

## THEORETICAL ASPECTS OF SOCIAL ENTREPRENEURSHIP IN THE CONTEXT OF ENVIRONMENTALISM

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### Abstract

As the fight against climate change grows, the world is increasingly focusing on developing social entrepreneurship to address environmental challenges. By creating not only legislation and support programmes, Latvia is also involved in the development of social entrepreneurship, following the priorities of social entrepreneurship set out in the Europe 2030 and Latvia 2030 strategies.

The research aim is to examine the theoretical role of preserving and protecting the environment by means of social entrepreneurship. To achieve the aim, specific research tasks were set: 1) to review the relevant scientific literature and make a comparison of different definitions of social entrepreneurship; 2) to define the factors affecting environmental help and to examine how social entrepreneurship takes part in improving these factors; 3) to identify which European Union Member States most actively use social entrepreneurship in solving environmental problems.

The research showed, given that social entrepreneurship is a relatively new concept, its long-term concept is unclear, and the ambiguous definition hinders the development of common sets of measures. Given that the criteria for setting up a European social enterprise vary, most EU Member States focus on engaging target groups in social entrepreneurship, while only 8 EU Member States view environmental protection as an essential component of social entrepreneurship.

**Key words:** social entrepreneurship, social enterprise, environment, sustainable development.

### Introduction

Social entrepreneurship developed rapidly in the early 2000s and has attracted a lot of researcher attention; since this field of science continues to expand, the identification and development of social entrepreneurship is hindered by obstacles such as legislative gaps, ambiguous definitions and a systematic lack of theoretical facts about the factors affecting social entrepreneurship that make the sector fragmented (Sassmannshausen & Volkman, 2013; Mackle *et al.*, 2018). **Social entrepreneurship involves identifying, assessing and using business opportunities in a way that creates social value for meeting the basic and long-term needs of society** (Austin, Stevenson & Wei-Skillern, 2006). Social value pertains to meeting the short-term and long-term necessities of society such as nutritional food, clean water, housing, education and medical services to the members of community who do not have access to them, but it does not make any profits (Cetro & Miller, 2008). The emphasis on social value is the basis for a number of definitions of social entrepreneurship (Peredo & McLean, 2006; Shaw & Carter, 2007). For example, Austin, Stevenson, Wei-Skillern (2006) have defined social entrepreneurship as a “contemporary, beneficial activity that could be promoted by both non-profit organizations and private or public sector entrepreneurs”. The definition places a strong emphasis on two components. First, the definition highlights the creation and importance of innovation, which coincides with the Schumpeterian view of entrepreneurship, which means that social entrepreneurs could be viewed as promoters and creators of social innovation (Casson, 2005). Second,

the definition emphasizes the different actors in social entrepreneurship, which means that this form of entrepreneurship is adaptable not only to for-profit or non-profit organizations but also to public authorities (Cetro & Miller, 2008). Social entrepreneurship differs from the theory of entrepreneurship, yet there are a number of similarities. French economist Jean-Baptiste Say has defined an entrepreneur as an individual who implements an intention and changes an outlook in such a way that it changes the reaction of the idea on society (Martin & Osberg, 2009). However, the dissimilarity between entrepreneurship and social entrepreneurship originates from the purpose of creation. The main goal of social entrepreneurs is to solve a social problem and not to make a profit, as is the case with classical entrepreneurship.

### Materials and Methods

The present research employed several methods to achieve the research aim and accomplish the tasks. The monographic and descriptive methods were used to theoretically discuss various definitions of social entrepreneurship, as well as to interpret the research results based on scientific finding. Analysis and synthesis were used to survey the elements of the problems and to identify regularities. Induction was employed to make scientific assumptions based on individual elements or facts and identify causal relationships.

