable societies. Despite the fact that the promise of entrepreneurship holds for fostering development there remain substantial gaps in the knowledge of whether and how this process of creating sustainable ventures will take place. Sustainability has become a mainstay in corporate strategy and most firms nowadays express their sustainability policy statements publicly and claim to apply triple bottom line performance measurement standards (Elkington 1998; Hall et al. 2010).

Kalam et al., define “sustainability” with six constituents; economic, technological, social, environmental, value, learning, and adaptability. According to them what is needed to bridge the gap between poor and rich are sustainable solutions, which require a careful study of the underlying aspects of problems or issues and customizing solutions according to local competencies and conditions. They demand an innovative approach to deliver the best at the lowest cost; these solutions empower and create local leadership in planning and execution and create a long term impact. The receiver is a stakeholder in this system, and the structure is entrepreneurial and participative (Kalam et al. 2011).

Business sustainability concept has moved beyond economic, social, and environmental efficiency and shifted toward effectiveness (Dyllick and Hockerts 2002; Young and Tilley 2006). McDonough and Braungart (2002) argued that sustainable businesses should be designed to enhance the well-being of society while generating economic value. For instance, a sustainable business venture in wind energy would not only solve power shortages and provide energy security but also contribute toward poverty alleviation (Mirza et al. 2007). While the notion of sustainable business is conceptually desirable, research has shown that these ventures are often challenged by insufficient policies and weak legal and institutional frameworks, high costs of production, inadequate feedstock supply, and an information and awareness gap (Amigun, Sigamoney, and von Blottnitz 2008).

2.2 Social entrepreneurship and sustainability process

Given its mission and purposes, social entrepreneurship is sustainable by design. Accordingly, businesses should probably look at engaging in social entrepreneurial activities as a meaningful way to achieve sustainability goals.

Sustainable social enterprises have some or all of the following common features:

- Minimum or time-bound full dependence on short term and inconstant donor funding,
- Diversified sources of funding,
- Involvement in trading of products and services continuously,
- Direct or indirect charging of products and services, or some subset, even if prices are less than market rates, or costs, entirely or partially financed by third parties.
- The scalability feature of the business model and defining strategy for increasing social innovation and deepening impact over time,
- Entrepreneurial and professional management of the organization;
- Effective partnerships and collaboration with funders, suppliers, customers/beneficiaries.

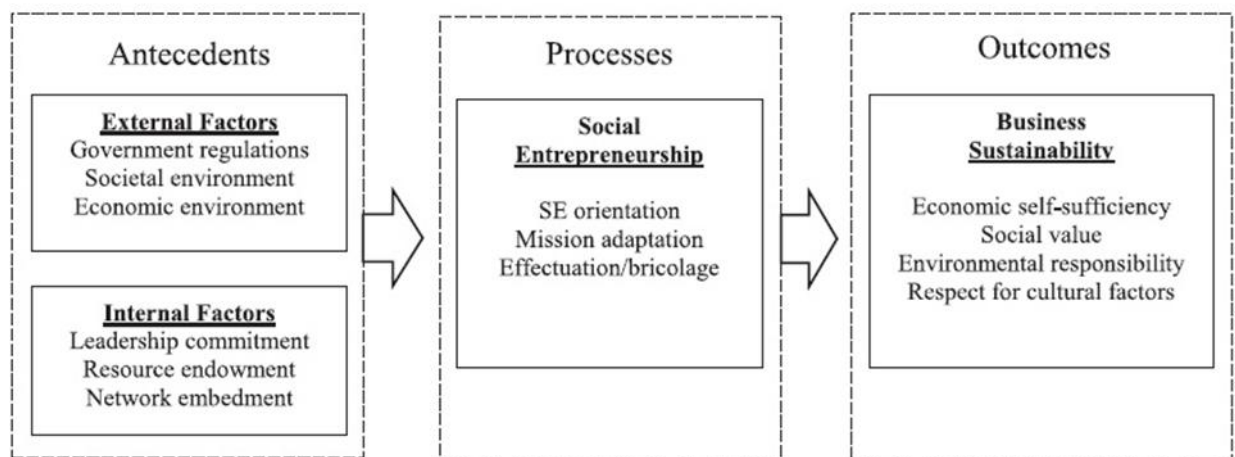


Figure 2.1. Social entrepreneurship and sustainability process model; Source: D.D. Zhang & L.A. Swanson (2013)

Sustainable development is critical to every for-profit social venture. There has been a growing need to explore business practices which would lead to sustainability and scale among social and commercial entrepreneurs equally. Usually, entrepreneurial ventures target individuals, large communities or whole societies and future generations and expect to create sustainable communities and the need of future generations to inherit a world with minimum constraints (Seelos et.al. 2005).

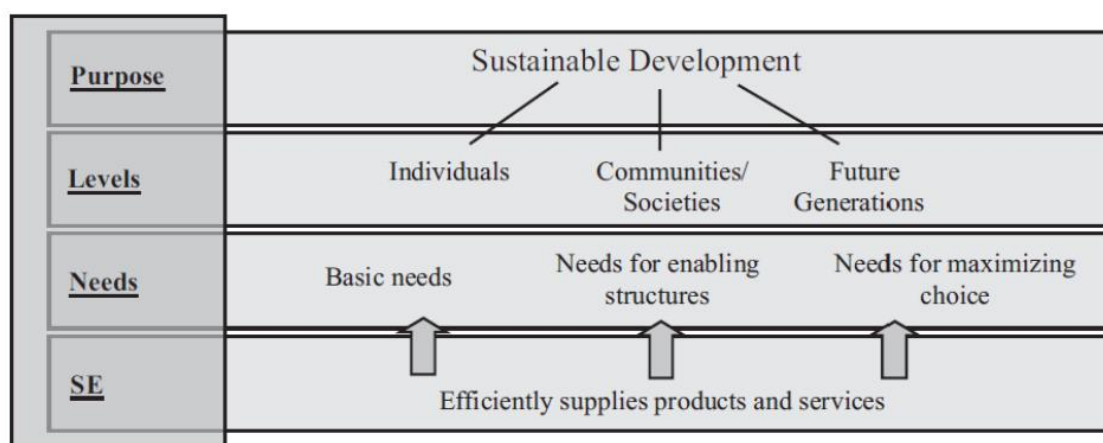


Figure 2.2 An operational model of the contribution of social entrepreneurship (SE) to sustainable development; Source: Seelos and Mair (2005)

The initial social enterprise models had still essentially philanthropic patterns where charities and not-for-profits were continually trying to get income mainly through donations and grants. Sir Ronald Cohen makes the point in the edition of INSEAD Knowledge, that many charities or nonprofit social enterprises rely on short-term funding and grants. Still, he believes that the new generation of social enterprise organizations is more self-sustainable for the long-term period rather than having to go cap in hand, begging for donors every few years. Burkett indicates that social enterprises should finance their activities through commercial methods. Besides this method, they can accept grants and donations to decrease their impact costs, but not for covering operating costs. Because most social enterprises work at low cost with limited resources, it is hard to extend the coverage of social impact subsidies. At the same time, their commercial activities will strengthen the sustainability of the enterprise. Burkett warns that sustainability should be maintained for not for the short term. What does sustainability mean for social enterprises? Sustainability is about an organizations' capacity to endure over time. The measurement of the social impact, defining the performance metrics are the main challenges for sustainability. Social enterprises try to identify social return on investment, but it is challenging to measure social impact and express it in economic terms.

Besides, social values delivered by social enterprises are different. There are also challenging issues as intangibility, ignorance of long-term consequences, and direct causality that creates problems of making the right decisions about the allocation of resources and making investments. On the other hand, social enterprises compete with both commercial and other social-oriented companies in the market. Last but not least, while conducting negotiations with stakeholder, they have to give up on either commercial or social goals. (Girija, 2008).

According to Burkett (2010), sustainability is used in two different concepts for social enterprises. The first form is related to financial sustainability, which defines its endurance over time. The second indicates how sustainable its social impact on the

beneficiaries. Maintenance and deepening of social enterprise's impact is an essential factor to be considered. Within an organizational context, most of the discussions on sustainability focus on financial aspects. However, in the case of social enterprises, for which the social purpose is essential, sustainability is not limited to the financial dimension. It indeed allows satisfying development needs and achieving the social objective of the organization, but it can also consider the quality of newly created jobs or their impact on the community. Concerning employment, sustainability emphasizes the stability, and quality of recently provided workplaces, not only their number (Social Platform, 2014). Social enterprises sometimes proved more efficient than active employment policies by combining the economic approach and the development of capacities, while offering paid jobs and training at the same time, which led to recognizing the role of the social economy in integrating people from vulnerable groups in the labor market (Spear, 2008). The European Union has an essential role in the development of the social economy at the national level, by stimulating research in the field and by promoting social economy initiatives as well, as a result of substantial funding. Further, it is essential that we begin to perceive that sustainability is something that can only develop after an enterprise can establish that it is viable. An enterprise becomes sustainable after achieving both impact and operational outcomes over a time. Finally, it is essential that we develop a more sophisticated understanding of financial sustainability. Based on Foresters, there are three levels of financial sustainability: operational sustainability, financial sustainability, and balance sheet sustainability. Again it is important to re-emphasize that financial sustainability cannot be separated from impact sustainability when it comes to an understanding social enterprise. So, in my opinion, impact viability and impact sustainability should begin and end any analysis of social enterprise sustainability.

2.3 Impact and Outcome Measurement

Sustainability of social enterprises is dependent on organizational capacity, leadership style, business-oriented culture and financial endurance. In order to achieve sustainable social value, there should be an integrated approach including all these elements. After that, organizations will be able to scale their impact. (Alter, and Dawans 2006)

A significant issue facing enterprises is scaling the impact. In the social entrepreneurship context, scaling is described as ‘increasing the impact a social-purpose organization produces to match better the magnitude of the social need or problem it seeks to address’ (Dees 2008). Growing and scaling efficiently and effectively has become a vital issue for both practitioners and researchers (Bloom et al. 2010; Dees et al. 2004). Generally, the social entrepreneurship field has dedicated relatively little theoretical and empirical work to the study of scaling social impact. Empirical work to understand the drivers of successful scaling of social enterprises has been minimal, with most of it utilizing comparative case-study approaches, while theoretical work has primarily focused on the development of practitioner frameworks (Bloom et al. 2010).

The performance of an enterprise can be measured financially or operationally, subjectively, or objectively. Majority of the companies use multiple measurement indicators like efficiency, growth, profit, liquidity, market share, and leverage along with various subjective measures (Murphy et al. 1996).

There is a new section of venture capitalists looking to invest in social enterprises that deliver developmental benefits, yet, generate decent financial returns. In India, social venture capitalists, have raised around \$180 million and invested about \$125 million in 72 social enterprises. Many of these social investments have one thing in common – the venture capitalist backing them have pushed the entrepreneurs to go after growth and scale. Not just for better returns, but also to widen the social benefit.

Social enterprises’ performance is ultimately measured by its ability to create and sustain social impact. The indicators of performance in private sector social enterprise are often borrowed from commercial businesses and thus apply to financial profit-making activities. However, for social enterprises whose goal is to sustain social impact as well as its existence, sustainability is a good deal more complicated than merely earning money (Alter 2010). Nicholls identifies several factors as reasons. Firstly, it should be found out what to be measured and reported. There is perceived difficulty in measuring the links between factors like, grants, volunteers, income, social capital, etc., and the social impacts that correspond to the mission objectives of such organizations (Kendall et al. 2000). Commercial venture often operates within well-defined structures and markets and is easier to measure their performance. But social sector usually operates across all areas of society and engage with a wide variety of entities like donations, grants, membership fees, volunteer time, government subsidies,

commercial income and so on. The institutional complexity of social ventures acts as a significant dead weight in measuring the real impact (Nicholls 2009). Another question to be asked is of how to measure what is to be reported. There is no standard quantifiable mechanism for social value creation, nor any comparative unit of measurement. It's been suggested that the value of a social good may be priced at what a beneficiary or consumer would be willing to pay for it. Typically for social ventures, the resources are allocated to social propose organizations are based on trust and reputation among the target groups and their market positioning, mission alignment between sources and beneficiaries rather than performance (Foster et al. 2005).

The third issue is to examine the purpose of measurement and reporting. Statement of social mission and organizational form have always acted as risk mitigation alternatives for the efficiency and effectiveness of management and operations are detailed performance reporting has typically been absent from the social sector (Edwards et al. 1996).

There are several methods to measure social impact and accountability that are emerging (Nicholls 2009). Most of them are qualitative in approach. It means that they focus on social impact measurement descriptive narration of outcomes of strategic action. Such metrics are typically anecdotal about individual or community level changes or developments and are mostly non-comparative.

Qualitative metrics have an organizational focus, addressing the issue of 'what did we do?' One of the limitations of using such metrics is defining the appropriate value of each unit of measurement. For instance, in one venture it may be the number of wells sunk with developmental money, for another company, it may be the number of homeless people given shelter. Such reporting is highly subjective and rarely comparative.

