



## INTERPLAY OF THEORY AND PRACTICE: EXPERIENCES FROM THE HUNGARIAN SOCIAL ENTERPRISE FIELD\*

## INTERACCIÓN DE LA TEORÍA Y LA PRÁCTICA: EXPERIENCIAS DEL CAMPO DE LA EMPRESA SOCIAL HÚNGARA

Julianna Kiss\*\*

*PhD, Department of Decision Sciences,  
Institute of Business Economics, Corvinus University of Budapest  
julianna.kiss@uni-corvinus.hu*

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### RESUMEN

Los conceptos de empresa social y emprendedor social han estado sujetos a un interés creciente en Hungría, pero el campo aún carece de una comprensión y regulación claras. Aún así, en los últimos años, varios actores clave han aparecido y han dado forma al campo organizacional emergente en ciertas direcciones. Basado en la teoría del isomorfismo reflexivo, el presente trabajo analiza los enfoques de estos actores dominantes en Hungría y también examina las interpretaciones de los profesionales de las empresas sociales. La investigación emplea análisis de documentos para explorar los principales actores, enfoques y narrativas presentes, y entrevistas semiestructuradas con 20 emprendedores sociales para dar cuenta de las experiencias de la práctica. A través de estos métodos, se discute la influencia de los actores y discursos dominantes en las opiniones y experiencias de los emprendedores sociales, lo que contribuye a la comprensión del desarrollo del campo organizacional de la empresa social en Hungría.

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### PALABRAS CLAVE

Empresa social; emprendedor social; isomorfismo reflexivo; campo organizacional; Hungría.

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### ABSTRACT

The concepts of social enterprise and social entrepreneur have been subject to growing interest in Hungary, but the field still lacks clear understanding and regulation. Still, in recent years, several key actors have appeared and have shaped the emerging organizational field in certain directions. Based on the theory of reflexive isomorphism, the present paper analyzes the approaches of these dominant actors in Hungary, and also examines the interpretations of practitioner social entrepreneurs. The research employs document analysis to explore the main actors, approaches and narratives, and semi-structured interviews with 20 social entrepreneurs to account for the experiences from practice. Through these methods, the influence of the dominant actors and discourses on the views and experiences of social entrepreneurs is discussed, which contributes to the understanding of the development of the social enterprise organizational field in Hungary.

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### KEYWORDS

Social enterprise; social entrepreneur; reflexive isomorphism; organizational field; Hungary.

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## 1. INTRODUCTION

The concept of social enterprise has been subject to growing interest all over Europe in the past decades. Still, according to the theory of reflexive isomorphism (Nicholls 2010), the social enterprise sector can be regarded as an emerging organizational field without strict rules and boundaries. In such an emerging sector, the so-called dominant paradigm-building actors, such as the state, private development and support organizations or networks, are capable of shaping the field according to their own institutional logics.

In Hungary, in recent years, several organizations identifying as social enterprises have appeared, public and private support and funding programs have started, networks have formed, and researches have been undertaken. The concept began to have an increasing role in public policy as well, as certain EU co-funded grant programs have currently been using the term. However, despite the growing interest, social enterprise still lacks clear understanding, definition, legislation or label. Thus the organizational field can be regarded as emerging in Hungary.

The main research question is how the dominant paradigm-building actors have influenced the emergence and institutionalization of the social enterprise organizational field in Hungary. To answer the question, the paper explores the approaches and narratives of the main paradigm-building actors in Hungary, and also analyzes the interpretations and experiences of practitioner social entrepreneurs. The research employs the methods of document analysis and semi-structured interviews conducted in the spring of 2017 with 20 social entrepreneurs.

According to the findings of the research, the main discourses shaping the social enterprise field in Hungary focus on hero entrepreneurs and business model ideal types, but have certain specific restrictions on legal forms and the employment of disadvantaged people. However, in practice, a wider set of organizations with various social goals, economic activities, legal forms, revenue structures and governance models identify as social enterprises. Still, their operation shows increasingly similar features as the organizational field becomes more institutionalized, due mainly to the influence of the dominant paradigm-building actors of the sector.

