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State's role in the development of social entrepreneurship: the perception of Estonian
state officials

Bachelor's Thesis

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Table of Contents

| | |
|---|----|
| Introduction..... | 3 |
| 1. Theoretical part..... | 5 |
| 1.1 Concept of social entrepreneurship..... | 5 |
| 1.2 External factors essential for a successful social enterprise..... | 11 |
| 1.2.1 Other views on the development of social entrepreneurship..... | 15 |
| 1.3 Social entrepreneurship in Estonia..... | 16 |
| 2. Empirical part..... | 20 |
| 2.1 Methodology..... | 20 |
| 2.2 The data..... | 22 |
| 2.3 Analysis..... | 23 |
| 2.3.1 Definition and concept of social entrepreneurship..... | 23 |
| 2.3.2 Finances..... | 25 |
| 2.3.3 Possible support measures..... | 26 |
| 2.3.4 Responsibility of the development of social entrepreneurship..... | 30 |
| 2.4 Findings..... | 31 |
| Summary..... | 34 |
| Literature..... | 36 |
| Resümee..... | 38 |
| Extras..... | 40 |

Introduction

The selection of the subject of the thesis has its roots in the author's personal interest in the Third Sector and the wish to become acquainted with alternatives to volunteering in developing the society. One of these opportunities is social entrepreneurship which is a form of entrepreneurship that solves some kind of social matter through entrepreneurial activities. Social enterprise can earn profits but its mission is to create additional value to the society. Therefore social entrepreneurship creates two kinds of profits – financial and social.

There are many internal and external factors that can help the development of social entrepreneurship. The government can support social entrepreneurship by creating a supportive environment. Some countries recognize social entrepreneurship in their legal frameworks and support start-ups, make tax exemptions, create supporting institutions and so on. In Estonia no steps have been taken by the government.

The main question of the research issue is: What is state's officials perception of the state's role in the development of social entrepreneurship in Estonia? Sub-questions: How do state's officials define social entrepreneurship? What is their standpoint in key issues of the concept of social entrepreneurship like financing and profit distribution? What is the attitude towards applying possible support measures? Is the state interested in the development of social entrepreneurship? Who should be responsible for the development of social entrepreneurship in Estonia? To achieve the goals a qualitative research is conducted.

The theoretical basis of the thesis consists of three parts. First, the term “social entrepreneurship” is defined and different views on the definition is explained. The main sources used for this are academic articles by Bacq and Janssen (2011) and Halkias and Okpara (2011). Second, basic external factors needed for a successful development of social entrepreneurship are studied. The theoretical basis comes mainly from the research of Borzaga *et al* which is conducted on behalf of United Nations Development Programme and EMES European Research Network and in addition the research of Heckl and Pecher that is conducted on behalf of European Commission. Third, Estonian environment of social entrepreneurship is investigated for full understanding of the background – the size of the sector, the fields of activities, legal

opportunities and the opinions of Estonian social entrepreneurs. The main sources used are the work of Statistics Estonia, research by the Good Deed Foundation and a Master's Thesis by Sutt.

The empirical part is based on expert interviews conducted by the author of the thesis. The interviews are half-structured and the length may vary from half an hour to one hour. The selection of the sample is coordinated with the Estonian Social Entrepreneurship Network and the selection is done in the principle of intended purpose sampling. The basis for the sampling has been taken from the Theoretical part of the thesis. The interviews are recorded, transcribed and then coded with programme MAXQDA. The codes are based on the themes of the interviews and the analysis is sectioned by the codes used while presenting the findings.

It was found that social enterprise is seen by the state officials as an organisation that works as an association that earns its own income by entrepreneurship and has a clear social mission. The officials agree that the state does have the interest in supporting the development of social entrepreneurship but only a few of the external factors identified in the theoretical part got their full support. These were raising awareness and vertical co-operation between the state and a social enterprise. Creating legal framework, ensuring access to the marketplaces and tax exemptions cause controversial attitudes among the state officials.

The findings of this thesis are relevant in that it seeks to address a problem that has been identified within the community. For example, research by Good Deed Foundation in 2011 found that social entrepreneurs feel “left alone” by the government because the state does support start-up enterprises and the third sector but there is no support for social entrepreneurship outside these frames. Therefore ESEN wishes to understand the issue also from the governments side and this thesis is conducted to fulfil the gap in knowledge. Therefore Estonian Social Entrepreneurship Network wishes to understand the issue also from the government's side and this thesis is conducted to fulfil the gap in knowledge.

1. Theoretical part

1.1 Concept of social entrepreneurship

In its most basic form, social enterprise involves the linking of economic and social activities within an organisation. Starting from this, it is clear that the concept of social entrepreneurship is not new since it has been practised for decades but the term social entrepreneurship is fairly new to the academic researches as it has gained the interest of researchers in the current century. (Bacq, Janssen 2011:374) However, beyond this basic idea of social and economic goals being linked, there is still much debate over conceptualisations of social enterprise.

Different conceptions of social entrepreneurship arise from differing views of the market and state. This includes different understandings of capitalism, and the role of the state in solving social problems. Generally, the European model sees the poor man as a victim of capitalism whereas the American model views his sufferings as the consequence of his own laziness. Therefore also the government's role differs – in Europe a strong social security is a standard and social entrepreneurship is viewed as creating additional value to the community whereas in the US poverty is more of a moral issue and social entrepreneurship can be seen as the substitute for Welfare State. (Bacq, Janssen 2011:380)

Secondly, the definitions differ by the type – there are conceptual and legal definitions. Conceptual definitions are wider since they don't have to take into account national legislations which can be quite specific. Legal definitions on the other hand give more clear norms to the terms. For example one of the first official definitions comes from OECD (Organization for Economic and Cooperation Development). The definition from 1999 states: “social entrepreneurship is any private activity conducted in the public interest, organized with an entrepreneurial strategy, but whose main purpose is not the maximization of profit but the attainment of certain economic and social goals, and which has the capacity for bringing innovative solutions to the problems of social exclusion and unemployment”. (Bacq, Janssen 2011:381) This is an example of conceptual definition. EMES (‘Emergence of Social Enterprises in Europe’ which is a scientific network founded by researchers of 15 European Union Member States in

1996) on the other hand has legal point of view when defining the social entrepreneurship: “social enterprises are organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits” (Bacq, Janssen 2011:381).

Conceptual definitions concentrate on the economic activities – should the economic activities be specifically linked to their social mission (usually this concept is seen with accordance to the view of social enterprise as a for-profit organization) or can the economic activities just support the organizations non-profit goals (usually this is linked with the view of social enterprise as a non-profit organization). (Bacq, Janssen 2011:384) Also the factor of profit distribution is under argument among different Schools. There are three views on the profit distribution question.

- Unrestricted profit distribution: There should be no constraint regarding profit distribution if the organization creates increased social value. It would be preferred if most of the profit would be reinvested in the social mission but it is not obligated. This view is supported by the Social Innovation School.
- Prohibited profit distribution: Profit distribution to owners or employees should be prohibited in social enterprises since the whole organization should carry the social objective. This view is supported by the Social Enterprise School.
- Limited profit distribution: The enterprise should be allowed to distribute their profits but they must avoid profit maximization. This view is supported by the EMES network. (Bacq, Janssen 2011:387)

Legal concepts of social entrepreneurship concentrate on the juridical form of the organization. Some scholars argue that the social enterprise is a next, more effective, step for a non-profit organization and others view it as a for-profit organization that has a social cause. (Halkias, Okpara 2011:10) The Social Innovation School, which is an American network of researchers on social entrepreneurship, argues that a social enterprise can choose from among non-profit or for-profit organizations. Mair and Marti (2004) also support the Social Innovation School, saying that the entrepreneur should be able to choose the organizational form according to the nature of the social needs addressed and the amount of resources needed. At the beginning, Social Enterprise School considered only non-profit organizations that earned their own income as social

enterprises. Later they loosened their definition by saying that any business that trades for a social purpose is considered a social enterprise. (Bacq, Janssen 2011:386) For now, some European countries have established new legal forms for social enterprises. For example “social co-operatives” in Italy in 1991, the “Community Interest Company” defined as an independent organization having social and economic objectives, which aims at playing a social role as much as reaching financial durability through business, in Great Britain in 2001 or Belgium in 1995 that established “social purpose company”, Portugal's “social solidarity co-operatives” in 1997 and so on. (Bacq, Janssen 2011:387)

Next a variety of definitions will be presented as an example of differences between conceptual and juridical definitions. The definitions will also be analysed by the characteristics in the definitions.