Single and Double Bottom Line Method: Annual report of audited financial accounts – all socially entrepreneurial organizations including non-governmental organizations that are registered as companies are required to produce annual financial accounts. Traditionally, entrepreneurial outcomes have been quantified based on financial performance and firm survival (Ucbasaran et al. 2001). This practice fails to acknowledge the social and environmental gains of entrepreneurship. Besides, the impact of entrepreneurship is studied at the individual, local, regional or macroeconomic level and a few studies to investigate multiple level impacts (Haugh 2006). Double bottom line ventures are defined as “hybrid investments that aim to produce financial returns and mission-related impacts and can be either for-profit or non-profit in the legal form” (Peredo et al. 2006).

Triple Bottom Line: The most widely used qualitative social metrics is the triple bottom line (Elkington 2004). This model integrates an enterprise's accounting system with not only the traditional measures of financial performance but also social and

environmental outcomes. However, unlike financial accounts, social and environmental audits are typically descriptive, rather than quantitative, and partial and subjective rather than complete and objective. Any external comparative dimension is also usually lacking (although the internal, longitudinal comparison is possible). Traditional social and environmental performance benchmarks are the main reason for that. Lastly, in this model, the three bottom lines are not weighted or integrated into any final statement of performance.

Balanced Scorecard: Another common qualitative approach to performance measurement is the Balanced Scorecard, first developed by Kaplan and Norton (1996). In 2002, Kaplan adapted the Scorecard for use by not-for-profit organizations. The approach recommended by Kaplan provided a clear framework for defining a causal link between non-financial performance measures and the achievement of the mission. The adapted Balanced Scorecard involved identifying mission success by setting and then testing organizational objectives concerning a range of stakeholders aligned to an internal organizational analysis that considered the internal business process and organizational learning (Kaplan et al. 1996).

Social return on investment (SROI): This framework was first proposed by the Roberts Enterprise Development Fund (Emerson et al. 2000). The main aim was to develop a trustworthy methodology for the financial calculation of the unreported benefits of work integration activities that could then be set against program investments to form a more holistic and realistic performance measurement system. It involves three steps: first, calculate the full blended value of the project by combining its enterprise/ financial value creation and monetized representation of its social impact value, second, establishes the financial investment in the project, third, calculate the blended return on investment by combining the enterprise and social returns (Nicholls 2009).

Scaling of social ventures also has additional challenges. Firstly, the external environment is less likely to have economic and financial incentives to motivate desired actions by investors, employees, suppliers, distributors, and beneficiaries or consumers. Secondly, the infrastructure due to nature or terrains and consumer profiles may be severely lacking. Supply and distribution systems might have to be built from scratch. Thirdly, the financial capital markets are often not available to social entrepreneurial organizations. Finally, the beneficiaries or ‘customers’ often are poor, under-educated, and unhealthy and are not able to afford to pay a “full cost” price for the services they get. An effective way of financing the gap in their ability to pay often must be found. These differences highlight some of the challenges while social entrepreneurs try to scale their ventures (Bloom et al. 2010).

From a fiduciary investor or lender perspective, the balancing of financial and non-financial aspects is crucial. Organizations failing to return ‘reasonable’ financial

outcomes to their investors are likely to impede their growth and, as a result, their success in terms of social and environmental outcomes. It is partly for this reason that organizations like the Global Impact Investing Network (GIIN) aim to demonstrate that investments that create positive social and environmental returns also offer market-rate returns to their investors. Because of the short history of impact investments and the limited size of the market, the evidence is not conclusive to convince mainstream investors to allocate large sums of capital to the impact economy. The good news is that large institutional investors are increasingly convinced that they can, and have to, contribute to sustainable development. More, in particular, they openly endorse the Sustainable Development Goals as a common, global agenda and look at ways to invest in Sustainable Development Investments.

2.4 Sustainable Development Goals

193 United Nations member countries developed and adopted 17 goals and 169 associated targets named “Sustainable Development Goals” within 2030 Agenda. The agenda, which took its effect from the first day of 2016.

SDGs are supposed to be applied universally and pursued by countries around the world for the next fifteen years. The SDGs are developed based on the eight Millennium Development Goals (MDGs), which concluded in 2015 and considered to be its successor. These goals were adopted by UN after the consultation with governments, civil societies, business representatives, the scientific communities and significant business associations including World Business Council for Sustainable Development in January 2013. This process was criticized for its narrow focus on MNCs, its preoccupation with size, and it ignored the potential of micro, small, medium-sized enterprises to also have an effective impact on the achievement of SDGs. The criticism also included SDGs ignoring the possible contribution and significant role of business, especially, responsible trading, social entrepreneurship, and social enterprises. (Social Enterprise, UK, 2015)

The vision, which is operationalized in the SDGs, points to an ‘overlapping consensus’ within and among the nations of the world that “the idea of what human beings need for fully human living is among the most vivid intuitive ideas we share.” This ‘overlapping consensus’ justifies governments, multilateral, non-governmental organizations, businesses, investors, and individuals to (improve the capabilities of humans and their institutions too) further a just and decent society. Referring to the role of the private sector the UN asserts:

Private business activity, investment, and innovation are significant drivers of productivity, inclusive economic growth, and job creation. The diversity of the private sector range from micro-enterprises to cooperatives to multinationals. All businesses

are invited to apply their creativity and innovation to solving sustainable development challenges.

The justification for individual and collective action by non-state actors to fulfill basic human needs does not come from different entitlements or claims on these non-state actors or a moral obligation of these actors. The UN merely calls upon non-state actors, and more in particular on the private sector, because they have the opportunity to contribute to human development. It is not an imperative for businesses – both small and large – and investors to implement the goals, but it certainly is commendable when they use their resources to further human capabilities and a future in human dignity for all. It is here that we find a compelling argument for companies and investors to develop new strategies incorporating the notion of ‘social entrepreneurship.’ Not because they must, but merely because they can. Businesses and investors belong to the realm of opportunity. They can create innovative solutions in developing, producing and distributing goods and services that help to fulfill the basic needs of individuals and communities. The substantial corporate and investor support for the SDG agenda indicates that the private sector is open to creating opportunities for development – including initiatives in social entrepreneurship and impact investing.

“Once poverty is gone, we'll need to build museums to display its horrors to future generations,” mentioned Muhammad Yunus. It is also the vision of the UN member states that created the Sustainable Development Goals.

2.5 Social enterprise value chains and the SDGs

Globally, social enterprises are seen as a medium of the impact considering the nature of their activities, the model of their business structure and their intent to create change. SDGs have been adopted by the United Nations to ensure socio-economic equality, sustainable livelihood, and a better life for those who are in need.

In order to address the world’s biggest problems, we need an inter-disciplinary approach and inter-sector collaboration. Experts of sustainable development explicitly state that we need partnerships to achieve all the SDGs. Social entrepreneurs take ideas from various fields and have a healthy disrespect for traditional and sector boundaries. The willingness of these business models to question assumptions, to ask ‘why not?’ and transpose solutions from one field to another, is worth emulating. Social enterprises help the nations, and eventually the world achieve sustainable development, it is necessary that they adjust themselves with SDGs.

According to the statement of Holt & Littlewood (2015), social enterprises have a positive social and environmental impact through their value chains. In the period of the input stage, we observe this impact throughout the ethical sourcing of products. Later during operations, for example through the products or service they offer at a lower price or people they employ from marginalized communities, through their

profits or surpluses distribution (for example members in cooperatives, to the direct programs and interventions e.g., educational outreach, the construction of water infrastructure, etc.). First, it needs to explore how SE contribute to SDGs in their value chain, and especially, the degree to which contributions are confined to one or a small number of value chain activities, or extend throughout. There are even several social enterprises which all value chains have a positive direct impact on the SDGs. The other part of social enterprises may even one or the limited number of value chains contribute, but it is still acknowledged that in latter instances, the rest of value chains also support these contributions. Mumwa Crafts Association (MCA) in Zambia can be an example where most of the value chains have an impact on SDGs. MCA is a craft producer association based in Western Zambia, the country's most impoverished region, and has more than 3000 members living in rural communities. During the input stage, the MCA is contributing to SDG-15 'Life on Land', and in particular sustainable use of natural resources and particularly forestry management. In the production phase, poor rural producers gain training, livelihoods, and an income, contributing to SDG1 'No poverty' amongst others. The MCA invests its profits and surpluses in sustainable energy, health sector, water, and sanitation infrastructure or to create a new livelihood. Its activities contribute to SDG-6 (Clean water and sanitation), SDG-7 (Affordable and clean energy), SDG-3 (Good health and wellbeing). TOMS is a US social venture where its contributions also concentrated on a more limited number of value chains. TOMS - apparel, the retailer provides shoes, water, and safe birth services to people in the developing countries, in return for every purchase consumer make. TOMS is known with its sustainable and responsible business practices through its operations and value chains, mainly its contributions to the SDGs characterized as donations and were carried out by the use of profits generated from sales for social purposes. Another example from US eyewear retailer Warby Parker also provides the same buy-one-give-one social business model.

Following example from different model-work integration social enterprises (WISE) where contributions to SDGs are more concentrated within its value chain. This common form has been extensively studied by Davister, Defourny & Gregoire (2004), Tesdale (2010). In this model, particular focus is mainly on those people who face challenges in accessing work, for example, homeless people, those struggling with substance abuse, ex-prisoners, and other marginalized individuals. In WISE model, the contributions to the SDGs may be concentrated mainly on employment aspects of the value chain, while other value chain activities are supporting this. Kenyan social enterprise Streetwise is an excellent example of the WISE model in the developing country context. They provide training and employment for homeless youths from Nairobi's slums.

However, the situation is more complicated than described. In the previous chapter, we identified social enterprises with a variety of complex organizational forms. For

instance, the non-profit social venture can have a project which is subsidized by a for-profit venture. Story Pirates is an example of this kind of enterprises located in the US. Story Pirates organizes after-school drama and writing programs to the underserved schools, produces stage shows for the public (contributing to SDG-4). Story Pirates created its for-profit venture of the same name to finance its social activities, so it accommodates growing ticket sales for its production.

SEKEM –the Egyptian social enterprise is another example of this complex organizational form. Dr. Ibrahim Abouleish established SEKEM in 1977; currently, the company carries out a variety of ambitious social initiatives. These initiatives range from the field of sustainable agriculture to the healthy product production.

2.6 Broad or focused contributions to the SDGs

After discovering wherein the value chains of social enterprises may have positive impact on the SDGs, and defining whether their all or confined to one or a small number of value chain activities participate in this contribution, it is feasible to evaluate the level of this impact-whether takes on particular SDG target, or it encompasses multiple SDGs.

Previously discussed– Story Pirates is the example for social enterprises whose contribution is related to particular SDG target which is Quality Education. The Australian social enterprise provides another example of Thank You Water (TYW), which also has focused contribution to the SDGs. TYW was established to tackle with the global challenge of more than one billion people over the world cannot reach out to safe drinking water on a daily life. The company sells water, but at the same time food, body care and baby products, and total earnings coming from sales are invested into providing safe water and food, hygiene and sanitation services around the world. TWY’s social activities are linked especially to the attaining of the SDG 6 which is Clean Water and Sanitation.

Nevertheless, there are many social enterprises that directly contribute to the multiple goals. For instance, MCA in Zambia through its value chains participate in the achievement of SDG-1 (No Poverty), SDG-3 (Good Health), SDG-6 (Clean Water and Sanitation), and SDG-7 (Affordable and clean energy). As discussed before, SEKEM’s Pharma ATOS enterprise represents also another example for its multiple SDG impacts including the SDG-3 (Good health and wellbeing), SDG-8 (Decent work and economic growth) and SDG-5 (Gender equality) and also included these goals into its business strategy (SEKEM, 2017). In the first chapter, we reviewed how social enterprises can take different forms and models. These two cases illustrate good framework of this situation.

The international non-profit organization, Enactus has a mission to inspire students to improve the world through the entrepreneurship. Enactus coordinate student programs that runs social entrepreneurial initiatives at different universities in the world.

For example, the Right Light Project conducted by Enactus students in the UK, with the goal of making solar lamps affordable and accessible, in the quest to eradicate kerosene lamp dependency across the globe, as well as support solar light entrepreneurs in Uganda, Madagascar and Kenya. This work not only contributes to SDG 7 (Affordable and clean energy), but also has impact on SDG-1, SDG-3, and SDG-8.

Enactus students also worked closely with Malaysian local community to start beekeeping business, which has impact on SDG-1, SDG-2, SDG-8. In both student projects, social ventures influence positively on multiple goals.

Another example presents the largest NGO in the world- BRAC, which was established in Bangladesh in 1972. BRAC coordinates 16 social enterprises that operate in a range of countries across different sectors. These businesses include Aarong in the craft sector, BRAC Handmade Paper, BRAC Dairy, and BRAC fisheries. Each business contributes to the achievement of multiple SDGs. For example, the activities of BRAC Handmade Paper are related to SDG-12 (Responsible consumption and production), SDG-1 (No poverty), and SDG-5 (Gender equality), on the other hand, BRAC Fisheries has a positive impact on SDG-14 which is the “Life below the water” and likely SDG-1 and SDG-5. These examples proved that social enterprises might contribute to a broader range of SDGs.