In the following sections, first the theoretical background is introduced, and the methodology of the research is outlined. After, the dominant

paradigm-building actors in Hungary are presented, and the interpretations and experiences of practitioner social entrepreneurs are summarized. Finally, the main conclusions are drawn, through which contributions to the understanding of the social enterprise organizational field in Hungary are made.

## 2. THEORETICAL BACKGROUND

The concept of social enterprise appeared both in Western Europe and the United States in the late 1980s and 1990s (Defourny and Nyssens 2009). In recent years, many definitions have been constructed to describe the concept, but no standardized definition has emerged so far. Still, distinct schools of thought can be identified (Dees and Anderson 2006, Defourny 2014). Initial definitions focused on organizations described usually by the concept of the non-profit sector or the social economy (the commercial non-profit approach of the earned income school of thought); while later trends somewhat modified these definitions. In the case of mission-driven business approach of the earned income school of thought, organizational forms broadened to include for-profit organizations as well. In the social innovation approach, emphasis was placed on innovation and the personality of the innovative social entrepreneur. The EMES definition emphasized in particular the limitation of profit distribution and the democratic, collective, participatory nature of governance (Defourny and Nyssens 2009).

In examining the emergence and institutionalization of social enterprises, researchers have utilized the following theories as listed by Teasdale (2011) and Gordon (2015): state/market failure theory; resource dependency theory; voluntary failure and interdependency theory; social origins theory; and institutional theory. According to Hota et al (2019) the most applied theory has been institutional theory, which the present paper also draws on, focusing essentially on the similarities between actors in certain organizational fields (Battilana et al. 2008, Giddens 1984), in particular utilizing the theory of reflexive isomorphism by Nicholls (2010).

In the 1980s, neo-institutional theories mainly examined the stability of established structures, and the similarities between actors in certain organizational - or institutional - fields, primarily caused by the aspirations of organizations for legitimacy (Dart 2004, Battilana et al. 2008). In particular, DiMaggio and Powell's (1983) theory of institutional isomorphism sought to answer why there are such surprising similarities in organizational forms and practices. However, in these theories economic actors were presented as embedded in the institutional environment. In the 1990s, the study of institutional change became more important, and focus was shifted to institutional entrepreneurship, according to which actors with sufficient

resources can contribute to the creation of new institutions and the change of existing ones (DiMaggio 1991).

Theory of reflexive isomorphism (Nicholls 2010) regards the social enterprise sector as being in a pre-paradigmatic state, meaning that it has not yet reached paradigmatic consensus, does not have a universally accepted definition of the term or a well-established research agenda – though today the field is academically more established (Sassmannshausen and Volkman 2018). In a pre-paradigmatic state, the sectoral boundaries are not clearly determined, institutional patterns are lacking; similar organizational solutions are not dominant. Therefore, the so-called main paradigm-building actors are actively involved in processes that promote the emergence of an organizational field as a closed system. Doing so, these dominant, resource-rich actors have the power to shape “the legitimacy of an emerging field to reflect their own institutional logics and norms” (Nicholls 2010: 618), by e.g. supporting some organizations and not others (Vandor and Leitner 2018). These paradigm-building actors according to Nicholls (2010) –examining the United Kingdom– are the state, development and support organizations (foundations, fellowship organizations), networks and the academia.

The state can have influence over the field by legislation, policies or funding. It follows the business or commercial model ideal type narrative, often using the notions of sustainability and scale, highlighting efficiency and being more responsive than state-owned public services to social problems. However, this approach sees social change as achievable without tension and disharmony, which is not true in reality (Dey and Steyaert 2010); and its focus on market income can lead to the retrenchment of the welfare state and the privatization of welfare services (Nicholls and Cho 2006, Young 2009).