1998, Dees – Play the role of change agents in the social sector, by: 1) Adopting a mission to create and sustain social value (not just private value), 2) Recognizing and relentlessly pursuing new opportunities to serve that mission, 3) Engaging in a process of continuous innovation, adaptation, and learning, 4) Acting boldly without being limited by resources currently in hand, and 5) Exhibiting heightened accountability to the constituencies served and for the outcomes created.

2003, Pomerantz – Social entrepreneurship can be defined as the development of innovative, mission-supporting, earned income, job creating or licensing, ventures undertaken by individual social entrepreneurs, non-profit organizations, or non-profits in association with for profits.

2006, Austin, Stevenson & Wei-Skillern – Social entrepreneurship is innovative, social value creating activity that can occur within or across the non-profit, business or government sectors.

2007, Martin & Osberg – Social entrepreneurship is the: 1) identification a stable yet unjust equilibrium which the excludes, marginalizes or causes suffering to a group which lacks the means to transform the equilibrium; 2) identification of an opportunity and developing a new social value proposition to challenge the equilibrium, and 3) forging a new, stable equilibrium to alleviate the suffering of the targeted group through imitation and creation of a stable ecosystem around the new equilibrium to ensure a better future for the group and society.

2010, Yunus – Social entrepreneurship relates to a person. It describes an initiative of social consequences created by an entrepreneur with a social vision.

2011, Kirby & Ibrahim – Social entrepreneurship is perceived to be about applying the expertise, talents and resources of entrepreneurs to the variety of problems developing countries face, such as education, health, personal safety and security, poverty alleviation, social advancement, environmental sustainability, and so forth.

2012, Megre, Martins & Salvado – Social entrepreneurship initiatives have been defined as having: an innovative approach to solve societal problems, a clear social mission, sustainable, potential for replication and capacity to produce impact at large scale.

Good Deed Foundation – Social entrepreneurship is type of enterprise, acting on the purpose of some societal objective.

National Foundation of Civil Society – Social entrepreneurship is launching actions and measures, ensuring stable cash flow by non-governmental organizations, based on entrepreneurial principles and pursuing desirable social and environmental changes.

Estonian Social Enterprise Network – Social/societal purpose forms the centre of their definition while other important aspects include having a sustainable business model and the requirement to reinvest surpluses. (Kaseorg, Raudsaar 2013:21)

European Commission – 4 definition points: 1) entrepreneurial activity; 2) an explicit aim to benefit the community; 3) limited profit distribution and 4) independence and democracy. (Statistics Estonia 2014)

When analysing the different definitions through time and different Schools it is established that there is no unified understanding of the field. Some definitions concentrate on the entrepreneurs, some concentrate on innovation and some on the social cause. There is although a variety of features that are common to most of the definitions. They most important are: innovativeness, system change idea, sustainability and durability, entrepreneurial personality, mobilization of resources, cross sector partnership, passion, entrepreneurial means, reinvested surpluses, social value creation. (Kaseorg, Raudsaar 2013:21) In social entrepreneurship there is always two main components which are entrepreneurship and social mission in which entrepreneurship is standing for starting a business, using innovation and mobilization of the resources for

achieving the goal and social mission stands for the social value creation which distinguishes social entrepreneurship from economic entrepreneurship. (Fayolle, Matlay 2010:45)

The table below lists many of the influential theories on social entrepreneurship on one side with their relevant features on the other. Included are the operation definitions used by the Good Deed Foundation, the National Foundation of Civil Society and the Estonian Social Enterprise Network. As can be seen in the table, though the definitions do differ by the concepts and characteristics there are a few basic features that repeat from definition to definition irrespective of the concept. As follows from the definitions, the most frequent features in the definitions are connected to social mission and entrepreneurial means. The next frequent features are innovation, initiative and sustainability. These five features can be taken as the basis of a more unified definition of social entrepreneurship.

| | Innovation | Social Value Creation | Sustainability | Non-profit | Initiative | Job creation | Social Mission | Entrepreneurial means | Surplus reinvestment |
|----------------------------|------------|-----------------------|----------------|------------|------------|--------------|----------------|-----------------------|----------------------|
| Dees | X | X | X | | X | | X | | |
| Pomerantz | X | | X | X | X | X | X | X | |
| Austin et al | X | X | | X | | | | X | |
| Martin & Osberg | X | X | X | | | | X | | |
| Yunus | | X | | | X | | X | X | |
| Kirby & Ibrahim | | X | | | X | | X | X | |
| Megret et al | X | X | X | | X | | X | X | |
| Good Deed | | X | | | | | X | X | |
| NFCV | | X | | | | | X | X | |
| ESEN | | X | X | | | | X | X | X |

| | | | | | | | | | |
|-------------------------------------|--|---|--|--|--|--|---|---|---|
| European Commissi on | | X | | | | | X | X | X |
|-------------------------------------|--|---|--|--|--|--|---|---|---|

Table 1. Definitions by features.

Having analysed different perspectives of definitions, it is needed to bring out the definition that will be the basis for this thesis. Since in Estonia there is no legal form of social entrepreneurship and the definitions of the umbrella organizations are fairly diffused, the following definition will be the framework of the present thesis: “Social entrepreneurship is a form of organization which produces two kinds of profits: first and foremost the added social value and secondly financial profit. The organization can be legally of which form the enterprise creates the most value in but it has to follow the legal rules of the sector in the means of management and profit distribution.” The origins of the definition come from Estonian social entrepreneurship field that is fairly wide and every organization that has a more or less social cause can name themselves a social enterprise, irrespective of their organizational form or the economic activities conducted for making a profit so the activities don't have to be linked to the social mission nor is there any constraints in profit distribution more than the law in accordance to the legal form chosen.

1.2 External factors essential for a successful social enterprise

In addition to a lot of internal factors such as a sustainable business plan, experience and the substantial know-how that are essential for a social enterprise to succeed, there are many external factors that can strongly influence development of a successful social entrepreneurship sector. In this regard national governments have the means to support entrepreneurs in a number of ways.

In developing this section, two sources in particular are being used – the first is “Social Enterprise: a New Model for Poverty Reduction and Employment Generation” by Borzaga *et al* which is conducted on behalf of United Nations Development Programme and EMES European Research Network. This source has been chosen as the basis of this thesis mainly because it has its focus on the Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS) to provide specific recommendations for national governments. The second source, which corroborates much of Borzaga's analysis is research that was conducted by Heckl and Pecher on behalf of the European Commission in 2007: “Study on Practices and Policies in the Social Enterprise Sector in Europe”. The aim for this research is to identify relevant support measures and discuss conclusions concerning the further promotion of social entrepreneurship in European countries. In addition, a third source is used at some points, a report by Charu Wilkinson that was conducted on behalf of European Commission in 2014: “A map of social enterprises and their eco-systems in Europe”. The report includes 29 European countries (EU 28 + Switzerland). In the executive summary of the research barriers and constraints to the development of social enterprises are identified which translate to possible support measures.