AfriKids Ghana is a child right and community development organization and tries to eradicate child poverty and achieve SDG -1. Afripads Uganda is another social business example that locally produces low-cost reusable sterile pads and distributes to the world. So far, it has reached more than 750,000 girls and women around the world with its products. (SDG-5) Biolite has produced cost-effective renewable biomass stoves, which are as clean as gas. (SDG-7) Aduna is an African social business which produces baobab, famous “superfruits” and other 100% natural vegan products with high-quality ingredients. Through these activities, it provides sustainable income for rural producers in Africa. This model is called a community-owned supply chain where the organization pays a premium to the producers to purchase raw materials before processing. Later, rural communities sell them to Aduna at a higher price.

Although achieving goals is a big challenge, aligning business strategy with the SDGs will bring an immense economic opportunity, as companies will have a better understanding on consumers’ demand, will manage risk better and have a higher competitive advantage and stronger supply chains thanks to their sustainable features.

Finally, the SDGs will help businesses to design their strategies based on global priorities while contributing to the well-being of societies and the environment.

Chapter III

In this chapter, we will take an overview of the current situation of social enterprises in the world, comparing the developed and developing countries. Social enterprises have contributed a lot to the social well-being of the population and the overall economic development of the countries. There are wonderful examples from developing countries that can be considered as a role model to Azerbaijan. In the last section, existing eco-system for social enterprises in Azerbaijan is also discussed through the help of the literature prior to this research.

3.1 Global Context

There has been a rising interest in social enterprises across the world in the last few decades. The number of countries that have given social enterprises legal status or have recognized their unique form of operation is continuously increasing, and the role of social enterprises in these countries' economies is continually growing.

According to the global entrepreneurship monitoring, the average Social early-stage Entrepreneurship Activity (SEA) rate across all 49 countries is 1.94%, but it ranges from 0.2% to 4.93% depending on countries. As a first observation, these low levels of prevalence show that social entrepreneurship is a rare phenomenon overall, especially compared to more traditional entrepreneurial activity levels.

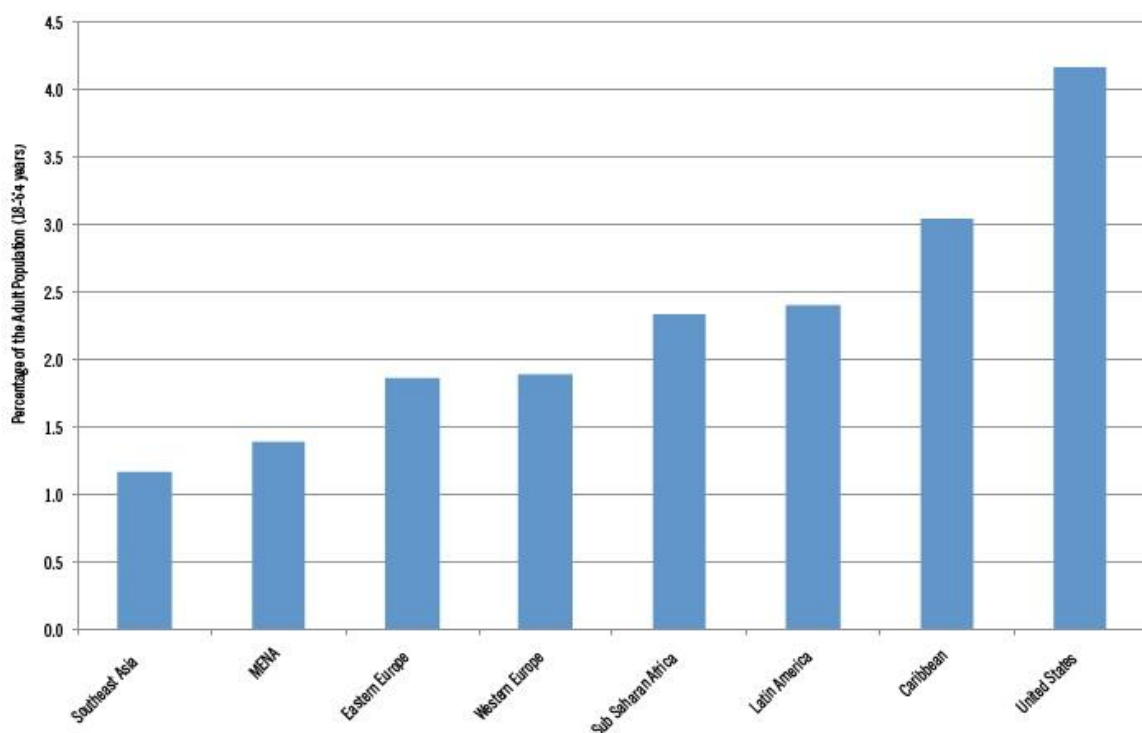


Figure 3.1 Social early-stage Entrepreneurship Activity (SEA) rate across globe; Source: GEM 2009

Despite the low levels of social entrepreneurial activity, variations in prevalence can nevertheless be observed. While the range of SEA is similar for all three economic development stages, the average SEA rate increases slightly with economic development. Since people in developing countries are primarily driven by values of security rather than self-expression or openness to change, as is the case in more developed countries (Díez-Nicoláz, 2003; Inglehart, 1997; Schwartz and Sagiv, 2000), the underlying explanation could therefore be that the risk of social entrepreneurship weighs heavier in developing countries compared to more developed economies. The social entrepreneurship classification by economic development level might hide sharp differences among developed and developing countries. In that sense, several social science scholars (Kerlin, 2009; Mair, 2010; Salamon and Anheier, 2000; Anheier, 2005) have argued that some differences in social entrepreneurship activity in countries cannot be explained exclusively by their level of economic development, attributing it to the combined influence of regional variations in geographic, social and institutional backgrounds.

As a developed country, in the United Kingdom, a total of 70,000 social enterprises contributed £24 billion to the economy (1.3% GDP) and employed nearly one million people (3% of the total labor force) in 2016. The form, sector, operation, and finance of social enterprises, however, vary substantially across countries.

According to the figures provided by the National Observatory on Social Economy, SSE sector accounts already for over 2.3 million employees (10.5 % of total employment), over 163 000 enterprises (7% of total enterprises) and over 221 000 establishments in France (nearly 10 % of all establishments) by the end of 2013.

The United States has more of an emphasis on revenue generation to support a charitable organization than does Western Europe, where the outcome is more social by nature, such as employment or the reduction of social exclusion. Social enterprises have value over \$300 million in revenue and employ an estimated 14,000 people in 28 states. If the estimation on the number of U.S. social enterprises is correctly defined, this economic sector currently employs over 10 million people, with revenues of \$500 billion; about 3.5 percent of total US GDP.

Table 3.1 - Social Entrepreneurship prevalence rates as percentage of the population, by region and type

	Country	Traditional NGO	Not-for-Profit SE	Economically oriented Hybrid SE	Socially oriented Hybrid SE	For profit SE	Strictly* defined SE	Broadly** defined SE
Western Europe	Belgium	0,5	1,1	1,1	1,0	0,5	3,1	4,1
	Finland	0,5	1,8	1,5	2,7	0,9	6,1	7,5
	France	0,1	0,6	1,0	1,1	0,2	2,7	3,1
	Germany	0,3	0,3	0,7	0,4	0,5	1,4	2,1
	Greece	0,3	2,0	0,6	0,5	1,3	3,2	4,8
	Iceland	0,4	2,6	1,2	3,6	1,9	7,4	9,6
	Italy	0,3	0,6	1,3	0,5	0,7	2,3	3,3
	Netherlands	0,2	0,7	0,2	0,8	1,3	1,7	3,3
	Norway	0,1	0,8	0,9	0,7	2,0	2,4	4,5
	Spain	0,1	0,3	0,4	0,2	0,5	0,9	1,5
	Switzerland	0,1	0,7	2,3	1,4	1,1	4,4	5,6
UK	0,4	1,8	1,0	1,4	1,2	4,2	5,8	
	<i>average</i>	0,3	1,1	1,0	1,2	1,0	3,3	4,6
Eastern Europe	Bosnia & Herzegovina	0,0	0,5	0,4	0,2	0,8	1,1	1,9
	Croatia	0,4	2,1	2,5	1,3	0,7	5,9	7,0
	Hungary	0,1	0,5	2,2	0,8	0,3	3,5	3,9
	Latvia	0,6	0,9	0,7	0,7	1,5	2,3	4,4
	Romania	0,3	0,2	1,3	0,4	0,3	1,9	2,5
	Russia	0,2	0,2	0,8	0,1	0,1	1,0	1,2
	Serbia	0,5	1,5	0,1	0,3	0,5	1,9	2,9
	Slovenia	0,5	1,3	0,9	1,5	1,3	3,7	5,4
	<i>average</i>	0,3	0,9	1,1	0,7	0,7	2,7	3,6
Latin America	Argentina	1,2	4,0	1,8	1,7	1,1	7,5	9,7
	Brazil	0,1	0,3	0,0	0,0	0,3	0,3	0,7
	Chile	0,0	1,1	1,5	1,0	0,9	3,5	4,5
	Colombia	0,0	0,5	4,1	1,1	1,1	5,7	6,8
	Ecuador	0,0	0,2	0,5	0,0	0,1	0,7	0,8
	Guatemala	0,0	0,1	0,3	0,1	0,3	0,5	0,7
	Panama	0,1	0,0	1,4	0,3	0,3	1,6	2,0
	Peru	0,1	0,3	3,3	0,5	0,2	4,1	4,4
	Uruguay	0,3	1,2	1,5	0,7	0,5	3,5	4,2
Venezuela	0,3	0,6	2,2	1,0	0,3	3,8	4,4	
	<i>average</i>	0,2	0,8	1,6	0,6	0,5	3,1	3,8
South-East Asia	China	0,6	0,8	2,9	0,6	1,8	4,3	6,7
	Hong Kong	0,1	0,3	0,6	0,3	0,7	1,2	1,9
	Korea	0,0	0,3	0,7	0,4	1,1	1,4	2,4
	Malaysia	0,1	0,1	0,0	0,2	0,0	0,3	0,5
		<i>average</i>	0,2	0,4	1,0	0,4	0,9	1,8
Middle-East and North Africa	Algeria	0,1	0,6	0,8	0,8	1,4	2,2	3,7
	Iran	0,1	0,5	1,3	0,2	0,6	1,9	2,6
	Israel	0,3	1,7	0,9	0,9	0,1	3,4	3,8
	Jordan	0,3	0,5	0,2	0,3	1,1	1,0	2,5
	Lebanon	0,1	1,2	0,2	0,7	0,8	2,1	3,0
	Morocco	0,2	0,3	0,1	0,4	2,0	0,9	3,0
	Saudi Arabia	0,1	0,1	0,0	0,1	0,2	0,2	0,5
	Syria	0,1	0,5	0,2	0,2	1,0	0,9	2,0
	U, Arab Emirates	0,2	1,9	3,8	1,3	0,7	7,1	8,1
	West Bank & Gaza Strip	0,0	0,4	0,1	0,2	0,0	0,6	0,6
	<i>average</i>	0,1	0,8	0,8	0,5	0,8	2,0	3,0
Caribbean	Dom, Republic	0,2	1,6	1,2	0,8	0,7	3,6	4,5
	Jamaica	0,1	1,1	4,4	1,4	2,5	6,9	9,6
		<i>average</i>	0,2	1,4	2,8	1,1	1,6	5,2
Africa	South Africa	0,0	0,5	0,7	0,7	0,5	2,0	2,5
	Uganda	0,6	0,9	0,6	2,0	1,9	3,5	5,9
		<i>average</i>	0,3	0,7	0,7	1,4	1,2	2,7
USA	United States	0,5	2,3	1,4	1,4	1,3	5,1	6,9

Source: (Global Entrepreneurship Monitor Report on Social Entrepreneurship Executive Summary 2011)

3.1.1 SE in developing countries

In most developing countries, significant economic, political and social challenges are experienced. Over the one billion people suffer from poverty in the world (Roy & Roy, 2010). Prahalad and Hammond (2002) argue that the low-income underserved segment living in the developing economies poses a considerable challenge as well as a significant opportunity for global organizations (Esposito et al. 2012). This is an opportunity for the organizations to design and implement unique and differentiated business models that solve the real problems of the 66% of the global population that falls in this category. Therefore, innovative approaches that provide solutions to these challenges are vital, and social entrepreneurship (SE) seems to be a practical approach. Social entrepreneurship got especially famous in recent years. Social entrepreneurial activities have significant role in decreasing of poverty in the world. According to the statistics, poor people in the developing world decreased from 902 million to 702 million (2012-2016) mainly due to social entrepreneurial activities (Purvis, Role of Social Enterprise in International Development). For instance, social entrepreneurship has the primary role in bringing solar power to African countries, especially which are isolated, poor and unable to get access to electricity. SE has contributed significantly to the provision of clean drinking water at affordable prices in most parts of Pakistan and the problems of poor quality of drinking water and sanitation in India.

As mentioned before, as evidence to the power of social entrepreneurship, professor Muhammad Yunus who initiated Grameen Bank Project that created opportunities for self-employment for women in rural Bangladesh. Access to education has been significantly enhanced through SE. For example, during Liberian Civil War (1989-1997) a Liberian refugee social entrepreneur Hayes Karas built a free school and helped refugees to acquire knowledge. After this he established Vision Awake Africa for Development (Del Moral, Impact of Social Entrepreneurship in Developing Countries). Health sector has also improved by the contributions of social entrepreneurs. For instance, Kalinga Eye Hospital provided low-cost, high-quality eye care in inaccessible areas in India. A social entrepreneur Doctor Sarang Samal was the founder of this hospital. (Ibid) Most of these social entrepreneurs never even earned much money, but they could create good source of income for their workers and themselves.