Foundations (public or private) give grants, offer consultancy services, build fellowships, carry out research and implement education activities, while fellowship organizations are similar to foundations, aiming to build communities of practice. These actors usually invest private capital and follow the venture philanthropy model, thus aim at maximizing return on investment, though not in a financial but social sense. They typically only select an elite group of social enterprises in their programs. They employ the so-called hero entrepreneur logic, which emphasizes the central role of heroic social entrepreneurs, drawing on „the institutional logic, narratives, and myths of commercial entrepreneurship that present successful action as the product of the exceptional individual” (Nicholls 2010: 621). However, the individual nature of the hero social entrepreneur concept is at odds with the consensus-based, community, participatory approach that should be applied in identifying and solving social problems (Nicholls and Cho 2006), and can result in a passive attitude of citizens towards social change (Dey and Steyaert 2010).

Network builders are membership organizations of social entrepreneurs and support them by e.g. providing office space or business advice. They work with local, grass roots, bottom-up initiatives and aim at maximizing community commitment and responsibility. Therefore, they employ narratives based on community models and social change logics, which emphasize advocacy, social justice, action networks, community engagement and empowerment.

Academic scholarship works with different narratives. While certain schools of thought champion the business models and hero entrepreneur logics (e.g. Harvard Business School SEI), other schools (e.g. the EMES research network) can serve as an alternative utilizing „the social innovation tradition that conceptualizes social entrepreneurship as being a process of change in the delivery of public goods and social/environmental services“ (Nicholls 2010: 626).

In the initial, emerging phase of an organizational field, conflicts between the different discourses and narratives are typical; the organizational field is characterized by institutional incoherence and ambiguity (Pinch and Sunley 2015). However, in the long run, the logics and discourses of stronger organizations are expected to dominate the field, such as the hero social entrepreneur logic (legitimizing development and support organizations), and the business models (legitimizing outsourcing state welfare services), while the logic of communitarian action linked to social justice and empowerment (legitimizing network builders) is marginalized (Nicholls 2010, Mason 2012).

In Hungary, in addition to taking into account these dominant discourses, the relations between international and domestic actors also have to be accounted for. Karanda and Toledano (2012) point out that social enterprise narratives do not necessarily have the same meaning in different contexts. Based on Alasuutari (2013), the introduction of international concepts (such as social enterprise) usually leads to a kind of struggle in the local environment, in which local actors defending their views and interests, translate global principles and concepts - if they affect existing discourses and practices - into local contexts. According to Hazenberg et al (2016), the types of dominant actors present in a country are powerful factors in shaping the field. Therefore, it is important not only to show the different international actors involved in the SE field, but also take notice that the approaches in the Hungarian context might show characteristics specific to the country.

Table 1: Main paradigm-building actors and approaches according to Nicholls (2010)

Main paradigm-building actors	Development and support organizations	State	Network builders	Academia
Main narratives employed by paradigm-building actors	Hero entrepreneur narrative logic	Business model ideal types	Community models/social change logics	Social innovation model

Source: own compilation based on Nicholls (2010)

### 3. METHODOLOGY

The main research question of the paper is the following: how have the dominant paradigm-building actors influenced the emergence and institutionalization of the social enterprise organizational field in Hungary. In order to answer the question, the research identifies and explores the approaches and narratives of the paradigm-building actors (first objective), and also analyzes the interpretations of practitioner social entrepreneurs (second objective).

The research is based on qualitative methodology, exploring the underlying layers of this social phenomenon, and explaining them in a complex and contextual way (Ritchie and Lewis 2003). In order to achieve the first objective, narrative literature review was employed looking at the relevant research results about the social enterprise sector and its dominant actors in Hungary (researching the key words social enterprise and Hungary), and the relevant documents of the main paradigm-building actors identified (websites, booklets, reports, etc.) were analyzed. In order to achieve the second objective, semi-structured interviews with 20 social entrepreneurs (creators and managers of social enterprises) conducted in the spring of 2017 as part of the authors' PhD dissertation were analyzed (Kiss 2018).

