

## SOCIAL ENTREPRENEURSHIP IN RURAL DEVELOPMENT OF LITHUANIA

<sup>1</sup>Jolita Greblikaitė, <sup>1</sup>Rolandas Rakštys, <sup>2</sup>Donatello Caruso

<sup>1</sup> Assoc. prof, PhD, Aleksandras Stulginskis University. Universiteto str. 10, Akademija, Kauno r. Lithuania. Phone +37061644615. E-mail: [jolita19@gmail.com](mailto:jolita19@gmail.com); [jolita.greblikaitė@asu.lt](mailto:jolita.greblikaitė@asu.lt)

<sup>1</sup> Lecturer, Aleksandras Stulginskis University, Lithuania. E-mail [rolandas.rakstys@gmail.com](mailto:rolandas.rakstys@gmail.com)

<sup>2</sup> Lecturer, PhD, University of Foggia, largo Papa Giovanni Paolo II, 1-71121 Foggia, Italy.  
E-mail [donatello.caruso@unifg.it](mailto:donatello.caruso@unifg.it)

*Received 11 05 2017; accepted 11 06 2017*

The research problem lays upon disclosing the importance of role of social entrepreneurship in rural development of Lithuania. The paper thè tendencies of social entrepreneurship in Lithuania, to present successful examples of such business for providing recommendations how to improve situation in rural areas in terms of social entrepreneurship development. Lithuanian government has made some steps towards development of social enterprises, social entrepreneurship, and social innovation, but the a lot remains to be improved. The roots of family business go back only above 20 years and have rather poor traditions in Lithuania. It is tightly related to rural areas especially than agriculture economies are acting as family farms with potential of young social businesses.

*Keywords: rural development, social entrepreneurship, family business, entrepreneurs.*

*JEL Codes: L31, O13.*

### 1. Introduction

Rural development in Lithuania is based on many factors related to economic, political and legal, social activity. Rural areas have specific economic and social situation. Mostly rural areas in Lithuania were based on farming and agriculture. The changing demographic situation of emigrating citizens especially from rural areas, existing non-living areas and buildings call for some specific activities and special attention in rural areas of Lithuania. Innovative decisions are needed for solution of these problems. In European Union countries, more than 10 years social business and social enterprises are the most important actors in social economy. Social entrepreneurship became the axe of focused attention in political and legal documents in EU because it was noticed that economy becomes more socially oriented and involves all spheres of our lives.

And this focus counts not only social services as nursing, health care and so on. Social businesses became oriented to diversified activity involving all kinds of businesses and entrepreneurship. Agriculture, farming and other rural activities in farms now in Lithuania remain as the main.

---

Copyright © 2017 The Authors. Published by Aleksandras Stulginskis University, Lithuanian Institute of Agrarian Economics. This is an open-access article distributed under the terms of the Creative Commons Attribution-NonCommercial 4.0 (CC BY-NC 4.0) license, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited. The material cannot be used for commercial purposes.

But rural farming becomes more diversified and additional non-agricultural activities are becoming more popular. The attention and practice paid to social entrepreneurship is not sufficient and lacks deeper research in the field for further successful implementation.

**The scientific problem** of this article lays upon revealing the role and development of social entrepreneurship in rural areas of Lithuania, especially putting attention on possibility of young people involvement in social businesses in rural areas. Social entrepreneurship is a part of social economy which consists a significant part in EU countries, develops and involves social innovations, different social groups and interaction among them, fosters job creation places and social cohesion. The hypothesis of the paper remains on the positive development directions of social entrepreneurship based on complex view to the issue. The paper aims to analyse current situation and tendencies of social entrepreneurship in Lithuania, to present successful examples of such business for providing recommendations for further research in the field and suggesting some solutions how to improve situation in rural areas in terms of social entrepreneurship development. The object of the research is social entrepreneurship in rural areas of Lithuania.

**Research methods.** The preconditions for research are based on scientific literature analysis. Statistical data analysis and document analysis are used for description of social entrepreneurship in Lithuanian rural areas. Few concrete examples for social entrepreneurship development in Lithuanian rural areas are presented. The paper remains as more descriptive and analytical in terms of presenting the problem and further directions of future research. Some data are presented about entrepreneurial motivation and their future intentions of Lithuanian students' survey (n=426; primary data), made under GUESS methodology in 2016.