The possible support measures include a number of basic policies and legal measures that lead to an appropriate environment for social entrepreneurship to develop into a valuable and full sector of its own – creating a flexible legal framework that is not over-restrictive or over-regulated, fiscal measures that provide financial support for social enterprises, ensuring access to markets and raising awareness in society of social entrepreneurship wider and the products or services of social enterprises narrower. In addition, strong support networks and umbrella-organizations are a prerequisite for a successful social entrepreneurship sector. (Borzaga *et al.* 2008:7) In the current chapter

external factors will be examined from a theoretical point of view with a description of the recommendations made to national governments by researchers. Examples of good practices across Europe will be given accordingly.

The first support measure of an optimal policy and legal framework for social enterprise development is the one of a flexible legal framework. This means that the social enterprises should be recognized legally as separate more flexible form of organization. (Borzaga *et al.* 2008:189; Heckl, Pecher 2007:19) Lack of supportive legislative frameworks is seen as one of the barriers to the development of social entrepreneurship. It makes it difficult for authorities to design and target specialist support or fiscal incentives for social enterprises. (Wilkinson 2014:14) The legal recognition would bound social enterprises to their statutory social goals, to involving stakeholders, beneficiaries, employees and volunteers and some limitations to distributing profit would be set. (Borzaga *et al.* 2008:191) It is recommended by both Borzaga's (2008:191) and Heckl's and Pecher's (2007:19) researches for national governments to support the development of social entrepreneurship by setting legal specifications in policies and creating a separate legal form for an optimal legal framework. This is important since many countries show very inflexible legal forms which hamper the development of social enterprises such as in Malta, where banks don't provide guarantees for social welfare NGOs which makes it impossible for them to participate in EU projects and the social welfare NGOs pay full VAT which is not recoverable since they are not legally recognised. (Heckl, Pecher 2007:16) A good practice of a separate legal form has been shown in United Kingdom. UK has established a separate legal form for social enterprises that is called Community Interest Company (CIC) which can use the profit from economic activities only for social cause. Profit distribution among the owners is prohibited and this is supervised by a separate institution. (ESEN 2015) According to Heckl and Pecher UK has taken different measures in supporting social entrepreneurship – legal regulations, EQUAL programme, business support, fostering co-operation and other support measures. (Heckl, Pecher 2007:22) There are about 1000 social enterprises in UK adding associations, foundation and other similar forms and altogether the sector gives 1,7 million jobs. (Daniele 2008:37)

The second external factor involves establishing fiscal policies that support the socially beneficial work of social enterprises. For example, exemptions for social enterprises

that now are limited due to the legal form chosen by the entrepreneur should be expanded. This should include fiscal and social security deductions for hiring employees from disadvantaged social groups, a reduction of indirect taxes in those marketplaces where the financial profit is insufficient to support the social activity, granting tax exemptions on donations received, wage subsidies and providing project grants. (Borzaga *et al.* 2008:190; Heckl, Pecher 2007:3) Heckl and Pecher (2007:19) recommend national governments to set up specific tax exemptions and rules for social enterprises. Borzaga's article recommends that the national policy should take the measures to limit opportunistic behaviour and that advantages should be in accordance with the social goal not the legal status of the organization. (Borzaga *et al.* 2008:191) Best practice in this area include for example Slovakia where implemented Income Tax Assignment represents a support measure to NPOs based on individual decisions on taxpayers including physical and legal persons. Its aim is to create measures that would help to finance NPOs' activities that are beneficial for people and society. Based on the Tax Act, in the tax declaration every person and company can declare assignment of 2% of their paid taxed to selected legal persons having the legal form of civic association, foundation, non-investment fund, NPO, charities or Slovak Red Cross. (Heckl, Pecher 2007:28) Also Romania that provides direct financial support through Romanian Social Development Fund and indirect financial support in the means of wage subsidies and support for employment of disabled people. (Heckl, Pecher 2007:22)

Third, public agencies should work with social enterprises to ensure that they have access to markets. This includes access to business-support services for the improvement of management skills of social entrepreneurs, as well as ensuring access to procurement markets. (Borzaga *et al.* 2008:190; Heckl, Pecher 2007:31) Market opportunities can also be created by national policies that promote welfare partnerships and co-production of services with social enterprises. Doing so also will create revenue opportunities by producing and delivering goods and services that are of public interest. (Borzaga *et al.* 2008:191) Current public procurement practices (large contract sizes, excessive pre-qualification requirements, etc.), inadequate use of social clauses and payment delays all make it difficult for social enterprises to effectively compete in public procurement markets. Also social enterprises find it difficult to access finance from external sources if financial intermediaries and instruments are under-developed.

(Wilkinson 2014:14) Due to the nature of social enterprise's work (working with difficult populations and/or employing new, innovative and sometimes risky methods) social enterprises often have difficulties accessing capital to support start up, expansion or operations. The public sector can address this by implementing supportive funding schemes such as low-interest loans/loan guarantees or start-up/seed funding. (Borzaga *et al.* 2008:189) Examples of best practices in this area includes Belgium, where Start Centres (Regional Incubation Centres) have worked from year 2000. The target group of the Centres are entrepreneurs in the social economy in Flanders. They help the social enterprises with developing their ideas, drafting business plans, supporting in the recognition procedure for social inclusion enterprise, finding the target employees, assist in the search for subsidies and financial support, assist in implementing sustainability and offer facilities. The Centres are co-ordinated by the Flemish Ministry for Work and Social Economy. (Heckl, Pecher 2007:35)

The fourth key characteristic is the one of raising awareness in society. This contains mainly developing support bodies that promote the image of social enterprises in the society. (Borzaga *et al.* 2008:190) Poor understanding of social entrepreneurship by policy makers, public servants, the general public, investors, partners and prospective customers is cited as a key barrier by the majority of stakeholders across Europe. The lack of awareness affects negatively the growth and financing prospects and is also a pivotal factor in preventing development of relations with customers. (Wilkinson 2014:14) The good practice example in the case of raising awareness is the Finnish example where The National Support Structure for Social Enterprises consults and supports the establishment and development of social enterprises by a number of means but also by increasing the awareness for social entrepreneurship in society. (Heckl, Pecher 2007:32)

Last but not least, the fifth is strong support networks. This may contain implementing an institutional context that supports social enterprises, developing federal bodies representing social entrepreneurs interests, promoting administrative decentralization (Borzaga 2008:190), promoting co-operation between social enterprises themselves and with the public institutions (vertical co-operation between public authorities and social enterprises) and establishing umbrella-organizations (horizontal co-operation between social enterprises and umbrella-organizations) (Heckl, Pecher 2007:40). The good

example of fostering strong support measures in the state-level is France. The state itself got involved with promoting social entrepreneurship already in 1981 when DIES (Délégation Interministerielle à l'Economie Sociale (Interministerial Working Group for the Social Economy) was established that recognized social entrepreneurship as “co-operatives, mutuals and associations that approach them” and its principles of private ownership, democracy, solidarity and non-profit. In 1983 IDES the Institut de Développement de l'Economie Sociale (Institution for the Development of the Social Economy) was founded. (Daniele 2008:11) Today there are over 135 000 social enterprises in France which give almost two million jobs, adding 720 000 volunteers. (Daniele 2008:12)

1.2.1 Other views on the development of social entrepreneurship

The author of this thesis has not identified any theories that would disprove the importance of the state's role in the development of social entrepreneurship but there are studies that concentrate on internal factors instead of the external factors when addressing the question of prerequisites to a successful social entrepreneurship sector.