The research utilized purposeful sampling (Patton 1990), thus the sample demonstrate a great variety in terms of settlement type (7 social enterprises from the capital, 9 from other cities and 4 from villages participated); regional distribution (all seven regions of Hungary were represented); legal form (3 foundations, 3 associations, 4 non-profit companies, 7 social cooperatives and 3 for-profit organizations were examined – though often one initiative had more legal forms); and age (date of founding varied between 1997 and 2014). Additionally the types of founders (individual, municipal, church) and target group (people with disabilities, the Roma, women, young people, the elderly, the long-term unemployed, conscious consumers, NGOs, communities and active citizens) were also diverse; and the social objectives and economic activities also varied from initiatives focusing on the employment, empowerment and social inclusion of disadvantaged or disabled people; through developing disadvantaged settlements and

communities; to preserving local culture; protecting the environment or developing active citizenship and civil society (for more information on the interviewees see Kiss 2018).

The interviews were conducted face-to-face, and lasted an average of 90 minutes. The main topics covered were the interviewees' understanding and interpretation of the concept of social enterprise; the story of their initiative from its creation through the turning points to present day operation, especially focusing on the main actors involved; the current situation and characteristics of the social enterprise; their future plans; and their opinions about the current situation of the sector. Data analysis started already during the interviews, codes and categories were created from the empirical material (Kvale 1996).

#### 4. THE PARADIGM-BUILDING ACTORS OF THE SOCIAL ENTERPRISE FIELD IN HUNGARY

The concept of social enterprise was introduced to Hungary in the late 1990s and early 2000s, but the term remained little known for some years. However, recently, the social enterprise concept has started to gain attention, and various actors are present in the organizational field (European Commission 2019). In the following section, based on Nicholls (2010), the approaches and narratives of the main paradigm-building actors are presented, and their influence on the emergence and institutionalization of the social enterprise field in Hungary is analyzed.

##### 4.1. DEVELOPMENT AND SUPPORT ORGANIZATIONS

Certain international private development and support organizations are relevant to the institutionalization of social enterprises. In fact, the concept was introduced to Hungary by two such organizations: Ashoka in 1995 and NESsT in 2001.

Ashoka was the first international development organization that started operating in the Hungarian social enterprise field, and has focused on individual social entrepreneurs. In its interpretation, these exceptional individuals undertake systemic measures with an entrepreneurial mindset, to "tackle social problems at their root cause with their innovative and practical solutions" (Ashoka n.d.). Ashoka supports individuals chosen through a rigorous selection procedure providing individual scholarships for three years, as well as professional training and mentoring, through e.g. teaching needs and health assessment, scaling models, business models, impact reporting or story-telling. It has a large-scale network of investors, volunteer partners and consultants, who provide pro bono advice. Ashoka places high emphasis on efficiency, impact and measurability, and throughout the years, market-based sustainability and business revenue has become more



important in its approach (Tímár 2017). Thus Ashoka follows the venture philanthropy approach expecting a maximum return on the investment in a social sense.

NESsT defines social enterprise as a “consciously designed and operated entrepreneurial activity that is created to solve social problems in an innovative way. It is governed by a dual goal: besides the improvement of the organization’s financial sustainability, its aim is to have relevant social impact. All this is achieved through the continuous, responsible and high quality sales of products and services” (Tóth et al. 2011: 6). NESsT’s main activities have included capacity building, mentoring, financial support and providing strategic networking opportunities. In the first 10 years of its work, NESsT followed the so-called engaged-investor approach, which – as one form of venture philanthropy – consisted of professional support and financial investment in early stage social enterprises. It held workshops on business models and readiness for such initiatives, and incubated them for 5-7 years to help them become self-sustainable and replicate their business models. Since 2010, NESsT has also invested through a variety of financial instruments in more established organizations intending to scale their activities in the field of dignified jobs and sustainable income, also providing tools for performance and social impact measurement (OECD 2017). NESsT originally supported social enterprises run by non-profit organizations, but since 2009, it widened its portfolio to for-profit organizations as well. Its initial broad approach supporting a wide range of social objectives narrowed down to social enterprises that create employment and viable income generation opportunities (NESsT n.d.).