Benefits of the paper lays on the original approach and the actuality of the analysed question especially focusing scientific attention to rural areas and agribusiness involvement in social entrepreneurship including young potentials farmers, family businesses in this activity. The suggestions and workable solutions, examples and propositions can be inspirational for future scientific research and especially in practical application of presented research data of students in Lithuania.

## **2. Main assumptions of the research**

Lithuania has joined EU in 2004 together with other European countries. The main reasons for joining were economic, political and social. Country citizens expected prosperity and economic development, stable and secure future. After 15 years being EU member state Lithuania remains not in the best position in every case. If we look to the statistical data of economic situation they will prove us that social and economic progress in Lithuania is not sufficient<sup>1</sup>. As it was mentioned before country has not sufficient innovation progress related to technological one, the economy of the country mostly creates products with low added value. Public management is not efficient in the country during few last years. For example, corruption in public sector remains

---

<sup>1</sup> [https://www.lb.lt/naujauai\\_lietuvos\\_makroekonominiai\\_rodikliai](https://www.lb.lt/naujauai_lietuvos_makroekonominiai_rodikliai)

almost in the same level during five last years<sup>2</sup>. Despite the controlling global financial crisis, the country has not presented the essential growth and sustainability in terms of positive movement in business sectors. Lithuania is the country from which we have the biggest emigration in EU. Especially of this issue rural areas are suffering. In terms of this paper the authors were highly interested to present the possible ways how to improve situation in Lithuanian rural areas.

Lithuania took some decisions concerning possibility implement social innovations in rural areas as it was done by supporting farmers to develop their activity in other ways especially focusing on new managerial and business decisions. Social entrepreneurship support from EU funds generated phenomena development in the country. But this is just the start as only in 2015 Lithuanian Ministry of Economy adopted the conception of social entrepreneurship (Jaunimo..., 2015). According the definition accepted by the Ministry of Economy, “social entrepreneurship is business model according which, using market mechanism; gaining profit is related to social aims and priorities. It is based on corporate social responsibility based business and public and private sectors’ partnership. Social entrepreneurship applies social innovation. Such entrepreneurship involves three main aspects: entrepreneurship based on casual business activity, social based on social aims, and managerial based on profit dividing and fair public management (Jaunimo..., 2015).

The essence of social entrepreneurship according the adopted conception by the government in Lithuania is based on attracting existing models for such kind of business and changing NGOs activity through adapting existing business models.

Conception has three raised tasks (Lithuanian Ministry of Economy, 2015):

- 1) to create favourable legal environment for social entrepreneurship;
- 2) to create favourable financial and tax support system;
- 3) to reach the visibility and acquaintance with the phenomena in society.

In the end of the year 2016 the representatives of Ministry of Economy were declaring that after conception further steps were taken for development of the issue. The Ministry is fulfilling the study about possibilities to successfully implement social entrepreneurship and its principles in the country using existing structures and creating new ventures, inspiring young people to be social entrepreneurs. Finally, the importance of social entrepreneurship was confirmed in political level. But still it remains with poor execution from legal viewpoint because of lack of concrete legal acts concerning social enterprises concept and defining social business functioning. This situation provides thoughts how to foster the process in all levels seeking for integrated result.

Scientific research into social entrepreneurship as a cross-cutting analysis has been performed in foreign countries for over ten years. The initiators of research into the phenomenon are J. G. Dees (1998), J. G. Dees, B. Anderson and J. Wei-Skillern, (2004), who researched into skills of a social entrepreneur, J. Weerawardena and S. Mort (2006), who researched into the concept of a social entrepreneur. J. Mair and

---

<sup>2</sup> [http://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2016](http://www.transparency.org/news/feature/corruption_perceptions_index_2016)

I. Marti (2006) analysed social entrepreneurship as a process during which available resources are differently combined.

In Lithuania, scientific research into social entrepreneurship were started far later. The latest of them could be mentioned. Some scientists started their research about social entrepreneurship systematically (Greblikaitė, 2016). Past and ongoing research into social entrepreneurship is associated with company social responsibility dimension and its analysis (Vveinhardt, 2014; 2016). The entrepreneurship in rural areas and acting communities and the main entrepreneurial competences were analysed in (Milius, 2008; Bortkeviciene, 2014) works. The content of those research just revealed and confirm the need of deeper research of social entrepreneurship in rural areas because of lack of concrete and detailed research in the field. The co-operation of researchers and business could be successful tool for innovative social entrepreneurship ideas creation as well as co-operation with governmental institutions could get additional proof about social entrepreneurs and their positive impact on rural areas.