The internal factors include viable business models, excessive reliance on the public sector as a source of income, lack of commercial acumen, entrepreneurial spirit, management skills, competencies necessary for scaling-up activity. (Wilkinson 2014:14)

In addition, social entrepreneurs themselves have mentioned internal factors as problems in succeeding such as lack of sales and communication skills, finding staff, management problems, lack of financial skills and lack of skills in making and sustaining a proper business plan. (Sutt 2011:51)

1.3 Social entrepreneurship in Estonia

In this chapter, a description of the possible legal forms will be given, followed by an overview of the size of the social enterprise sector in Estonia and fields of activities these enterprises engage in and an assessment of the main problems of social entrepreneurs in Estonia. Since the focus of the current thesis is to ascertain the attitudes of public policy makers towards social entrepreneurship, an overview of Estonian social enterprise sector is needed for background information and a better understanding of the outcomes in the analysis. Also the current chapter gives the data for mapping the possible support measures for social entrepreneurship in Estonia according to the theory developed in the previous chapter. Social enterprises in Estonia can choose between the following legal forms: OÜ (private limited company), AS (limited company), MTÜ (non-profit organization) or SA (foundation). The forms of OÜ and AS are regulated by the Commercial Code, the form of MTÜ is regulated by the Non-profit Associations Act and SA is regulated by the Foundations Act which all are General Parts of the Civil Code Act. For a better understanding of the differences for social enterprises a table will be composed comparing the legal opportunities of the forms.

| | Private companies | | Associations | |
|-----------------------------------|--|--|---|--------------------------------------|
| | OÜ | AS | MTÜ | SA |
| Minimum share capital | Min 2 500 € | Min 25 000 € | None | Assets of min 1 € |
| Annual financial statement | Mandatory | Mandatory | Mandatory | Mandatory |
| Auditing | Mandatory only on special conditions | Mandatory | Mandatory only on special conditions | Mandatory only on special conditions |
| Highest Body | General Meeting of Shareholders (min 1 person) | General Meeting of Shareholders (min 1 person) | General Meeting of Shareholders (min 2 persons) | None |

| | | | | |
|-----------------------------------|---|---|---|--|
| Monitoring Body | Not mandatory | Mandatory | General Meeting of Members | Council |
| Minimum number of founders | 1 | 1 | 2 | 1 |
| VAT payable | If turnover more than 16 000 € per year | If turnover more than 16 000 € per year | If turnover more than 16 000 € per year | If turnover more than 16 000 € per year |
| Profit distribution | Unlimited | Unlimited | Prohibited | Limited, according to the mission in the statute |
| Main mission | Financial profit maximization | Financial profit maximization | Can not be making financial profit | Not limited |

Table 2. Possible legal forms for social enterprises.

According to Statistics Estonia there are 125 social enterprises in Estonia. The sample was worked out starting with the European Commission's 4 definition points. First, entrepreneurial activity – annual sales revenue must exceed 16000€, which is the lowest limit for VAT obligation established by Tax and Customs Office. Second, an explicit aim to benefit the community – criterion “social purpose of unit” is found on the basis of information of its annual report and statutes. Third, limited profit distribution – only non-profit organisations and foundations were involved since these units cannot distribute profits. Fourth, social enterprise has to be independent and democratic – independent from the government so state-related units were excluded, independent of enterprises so the associations of enterprises were excluded. After this, manual checking was done and the results were sent for reviewing to the Estonian Social Enterprise Network. For decision making the activity reports and statutes were used. 86 potential social enterprises were found. The Estonian Social Enterprise Network added 39 organisations to the list, 9 of which are private limited companies and 31 of which had

annual entrepreneurship income less than 16000€. Altogether 125 social enterprises were identified. (Statistics Estonia 2014:4-6)

Most of the social enterprises take the form of associations – non-governmental organizations (MTÜs) make up to 84% of the social enterprises in Estonia and foundations (SAs) 9%. Only 7% work as private limited companies (OÜs). Also there are some hybrid organisations which use the forms of an association and a private limited company simultaneously. Most of the organizations work in the capital city Tallinn (58 enterprises), followed by the second biggest city Tartu (40 enterprises) and the rest work in rural areas across the country. (Statistics Estonia 2014) According to Statistics Estonia (2014) 1/3 of the social enterprises in Estonia work in the field of social welfare. This understanding is also supported by research that was conducted by the National Foundation of Civil Society in co-operation with the Good Deed Foundation in 2011. The second biggest field of activity is environmental organizations (about 17%). In addition there are enterprises which concentrate on cultural heritage, healthcare, civil society, family and children, youth work, education and the quality of life in rural areas. (Lillemets 2011:6)

For a full understanding of the field of social entrepreneurship in Estonia it is important to take into account the opinions of social entrepreneurs themselves. For this two main sources are used. First, research conducted by Lillemets on behalf of the National Foundation of Civil Society in cooperation with the Good Deed Foundation in 2011 where 10 social enterprises were interviewed by phone in the qualitative part. In the sample there were chosen 5 MTÜs, 3 SAs, 1 OÜ and 1 OÜ/MTÜ combination. Also the field of activity was taken into account when choosing the sample and the relation of making economic profit and receiving donations or grants. The sample was chosen for the best variety in all of the criteria. Second source is Helerin Sutts' Masters Thesis (2011) where the author questioned 39 social enterprises in form of a questionnaire. The sample was made from the information received from the National Foundation of Civil Society and additionally the search was expanded in the Internet. There were 68 social enterprises in the sample of which 39 answered.

First, the need for a separate legal framework has controversial opinions within the social entrepreneurs themselves. Lillemets (2011) argues that entrepreneurs see no need

for a separate legal form although it has been mentioned that it would help to raise awareness in society and more flexible legal framework in taxing, applying for grants would be welcomed. Sutt (2011), in opposition to Lillemets, argues that entrepreneurs wish for a separate clear legal form so there would be no confusion with which taxes a social enterprise has to pay and which advantages they can apply for and use. Second, the entrepreneurs find that there is lack of financial support – supporting start-ups, clear tax exemptions, financing especially marketing, advertising and product development. (Lillemets 2011; Sutt 2011) Third, the entrepreneurs find it difficult to access the markets where competition is high (especially as a MTÜ or SA) since they feel that the society sees private limited companies as more trustworthy service-providers but they also feel that acting as a private limited company would go to conflict with their mission. (Lillemets 2011) Also Sutt (2011) mentions lack of clients and high competition as main problems of entrepreneurs. Fourth, low awareness in the society of social entrepreneurship in general and of the services and products of social enterprises is seen as a key barrier in finding clients. (Lillemets 2011; Sutt 2011) Fifth, the entrepreneurs feel that the support systems by the national government are weaker than needed in the starting period of the enterprise and the lack of interest from the governments' side is seen as a problem (Sutt 2011).

One can conclude that social enterprises in Estonia do have a lot of problems of which some can be solved by themselves with a strong business plan and involving experienced people but a lot can be done on the state level. There are umbrella organizations in Estonia that help social entrepreneurs with training, writing a business plan and finding investments so problems regarding these fields are solvable. Bigger problem is the one of the lack of support from the state-level which concludes supporting start-ups, tax exemptions and establishing a new clear legal form or framework for social entrepreneurship. It has not yet been studied in Estonia how does the state see it's role in the developing field and if it has any interest in making steps toward a successful social entrepreneurship in Estonia.

2. Empirical part

2.1 Methodology

The instrument for data collection in the current thesis is conducting interviews. Expert interviews are seen as the best way to collect data since the purpose of the thesis is to study attitudinal aspects. The interviews are half-structured since the recipients may have different knowledge about the subject and the interviewer might have to specify and guide the interview with additional questions to get the needed data. The scheme of the interview is found in the extras of the thesis. The research design is explanatory since the purpose is to explain the possible role of the state institutions in developing social entrepreneurship in Estonia.