In addition to the NESsT and Ashoka, in recent years, new domestic and international development and support organizations have also appeared in the organizational field, which usually follow similar approaches (here only some recent examples are shown to indicate the main directions, for a more complete list, see European Commission 2019). Civil Support Non-profit Ltd. – a domestic development organization – in its impact investment program launched in 2016 targeted social enterprises in all legal forms that had social aims, could demonstrate their social value and present a given amount of sales revenue (Civil Support 2016). Badur Foundation – an international foundation active in Hungary since 2016 – provides skills development, professional mentoring and financial support for investment-ready and scalable foundations, associations, non-profit companies and social cooperatives that solve social problems in a sustainable, market-oriented way providing employment opportunities to people living in deep poverty and disadvantaged communities especially focusing on Roma people (Badur 2018). The ERSTE SEEDS program – managed by Erste Bank

and Erste Stiftung – in 2018 provided funding, training and mentoring focusing primarily on business planning, marketing and management skills for non-profit legal forms and social cooperatives that could prove their financial sustainability, intended to increase their economic activities and thus improve their social impact (Erste Bank, 2017).

These primarily international development and support organizations have focused on improving certain skills of social enterprises (e.g. business, marketing, impact measurement and management), usually through providing small amounts of funding and long-term professional assistance. Based on Nicholls (2010), their approaches can be best categorized as the hero entrepreneur and business model ideal type narratives due to emphasizing the heroic individual as well as the importance of market-based business models. Additionally, certain programs have had restrictions on legal forms only allowing non-profit organizations and social cooperatives to apply, and the social objective is also sometimes narrow, focusing on the employment or other type of income generation of disadvantaged social groups, which conforms to the approaches of the European Union and the Hungarian state (see below).

#### 4.2. THE EUROPEAN UNION

The definition of social enterprises at a European level appeared in 2011 in the European Commission's Social Business Initiative (SBI), which in line with the Europe 2020 Strategy seeks to improve funding, visibility and the legal environment through 11 priority measures (European Commission 2013). According to this definition, "the Commission uses the term 'social enterprise' to cover the following types of business: those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation; those where profits are mainly reinvested with a view to achieving this social objective; and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice (European Commission, 2011). In this approach, businesses employing disadvantaged people and businesses providing goods and services to vulnerable people are regarded as social enterprises. Thus the definition of the EU is closest to the business model ideal type narrative. However, the importance of democratic, participatory governance is also included, which connects it to narratives based on community models and social change logics.

The influence of the EU over the institutionalization of the sector has been relevant, as the Hungarian state has supported initiatives mainly via EU co-financed programmes and following EU priorities. The purpose of the developments has mostly been the creation of jobs and providing

services for disadvantaged social groups and in disadvantaged regions - conforming to the EU narrative on employment (G. Fekete et al. 2017a, European Commission, 2019). These short-term project based funding sources have opened opportunities for the sector, but have been criticized for being too bureaucratic, inflexible, unrealistic and not manageable to sustain (G. Fekete et al. 2017b, Kiss and Mihály 2020).

#### 4.3. THE STATE

As social enterprises do not have a separate law and can appear in various legal forms, e.g. foundation, association, non-profit company, social cooperative (G. Fekete et al. 2017b), the state has shaped their operation through legislation connected mainly to the development of these legal forms, as well as the laws regulating public benefit activities. The regulations were introduced and reformed in the decades after the regime change from state socialism to democracy in 1989, and pointed to the direction of cooperation between the state and non-profit organizations (Kuti 2008). However, since the change of government in 2010, new pieces of legislation have decreased the autonomous operation of organizations by making the participation institutional members (local governments, minority self-governments or charitable public benefit organizations) compulsory for social cooperatives, and obliging associations and foundations receiving a certain amount of international funding to register and communicate as organisation receiving support from abroad (European Commission 2019).

Regarding policy, no long-term and comprehensive strategy for the non-profit sector or the social economy has been developed since the regime change, and the influence of civil society organizations on public policy and decision-making has remained weak (Szalai and Svensson 2018). Today, a paternalistic, centralizing approach of welfare provision is characteristic, previously existing partnerships and forums were eliminated, and certain civil society organisations forming criticism towards the performance of the state were openly attacked (Edmiston and Aro 2016, Kuti 2017). At the same time, social enterprises, that had not appeared in policy documents before, were first mentioned in the 2014-2020 Partnership Agreement (Prime Minister's Office 2014), where their financial sustainability was urged to be strengthened in order to fulfil their long-term employment role.