Overall, by focusing on their social mission rather than predominantly profit maximization, Social entrepreneurship fights for addressing social issues and sustainability. Social enterprises' ability to achieve both a social and financial return (hybrid) is relevant to developing countries, hence can be used to attain a sustainable solution to a social.

3.2 The case of social enterprises for Azerbaijan

Azerbaijan, with its over than 10 million populations, is the biggest South Caucasian country at the crossroads of Eastern Europe and Western Asia. The country has experienced significant structural changes since its independence in 1991, including the gradual clustering of its population towards its urban center. After the independence from the former Soviet Union with its political, structural economic and social changes, GDP of the country has increased more than 28 times from 2133,8 million (1995 AZN) to 60393.6 million AZN (2016) owing to abundant oil and gas resources and successful economic policy is 3,914\$. Nevertheless, an average net salary remained rather low - around 500 AZN (250 euro) per month in 2016. Though Azerbaijan is committed to working with the European Union, it has not been granted for EU candidate status. It is a member state of the Council of Europe on 25 January 2001.

The consequences of the global financial crisis, the decline in oil prices and, national currency devaluations were balanced with swift policy and economic reformations which guaranteed an economic recovery and growth since early 2018. The government's attention increased more on the non-oil sector and SME development, reducing unemployment and increasing the welfare of the population at large. In this matter, as we experience the success stories of Social Entrepreneurship in the world, especially in third world countries, we begin to wonder its current implication in Azerbaijan. Focus to the non-oil sector and SME development encourages further growth of the welfare of the people in the next years. This process seems less operational on a community and regional levels, and therefore Social Entrepreneurship has more potential to perform in this niche. Today several modern challenges (economic, social, demographic, human, ecological, etc.) actualizing creation of social enterprises trigger more rapid implementation of the "Transformation of black gold into human capital" conception stated by the President of Azerbaijan Republic. In this case, establishing organizations (Community Based Organizations: Human Development and Sustainable Income Generation Public Unions) based on local human potential and their sustainable incomes can be very supportive in the addressing social-economic problems, like as ending poverty, establishing new workplaces, gender equality, preventing labor migration, protecting family integrity, increasing awareness and abilities of people, mobilization of local renewable resources and providing sustainable development.

Despite the fact in Azerbaijan history, there were several prominent social entrepreneurs as Haji Zeynalabdin Tagiyev, Ali bey Huseynzada, Sakina Akhundzadeh, Hamida Javanshir, Abdurrahim bey Hagverdiyev, social entrepreneurship is rather a new concept for Azerbaijan. Favorable business environment and public policy on social economy create an advantageous situation for the development of SE in Azerbaijan.

However, public institutions coordinate business and social development fields separately. Social entrepreneurship needs appropriate legislative regulations adopted and institutional support to develop as a field. Since the SE is not legally defined, most social enterprises are registered as LLC or NGO. The absence of the legal form for Social Entrepreneurship drives challenges for its operations. There are also not considered tax exceptions and incentives for social enterprises, which discourage commercial organizations from transforming into more sustainable social ventures.

3.2.1 Legislation formation

As mentioned before, social enterprises are still at the beginning of their development stage. So far, any legislation or targeted public policies are not adopted for defining social entrepreneurship. However, the government's focus on the improving business sector and support for young entrepreneurs also stimulate the SE.

In Azerbaijan, social entrepreneurship initiatives can be implemented under several legal forms:

- Non-governmental Organizations (NGOs)
- SME
- Public legal entities
- Family farm associations
- Cooperatives
- Informal solidarity initiatives and young entrepreneurs.

Social enterprises are mainly active in the field of education, social care, health and youth, and support. These activities are mostly carried out under two traditional legal forms NGOs and SMEs. These two forms, more than other mechanisms of entrepreneurial activity, can be effectively used because of their limited scope and mobility of activities towards the development of human potential. But still, these legal forms do not completely reflect the mission of social enterprises. Even though NGOs and social enterprises have their mission based on social goals rather than on commercial ones, differences between these two forms exist. Mission-related income, entrepreneurial risk, and creation of social value to contribute to the well-being of others distinguish social entrepreneurs from other forms of civic activity. Traditional NGOs seek grants and donations to conduct their missions and need to take care not to compromise their values or those they are trying to do in favor of economic prosperity. Youth, a lack of professionalism, and inexperience in operating alongside other businesses, are common problems that prevent NGOs from functioning effectively. Small businesses have the opposite flaw- they often start with social purposes in mind but then abandon them in favor of becoming a profitable business.

But still, there are several NGOs that can protect the thin layer between their social business and NGO activities. UAFA (United aid for Azerbaijan) established by Gwendolyn Burchell is an excellent example of that. Gwendolyn Burchell participated in the establishment of the not-for-profit JOY Child Development Centre in 2014 and another social enterprise named ENJOY Chocolates - a hand-made chocolate business, which generates income for UAFA's services.

Recently, "Together and Healthy" Public Union also initiated new social enterprise – cafe named Kashalata. The "Kashalata" cafe employs children with autism to support their integration to society and develop their social skills. At the café, the children are serving the customers independently. The rehabilitation center of "Together and Healthy" Public Union hosts more than 70 children with autism and the need for special care.

In Azerbaijan, income generated from all kind of entrepreneurial activities is taxable. There are licensing requirements for specific activities operated by NGOs and other organizations. However, it is indicated in the Tax Code of Azerbaijan that, if NGO has the staff, 50% of which consisting of disabled people will be exempt from 50% of its profit and property tax. (Article 106.2) Moreover, the Law on self-employment supporting entrepreneurship was defined in the legislation. (Law of the Republic of Azerbaijan on Employment, Article 1.0.6). This Law also includes those who work for the family farm without payment, who engage in individual employment activities and those members of production cooperatives. Social entrepreneurs also can benefit from this Law. (V. Zeynalov, 2019) Besides, to form and improve the culture of accounting for income and expenditure of small entrepreneurship entities, new tax exemption was accepted under the Tax Code. According to this change, if entrepreneurs allocate 10% of their profit to the development of culture, education, sport, or social services, they are exempt from taxes. (V. Zeynalov, 2019)

The other potential legal form for social enterprises is Cooperatives regulated under the Law of Agricultural Cooperatives. The cooperatives can sign contracts with NGOs and other companies. The Law also identifies social protection and care of members as the strategic responsibility of the cooperatives. The activities of the cooperatives are mainly related to consultation, social services, and ecological restoration. Nevertheless, law force the cooperatives to devote their 70% of services for its members (Ziyafat Habibova; Elmira Zeynalova).

Working under these legal forms may work to some extent; however, it is worth noting that all scientists point to innovation as a defining feature of social entrepreneurship. Joseph Schumpeter, the founder of the theory of innovation, defines innovation as "creative destruction." According to Schumpeter, innovation is always accompanied by the destruction of the old order, which makes way for the creation of a new system.

This means that the successful operation of community-based organizations on sustainable income relies primarily on the formation and development of human potential.

3.2.2 Funding and financial tools social enterprises use

Social enterprises are still in the infancy stage of its development. New entrepreneurs found their businesses with the financial support from their family, friend or own budget, bank loan and public funding. They also can use grant funds for primary step to establish the enterprise. Financial institutions have not internal and external incentives to fund social enterprises. As in EU example, adopting SDGs as key to the strategies would convince them contribute to social enterprises and sustainable development. Moreover, social ventures operating under associations started their activity with the donors in financial way or in-kind contributions (equipment and tools needed for business). However, unfortunately, because of absence of efficient business and marketing skills, those start-ups failed and could not maintain its sustainability. On the other hand, small social enterprises which took loans from banks or government should prove their sustainability while repaying the loan (A. Rosandic and M. Guluzade 2017). SMEs also may use the funding which the National Fund for Support to Entrepreneurs offer. For instance, social enterprises can receive small loans of 5.000-50.000 AZN which is issued for three-year period with six percent annual interest.

Table 3.2: Main Stakeholder of social enterprises in Azerbaijan; Source: Andreja Rosandic; Mahammad Guluzade (2018)

Organization	Role
Policy Makers	
Ministry of Labour and Social Policy	<ul style="list-style-type: none"> • Responsible for drafting and implementation of the strategies and programmes related to employment and social welfare
Ministry of Finance	<ul style="list-style-type: none"> • Responsible for drafting fiscal regulation for SEs • Responsible for authorization of any budget expenditures • Responsible for issuing an opinion on financial-economic expediency of grants (so called 'donor registration')
Ministry of Economy	<ul style="list-style-type: none"> • Responsible for drafting and implementation of legislation and strategies related to SMEs • Implements the Program for support of SMEs • Contracting Authority for EU <p>Responsible for registering grants issued to commercial entities</p>
Ministry of Agriculture	<ul style="list-style-type: none"> • Responsible for legislation related to agricultural cooperatives
Ministry of Taxes	<ul style="list-style-type: none"> • Responsible for drafting taxation regulation • Responsible for drafting tax exemptions and incentives for businesses and NGOs • Responsible for registration of individual entrepreneurs • Responsible for registration of commercial legal entities
Ministry of Justice	<ul style="list-style-type: none"> • Responsible for registration of foreign and local non-commercial entities • Responsible for registering grants issued to non-commercial entities • Responsible for registering foreign donations issued to NGOs • Responsible for registering service contracts of NGOs with a foreign source
State Employment Agency	<ul style="list-style-type: none"> • Provides training • Organize job fairs
Funders	
Council on State Support to NGOs under the President	<ul style="list-style-type: none"> • Plays a role of a 'bridge' between NGOs and Government - provides financial support to NGOs
Youth Fund under the President	<ul style="list-style-type: none"> • Provides financial support to young activists and youth NGOs
National Fund for Support to Entrepreneurs	<ul style="list-style-type: none"> • Responsible for implementation of Government's policies on SME development • Finances SMEs
Science Development Fund	<ul style="list-style-type: none"> • Provides financial support for scientific projects
Microfinancing institutions	<ul style="list-style-type: none"> • Provides micro credits to SMEs and informal businesses (i.e. by community groups)
Agroleasing	<ul style="list-style-type: none"> • Leases agricultural machinery and equipment for SME and farmers
EU Funding (Civil Society Facility, etc)	<ul style="list-style-type: none"> • Provides grant funding to CSOs for projects in various areas including social inclusion, employment of vulnerable groups, entrepreneurship development etc. • Provides grant funding to CSOs for capacity building programs • Provides technical assistance support to public institutions in developing SME policies
ABAD ⁴⁴	<ul style="list-style-type: none"> • Supports farmers and craftsman with design, access to market, certification, etc. • Provides financial support

3.2.3 Best practices in the country and replicable models

In recent years, initiatives in SE have increased. Since there is no legislative act on social entrepreneurship, it is difficult to define the organization or their activities as social entrepreneurship. Nevertheless, based on existing international experience, a number of initiatives can be considered as an example of social entrepreneurship. Some cases follow as:

Buta Art & Sweet platform aims to reduce unemployment among women with special needs selling homemade sweets, prepared by them, to individuals and companies. In Azerbaijan, there are more than 290,000 women with special needs, and 95% of them are unemployed. This venture addresses social exclusion by empowering these women through employs seventeen women with various special needs that make more than twenty types of delicious traditional sweets.

JOY Child Development Center is another example of Azerbaijan social enterprise which provides a learning environment for children of all ages and abilities, enabling them to develop as independent, responsible, and educated young people. The Center was organized by UAFA in September 2014 and was one of the first attempts at social entrepreneurship. The Center provides day care services for children with disabilities. UAFA is a non-governmental organization operating since 1998. UAFA's mission is to help sustainable development that focuses on children, health, and education in Azerbaijan.

Green Baku is the first 100 % Azerbaijani brand of eco-friendly stationery. The products are unique, as Green Baku is the first eco-brand which entered the local market. Unlike the ordinary paper, raw materials haven't made up by the expense of damage to trees and nature in the preparation of products. As a raw material, they use only recycled paper. Dimensions and design concept of goods are absolutely custom as they produce in Azerbaijan. Green Baku has three main aims for the development of start-up: 1) To make unique 100% Azerbaijani brand; 2) To develop an idea of recycling in Baku and regions; 3) To raise environmental awareness between people.

Camping Azerbaijan is an enterprise with a fundamental principle of organizing tours to natural areas that conserve the environment and contributing at the same time to the welfare of the local communities. Thus they have food and stay at the villagers' houses and use local driver services during our tours. Camping Azerbaijan carries out social and ecological projects in the villages. They implement such projects as "Məktəb Avtobusu Ucqar Kəndlərdə" (School Bus in Remote Villages), "Şaxta Baba Ucqar Kəndlərdə" (Santa Claus in Remote Villages), "Mən Bakıda Olmuşam" (I have been in Baku) and are continuously working on new social projects.