### Results and Discussion

Single definition of social entrepreneurship has not been implemented, yet it is an integral part of the European market economy, with various business

Table 1

**Comparison of the definitions of social entrepreneurship**

Definition	Author	Emphasis on	What is different from other definitions
Social entrepreneurship means producing goods or services with the aim of solving a social problem or benefiting society, rather than maximizing profits for business owners. The types, formats, goods, services of social entrepreneurship could be very different, social enterprises could be large, small, international or local, yet they are all united by the desire to create high social value added by using business methods.	Social Entrepreneurship Association of Latvia	The emphasis is placed on tackling a social problem or creating a benefit for society.	The definition specifies no forms, types, no specific, understandable boundaries.
The main goal of social entrepreneurship is to make a social impact and not to generate a profit for the owners. It operates under market conditions, in a business-like and innovative way, thereby producing goods and services. For a social enterprise, its social mission is more important than profit. Profit is not a goal, but a means. It is reinvested in achieving the social goal, not redistributed. The way work is arranged or the system of ownership reflects the principles of social justice, democracy and participation. Its origins are linked to civil society.	Ministry of Welfare of the Republic of Latvia	The emphasis is placed on the fact that the aim is not to make a financial gain.	The definition refers only to the fact that profit is not a goal, no conditions or forms of entrepreneurship are specified as well as who can engage in social entrepreneurship.
The main purpose of social entrepreneurship is to tackle social or environmental problems. A social entrepreneur supplies goods or services by reinvesting the profit earned by the company or allocating it to the achievable social goal. Social entrepreneurship is not uniform: it can employ individuals of different genders, interests, social groups and opinions, the main common feature is that social entrepreneurs pursue a social mission or goal.	School for Social Entrepreneurs	The emphasis is placed on the fact that profit could be reinvested or allocated to an achievable social goal.	It mentions that social entrepreneurship is not uniform and that people should have a common feature to engage in social entrepreneurship.
Social entrepreneurship is a kind of entrepreneurship that offers original solutions to society's biggest social problems. Social entrepreneurs are aspiring and tenacious in proposing new ideas for overall positive change. Social entrepreneurs offer consumer-friendly, recognizable and ethically acceptable ideas that reach a target audience, thereby making the idea widely available and implementable.	Bill Drayton	The emphasis is placed on the fact that social entrepreneurship offers innovative solutions.	It differs from other definitions in that it lists the characteristics and traits of the entrepreneur.

Source: authors' own compilation based on Social Entrepreneurship [w.y.]; What is social..., [w.y.]; Support for social..., [w.y.]; What is a..., 2015; Drayton, 2015.

principles, forms and goals. Social entrepreneurship is based on creating social changes by offering various innovative solutions (Social Entrepreneurship, [w.y.]). A comparison of the definitions of social entrepreneurship is shown in Table 1.

Examining the evolution of social entrepreneurship in the context of environmentalism allows us to conclude that social entrepreneurship emerged as early as the beginning of the 20<sup>th</sup> century when the Royal Society for Nature Conservation was founded in Great Britain (Vickers, 2010). In the second half of the 20<sup>th</sup> century, however, measures emerged to prevent pollution from large companies (Lowe & Goyder, 1983; Jamison *et al.*, 1990). In the 1970s and 1980s, activists sought to develop a rational, sustainable political principles in which economic democracy was

a decisive factor. Worker cooperatives were a popular institutional form whereby a new resource efficient economy could be built although little notice was paid to other forms of social economy (Vickers, 2010).

The development of social entrepreneurship has been facilitated by various scientists, politicians and entrepreneurs (Table 2), who have made a significant contribution to its visibility and created businesses that form the basis of social entrepreneurship in the 21<sup>st</sup> century.

The scientific literature emphasizes the long-term results of social entrepreneurship. However, since social entrepreneurship is a rather new concept, its long-term concept is unclear. James B. Taylor is one of the founders of social entrepreneurship who emphasized that social innovation includes the ability

Table 2

**Founders of social entrepreneurship**

Name, surname	Year	Contribution to social entrepreneurship
James B. Taylor	1970	One of the founders of social entrepreneurship who emphasized the importance of innovation and highlighted social problems.
Charles Leadbeater	2000	The report entitled “The Rise of the Social Entrepreneur Social” drew the attention of scientists to social entrepreneurship research.
Michael Young	1950-1990	The School of Social Entrepreneurship (SSE) was set up to help young entrepreneurs to set up social enterprises.
Andrew Mawson	2007	Contributed to urban regeneration in London.
Fritz Schumacher	1973	The author of the book “Small is Beautiful” drew the attention of social entrepreneurs to environmental aspects.

Source: authors’ own compilation based on Abeysekera, 2019.

of activists and social entrepreneurs to see social needs and come up with new solutions to tackling social problems (Abeysekera, 2019).