### **3. Results of the research and discussion**

#### **3.1. Situation of social entrepreneurship in rural areas of Lithuania**

It is hard to evaluate situation of social entrepreneurship in Lithuania overall because of lack of appropriate statistical data and even activity itself. The measurement is difficult in terms of social entrepreneurship or social business because of non-sufficient knowledge, lacking clear conceptual legal documents and regulations, clear role about social enterprises. When we talk about rural areas, at first, we think about agriculture and other farmers. Plant growing business consists essential part of agriculture in Lithuanian rural areas. 44.8 percent of all holders are involved in plant growing business (2016 July data) (Žemės ūkio ..., 2016). Farming with growing livestock, poultry becoming less popular especially with smaller farmers. Because of the EU support for development of rural areas in Lithuania some farmers are trying to make multifunctional their activity especially reorienting their business to rural tourism or including some additional educational innovative activities to their traditional activity. It means there are becoming not only farmers, but entrepreneurs.

Still potential of rural areas is not used. Lithuania has landscape advantage, good infrastructure, availability of skilled labour force, but in rural areas except rural tourism and few other entrepreneurial business examples, the poor employment and social integration exist. Some villages will be cut out of map because nobody is already living in there. If there is some small village so people are involved in farming or growing vegetables mostly to keep themselves. In Lithuanian rural areas, there are more than 200 big farmers keeping more than 1000 ha each. They are active in different kinds of support from EU calls, having new agriculture transport, but their activity mostly stays not innovative besides new machinery. They lack management knowledge, especially in marketing, skills of finance, even backgrounds of accounting or computer using skills. These problems are more expressed in small farming because of lack of financial resources. Motivation for changes is rather poor and mostly related to quick revenue.

Such a situation is not very favourable for development of social entrepreneurship in Lithuania. The role of educational and vocational institutions becomes even more important in terms of spreading useful information about the advantages of being social entrepreneur. For example, Aleksandras Stulginskis University<sup>3</sup> academic staff then preparing educational programmes for teaching in courses for farmers tries to involve and new concepts, new management issues for deeper involvement of farmers in different activity possible in rural areas.

Any confirmed counting could not really be founded about social entrepreneurs acting in rural areas. We could just find some examples or various initiatives or count proposals for such activity in the latest call of completely new people willing to start social entrepreneurial activity. In the call of National Payment Agency<sup>4</sup> of Lithuania there were more than 360 proposals to be financed presented for the latest call of starting business activity in rural areas. Priorities were made for young people and socially oriented activities in rural areas. Devoted sum for call was 3 milion Euros<sup>5</sup>. The requested amount of financial support is bigger.

Some examples how business and science partnership could be successful could be mentioned. This is, for example, financed Innovative checks programme where enterprises can order some scientific research for their business. This year there were accepted about 300 proposals for such kind of research. For example, there were provided more than ten different themes which could be interested in business in terms of social enterprises, social entrepreneurship and business. These themes were provided in the list of 2510 themes.

Some new projects were developed recently in Lithuania. One of them is project called *Socifaction*. This project aims to facilitate ideas of social entrepreneurship involving local activity group in rural areas of Lithuania: villages and small towns. The project involves young people and senior consultants – researchers for providing consultation and help for starting such kind of business as well as NGO's are involved.

### **3.2. Entrepreneurial intentions of Lithuanian students: GUESS survey**

The researchers (Startienė, 2012) say that Lithuania can be treated as a country in which entrepreneurship is driven by external factors (unemployment, income loss) more than internal motivations (goals, implementation of dreams). However, their research suggests that young entrepreneurs in Lithuania were more likely to start their activity as opportunity-based, rather than out of necessity. It seemed very promising and allows having positive expectations in the future.

Last year Lithuania for the first time joined the worldwide research about young people entrepreneurship intentions. This survey was co-ordinated and made by Aleksandras Stulginskis University research team. The research was based on Swiss methodology GUESS<sup>6</sup>. The participation of higher education institutions in this research

---

<sup>3</sup> [www.asu.lt](http://www.asu.lt)

<sup>4</sup> [www.nma.lt](http://www.nma.lt)

<sup>5</sup> [www.nma.lt](http://www.nma.lt)

<sup>6</sup> <http://guesssurvey.org/>

provided comparative data of entrepreneurial intentions of students. Especially it was important for Lithuania to discover business intentions of young people by regions of Lithuania (n=426, p=0.95). Research period was April–June 2016. The results of survey are not publicized except report of the country. The main assumptions and findings concerning this paper aim could be shortly presented and the key issues could be mentioned:

- 7.3% respondents are willing to become entrepreneurs just after finishing their studies, 37.9% are intending to do it after 5 years of their studies;
- 3.3% are intending to take over their family business;
- 23.0% of respondents' parents are already having their own business (but mostly it was not agriculture business);
- 56.8% of respondents were not ever working at their family business;
- the students as respondents confirm that their involvement in family business remains quite poor in terms of motivation;
- students emphasize the role of education and training for developing entrepreneurial skills; they believe that higher education institutions can provide appropriate knowledge and skills for becoming entrepreneurs and creating innovative, possibly social, enterprises;
- the society support for becoming entrepreneurs in Lithuania is weaker than average of all participating countries;
- all the researched criteria and gathered data and results confirm that there is no significant deviation from research data in Lithuania and average from data of all researched countries. Lithuania did not express some exceptionally different results in terms of young people entrepreneurial motivation and intentions (see Table) (more research data can be found in GUESS report<sup>7</sup>).

According Table 53.04% of respondents do not think about their family business as “family one”. Some important implications can be mentioned focusing on young social entrepreneurs and new social enterprises' creation. Firstly, students are not having deep intention to develop their family business. The preconditions were not included in the research questions but after some discussions revealed as young people do not want to continue low added value activities inherited from their parents. They are also ambitious and think about more progressive and innovative start-ups. In terms of this paper family business in rural areas is essential issue for development of places.

It means that movement could be forecasted in two ways:

- Innovating existing activities in family farms;
- Creating new ones, for example, social enterprises. Social entrepreneurship it should be mentioned is more attractive activity for young people rather than for senior. Still the lack of appropriate knowledge exists as respondents mentioned. But maybe the most important that students were confirming that they lack ideas for starting business or venture.

---

<sup>7</sup> <http://guesssurvey.org/>

Table. Family business peculiarities in Lithuania

Question	Response	Respondents	
		N	%
Are your parents in business? (n=112)	No	27	24.11
	Yes	85	75.89
Are your family stakeholders of business? (n=100)	0–25%	20	20.00
	26–50%	10	10.00
	51–99%	12	12.00
	100%	58	58.00
Are you one of stakeholders of this business? (n=110)	0%	83	75.45
	1–25%	13	11.82
	26–50%	4	3.64
	51–99%	4	3.64
	100%	6	5.45
Do you think about this business as family one? (n=115)	No	61	53.04
	Yes	54	46.96

According to the research data it could be stated that young people are motivated to be entrepreneurs, but it does not mean that they intend to start their activity in rural areas or, especially, in agriculture. Still positive possibility remains for social entrepreneurship because young people in Lithuania are keen for creating innovative with high value-added businesses. It means the chance of social entrepreneurship development still exist with potential of educated and young people.

#### 4. Conclusions

1. Lithuania still lacks the implementation of social innovation especially in rural areas. Some preconditions as culture of social innovation and entrepreneurship, appropriate legal acts, different financial sources, national and international networking of social innovators, partnership between public sector, private sector and NGOs, involvement of target groups, infrastructure for social innovation, effective control and monitoring of social innovation, sufficient administrative skills are kept as essential for successful implementation of social innovation policy and development of social enterprises in Lithuania.

2. Rural areas are specific zones for successful start of social entrepreneurial activity, but as the facts of research confirm oriented actions are needed in the field. Entrepreneurs from rural areas are interested in creating social enterprises. So the first step in political level should be related to the issues of the Law of Social entrepreneurship and social enterprises.

3. Potential young social entrepreneurs are willing to create new enterprises. The role of educational institutions, for example, universities, remains important fostering the initiatives and actions.



4. Further research in the field might be developed comparing with different countries experience, for example, Italy, where small business and entrepreneurship are more developed. As much as the authors want to pay special focus on profitability analysis of social enterprises as much as risk assessment and management issues.