According to the international experience, several changes should be done in order to improve the sector of social entrepreneurship. (Abil Mammadov, 2019)

1. Institutionalization of social entrepreneurship: Creation of legal basis of new principles of taxation for stimulation of new organizational forms and donations
2. Establishment of special institutions to support social entrepreneurship;
3. Development of standards in the field of social entrepreneurship, including the standards for assessing the effectiveness of enterprises, standards for applying funding and reporting requirements;
4. Inclusion of social entrepreneurship development goals and measures into state programs,
5. Organization of statistical registration of social entrepreneurship: beginning from the inclusion of accurate criteria of social entrepreneurship to improvement of statistical forms;
6. Creating new financial instruments, including the co-financing model;
7. Creating specialized financial intermediaries (foundations and other institutions) to support initiatives in the field of social entrepreneurship;
8. Providing privileges on loans, rent of premises, payment of utility services, simplified access to public procurement;
9. Organization of trainings for social project evaluators, development of indicators of results measurement;
10. Implementation of additional material and non-material stimulants for social facilities (eg tuition fees, travel allowances, additional leave days, pensions, medical services, etc.);
11. Application of social entrepreneurship training programs;
12. Increase awareness of social entrepreneurship, popularize the idea through media and social networks;
13. Development of social entrepreneurship networks.

Chapter IV

This thesis adopts a qualitative methodological approach based on a triangulation of data sources, where the research approach implemented has been that of the interpretivism. The study was focused on the interpretivism approach to fulfill the purpose of the study, which is to gain data on the theoretical concepts, sustainability aspects, and social, environmental and economic contributions of social entrepreneurship.

4.1 Data Collection

In order to create a fundamental theoretical basis of knowledge, a literature review on social entrepreneurship and institutional theory constitute the first part of the research. The most up-to-date, reliable and relevant academic resources were analyzed, compared and contrasted. It enabled to explore the current literature regarding to the thesis topic and understand deeply the situation and existing challenges related to the sustainability issue of social ventures.

Qualitative research was used to tackle research questions and problems from different angles to investigate perceptions (Ivankova & Greer, 2015:65). Primary data is gathered from social entrepreneurs and social organizations through the semi-structured questionnaire so that the research question or problem can be answered to produce original research results. According to Shaffer (2013:7-9), the qualitative approach is centered mainly on ethnography. The qualitative approach was used in this study to examine respondents' views, with interviews being the method of data collection. Afterward, the data were quantified to investigate and measure attributes.

For the data collection, a semi-structured questionnaire was used, which is an instrument that combines both quantitative and qualitative items; it is a tool for gathering data in survey research that contains both open- and close-ended questions made available to the population, often from a wide geographical area, to respond directly on the questionnaire itself without interacting with the investigator (Monette, Sullivan & De Jong, 2011:164). This approach enabled to keep the interview process more like a normal discussion of the topic and explore more relevant data than a structured interview. Interviewees can explain their thoughts without interruptions, which ensures to get better outcome from the interview. Mainly, the questions were used to guide the discussions around the desired themes, which was the contribution of the social enterprises to Sustainable Development. The languages used in the questionnaire were English and Azerbaijani as interviewees' wish.

4.2 Sampling

It is evident that a social enterprise survey is a great idea to develop the eco-system – besides creating direct benefits to social enterprises. Social enterprises are difficult to identify, in particular in a country where this field is just emerging and where there is no widely accepted definition of what a social enterprise is. The sampling technique was by means of non-probability. According to Babbie (2013:199), this technique is relevant when conducting social research where samples are selected in particular ways not recommended by probability theory. From this point, and because there is no official list of social enterprises for the defined country, sample selection was based on the use of snowball sampling, by asking participants to propose names of other organizations. Sample members were selected based on their knowledge, relationships, and expertise regarding a research subject.

For this study, social enterprises were selected according to these features:

- Having an economic, social, cultural or environmental mission that provides a social or environmental benefit
- Selling goods or services to fund their mission
- Deriving a substantial portion of the income from trade
- Using the majority of profit/surplus in the fulfillment of their mission.

Twenty-five expert social entrepreneurs/enterprises were selected as sample. Although the sample size is small, it represents the population, because this field is in its emergence phase (but developing so fast), only a few entrepreneurs could introduce themselves as a social entrepreneur. Interviews and questionnaires were conducted via email, telephone, or face to face.

4.3 Data analysis

Primary data were captured and analyzed. According to Babbie (2010:12), “primary data is data that is unprocessed and which has been obtained directly by the researcher for a particular research project.” Polit and Hungler (2001:383) state that data analysis means to organize, providing structure, and eliciting meaning. Analyzing qualitative raw information is an active and interactive process. As data analysis methods, narrative analysis, and content analysis were used. Narrative analysis as one of the qualitative data analysis method was used to analyze the data which is gathered from personal interviews. Information was sorted-out and reflected up, enhanced, and presented in a revised shape to the reader. The other method was content analysis for interpreting documents, the text of different formats, pictures, audio, and videos. Later, the gathered data was read extremely carefully to derive codes. The process involves highlighting some of the words that are important for exploring the concept. Then the researcher expresses his primary impressions and opinions about the data. This process continues systematically, and labels for codes reflecting multiple critical thought start to emerge. Finally, the codes are categorized based on the relationships and linkages of the codes. (Hsieh & Shannon 2005). Data analysis started soon after conducting the first interview.

Chapter V

This chapter of the research describes the analysis of data collected through a semi-structured questionnaire. The research questions, interviews, and responses of the participants are discussed. It also provides findings from the research results, which allow the researcher to draw conclusions over and make some recommendation. The fifth chapter will examine the empirical findings that are structured from data analysis.

5.1 SE or organization involved in the research

In this section, social organizations and Social enterprises' background and demographics are depicted.

5.1.1 Gender

Demographics, according to the gender of respondents, is depicted as follows. Of the n=25 participant social enterprises, the majority of n=13 (52%) social entrepreneurs in the study were males. The other half with a minor difference of n=12 (48%) were females exercising activity as individual social entrepreneurs. Figure 1 below depicts the respondents' gender.

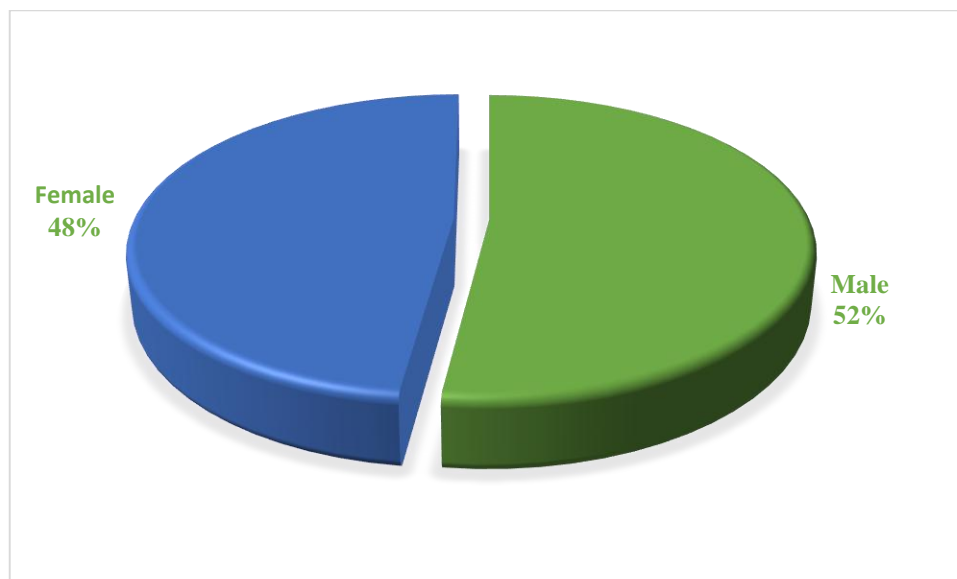


Figure 5.1: Respondents' gender

5.1.2 Status

Table 3 indicates the respondents' demographics regarding status. Twenty-five (25) participants were selected. Of the respondents, n=13 (52%) were social enterprises and n=12 (48%) were individual Social entrepreneurs. There was no response from employees of institutions with social activity. The results indicate that the majority of respondents in this category were Social organizations. These results back up the study by Watters et al. (2012:2), which indicated that individual SEs usually only have ideas in their heads that are not implemented even if the ideas are conceived with social intentions to contribute to development and income generation.

		Frequency	Percentage	Accumulative Percentage
Active	Social Individual	12	48	48
	Social Organization	13	52	100
	Employee of institutions with social activities	0	0	100
	Total	25	100	

Table 5.1: Respondents status

5.1.3 Legal structure of the work is organized: the form and years of activities

Most of the interviewed respondents had difficulty in identifying their company as social enterprise. The main reason of this is not having a definition of social enterprise in the legislation of Azerbaijan. The tables below represent the result regarding legal structure, forms and years of activities of the respondents. Of the respondents, regarding the structure, the majority of n=15 (62%) were SMEs, n=7 were Informal solidarity initiatives and young entrepreneurs and n=2 were NGOs. The reason of these NGOs selected was their social business servicing to their mission. Finally, there was n=1 Public Legal entity.

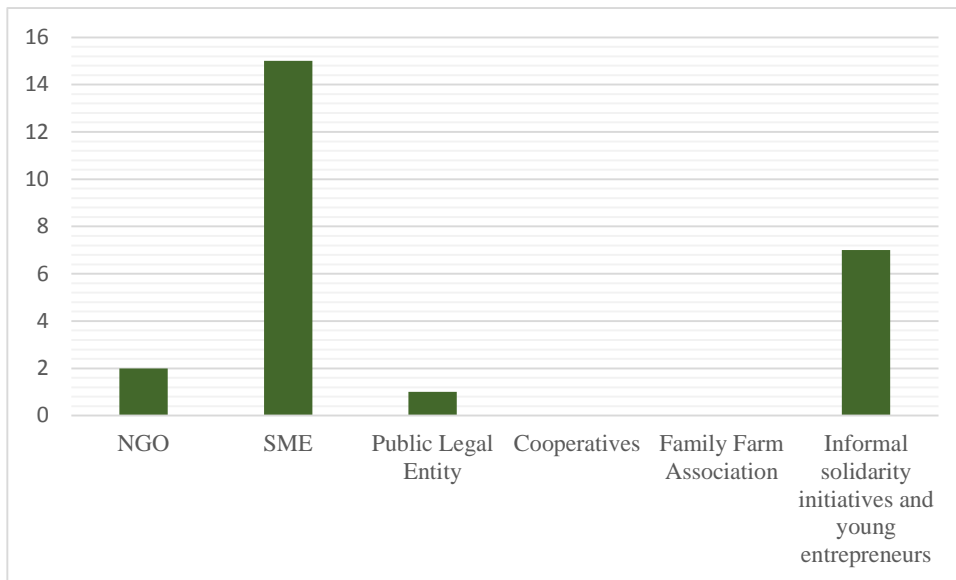


Figure 5.2: Form of the legal structure

5.1.4 Years of establishment

The line graph displays establishment years of social enterprises interviewed. In this research, we observe clear increase in the number of social enterprises. Within the time frame in providing the country with social activities, it was found that social enterprises began to increase in Azerbaijan after 2011, social entrepreneurship began to get popularity and attract more interest especially in 2017. The main reason for this increase is seen as failures of NGOs and philanthropies, and success stories of global social enterprises.

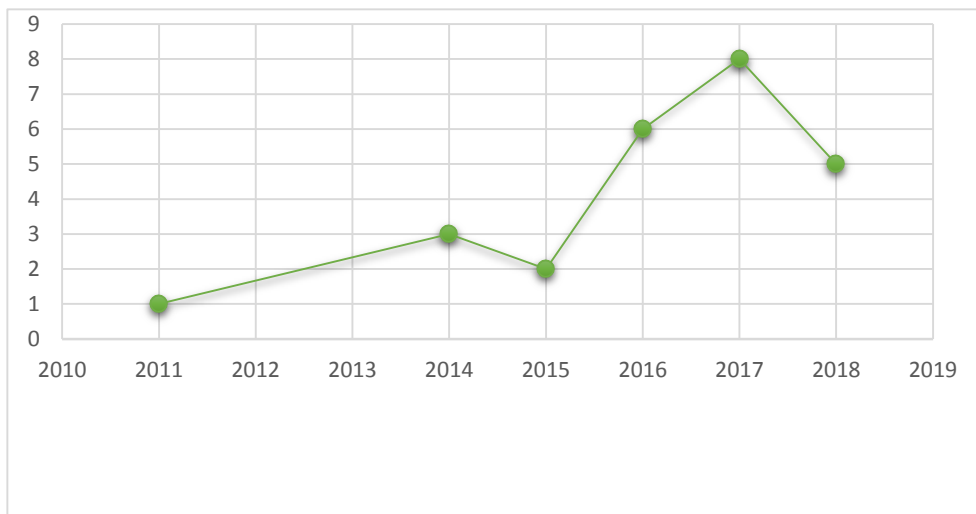


Figure 5.3 Years of Establishment

5.1.5 Motivation to start activities

According to the answers of the majority respondents, the main reason why they choose to become social entrepreneurs is mainly related with their values: dignity, access to opportunity, transparency, accountability, equity, and empowerment. The interviewees expressed their passion for building social value and solving people’s problems who are less fortunate and keep their social mission in front of their activities. They showed the willingness of having a business as morally and ethically as possible and which will represent their principles and values. Interviewees wanted to combine the job they enjoy to do with altruistic motives. One of the other main reason was the “feeling proud of what they are doing” and “feeling like a useful person for their society.”