People are constantly interacting with the environment, and it affects their life quality, healthy life years and health disorders. With regard to health, the World Health Organization (WHO) defines the environment as “all the physical, chemical and biological factors external to a person that impact behaviour”. Environmental health includes prevention of control of illness, trauma, and disability related to the interplays between individuals and their habitat (Worldwide health risks..., 2017).

The Agency for Disease Prevention and Health has identified 6 factors, each highlighting the environmental health element:

- Outside air condition.
- Quality of water.
- Toxic substances and hazardous waste.
- Accommodations and communes.
- Infrastructure and monitoring.
- Ecological health in the world.

Maintaining a healthy ecosystem is essential for the quality of life and healthy life years. Preventable global environmental factors account for 23% of total deaths and 26% of deaths of children under the age of 5 (Worldwide health risks..., 2017).

Since profit is viewed as the main motivator of entrepreneurship, the scientific literature examines different concepts of entrepreneurship that include various motivations examined in a broader social, political and environmental context (Downing, 2005; O’Neil, 2009; Drakopoulou Dodd & Anderson, 2007; Nicholls, 2008). The scientific literature specifically focuses on entrepreneurship motivated by eco-friendly values, also called green entrepreneurship or eco-environment (Isaak, 2002; Schaper, 2002; Tilley & Young, 2009; Dixon & Clifford, 2005) or sustainable entrepreneurship (Dean & Mc Mullan,

2007). Dean and Mc Mullan use the ecological and health economies to show that ecological collapse and degradation results from lack of success in market which reflect the potential for profitability as market-based solutions could be enlarged by entrepreneurs in cooperation with governments (Dean & McMullan, 2007).

Other authors focus on building a better understanding of the diverse goals and merits of young people engaged in green activities. This means eco-entrepreneurship is closely linked to corporate social responsibility and ethics on entrepreneurship, as well as the values and beliefs of entrepreneurs and business owners, and managers in relation to production and consumption in a more environmentally friendly way (Masurel, 2007). Sustainability-oriented entrepreneurship could play two roles: filling gaps and creating catalysts (Parrish & Foxon, 2009; Chell, 2007; Walley & Taylor, 2002). The first concerns filling gaps in the supply of critical communal and ecological goods and solutions that are not produced by commercial sectors and government structures. Sustainable entrepreneurs could also be particularly motivated through creating a friendly business environment to transform the industries in which they are engaged and who want to make profit while also contributing to solving ecological problems and preserve nature resources (Parrish & Foxon, 2009; Austin *et al.*, 2006).

Tilley and Young (2009) base their opinions on a critique of the general picture of entrepreneurship and its role in ecological modernization theory to give an alternative model. They agree with other authors and argue that in a world of constrained resources, political involvement is insufficient to promote environmental and social sustainability. Sustainable businesses need to go beyond the inclusion of additional criteria for ecological and social efficiency, adequacy and environmental equity (Dyllick & Hockert, 2002).

Tilley and Young's definition of wellbeing states that sustainable entrepreneurs provide benefits to the economy, society and the natural environment. This alternative model of sustainable entrepreneurship helps individuals to respect the values and measures taken to build a sustainable social business: "This is a challenge that is very difficult in practice, as many elements are theoretical at best. However, entrepreneurs have the qualities needed to experiment, take risks and implement these elements of the model and move towards sustainable entrepreneurship development. Entrepreneurs should therefore be viewed not only as investors in a successful economy but also as the driver of a sustainable society" (Tilley & Young, 2009).

Even though social entrepreneurs are often identified as goal orientated people with a daring and direct mission who set up social businesses, there has been a moderate change in the social entrepreneurship literature from focusing on individuals to understanding social entrepreneurship as a process that results in innovation (Perrini & Vurro, 2006; Diochon & Anderson, 2009).

In Europe, the criteria for setting up a social enterprise differ significantly, as do the development stages and plans for social entrepreneurship. The European Commission's website publishes reports on social entrepreneurship in 27 European Member States (Social enterprises and..., 2020). Comparing the reports, the authors used keywords to analyse which Member States focused on environmental protection and nature conservation and which reports focused mainly on the social inclusion of target groups or other factors.