The sample has been chosen in close cooperation with the Estonian Social Entrepreneurship Network. The choice has been made in the principle of intended purpose sampling. As described in the theoretical section of this thesis, five basic external factors were identified which affect the development of a strong social entrepreneurship sector the most. These factors are categorised by the institutions in whose competence the needed activities are and three institutions have been chosen for the sample which are the Ministry of Economic Affairs and Communication, the Ministry of Social Affairs and the Parliament of Estonia. From every institution one person was interviewed who is familiar with the concept of social entrepreneurship and who has the competence to represent the organisation.

The interviews were firstly transcribed. Next the data will be coded with the computer programme MAXQDA. Open coding is planned to be used since the data can vary depending on the positions and the experience with the subject of the interviewees. This is also the reason for not using only theory based coding. While coding the themes of the interviews are used which are then sub-coded with the keywords from the Theory. The code system is found in the extras of the thesis. Inductive approach is used since the interviews are conducted only with few chosen persons and this means that the findings are generalized to the institution and the state by the data presented by the civil servant.

The validity and reliability of the data is ensured by the choice of the sample by using expert interviews and while interviewing checkpoints are used. Also the data is

collected from different institutions. The repetition of reliability is difficult to ensure because of using single instances but since the purpose is qualitative analysis it is not the most important for the current thesis and instead generalization is being used.

2.2 The data

The data has been collected by conducting half-structured expert interviews. The length of the interviews varied from half an hour to one hour. The interviewees were from The Parliament of Estonia, the Ministry of Economic Affairs and Communication and from the Ministry of Social Affairs. In presenting the data and the findings it is proceeded from the principle of confidentiality. The order of the questions asked changed during the interviews and some additional questions were asked to specify the answers.

The questions of the interviews were divided into 4 bigger themes, which are:

- 1) The definition and concept of social entrepreneurship
- 2) Finances of social enterprises
- 3) Possible support measures
- 4) Responsibility of the development of social entrepreneurship

These categories are also the basis of coding with sub-codes based on the keywords defined in the Theoretical part of the thesis. The code system is the following:

| Codes: | Sub-codes: | Occurrence: |
|---------------------------|---------------------------------|--------------------|
| Definition | | |
| | Initiative, social entrepreneur | 5 |
| | Entrepreneurial means | 10 |
| | Social mission | 12 |
| | Non-profit | 5 |
| | Surplus reinvestment | 11 |
| Finances | | 8 |
| Possible support measures | | |
| | Legal framework | 8 |
| | Fiscal support measures | 17 |
| | Co-operation | 8 |
| | Raising awareness | 5 |
| | Support institutions | 4 |
| Responsibility | | 9 |

Table 3. Codes

2.3 Analysis

In analysis the findings will be presented according to the four categories mentioned in the Methodology chapter. The chapter is divided into four parts irrespectively with the themes starting with the definition and concept of social entrepreneurship, secondly the question of finances, thirdly the possible support measures and fourth the question of responsibility of the development of social entrepreneurship.

2.3.1 Definition and concept of social entrepreneurship

The understanding of Estonian state officials about social entrepreneurship is the conceptual not legal way of defining. They all start defining with the activity and the purpose of a social enterprise. First the answers to question 1 and question 2 are presented together in which the interviewees were asked to define social entrepreneurship.

Member of the Parliament (MoP): *“It is an activity carried out by voluntary associations /.../ or socially marginal groups for their own coping. The activities can vary: making and selling brushes, envelopes or carpets – the spectrum is wide. The purpose is to give a purpose to people by keeping them active, it is not a form for making profits /.../.”*

Official from the Ministry of Economic Affairs and Communication (MEAC): *“It is solving of some social challenges /.../ risk groups, addicted people, disabled people /.../ in the situation where the state is not able to provide personal services /.../ giving jobs to disabled people /.../ selling products /.../ economic activities help them to ensure sustainability and steady cash flow.”*

Official from the Ministry of Social Affairs (MSA): *“It solves social questions through economic activities. /.../ It has two parts, first is making social capital and the second is making financial profits.”*

Next, keywords related to definitions are picked out from the interviewees answers.

MoP: *“/.../ social need /.../ coping /.../ social recognition /.../ innovation /.../ self-realisation /.../ social care /.../ charity /.../ initiative /.../ third sector /.../ non-profit /.../”*

MEAC: *“/.../ sustainability /.../ independence /.../ initiative /.../ making profit /.../”*

surplus reinvestment /.../ social challenges /.../ non-profit /.../ social mission /.../ risk groups /.../“

MSA: “/.../ business idea /.../ sales /.../ making profit /.../ social entrepreneur /.../ social capital /.../ social mission /.../ surplus reinvestment /.../“

Additionally, for a better understanding of the definitions by Estonian state officials the answers will be put in the context that was established in the Theoretical part adding keywords that have come up during the interviews.

| | Surplus reinvestment | Risk Groups | Innovation | Social Value Creation | Sustainability | Non-profit | Initiative | Job creation | Social Mission | Entrepreneurial means |
|----------------------------|----------------------|-------------|------------|-----------------------|----------------|------------|------------|--------------|----------------|-----------------------|
| M o P | | X | X | X | | X | X | X | X | X |
| M E A C | X | X | | X | X | X | X | X | X | X |
| M S A | X | | | X | | | X | | X | X |

Table 3. Definitions of the interviewees by features

Table 3 shows that Estonian state officials definitions also support the theory of Fayolle and Matlay (2010) which states that the main features in defining social entrepreneurship are social mission and entrepreneurial activities. Furthermore, the features brought out by Kaseorg and Raudsaar (2013) also repeat in the answers – innovation, initiative, sustainability and surplus reinvestment. Additionally at least two state officials mentioned job creation, risk groups and non-profit which reflect Estonian social entrepreneurship.

2.3.2 Finances

The question of finances is divided into several questions. First, how do social enterprises fund themselves. Second, are Estonian social enterprises applicable for loans and third, should it be allowed to distribute profit.

All interviewees agree that the first source of funding for social enterprises is the financial profit that comes from selling their product or service. Additionally donations, project funding, European Union funds and civil society support are mentioned.

MoP: *“They should be funded by their own activity, sales /.../ donations /.../ local governments /.../.”*

MEAC: *“/.../ Entrepreneurial profit /.../ product or service sales /.../ project funding /.../”*

MSA: *“/.../ Making profits /.../ project funding /.../ civil society support /.../ European Union funds /.../”*

Second, are Estonian social enterprises applicable for loans. It has been brought out that it is very difficult to apply for loans as a MTÜ but it is possible.

MoP: *“The opportunities are not good. Banks are not interested in such small cash flow /.../”*

MEAC: *“It is definitely limited. Private limited companies have profits from which they can pay back the loan but social enterprises should reinvest their surplus and therefore they don't have the capability to pay it back.”*

MSA: *“/.../ on usual terms. They have to show good cash flow and it is more difficult. /.../ Social enterprises can not get start-up funding from the banks /.../”*

Third, the views on profit distribution are more controversial. One of the interviewees thinks that profit distribution should not be allowed on any circumstances for social enterprises. Two interviewees connect the question of profit distribution with the legal form chosen – if the social enterprise works as private limited company then they should have the option to distribute profit but if they work as an association, then it should not be allowed. This view is based on Estonian legislation where it is stated that associations are not allowed to distribute profit but there is no limitation for private

limited companies.

MoP: *“It should be their own decision depending on the chosen form. There can be no regulation on that part.”*

MEAC: *“/.../ It is not allowed for MTÜs but it is possible as an OÜ. It is the question of form choice. /.../ basically it should not be excluded /.../ owners make wage income but not dividends /.../”*

MSA: *“/.../ If they distribute profit it is not a social enterprise, it is an usual for-profit company /.../ it is the question of using the profit /.../ social enterprises reinvest their surplus /.../ they don't take out dividends /.../”*

2.3.3 Possible support measures

Regarding possible support measures it was asked from the interviewees if they think that state support is at all important in developing social entrepreneurship area and if the state has interest in supporting social entrepreneurship. Next external factors needed for a successful social entrepreneurship that were established in the Theoretical part of the thesis were went through asking if the state officials see the need.