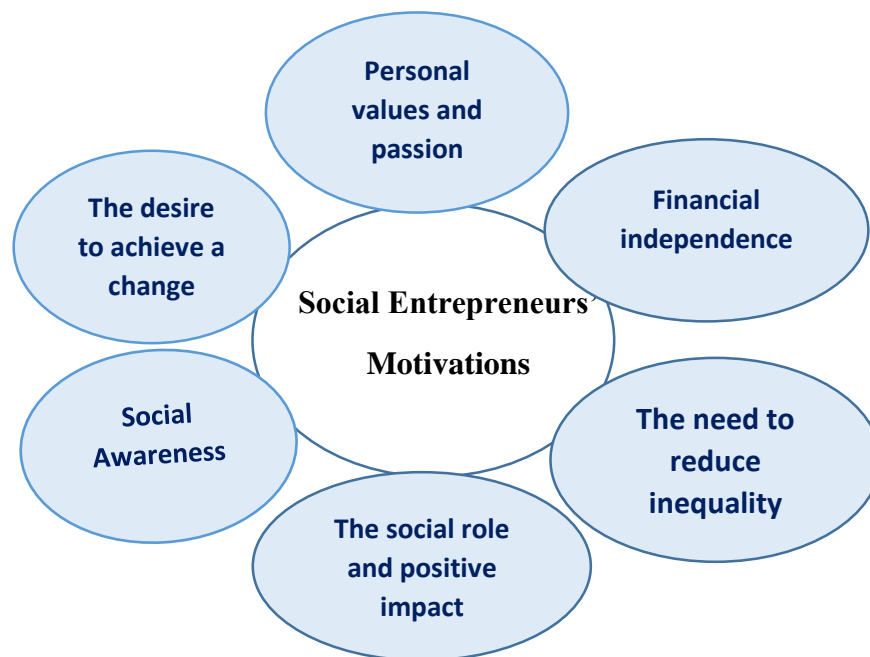


Figure 5.4 Motivation of Social Entrepreneurs

5.1.6 The purpose of social activities

The question was asked to social enterprises and individual social entrepreneurs to illustrate their purpose in the Azerbaijan. Of the respondents, the research result shows that the common point regarding the purpose of their activities in general was to help the people by providing comprehensive care and support to the most vulnerable sector and strive to improve the quality of health, education and employment in the area. Other purposes were to train, educate and facilitate in different activities, care and developing children in creating space for every person to develop talent and realizing their dreams through social activities. Some purposes include deal with the environmental challenges, and increase awareness on it, moreover reaching people in

rural areas through ecological, agricultural, and cultural for-profit activities and provide them with employment. The research results are similar to Peredo and McLean (2005:12), who state that SEs and their activities are focused on pursuing social goals by bringing change in different ways. The aim is to increase social value by contributing to alleviation of socio-economic problems in a given area.

5.1.7 Sectors SEs are undertaking social activities

Regarding the sectors that participants undertake social activities, the results show that the majority of n=10 (22%) respondents focus their activities on “Training and Development”. The results also show that another key sector of activities undertaken by respondents was “Social Services” with n=9 (20%). n=3 (6%) focused “Health” and “Religion” n=0, “Education and Research” n=4, (9%) “Law, Advocacy and Politics” n=0, “Business and Union” n=5 (11%) “Environment and Housing” n=7 (15%) and “Cultural n=3 (6%) “Voluntarism” n=5 (11%). Social enterprises have to refocus their attention in supporting local people to handle their issues by educating them concerning the issues faced such as health, nutrition, access to medical care, maternal and child health services and establishing a variety of economic projects such as cooperative micro-enterprises, savings associations, adult literacy classes, job training, and job transfer programs to directly and indirectly support economy (Lombard & Strydom, 2011:330).

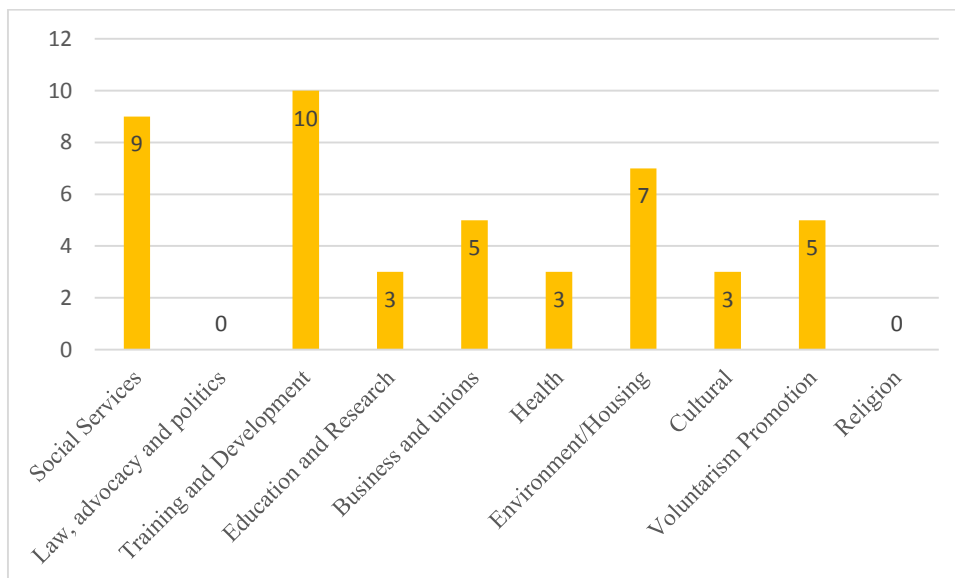


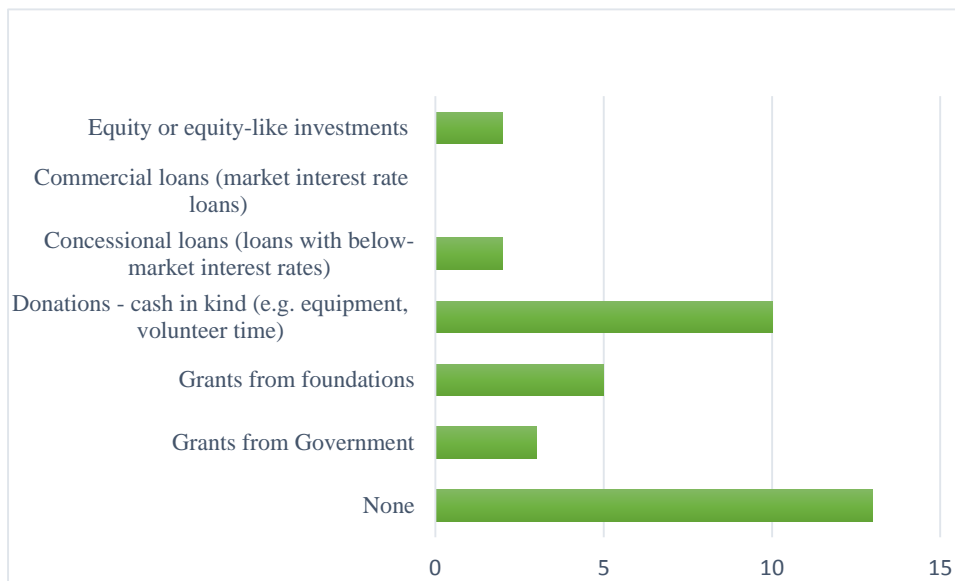
Figure 5.5 Sectors of undertaking activities

5.1.8 Forms of finance and investment receive

This section was designed to discover whether the social enterprises receive additional finance and investment besides their income. Most of them mentioned that for their internal social activities, they do not get any grants or donations, mainly they organize the activities through bootstrapping, however for certain projects and additional programs are fully financed.

Profit distribution is also compatible with international standards, mainly it is reinvested into the organization and its development activities as described in the graph.

Figure 5.6 Finance and Investment



5.1.9 Profit Distribution

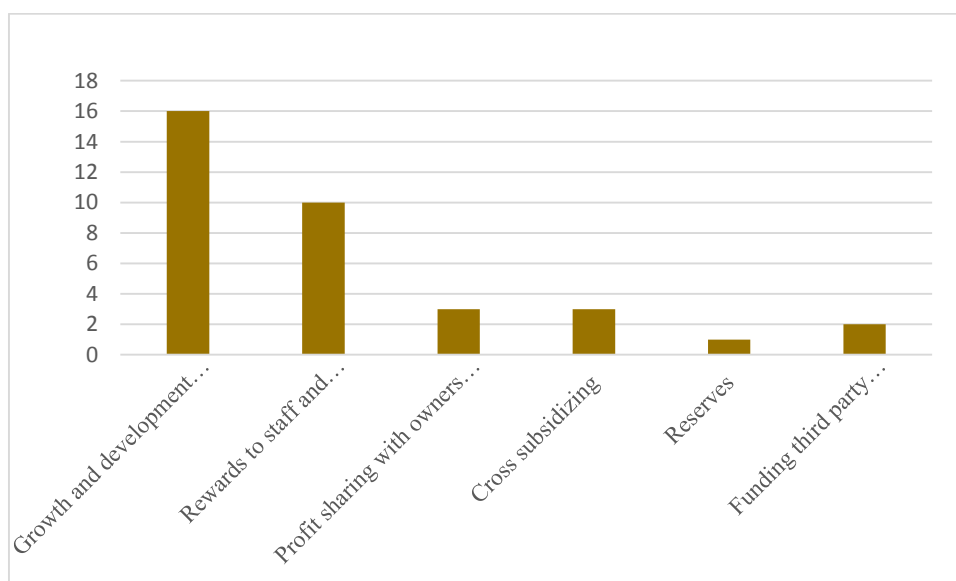


Figure 6.7 Profit Distribution

5.1.10 Groups of Beneficiaries

Figure represents different groups that SEs provide training, employment and other services. The result shows that, of the respondents, a wide range of their services was received by “People in the community” and “People with low income” which respectively representing n=10 (22%). n=8 (19%) and “Family”; n=8 (19%) was “People with employment barriers n=5 (12%) was “Disabled people” and n=6 (14%) to “Students-6 (14%)”.

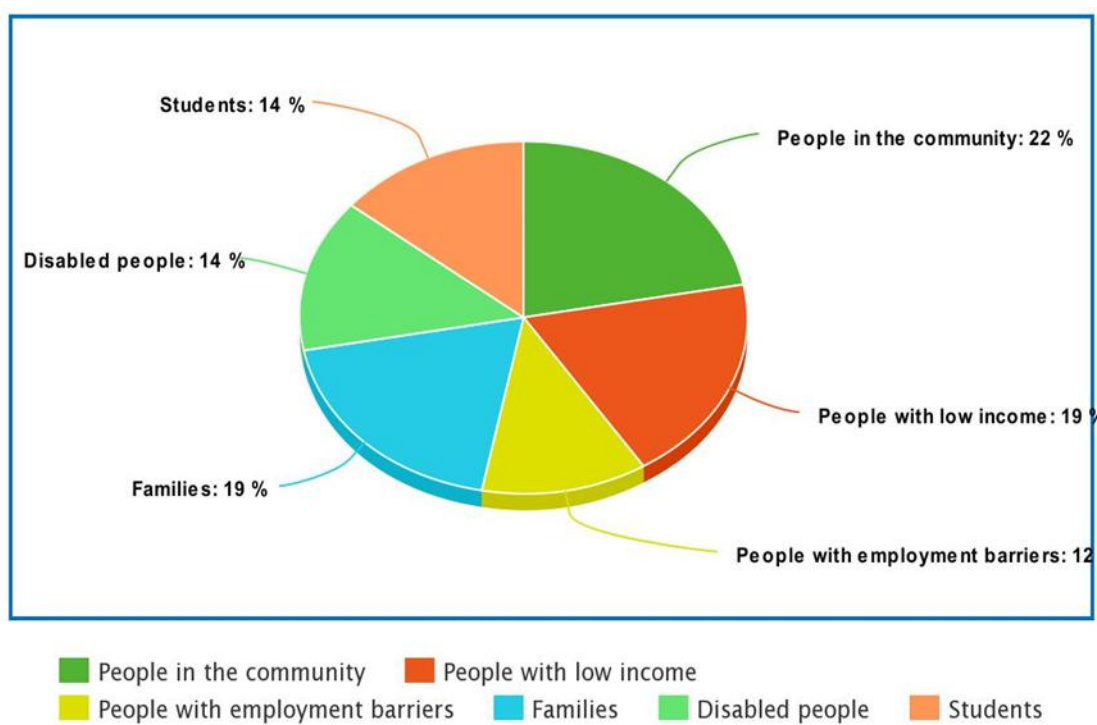


Figure 5.8 Group of Beneficiaries

5.1.11 Services evaluation

Participants involved in providing training and employment provision were asked to provide numbers to illustrate how many people they have trained, have placed in employment or received their services. The result from the respondents shows that in 8-year period, more than 16264 people in the country have been trained by the respondents. The result also shows that 31415 people have received respondents’ services in the average time of 8 years and 892 people were placed in employment.