Regarding funding, until recently, EU co-financed programs supporting employment, rural development and mostly social cooperatives could be connected to the concept of social enterprises (G. Fekete et al. 2017a, Kiss 2018). However, in 2016, the first funding mechanism specifically targeting social enterprises via grants and other connected initiatives (e.g. a preferential loan construct) was launched in order to facilitate the employment of disadvantaged people co-financed by the European Social

Fund, entitled "Promotion of social enterprises - priority project EDIOP-5.1.2". Other EU co-funded programs to strengthen the social economy, solidarity economy and community supported agriculture also appeared, thus creating a top-down development of the sector. Besides, from the central budget, programs have funded social cooperatives with local government members organised on the basis of public employment (OFA 2016).

In order to apply for the calls launched in the framework of the priority project, applicants must demonstrate solid business sustainability and social indicators connected to the social objectives of the program (IFKA 2016). Thus the narrative of the state can mainly be connected to the business model ideal type in the classification of Nicholls (2010). At the same time, the current approach of the state is somewhat specific to Hungary.

The definition of social enterprise given in the funding mechanism is as follows: "non-profit and civil society organisations can be considered social enterprises that have business objectives besides their social objectives, reinvest their profit in order to achieve their social goals, and prioritize the principle of participatory decision-making in their budget and organisational operation" (NGM 2015: 6). This definition shows that the Hungarian state follows the approach of the EU, and regards social enterprises as businesses that aim to solve social problems in a democratic, participatory way. However, at the same time, current processes of centralization apparent in legislation, policy and funding have decreased the autonomous, bottom-up functioning of social enterprises.

The specificities of the current state programs also include restrictions on the basis of the legal forms of the organizations. These funding programs are available for non-profit organizations and social cooperatives - and the focus is not on economic solidarity or system-level change irrespective of organizational forms (Szalai and Svensson, 2018).

There is a restriction on the basis of social objectives as well, as the supported projects must contribute to the employment of disadvantaged social groups. Besides, funding programs for social cooperatives have been strongly connected to public work programs - state programs provided mainly by local governments aiming to decrease the unemployment (European Commission, 2019), which have been proven problematic, especially due to decreasing the autonomy and democratic governance of the organizations and further marginalising their members (Edminston and Aro 2016).

#### 4.4. NETWORK BUILDERS

Only one alliance of social enterprises exists in Hungary, which specifically uses the term and directly aims at advocating for these organizations. The National Alliance of Social Enterprises (TAVOSZ) was founded in 2015 and

according to its website, its members are “social enterprises that perform value-added work, produce high quality products and provide niche services alongside their social mission, employing disadvantaged people. They are at a competitive disadvantage in the market due to low production capacity, capital strength and isolation” (TAVOSZ 2018). The alliance mainly focuses on the representation of the members’ common professional interests, and implements programs that increase their visibility and promote their market access. However, its impact on policy and its advocacy work is rather limited. Therefore, it is more connected to the business model ideal type than community and social justice logics, which are the usual logics of network builders according to Nicholls (2010).

These latter logics also appear in Hungary in traditional civil society networks, community or solidarity economy initiatives, or the network of social cooperatives (National Alliance of Social Cooperatives). However, these networks do not specifically use the social enterprise concept, and mainly due to the lack of openness for cooperation by the state, do not have relevant influence on public policy.

#### 4.5. ACADEMIA

The research projects implemented so far have used various definitions. The earlier definitions placed social enterprises in the non-profit sector similarly to the commercial non-profit approach (G. Fekete and Solymár 2004; G. Fekete 2007, Petheő 2009). However, recently, broader approaches neglecting the restriction on legal forms, utilizing EU funding and definitions also emerged (SELUSI 2011, SEFORIS 2016). Thus different international schools of thought have appeared in Hungary, however, critical reflection of the adaptability and applicability of the concept to the Hungarian context has been scarce (G. Fekete et al. 2017a).