First, all of the interviewees think that state support is important and needed for a successful social entrepreneurship sector in Estonia and the interest in doing so is also there.

MoP: *“/.../ If it is beneficial to the society then the state should support /.../ financial support creates dependence /.../ entrepreneurship can not be dependent on grants /.../ Interest? It should be there /.../”*

MEAC: *“/.../ Yes, it is needed, but /.../ state should support those who bring results /.../ choices have to be made and it is justified /.../ state has the interest /.../ we would be glad to have more social enterprises working under the legislation we work with /.../”*

MSA: *“/.../ There are different measures how the state can support /.../ we have the interest in supporting /.../ there is a pilot project starting that supports the creation and development of social enterprises /.../”*

The interviewees were asked about the need to create a new legal form for social enterprises and/or more flexible legal framework. This is seen as one of the most

important external factor for a successful social entrepreneurship as established in the Theoretical part but only one of the interviewees, the member of the Parliament, found it important. Two of the interviewees, officials from the Ministry of Economic Affairs and Communication and from the Ministry of Social Affairs, did not see the actual need for new legislation although they did not fully exclude the option.

MoP: *“/.../ there is no distinction in legislation at the moment /.../ it is needed /.../ new legal framework has to be worked out /.../ less taxes, bureaucracy, regulations /.../ there is no point to burden these active people with bureaucracy /.../”*

MEAC: *“/.../ I would not exclude the possibility /.../ I don't see the need at the moment /.../ new form needs a thorough reason /.../ I don't see it now /.../”*

MSA: *“/.../ I can not say there is a need /.../ there is no clear answer /.../ should work with the existing legal framework /.../”*

Second important external factor is the one of fiscal support and possible tax exemptions. The possible tax exemptions include the VAT and taxes on labor. One interviewee, the member of the Parliament, is positive about tax exemptions to social enterprises and two recipients, officials from the Ministry of Economic Affairs and Communication and from the Ministry of Social Affairs, have certain reservations on the subject.

MoP: *“/.../ should not be taxed /.../ it is not reasonable to tax social enterprises, collect the money to the State Treasury and then distribute it back to them /.../ there should be more private donations, the system could support it by reducing income tax in the sum of the donation to a social enterprise /.../”*

MEAC: *“/.../ tax exemptions are taboo /.../ we have a homogeneous system which is correct /.../ it should have a strong justification /.../ I do not see it /.../ I would not make exemptions /.../ it could not be form-based but content-based /.../”*

MSA: *“/.../ there is an impact to the national budget which needs to be analysed /.../ expectations are unrealistic /.../ tax exemptions may not give the expected outcome /.../ I would not fully exclude /.../ there is a risk of malpractice /.../”*

Third characteristic is access to the markets which includes business support and start-up funding. All of the recipients think that business-support is available already and no

further support in this case is necessary. Although, a difference comes in with the access to the market – two interviewees, the member of the Parliament and the official from the Ministry of Social Affairs, are convinced that help from the state is needed and could be offered while one recipient, official from the Ministry of Economic Affairs and Communication, thinks that no further assistance is needed in this question.

MoP: *“Is it necessary that the state would support access to business-support and incubators? This is not limited now /.../ This is not a real problem, there is no inequality. /.../ Disabled people can create a social enterprise, but competing with usual enterprises /.../ different physical and educational background /.../ will have to treat differently.”*

MEAC: *“/.../ Access to the marketplace is already there. The soft support from the state is offered even regionally in every county /.../ we have consulting competence /.../ the business support is available.”*

MSA: *“/.../ We can support the development through incubation programmes. /.../ Estonian Unemployment Insurance Fund for example could be the partner /.../”*

Additionally, the question of start-up funding is also seen differently. The official from the Ministry of Economic Affairs and Communication which regulates the entrepreneurship start-up funding sees the issue quite straightforward and only according to the legislation now when the member of the Parliament is not fully aware of the possibilities and the official from the Ministry of Social Affairs thinks that start-up funding in a different category from for-profit private enterprises is needed and reasonable.

MoP: *“/.../ Enterprise Estonia is doing something /.../ I am not too familiar with the possibilities.”*

MEAC: *“Start-up funding can be applied to only if the social enterprise acts as an OÜ. /.../ The criteria is business-based not social mission based. /.../ It is not ruled out /.../ If the social enterprise acts as an OÜ and meets the criteria then it is possible /.../”*

MSA: *“Adding a different category for social enterprises to start-up funding sounds like a reasonable idea. /.../ We are trying to support this kind of development /.../”*

The fourth characteristic is raising awareness in the society about social

entrepreneurship in general and more specifically about the products and services provided by social enterprises. All of the interviewees have positive attitude towards state help in raising awareness in the society.

MoP: *“/.../ This can be done. /.../ Explaining and supporting has to be done /.../ it is not easy to raise awareness in the society by their own /.../”*

MEAC: *“To support raising awareness? Yes. /.../ Some awareness is already established but is it bind to social entrepreneurship, probably not /.../ the awareness exists about the services /.../”*

MSA: *“/.../ It couldn't hurt. At some phase the government should give it's support. /.../ not some general talking but according to examples, success stories /.../ discussion is important /.../ we can distribute information.”*

The fifth possible support measure is acquiring strong support network and institutes. All of the interviewees are convinced that the state should not provide new support institutes but the official from the Ministry of Economic Affairs and Communication is positive about inter-ministerial work groups.

MoP: *“/.../ The state should not. /.../ The focus should be carried by the people not the state /.../ the state will suffocate /.../”*

MEAC: *“/.../ I am sceptical about the support institutions. /.../ There is already too many /.../ new support institutions should definitely not be created. /.../ Inter-ministerial work groups are a good idea. /.../ This is a good way to organise the issue better.”*

MSA: *“I don't think so. /.../ We should solve the question within already existing institutions and development plans.”*

Vertical co-operation between the state and social enterprises has a positive attitude from all the interviewees.

MoP: *“/.../ positive /.../ this should be the task of local authorities /.../ I don't mean financial support but using premises, transportation help and so on /.../”*

MEAC: *“/.../ Vertical co-operation should be done! /.../ State can outsource some tasks to social enterprises if there is a capable enterprise /.../”*

MSA: *“/.../ I take it well /.../ local authorities have the opportunity and the need /.../”*

private sector can not fulfil the need /.../ we can not obligate the local authorities /.../”

2.3.4 Responsibility of the development of social entrepreneurship

The last question asked during the interviews was who should be responsible for the development of social entrepreneurship in Estonia. The responsibility is seen as a wider issue so no-one of the recipients gave one clear answer to the question. All of the recipients agree that there are many counter-parties. The most named institution was the Ministry of Social Affairs by the member of the Parliament and the official from the Ministry of Economic Affairs and Communication. The official from the Ministry of Social Affairs agrees that the organisation has some responsibility but thinks that every ministry has it's role.