5.1.12 Measurement of outcomes

The result from the study shows that the majority of respondents n=21 (84%) measured the outcomes of their activities, and minority of n=4 (16%) do not measure their outcomes. From the result, it was shown that the respondents in general measured their outcomes throughout continuous assessment, social media metrics, google analytics, monitoring, interviews and the use of evaluation forms, follow-up forms and feedback forms. These activities helped them to measure satisfaction level of their beneficiaries, but still according to responses, it becomes clear that they do not have exact measurement method to define the number of people that they reach out, and calculate impact over the investment. The table below represents if respondents measure their outcome.

		Frequency	Percentage	Accumulative Percentage
Valid	Yes	21	84	84
	No	4	16	100
	Total	25	100	

Table 5.2 Measurement of outcomes

5.1.13 The evaluation to increase the quality and quantity of existing programs

The overall respondents of n=25 (100%) admitted to doing the necessary evaluations to increase the quality and quantity of their existing program.

The research results show that an average of five (5) activities have been implemented to the existing program by the respondents. The results show similarity of how the respondents improved existing programs in terms of quality. The result indicated that generally the respondents improved existing program quality by supervision, acquiring international experience, increasing diversity of activities, service training, research, seeking support to the community and employment of new social workers.

5.1.14 Duplication of activities

Figure 7 shows the results of whether respondents allowed duplication of their activities by others to extend the outcomes of delivering product or services in their community. Of the respondents, n=23 (92%) indicated that they allowed duplication of their activities. Only n=2 (8%) did not allow to duplication. Most of them mentioned that, it would make them happy to be duplicated, so the impact would be expanded.

5.1.15 Specific impacts activities have had on beneficiary

The research result below arises from the question asked relative to the specific impact participant's activities have had on beneficiaries. Of the respondents n=25 (100%), a similarity of specific impacts was observed, respondents indicated that their activities had brought direct positive change in children's development who had initial physical and mental disabilities. From the respondents, the difference made through their social activities was reducing poverty by applying intensive trainings and attaining employment. Many people were provided with job in cultural and agricultural sector in remote regions and they already didn't need to leave their villages to cities in order to make money. Research revealed that in the country there are many initiatives on children and people with disabilities. They are involved into many cultural, educational activities, it accelerated their integration into society and make friendly environment and earn monthly income.

The result also shows that specific impact such as increase in center, development of skills, transformation, family relationship and parenting skills could be notified in the country from respondents' activities. The result also shows that another difference was by giving people in the community the sense of working side by side to face their problems together and by adopting improvements.

5.1.16 The way activities trigger sustainable development in the country

The results below are participant's answers responding to how their activities trigger sustainable development in the country. Of the respondents, n=10 (30%) said their activities trigger development in the country they operate by bringing awareness and change through acting on information provided on different social, environmental issues, stimulating motivation and determination, promoting social entrepreneurial activities, supporting and empowering humans in their efforts to build an equitable and sustainable society for all in order to exchange knowledge, skills and abilities (A). n=11 (33%) said their activities trigger development by increasing employment opportunities in regions and rural areas, to raise their social and public welfare, moreover bringing organizations and employee candidates together creating work opportunities driving economic development (B). To improve development in the community, the research shows a common result as the majority of the respondents n=5 (15%) stated that they can improve development sustainably in the country they reduce unemployment problem of people with special needs and to ensure and accelerate social integration of the persons with disabilities (C). Respondents n=7 (22%) also pointed that, their activities driving responsible consumption, promotion of recycling, saving the trees, cleaning up streets of Azerbaijan from paper waste and etc., contribute to the ecological aspects of SDGs (D). Preparing innovative and effective solution to environmental problems in urban planning also mentioned as one of major activities.

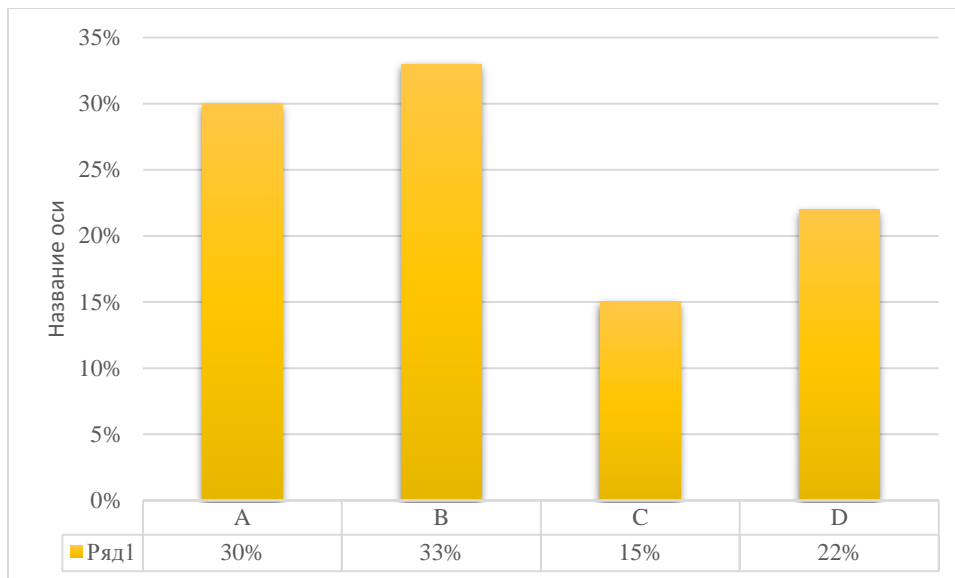


Figure 5.9 Activities triggering Sustainable Development

5.1.17 Form of support needed

The result below shows what forms of support participants need in order to effectively operate. The overall respondents indicated that they need more funding, tax exemptions as support in order to continue their activities in the community they operate. They also pointed to the need for more volunteers and equipment to strengthen their activities. They indicated there is a need to increase awareness about their activities through seminars or media. Individuals and companies should be informed about social entrepreneurship. Besides government, society and organizations also should be encouraged to buy more service or product from social enterprises.

5.1.18 Challenges faced in social entrepreneurial activities

According to the interviews, I concluded several challenges of social enterprises face in Azerbaijan. Major of the answers were related to poor understanding of the concept of social enterprise. The concept of social enterprise is mostly not recognized by investors, general public, government officials and policy makers. There is less information about its importance and how to relate entrepreneurship to social activities. Therefore, some organizations and individuals consider this activity only as sponsorship, which influences the development and financing prospects. Poor understanding causes trust problems with their beneficiaries, and affects negatively on development of relations with potential customers. Some of them mentioned lack of supportive legislative frameworks as main challenge. It makes difficult for authorities to design support and fiscal incentives for social enterprises, this may cause decrease in motivation to proceed social entrepreneurial activities. Some needs and services of social enterprises are the same with traditional businesses, but having specific features as their hybrid nature and special clients demand more complex needs and tailored

solutions. Specialists or organizations supporting activities of social enterprises, especially, mentoring schemes and marketing activities are very limited or completely absent. Access to the market and finding source of finance are major challenges.

Another challenge is added by personal observations which is no common mechanisms to measure impact of activities. There are very limited methods and practices for measuring social impact. Finally, there is lack of awareness on the social impact and positive differences made by social enterprises. Accomplishments of social enterprises should be demonstrated for the benefit of clients and funders. Improving common impact measurement system would improve the accountability of social enterprises and attract private investors.

5.1.19 Sustainable Development Goals that respondents contributed to.

The result below shows that, the most contributed goal n=9 (16%) is SDG-8 which is Decent work and Economic Growth, it is followed by SDG-1 (No Poverty) and SDG-10 (Reduced Inequalities) n=8 (14%). There was no participation at SDG-2 (Zero Hunger), SDG-6 Clean Water and Sanitation, SDG-14 (Life Below Water), SDG-16 and SDG-17 respectively Peace and Justice Strong Institutions and Partnerships to achieve the Goal.

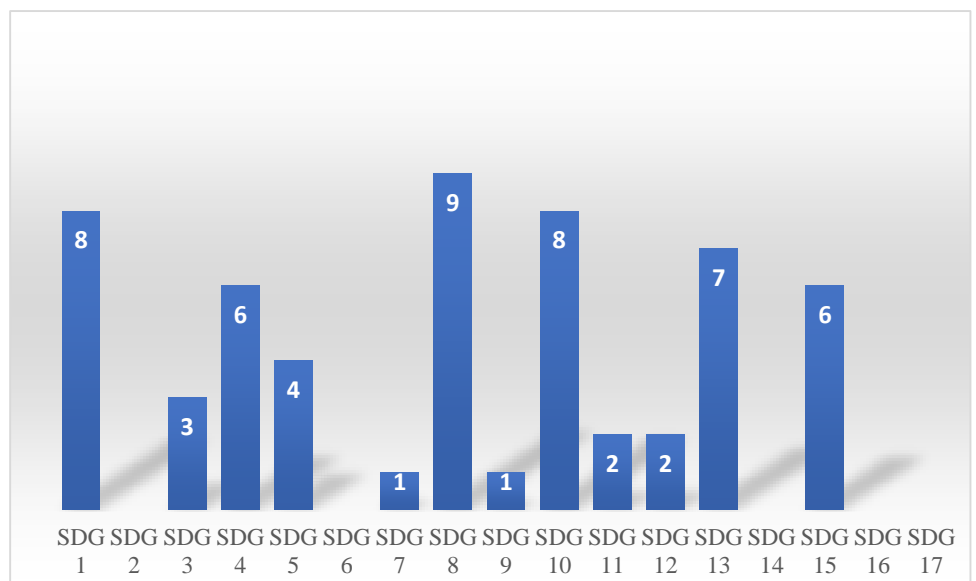


Figure 5.10 SDGs that contributed



Figure 5.11 Sustainable Development Goals; Source: United Nations 2030 Agenda (2016)

CONCLUSIONS

The purpose of this study was to define the concept of social entrepreneurship, its relation to Sustainable Development, and research its implication for Azerbaijan. There was a lack of current research papers on the situation and contribution of social enterprises in Azerbaijan. Previous studies do not provide a clear answer to how these ventures can contribute to Sustainable Development Goals.

The theoretical framework of this study consisted of prior studies in the field of Social Entrepreneurship and Sustainable Development. There are plenty of different definitions for SE and no consensus has been reached in this field. The definition selected for this study was that Sustainable and entrepreneurial business strategies that focus on increasing social as well business value at the same time (Osburg 2014). The definition explains better the sustainable nature of social entrepreneurship to serve to our thesis. The second part of the thesis focused on sustainability features of the ventures. Researched showed that, the idea of business sustainability moves beyond economic, social, and environmental efficiency and shifts toward effectiveness (Dyllick and Hockerts 2002; Young and Tilley 2006). McDonough and Braungart (2002) argued that sustainable businesses should be designed to enhance the well-being of society while generating economic value. In order to build sustainable social venture, there should be a minimum dependency on donors, financing based on multiple funding; the scalability of the business model and a strategy for diffusing social innovation and deepening impact over time.

This study aimed at answering the main research question: How can Social Entrepreneurship contribute to Sustainable Development?

Empirical findings showed that social enterprises' performance is ultimately measured by its ability to create and sustain impact. The goal of these enterprises is to sustain impact as well as its existence. If we only consider its mission and purposes, social entrepreneurship is sustainable by design.

Social enterprises deliver social and environmental value, while operating financially sustainable. They solve social/environmental problem through products or service they offer, or they sell traditional product or service in a way that does not harm people or planet. NGOs traditionally struggled with this kind of socio-environmental problems and never have been successful enough, but social entrepreneurship is a new level with its both philanthropic and commercial elements. In the current case, social enterprises have to compete with commercial businesses in the same market. However ideally, if traditional organizations changed their purely for-profit nature and put social and environmental concerns at the of their strategy. As the result of it, the whole ecosystem would be built on more sustainable base.

Therefore, they fit totally in the perspective of sustainable development when they feature, sometimes as a priority, the social and environmental concerns in their economic objectives. However, social enterprises should align their strategies with SDGs in order to help their community, and eventually the world achieve Sustainable Development. The research shows that social enterprises have the potential to contribute to several SDGs at the same time. Each of these goals has indicators which help measure the result of company efforts of impact. So, direct alignment of the organizational objectives with these goals would help them to operate more determined and target oriented.

From the data collected through questionnaires conducting in Azerbaijan, it was found that the majority of the founders involved in the study were individuals (male and female at the same rate) and fewer corporates (social enterprises). The status of respondents were primary social enterprises with several numbers of employees, and individual social entrepreneurs with little difference compared to it. From their legal structure, it was found that the legal form chosen to operate was mainly SME comparing to others. As SME, they make a profit and compete with other commercial organizations in the market, but their main difference is having social/environmental missions as their core of activities. Within the time frame in providing the country with social activities, it was found that social enterprises began to increase in Azerbaijan after 2011, social entrepreneurship began to get popularity and attract more interest especially in 2017. One can argue that it has been not long time that social entrepreneurship has been introduced, but their impact has been so strong and wide scale as most of them are already one of the most prominent companies, even at this short period. A great change in the development of their activities has been seen in previous years regarding reducing unemployment, improving social welfare, environment, health, and education.