The most recent research on social enterprise entitled “Basic research on the operation of social enterprises” intended to give a comprehensive overview of the sector (G. Fekete et al. 2017b). It employs a wider approach as according to its definition, “a social enterprise can be any type of organization as long as it has a social purpose and a demonstrable social impact as well as revenue from the market, sales or service provision” (G. Fekete et al. 2017b: 11). This approach can be regarded as similar to the business model ideal type by Nicholls (2010). Other approaches, such as the social innovation approach –as described in Nicholls (2010)– also appear, but are not as influential in Hungarian research.

Table 2: Main paradigm-building actors and approaches in Hungary

Main paradigm-building actors in Hungary	Ashoka, NESsT (development and support organizations)	European Union	Hungarian state	TAVOSZ (network builder)	Current research, e.g. G. Fekete et al 2017b (academia)
Main narratives employed by paradigm-building actors in Hungary	Hero entrepreneur narrative logic and business model ideal type occasionally with restrictions on legal forms and focus on employment	Business model ideal type with emphasis on participatory governance and focus on employment	Business model ideal type with reduction of autonomy, restrictions on legal forms, and focus on employment	Business model ideal type with focus on employment	Business model ideal type

Source: own compilation

## 5. THE INTERPRETATIONS AND EXPERIENCES OF SOCIAL ENTERPRISE PRACTITIONERS

Though in the narratives of the main paradigm-building actors social enterprise is often connected to the employment of disadvantaged groups and certain legal forms, recent research focusing on operating social enterprises shows a more diverse picture (SEFORIS 2016, G. Fekete et al. 2017b). The 20 interviews analyzed in Kiss (2018) also demonstrate a great variety (see the description of the sample above). The common feature of all social enterprises interviewed was the social objective and the existence of market-based economic activities - though the percentage of business revenue in the total budget of the organizations also varied.

Regarding self-identification, the majority of the interviewees did not know about social enterprises, when they started their initiatives. Others had heard about the concept, but did not connect it to their initiatives. Their identification as social entrepreneurs came later, mostly due to external influences, in most cases participating in programs of development and support organizations or applying for public grants. *"We did not create it as a social enterprise, it took half a year and then we realized that we are really something different."* (Interviewee 18) Some of the newer organizations, however, were created by their founders specifically as a social enterprise.

The definitions given by the social entrepreneurs for social enterprise were diverse, with most of them emphasizing the simultaneous presence of the usually broadly interpreted social objective - not only focusing on

employment –and market-based business activities. In addition, non-distribution of the profits, connections to certain legal forms, innovation and democratic or participatory decision-making– relevant to certain international schools of thought – also emerged as themes, but none of these concepts was dominant in the interviews. *"I like the definition, where it is about integrating the social and business purposes, they need to be balanced."* (Interviewee 9) Thus most of these definitions can be regarded as similar to the business model ideal type narratives.

The stories about the creation and development of the organizations were diverse, but certain common patterns emerged, which in most cases were influenced by the dominant paradigm-building actors, such as the state or private development and support organizations. The start-up phase of the organizations was almost always assisted by a grant or investor – even in the case of for-profit organizations. Public grants and thus the state were especially influential in case of setting up social cooperatives. Social enterprise development and support organizations present in Hungary (mainly Ashoka and NESsT) also played an important role in several interviews providing funding and continuous mentoring. Besides the role of the development and support organizations and the state, some other influences – e.g. network builders and professional alliances, as well as universities – were also sometimes mentioned, but were not regarded decisive in the development of the organizations.

The founding and legal form of a new organization was often attributable to the influences of the main paradigm-building actors, e.g. some interviewees mentioned the advice of development organizations to found a non-profit company in order to have a more market-oriented organization, while others founded social cooperatives to receive public grants. *"If the Ministry had chosen a different direction, the legal form might have been different."* (Interviewee 17) In some cases, legal forms were also changed or added later on; several interviewees mentioned the simultaneous operation of different legal forms in order to be able to achieve their social and economic aims due to the difficult bureaucracy in Hungary. In some cases, the acquisition of funds was accompanied by a change in the legal form as well: a social cooperative at the investor's request, a for-profit ltd. became a non-profit company due to a grant. Another social cooperative was planning to change the organizational form due to the compulsory membership of the local government.