MoP: *“/.../ The responsibility is everyone's /.../ The initiative should come bottom-up /.../ the legal framework should come in co-operation of the Ministry of Social Affairs, Ministry of Justice and the Parliament.”*

MEAC: *“/.../ The focus should be on the mission. /.../ The Ministry of Social Affairs could take the active role /.../ the missions of social enterprises are mostly in the responsibility area of the Ministry of Social Affairs. /.../ other ministries have their role – mainly Ministry of Economic Affairs and Communication and Ministry of Internal Affairs /.../”*

MSA: *“/.../ the responsibility should belong to social entrepreneurs /.../ there are many counter-parties /.../ every ministry should think about it /.../ also the local authorities /.../ everything depends on the people active in the field but the state has to create the supportive environment – this is the responsibility of the state /.../ the Ministry of Social Affairs is very supportive in our area /.../”*

2.4 Findings

First of all, the state officials are up to date with the concept of social entrepreneurship since the suggested definitions of the interviewees are in accordance with the theories provided in the first chapter. The same basic features are brought out – social mission, entrepreneurial means, innovation, initiative, sustainability and surplus reinvestment. Additionally other features such as risk groups and job creation were brought out which reflect the Estonian social entrepreneurship field as the biggest field of activity of the Estonian social enterprises is social welfare.

Secondly, the standpoint of Estonian state officials in key concepts of social entrepreneurship is more or less clear. The standpoint in the question of financing is that the main income should come from their own entrepreneurial activities but project grants and other incomes are also a possible way of financing. The recipients also agree that social enterprises that work as a MTÜ, which makes up to 84% of Estonian social enterprises, can not get conventional loans but they also see no opportunity for state support in this matter. The issue of profit distribution is originated mainly from Estonian legislation where private for-profit enterprises have no limitations in profit distribution but associations are prohibited to do so – two of the interviewees brought out that it should be the choice of the entrepreneur according to the legal form he chooses to work with which is also the standpoint of Social Innovation School and one of the interviewees support the standpoint of Social Enterprise School which states that profit distribution should be prohibited since the whole organisation of a social enterprise should carry the social objective, not profit maximization.

The attitude of possible support measures has more variance. Firstly, creating supportive legal framework is seen as inevitable by only one of the interviewees. The view on the legal framework is mainly that there is no need for new legislations since social enterprises can today choose between two possible legal forms and there are other ways how to support social entrepreneurship within the existing legislation. Secondly, fiscal measures and tax exemptions is again controversial in the eyes of state officials. One of the recipients is convinced that social entrepreneurship should not be taxed while the other two see the homogeneous tax system as the best although they do not fully exclude the option. The opinion of third possible support measure, access to the market

and business-support, is that the soft support is already offered and no additional support in this matter is needed although one of the interviewees think that the state can help with the incubation programmes and one of the interviewees see access to the market as something where social enterprises have the disadvantage and state should provide support. The attitude towards the fourth support measure, raising awareness in the society, is positive. The state officials all see this as a possible and needed way how the state can support social entrepreneurship. The fifth support measure, creating new support institutions has a negative attitude although inter-ministerial work groups is seen as a good way to organise the work by one of the interviewees but vertical co-operation between the state and social enterprises is seen by all of the interviewees as a good way of supporting social entrepreneurship.

The question of state's interest has a unified view – state institutions have interest in the field and moreover, in supporting the development of social entrepreneurship. All of the recipients confirmed that their organisation has a certain interest and that the subject of social entrepreneurship has been severely discussed within the organisation, co-operation with the Estonian Social Entrepreneurship Network is ongoing and one organisation has a pilot project starting in the coming year.

The responsibility of the development of social entrepreneurship is mostly seen as everyone's – the social entrepreneurs themselves should take the initiative but the interviewees agree that the state has it's role in creating a supportive environment and this is seen as many counter-party task. The Ministry of Social Affairs was mentioned the most times when addressing the question of responsibility within the state institutions.

Social entrepreneurship is generally seen as an organisation that works mainly as a MTÜ that should earn their income through entrepreneurial measures, reinvests their surplus and falls under the responsibility area of the Ministry of Social Affairs since the missions of social enterprises are of their field of activity although the Ministry of Social Affairs is not responsible for entrepreneurship or civil society. Responsibility for civil society lies in the Ministry of Internal Affairs which was mentioned by the officials when addressing the responsibility issue but it was not seen as the main responsible party. Developing of entrepreneurship in general is the task of the Ministry of Economic

Affairs and Communication that has their priorities in strong, exporting enterprises that work as OÜ or AS. The Ministry of Economic Affairs and Communication sees their role in supporting social enterprises when they reach their criteria.

In conclusion, the role of state in developing social entrepreneurship is seen by the state officials as the silent partner – providing support through raising awareness in the society, giving consulting help and developing co-operation. Creating new legal framework and making tax exemptions is seen as an opportunity to support social entrepreneurship but the state officials agree that both measures should be analysed thoroughly before making any decisions but creating support institutions is not seen as the state's role. The most positive attitude towards possible support measures comes from the Member of the Parliament whereas the officials from the ministries prefer to provide support through already existing mechanisms.

Summary

The main purpose of this thesis was to provide additional value in the knowledge gap of Estonian social entrepreneurship field. As discussed with Estonian Social Entrepreneurship Network, the perception of state officials towards social entrepreneurship and its development, was studied. The main question of the thesis was: What is state's officials perception of the state's role in the development of social entrepreneurship in Estonia? Supportive sub-questions were added: How do state's officials define social entrepreneurship? What is their standpoint in key issues of the concept of social entrepreneurship like financing and profit distribution? What is the attitude towards applying possible support measures? Is the state interested in the development of social entrepreneurship? Who should be responsible for the development of social entrepreneurship in Estonia?

For achieving these goals, a qualitative research was conducted. Firstly the concept of social entrepreneurship was studied. There are conceptual and legal definitions of social entrepreneurship that differ in several means but though the definitions do differ by the concepts and characteristics there are a few basic features that repeat from definition to definition irrespective of the concept. The most frequent features in the definitions are social mission and entrepreneurial means. The next features are innovation, initiative and sustainability, which can be taken as the basis of a more unified definition of social entrepreneurship.

Secondly, external factors essential for development of social entrepreneurship were studied and five basic factors were identified which are: 1) supportive legal framework; 2) fiscal measures and tax exemptions; 3) ensuring access to the markets; 4) raising awareness in the society and 5) co-operation between the state and social enterprises. All of the external factors can be supported by the public authorities.

Third, Estonian social entrepreneurship sector was described. Social enterprises have the opportunity to work as a private limited company or an association. Most of Estonian social enterprises (up to 84%) have decided to work as an association and therefore have no choice to distribute profit. Biggest field of activity is social welfare. Also the perception of social entrepreneurs was studied and in their opinion the biggest problem of social entrepreneurship in Estonia is the one of the lack of support from the

state-level which concludes supporting start-ups, tax exemptions and establishing a new clear legal form or framework for social entrepreneurship.

After this, interviews with state officials were conducted by the author. The sample was made of a Member of the Parliament, an official from the Ministry of Economic Affairs and Communication and an official from the Ministry of Social Affairs. The interviews were transcribed and coded. The information from the interviews was analyzed in accordance to the theoretical part of the thesis.

It was found that the state officials are up to date with the concept of social entrepreneurship since they suggested mostly the same features in their definitions that were established in the theoretical part. Social enterprise is seen as an organisation that works as an association that earns its own income by entrepreneurship and has a clear social mission. The officials agree that the state does have the interest in supporting the development of social entrepreneurship but only a few of the external factors identified in the theoretical part got their full support. These were raising awareness and vertical co-operation between the state and a social enterprise. Creating legal framework, ensuring access to the marketplaces and tax exemptions cause controversial attitudes among the state officials. Creating new support institutions was seen as unnecessary by all of the interviewees. The most positive attitude towards possible support measures was by the Member of the Parliament and the officials from the ministries tend to be more reserved.

It can be said that the state officials according to this thesis see the role of the state in developing social entrepreneurship as a silent partner and offer mostly soft support measures such as raising awareness in the society about social entrepreneurship and vertical co-operation that is mostly seen as the task of local authorities. The responsibility of the development of social entrepreneurship should fall on the shoulders of many counter-parties according to the recipients starting with the social entrepreneurs themselves.