Based on the empirical findings, motivation of the entrepreneurs to start their social enterprise was mainly related with their values: dignity, access to opportunity, transparency, accountability, equity, and empowerment. Furthermore, the purpose of the activities of involved SEs in this country was laid in general to develop the quality of life by providing comprehensive care and support to the most vulnerable, and strive to improve the quality of health, education, unemployment, provide training, educating and facilitating communities in different activities such as creating workplaces, organizing training and developing children in creating space for them to develop talent and realizing their dreams through those activities. As Lombard and Strydom (2011:327) point out, Social entrepreneurship is an actor that provides social work with the purpose to activate populations in developing their environment. Peredo and McLean (2005:12) said that social enterprises and their activities are focused in pursuing social goals by bringing change in different ways. The findings show that activities implemented by SEs were undertaken mostly in sectors such as “Training

and Development” and “Social Services” followed by “Environment” and “Business and unions”. Even though the mentioned purpose of SEs’ activities was to use training, education and facilitating communities, it was found that the sectors of “Education and research”, “Law, Advocacy and politics”, “Religion”, and “Health” were not taken into consideration by the SEs as the research results show little participation. In the next step, the research explored the way of financing activities. Most of them mentioned that for their internal social activities, they do not get any grants or donations; however, some projects and additional programs conducted by those ventures are fully financed through donations and government funds. Profit is mainly reinvested into the company and its development activities, as well as rewards to staff and owners. Concerning groups that SEs have been providing services to, the finding was that “People in the community” and “People with low income” were benefiting more from services implemented by SEs, which included training and employment. It is then followed by “Family,” “Disabled people,” “Students,” and “People with employment barriers,” and groups that were receiving little attention from social enterprises to provide them with these services. Training and services figures that people had received are satisfactory for the amount of time these participating social enterprises have been operating. As an example, in 5 years, 16264 people have received training in those communities. Also, 31415 had received different services, and 892 people were placed in employment. With these figures as mentioned, we should perceive the abilities and potentials of these enterprises. It is evident that the outcome of their activities was measured and monitored in a regular basis before attempting to pursue the course of those existing activities through different actions such as continuous assessment, interviews and the use of evaluation forms such as the follow-up form and feedback form. As mentioned before, in order to achieve sustainable impact, there should be a more exact measurement, and calculate impact over investment. On the bright side, these organizations were doing the necessary evaluation to increase the quality and quantity of the existing programs to improve their outcomes to impact on sustainable development of the country. Most of these social organizations have increased to an average of 5 (five) activities in addition to the existing one and improved their quality by doing research and support for the communities since they started working with them.

It is important for social enterprises when pursuing sustainable development to be allowed duplication of their activities to other entities to cover more areas. These organizations in Azerbaijan were well aware of the case as they allowed the duplication of their activities to any group who have constructive ideas with the same purpose. The findings of the research highlighted a direct impact on individuals’ development who had physical and mental disabilities. From the respondents, the difference made through their social activities was reducing poverty by applying intensive training and attaining employment. Many people were provided with the job in the cultural and agricultural sector in remote regions. Also, as it is believed, information provision,

motivation, and determination were on their agenda to trigger sustainable development in the country. The development is conducted at the expense of social enterprises' effort. In the case of Azerbaijan, they evidently need support such as more funding, donations, more volunteers, and equipment to be active in the development of the communities they are committed to. Main challenges mentioned as poor understanding the concept of social entrepreneurship by stakeholders including investors, general public, government officials and policy makers. Major of the answers were related to poor understanding of the concept of social enterprise. Poor understanding causes trust problems with their beneficiaries, and affects negatively on development of relations with potential customers. Finally, according to respondents' responses, primarily SDG-8 (Decent Work and Economic Growth), SDG-1 (No Poverty) and SDG-10 (Reduced Inequality) are mainly contributed by Azerbaijani social enterprises. By having a better understanding and aligning themselves with the SDGs, social enterprises will be able to manage their risks better, predict demand of the market, secure access to needed resources, differentiate themselves from competitors, and strengthen their supply chains.

Contribution

This study will have several significant contributions:

- Facilitates more understanding on the performance of Social Enterprises and their importance for Sustainable Development, especially from Azerbaijan's standpoint
- Contributes to the body of literature and fills the knowledge gap about the contribution of SE to SDGs
- Provides social entrepreneurs with further information on global SE experiences and their methods and techniques while comparing with themselves.
- Encourages the entrepreneurs to align their business strategies with Sustainable Development Goals in order to build financially and socially sustainable company, keep up with global priorities and demonstrate commitment to global goals.
- Attracts the attention of policy makers on the performance of social enterprises

Recommendations

Social entrepreneurship can be beneficial to address several social problems in different ways in Azerbaijan. Social enterprise and institutions play an essential role in addressing social-economic problems in society. Reducing the migration level will be achieved through the development of social enterprises. It will significantly increase quality indicators characterizing the welfare of the citizens. The development of social entrepreneurship can contribute to the development of employment and solve the income problems of women, young or disabled people, who have less or ultimately not have income. At present, the number of households in the country comprises about 1,895,900 people- almost 2 million people or 20% of the population, which is an impressive figure. The potential of such a large number of people can impact the sustainable development of the economy. The major part of the unemployed population constitutes persons with disabilities in Azerbaijan. The main problem with organizations of persons with disabilities is not a lack of economic resources or a strong mission, but figuring out how to include this group in the broader market and professional community - those not limited to people with disabilities.

In Azerbaijan, each region has specific agricultural and cultural traditions that social entrepreneurs can focus and promote it while developing their businesses. The history of every nation is reflected more in its examples of great works of art which has national-moral value. For instance, it would be possible to stimulate the organization of social enterprises in the fields of national cuisine, carpet weaving, manufacture dense wicker, straw, reeds, copper, pottery and winemaking, beekeeping, growing organic agricultural products. Social enterprises can be formulated on carpet weaving, and single mothers, women having many children with low income can be involved. In wine factories, the special embroidered packaging shop can be opened, and wine bottles can be produced in a special design, so people with employment barrier can be involved. There is an excellent tourism potential in most of the regions. Our peasant women and young people are often unaware of tourists coming to their villages and towns. However, they are the ones who can describe the local culture and history to tourists. At the same time, they will be able to sell the natural, regional food, and handicrafts they put on the market. It is interesting for tourists to get traditional folk art samples such as knitted mats, headgears, various pottery products, carpets, socks, gloves, ornamented products. In order to assess these resources, it is necessary to build new infrastructure in the villages with the balance of natural beauties and historic sites. Ecotourism especially is the most welcomed in social entrepreneurship. Because comparing to other types of tourism, ecotourism is the interaction of tourism with locals. Ecotourism is a journey purposefully aimed at more in-depth understanding of the natural environment and, its protection. The integrity of the ecosystem should be maintained during such journeys. Given the fact that Azerbaijan has a rich tradition in these areas, it would be very effective in terms of the social policy of employment.

Future Research

There is a need for new research on entrepreneurship in general in Azerbaijan. There is a gap in knowledge if companies understand the sustainability concept in their practices, and explore the ways how to improve sustainability from inside and outside of the organizational activities. This increasingly complex environment requires a new blueprint for entrepreneurship, with resilient strategies, effective governance models, and new management approaches to create a global economy that delivers on the promise of prosperity for all in a world with finite resources. We need a business model that will have zero impact on the environment and should not be at the cost of posterity. The future lies with firms that internalize stakeholder inclusivity, resource efficiency, and environmental conservation as key elements in their core business strategy and process. Therefore, not only social enterprises should struggle for sustainable development, but also all business models should take more sustainable steps. Next research should focus on awareness of entrepreneurs with the conception of sustainable development.

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Appendix: INVESTIGATION QUESTIONNAIRE AND INTERVIEW

Research Title Social Entrepreneurship and Sustainable Development

Name of the researcher: Nazila Aliyeva
Course: Master of Business Administration
Faculty: Economics and Management
Name of University: Khazar University
University address: Mahsati 41, Baku, Azerbaijan
University contact details: (99 412) 421 10 93

Dear respondent,

I am Nazila Aliyeva, a postgraduate student studying towards a Master of Business Administration degree at Khazar University. I would be grateful if you could respond to this questionnaire, which will provide crucial data for investigating the impact of social entrepreneurship on sustainable development in Azerbaijan.

Information collected from the questionnaire will be treated as confidential and only used for the purpose of the research. Your participation in this investigation is entirely voluntary. You are requested to respond personally to all the questions. Non-English speakers might solicit support from an English speaker. You are entitled to decline, join and exit from the investigation at any time. No risks of participating in this investigation are anticipated. The social enterprises sector and their beneficiaries will broadly benefit from the study.

All information regarding your background and the substantive data you supply will be kept confidential. Responses you provide will be combined with those provided by other respondents and analysed. The original questionnaire will be held in locked cabinets in the University's offices for up period of five years before being destroyed. An electronic version of the data will be available only to the research on secure computers.

The final report will be placed on the University's website as educational material for promotional and policy-related purposes. An email will be sent to all respondents informing them of the release of the research report in the form of a dissertation. If you have any questions, please contact me at +99455 915 98 28 or nazela.aliyeva@gmail.com.

Respondents may address any concerns or complaints to Dr. Jeyhun Mammadov, Dean, School of Economics and Management (jmammadov@khazar.org).

Indicate your willingness to, of your own free will, participate by ticking the appropriate box below:

Yes / No

This questionnaire is for social entrepreneurs, social organizations or employees of institution with social activities only. Please tick the boxes that reflect your response.

1. Indicate your gender

- Male
- Female

2. Indicate your status

- Social entrepreneur
- Social organisation
- Employee of institution with social activities

3. Provide the following information about you or your enterprise

- Name
- Address Postal
- Address Email
- Telephone number

4. Under what legal structure is your work primarily organised?

- NGO
- SME
- Public Legal Entity
- Cooperatives
- Family farm associations
- Informal solidarity initiatives and young entrepreneurs

5. If an organisation, provide the date your social enterprise was established:

...../...../.....

If social entrepreneur, how long have you been involved in social activities? 1-3 years

1-3 years	4-10 years	11-20 years	More than 20 years

6. What was your entrepreneurial motivation? Why did you decide to start especially socially oriented venture?

.....
.....
.....
.....

7. State three main purposes of your social activities

i .

.....

ii .

.....

iii .

.....

8. In what sector/sectors do you undertake social activities?

- | | |
|----------------------------|-----------------------|
| Social services | Health |
| Law, advocacy and politics | Environment/ Housing |
| Training and Development | Cultural |
| Education and research | Voluntarism promotion |
| Business and unions | Religion |

Other (please specify)

9. What forms of finance and investment have you received (in the last year or since you started operating)?

- | | |
|---|--------------------------|
| None | <input type="checkbox"/> |
| Grants from governments | <input type="checkbox"/> |
| Grants from foundations | <input type="checkbox"/> |
| Donations- cash in kind (e.g. equipment, volunteer time) | <input type="checkbox"/> |
| Concessional loans (loans with below-market interest rates) | <input type="checkbox"/> |
| Commercial loans (market interest rate loans) | <input type="checkbox"/> |
| Equity or equity-like investments | <input type="checkbox"/> |
| Other (please specify) | <input type="checkbox"/> |

9. (1) What proportion of your income comes from grants?

- | | |
|--------|--------------------------|
| 0-24% | <input type="checkbox"/> |
| 25-49% | <input type="checkbox"/> |
| 50-74% | <input type="checkbox"/> |

75-100%

10. Do you currently make a profit or surplus?

- Yes
- No

10 (1) If you do make a profit/surplus, how is it used and please indicate the percentage of its distribution.

- Growth and development activities
- Rewards to staff and beneficiaries
- Profit sharing with owners and shareholders
- Cross subsidising
- Reserves
- Funding third party social/environmental activities
- Unable to answer
- Other (please specify)

11. To which of the following groups does your social enterprise provide training, employment or services?

- | | |
|---------------------------------|-----------------|
| People in the community | Families |
| People with low income | Disabled people |
| People with employment barriers | Students |

If others, please specify:

.....

12. If your social enterprise is involved in training, employment provision and/or service provision:

How many people have you trained?

How many people have you placed in employment?

How many people have received your services?

SECTION B: SOCIAL ACTIVITIES AND SUSTAINABLE DEVELOPMENT

13. Does your organisation measure the outcomes of its activities?

If “Yes”, how does the organisation measure outcomes?

.....
.....
.....
.....

If “No” Why?

.....
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.....
.....
.....

14. Does your organisation or your activities do the necessary evaluation to increase the quality and quantity of its existing programme to improve outcomes?

If “Yes”:

How many activities have you implement in addition to the existing programme?

.....
.....
.....

How has the existing programme been improved in terms of quality?

.....
.....
.....
.....

15. Do you or your organisation allow duplication of activities by others to extend the outcomes of delivering products/services?

Yes No

If “Yes”, to which individual or group do you allow?

.....
.....
.....

16. State specific impacts your activities have had on beneficiaries:

.....
.....
.....
.....
.....

17. How do your activities trigger sustainable development in the country you operate?

.....
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.....

18. What kind of challenges do you face in your social entrepreneurial activities?

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.....

19. What forms of support do you need in order to effectively increase your impact?

.....
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.....
.....
.....

20. 17 Sustainable Development Goals are presented below. In achievement of which goal(s) do you think your organization contribute to?



.....

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