## References

- Bortkeviciene V. (2014). Entrepreneurial competences implications for employability: expression and importance // *Applied Research in Health & Social Sciences: Interface & Interaction // Sveikatos ir Socialiniu Mokslu Taikomieji Tyrimai: Sandura ir Saveika*. Vol. 11. Iss. 1: 54–61.
- Dees, J. G. (1998). The meaning of social entrepreneurship. – Stanford: Draft report for the Kauffman Center for Entrepreneurial Leadership.
- Dees, J. G., Anderson, B., Wei-Skillern, J. (2004). Scaling social impact // *Stanford Social Innovation Review*. Vol. 4(1): 24–32.
- Greblikaitė, J. (2016). Development of Entrepreneurship in Lithuania: Becoming Social Entrepreneurs // *Entrepreneurship and Firm Performance*. – New York: Nova Science’s Publishers. 81–92 p.
- Jaunimo verslumą skatinančių priemonių vertinimas (2012). LR Finansų ministerija. – <http://www.pwc.lt>, [www.vini.lt](http://www.vini.lt) [2016 12 01].
- Lietuvos žemės ūkis: faktai ir skaičiai. (2016). Žemės ūkio ir kaimo verslo informacijos centras. – <https://www.vic.lt/?mid=75> [2017 04 02].
- Mair, J., Marti, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight // *Journal of World Business*. Vol. 41: 36–44. – <https://doi.org/10.1057/9780230625655>.
- Milius P, Sarkiene, J. (2008). Entrepreneurship Training for Innovative Start-Ups: The KTC Case // *Teaching Entrepreneurship*. – Springer: Physica-Verlag HD. 22–33 p.
- Socialinio verslo koncepcija (2015). LR Ūkio ministerija – [http://www.ukmin.lt/uploads/documents/Verslo%20aplinka/Smulkus%20verslas/Socialinio\\_verslo\\_koncepcija\\_2015\\_%C4%AF-sakymas.pdf](http://www.ukmin.lt/uploads/documents/Verslo%20aplinka/Smulkus%20verslas/Socialinio_verslo_koncepcija_2015_%C4%AF-sakymas.pdf). [2017 01 05].
- Startienė, G., Remeikienė R. (2012). Who becomes a self-employed? The case of Lithuania // *Economic and Management*. Nr. 17(1): 342–351. – <https://doi.org/10.5755/j01.em.17.1.2288>.
- Vveinhardt, J., Andriukaitiene, R. (2016). Diagnostics of management culture in order to implement the concept of a socially responsible company: the case of a concern // *Ekonomie a management*. Vol. 19. Iss. 3: 142–157.
- Vveinhardt, J., Andriukaitiene, R., Cunha, L. M. (2014). Social capital as a cause and consequence of corporate social responsibility // *Transformations in Business & Economics*. Vol. 13: No. 2A(32A): 483–505. – <https://doi.org/10.15240/tul/001/2016-3-010>.
- Weerawardena, J., Mort, S. G. (2006). Investigating social entrepreneurship: A multidimensional model // *Journal of World Business*. Vol. 41: 21–35. – <https://doi.org/10.1016/j.jwb.2005.09.001>.



## **SOCIALINIS VERSLUMAS LIETUVOS KAIME**

**Jolita Greblikaitė, Rolandas Rakštys, Donatello Caruso**

*Aleksandro Stulginskio universitetas, University of Foggia*

*Įteikta 2017 05 11; priimta 2017 06 11*

### **Santrauka**

Straipsnyje keliama tyrimo problema yra sietina su socialinio verslumo Lietuvos kaimo plėtroje svarba. Tyrimo tikslas – numatyti socialinio verslumo reiškinio tendencijas Lietuvoje, pristatyti sėkmės pavyzdžių ir pateikti rekomendacijas, kaip pagerinti socialus verslumo situaciją kaimo vietovėse. Socialinis verslumas yra tik besivystantis Lietuvoje tiek politinių teisinių dokumentų prasme, tiek praktiniais verslo pavyzdžiais. Jaunimo verslumo Lietuvos aukštosios mokyklose tyrimo duomenys leidžia teigiamai vertinti verslumo plėtros potencialą ir jaunų verslių žmonių galimybes kurti verslą. Lietuvoje socialinis verslumas reikalauja tiek mokslinio dėmesio, tiek praktinių sprendimų, susijusių su sąlygų šiam verslui gerinimu. Kaimo vietovės yra potenciali terpė vystyti šeimos verslui, ypač įtraukiant jaunus žmones į socialines veiklas, tačiau reikalauja dar nemenkų pastangų tiek tobulinant verslo aplinką, tiek motyvuojant gyventojus užsiimti tokiu verslu.

*Raktiniai žodžiai: kaimo plėtra, socialinis verslumas, šeimos verslas, antreprenieriai.*

*JEL kodai: L31, O13.*