Another recurring development characteristic was ending public benefit welfare services provided for the target groups mostly because of the current centralization tendencies and lack of state funding for such activities. One interviewee tried to find resources for this service, but in the absence of funding, the organization carried out the activity on a voluntary

basis. *"We provide this service to this day, without funding, but we can't stop, today unfortunately we don't have state funding."* (Interviewee 7) Another interviewee reported that the services they provided through a grant program did not work anymore after the grant period.

Focusing on employment was also connected to grant programs in the case of some social cooperatives specifically. For some social cooperatives, the explicit target to employ disadvantaged people was not part of the initial activities, but later became an important objective. *"We didn't specifically think that we wanted to employ people with disabilities, we just saw that there was such a trend"* (interviewee 11)

Initiatives based on volunteering often became more professional and hierarchical due mostly to the expectation of funders as well. *"Now this form that is just starting to take shape, I think it is going towards a much purer form, towards a much more centralized decision-making mechanism."* (Interviewee 20)

Concerning their future plans, interviewees from foundations and associations tend to plan more market-oriented. This is mostly due to a less supportive state environment that does not favour civil society organizations. Due to the ever-decreasing state support and not suitable expectations of calls for application, turning to the European Union and other foreign private donations, the development and marketing of new products or services are typical. At the same time, organizations initially sustained mainly by the market - social cooperatives, for-profit companies - plan to apply for grants or start investments, also changing their legal forms to non-profit in order to achieve their goals.

## 6. CONCLUSIONS

The present paper provided an analysis about the emergence and institutionalization of the social enterprise organizational field in Hungary based on the theory of reflexive isomorphism (Nicholls 2010). According to this theory, the social enterprise sector can be regarded as an emerging organizational field, where the so-called dominant paradigm-building actors, such as the state, private development and support organizations, networks and the academia are capable of shaping the discourses in a way that legitimizes their own logics and norms.

In Hungary, in recent years, several actors have appeared in the field. The main paradigm-building actors involved are primarily international private development and support organizations (through professional support and funding programs); the European Union (through policies and funding programs); the state (through legislation, policies and funding programs). Advocacy organizations and alliances (through building networks and interest representation) and the academia (universities and research centres through investigating the subject) also appear in the field but have less impact.



The approaches of the international private development and support organizations can usually be categorized as the hero entrepreneur and business model ideal type narratives, sometimes with restrictions on legal forms and focus on the employment of disadvantaged social groups. The state follows the approach of the EU (most connected to the business model ideal type with an emphasis on democratic and participatory governance), but with certain characteristics specific to Hungary, such as the limitation of organizational autonomy, restrictions on legal forms and focus on employment. The most relevant network builder organization is also more connected to the business model ideal type emphasizing employment, while the most recent research also follows this approach. Thus the main discourses shaping the social enterprise field in Hungary are the hero entrepreneur logic and the business model ideal type narrative introduced by international actors based on international definitions, but have certain characteristics specific to the institutional context of the country due primarily to the current approach of the Hungarian state.

When looking at the social enterprise field in practice, a broader picture emerges, than what is considered acceptable according to these approaches. Social enterprises appear in various legal forms, with diverse social goals, economic activities, revenue structure and governance models. Practitioner social entrepreneurs generally use a broad approach to define the term, only making the social objective and business activity as criteria - thus the dominant interpretation among social entrepreneurs is similar to the business model ideal type. However, despite the diverse field, throughout the development of the organizations, increasing similarities can be observed including ending public benefit welfare services; changing and adding legal forms; becoming more professional and hierarchical; and starting to focus on employment. These similarities are usually due to the influence of the state and development and support organizations, which can be regarded the dominant actors in the sector, and have the most influence in shaping the social enterprise organizational field in Hungary according to their preferred narratives.

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