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Resümee

“Riigi roll sotsiaalse ettevõtluse arendamisel: Eesti riigiametnike nägemus”

Käesoleva bakalaureusetöö peamine eesmärk oli luua lisaväärtust Eesti sotsiaalse ettevõtluse diskussiooni. Nagu Eesti Sotsiaalsete Ettevõtete Võrgustiku poolt välja pakutud, uuriti, millisena näevad riigiametnikud riigi rolli sotsiaalse ettevõtluse arendamisel. Peamine uurimisküsimus oli: Millisena näevad riigiametnikud riigi rolli sotsiaalse ettevõtluse arendamisel Eestis? Toetavad lisaküsimused: Kuidas defineerivad riigiametnikud sotsiaalset ettevõtlust? Milline on nende seisukoht sotsiaalse ettevõtluse kontseptsiooni peamiste elementide suhtes nagu tulude jaotamine ja finantseerimine? Kuidas suhtuvad riigiametnikud võimalike toetusmehhanismide rakendamisse? Kas riik on huvitatud sotsiaalse ettevõtluse arendamisest? Kes peaks olema vastutav sotsiaalse ettevõtluse arengu eest Eestis?

Nende eesmärkide saavutamiseks koostati kvalitatiivne uurimistöö. Esiteks uuriti sotsiaalse ettevõtluse kontseptsiooni. Eristatakse kontseptuaalset ja legaalselt defineeritud kontseptsiooni. Kuigi definitsioonid erinevad nii kontseptsioonide kui karakteristikute osas, on siiski mõned peamised omadused, mis korduvad läbi definitsioonide. Kõige sagedamalt korduvad omadused on sotsiaalne missioon ja ettevõtluse elemendid. Nendele järgnevad innovatsioon, initsiatiiv ja jätkusuutlikkus. Need omadused saab võtta ühtlustatud definitsiooni aluseks.

Teiseks uuriti sotsiaalse ettevõtluse eduks vajalikke väliseid faktoreid, milleks on: 1) toetav õiguslik raamistik; 2) fiskaalsed mehhanismid ja maksusoodustused; 3) turule ligipääsu tagamine; 4) teadlikkuse tõstmine ühiskonnas ja 5) koostöö riigi ja sotsiaalsete ettevõtete vahel, tugistruktuuride rajamine. Kõiki neid väliseid faktoreid saab toetada riik.

Kolmandaks kirjeldati Eesti sotsiaalset ettevõtlust. Sotsiaalsetel ettevõtetel on võimalus valida äriühingu või mittetulundusühingu vormi vahel. Enamus Eesti sotsiaalsetest ettevõtetest töötab mittetulundusühinguna (84%) ja seega ei saa nad kasumit jaotada. Enim sotsiaalseid ettevõtteid töötab sotsiaalhoolekande vallas. Uuriti ka Eesti sotsiaalsete ettevõtjate nägemust – suurimate probleemidena toodi välja riigi abi puudumine.

Pärast seda tehti intervjuud Eesti riigiametnikega. Valim koosnes ühest Riigikogu liikmest, ühest ametnikust Majandus- ja Kommunikatsiooniministeeriumist ning ühest ametnikust Sotsiaalministeeriumist. Intervjuud transkribeeriti ja kodeeriti. Intervjuudest saadud informatsioon analüüsiti läbi töö teoreetilise osa.

Leiti, et Eesti riigiametnikud on kursis sotsiaalse ettevõtluse kontseptsiooniga, kuna nende välja pakutud definitsioonides kordusid samad karakteristikud, mis töö teoreetilises osas välja toodud. Sotsiaalset ettevõtet nähakse kui organisatsiooni, mis töötab mittetulundusühinguna, saab oma peamise sissetuleku läbi ettevõtluse ning millel on selge sotsiaalne missioon. Riigiametnikud nõustuvad, et riigil on huvi sotsiaalse ettevõtluse arengut toetada, kuid vaid mõned teoreetilises osas välja toodud võimalikud toetusmehhanismid pälvivad ametnike täieliku heakskiidu. Nendeks on teadlikkuse tõstmine ja vertikaalne koostöö. Uue õigusliku raamistiku loomine, turule ligipääsu tagamine ning maksusoodustused tekitavad vastuolulisi arvamusi. Mitte ükski ametnik ei leidnud, et uue tugistruktuuri loomine oleks vajalik. Kõige positiivsemalt suhtus võimalikesse toetusmehhanismidesse Riigikogu liige. Ministeeriumite ametnikud jäid reserveeritumaks.

Võib öelda, et riigiametnikud näevad riigi rolli sotsiaalse ettevõtluse toetamisel pigem kui vaikiva partneri rolli läbi pehmete toetusmehhanismide pakkumise nagu teadlikkuse tõstmine ühiskonnas ja vertikaalne koostöö, mida nähakse kohaliku omavalitsuse ülesandena. Vastutus sotsiaalse ettevõtluse arengu ees on riigiametnike silmis paljudel osapooltel, alustades sotsiaalsete ettevõtjate endiga.

Extras

Interview scheme

1. Opening question: In which way are you familiar with the concept of social entrepreneurship?

2. Substantial question: Please define social entrepreneurship.

Possible specifying/directing/explanatory questions:

1. What could be the goal of a social enterprise in your opinion?

2. What could be the activities of a social enterprise in your opinion?

3. What could be the profits of a social enterprise?

3. Transition question: Please give me a short overview of the sectors in society.

Possible specifying/directing/explanatory questions:

1. Are the sectors comprehensive in your opinion?

4. Substantial question: In which sector would you position social entrepreneurship and why?

Possible specifying/directing/explanatory questions:

1. Can social entrepreneurship go under several sectors at once?

2. With which sector do the goals of social entrepreneurship harmonize?

3. With which sector do the activities of social entrepreneurship harmonize?

4. With which sector do the profit-making of social entrepreneurship harmonize?

5. Transition question: In which way are you familiar with the legislations in different sectors?

Possible specifying/directing/explanatory questions:

1. In which legislations do social enterprises work in Estonia?

6. Substantial question: how could one differ social enterprise from an NGO or from an economic enterprise?

Possible specifying/directing/explanatory questions:

1. Is it possible to make a legal difference between social enterprises and other associations in Estonia?

2. Is it important to have the possibility to make the difference?

3. Which kind of benefits do social enterprises get working as an NGO?

4. Which kind of benefits do social enterprises get working as a foundation?

5. Which kind of benefits do social enterprises get working as a business enterprise?

7. Substantial question: What kind of an association should social enterprises be? (NGO, foundation, OÜ, AS)?

8. Substantial question: Is it important to support social entrepreneurship and offer advantages?

Possible specifying/directing/explanatory questions:

1. Why is it important / why is not important?

9. Transition question: In whose competence is it to support the development of social entrepreneurship as a field?

10. Substantial question: Do these institutions/people make the needed steps in your opinion?

11. Substantial question: Who among these institutions/people should be responsible for the development of social entrepreneurship as a field?

12. Substantial question: Is it essential to support social entrepreneurship by the national government?

Possible specifying/directing/explanatory questions:

1. In which way is it needed?

2. Why is it needed / is it not needed?

13. Substantial question: What kind of advantages and grants should the state offer?

14. Substantial question: What kind of steps can your organization take to support social entrepreneurship?

Possible specifying/directing/explanatory questions:

1. In what way does your organization take these steps today?

2. Do you think it is needed to take these steps?

15. Substantial question: Who is responsible for the development of social entrepreneurship as a field?

Possible specifying/directing/explanatory questions:

1. In what way is it in your organizations' responsibility?

2. In what way is it the states' responsibility?

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/Kerli Mägi/