The Member States that referred to environmental protection and nature conservation as one of the main goals of social entrepreneurship were:

- Bulgaria; its Social Enterprise Law states that one kind of social entrepreneurship involves the implementation of measures to ensure nature protection, biodiversity and ecological balance. The Bulgarian Centre for Not-For-Profit Law holds an annual competition for the best business plans to support future social entrepreneurs, including those wishing to work in the field of environmental protection and conservation (Social enterprises and..., 2020);
- social enterprises in Austria could be divided in several categories, e.g. the non-profit organization sector, in which 39 (4.7%) out of 837 enterprises were engaged in nature protection and conservation, while in the ECO-WISE sector, which had 194 enterprises, 35 (18%) organizations dealt with nature protection. The Austrian report states that education and science, followed by nature conservation, are key priorities for the younger

generation of entrepreneurs setting up or wanting to start social enterprises (Social enterprises and..., 2020);

- The Albanian report states that the Social Enterprise Law specifies no common definition and criteria, yet the law states that social enterprises are those that deal not only with the involvement of target groups but also with nature protection and conservation. However, one of the criteria for setting up a social enterprise is the employment of at least 30% of the target groups in the enterprise; therefore, solving environmental problems cannot be the primary goal (Social enterprises and..., 2020);
- The Greek report focuses on women's employment rates, while in relation to environmental protection and nature conservation it states that this sector accounts for 6% of the total social enterprises in Greece (Social enterprises and..., 2020);
- In Croatia, a social entrepreneurship development strategy was developed and adopted in 2015; the strategy defines social entrepreneurship as "a kind of entrepreneurship that is based on social, environmental sustainability and economic principles, and the profit is reinvested in the enterprise." The environmental factor is also incorporated in nine criteria for setting up a social enterprise (Social enterprises and..., 2020);
- There is no legislation on social entrepreneurship in Cyprus, yet various initiatives, which state that protecting and preserving the environment is one of the courses of action for social entrepreneurship, have been developed. However, in Cyprus the main focus is placed on the employment of target groups, stipulating that at least 40% of the employees of the social enterprise have to represent the target group. The Cyprus report also mentions support instruments for social enterprises, one of which, the Agricultural Development Plan, specifically focuses on environmental issues, ensuring biodiversity as well as protecting and preserving nature (Social enterprises and..., 2020);
- The Danish Social Business Act states that one of the goals of social entrepreneurship is to protect and preserve the environment. Denmark is one of the countries where nature conservation is one of the priorities of social entrepreneurship, thereby the progress in this field has been very fast over five recent years. In 2013 in Denmark, according to the report, of the total social enterprises, 6% were engaged in nature conservation, while in 2018 the figure was already 29%. This indicates that the Danish



government constantly follows global trends in environmental protection and supports the entrepreneurs who want to preserve natural values and combat climate change (Social enterprises and..., 2020);

- The Czech Republic is the only European country where the main emphasis is put on the development of environmental social entrepreneurship. Although the Czech legislation also sets criteria for the employment of target groups, there are various programmes and funds for environmental protection, as well as specific criteria for the development of social entrepreneurship linked to environmental protection. This conception identifies specific areas represented by environmental social entrepreneurs, support programmes, as well as refers to case studies and certain tax relief (Social enterprises and..., 2020).

It should be emphasized that social entrepreneurship, which is linked to environmental factors, is still at the stage of initial development in Europe. Of the 27 Member States that have submitted their social entrepreneurship reports, only two, Denmark and the Czech Republic, have taken serious measures regarding environmental factors.

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## Conclusions

1. Social entrepreneurship began emerging in the 20<sup>th</sup> century. Michael Yunus and James B. Taylor could be considered to be the main founders of it, yet there is still no single definition of or criteria for social entrepreneurship.
2. Social entrepreneurship plays an important role in protecting the environment and conserving nature, as it highlights each of the six elements of environmental health identified by the Agency for Disease Prevention and Health.
3. The development stages of and plans for social entrepreneurship vary in the European Union; therefore, in most EU Member States the emphasis is put on the involvement of target groups in social entrepreneurship. However, eight EU Member States – Bulgaria, Austria, Albania, Greece, Croatia, Cyprus, Denmark and the Czech Republic – have integrated the environmental dimension into their development conceptions.
4. Only two EU Member States – Denmark and the Czech Republic – have set environmental factors a priority in their national social entrepreneurship development plans.

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