



SOCIAL ENTREPRENEURSHIP

• At a glance



PASSION LED US HERE

“Social business can be indeed a very powerful agenda for change. To deliver better outcomes for the common good. To show that it is possible to do things more responsibly and more fairly, whilst still being a success on the market. And to become a real engine of growth in the EU. Europe must not only be part of these changes. Europe should be in the lead.”

Jose Manuel Barroso,

President of the European Commission, 2004 -2014

The 2009 global economic crisis, which has resulted in widespread public questioning of the performance of the global economic system, has geared interest in more inclusive economic systems. The implementation of austerity measures against social needs has created both challenges and opportunities for social enterprise in Europe. This might explain the growing interest in social enterprise in recent years, strongly driven by an increasing recognition of the role social enterprise can play in tackling societal and environmental challenges and fostering inclusive growth.



● DEFINITION OF A SOCIAL ENTERPRISE

The social enterprise concept is widely used by literature and policy-makers to describe a new way of doing business ^[1]. However definitions vary across Europe as social enterprises adopt a variety of legal forms and statuses. According to the EU Commission synthesis report 'A Map of Social Enterprises and their eco-systems in Europe, ^[2] "organizations must meet

the following minimum a priori conditions in order to be characterized as a social enterprise:

- The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services;
- It must pursue an explicit and primary social aim: a social aim is one that benefits society;
- It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making;
- It must be independent i.e. organisational autonomy from the State and other traditional for-profit organisations; and,
- It must have inclusive governance i.e. characterised by participatory and/ or democratic decision-making processes."

Social entrepreneurship is the use of start-up companies and other entrepreneurs to develop, fund and implement solutions to social, cultural, or environmental issues ^[3]. This concept may be applied to a variety of organizations with different sizes, aims, and beliefs ^[4]. For-profit entrepreneurs typically measure performance using business metrics like profit, revenues and increases in stock prices, but social entrepreneurs are either non-profits or blend for-profit goals with generating a positive "return to society" and therefore must use different metrics. Social entrepreneurship typically attempts to further broad social, cultural, and environmental goals often associated with the voluntary sector ^[5] in areas such as poverty alleviation, health care and community development. At times, profit-making social enterprises may be established to support the social or environmental goals of the organization but not as an end in itself. For example, an organization that aims to provide housing and employment to the homeless may operate a restaurant, both to raise money and to provide employment for the homeless.

• WHAT ARE THE CHARACTERISTICS OF SOCIAL ENTREPRENEURS?

Social entrepreneurs are found around the world and in every industry — but the characteristics that make them successful are similar no matter their location or innovation. As presented by the Digital Opportunity Trust ^[6], the following are the five common characteristics of social entrepreneurs:

1.COMMUNITY DRIVEN:

Successful social entrepreneurs are passionate leaders of change. They are not satisfied by the status quo and do not believe that the way things have always been done is the way things should remain. A desire to improve the lives of their peers and their community is a characteristic that encourages social entrepreneurs to continue their work. The definition of community is broad. Community impact can mean coming up with a simple solution for a problem in your district, city, or country. And with the world becoming more connected by technology, the entire globe can be your community, too!

2.CREATIVE AND INNOVATIVE:

Social entrepreneurs look at situations differently than the average person. Where some people might think of problems as something that cannot be solved, social entrepreneurs see problems as an opportunity to get creative. They take that problem and innovate in order to come up with a new product, service, or approach to overcoming the obstacle. Social entrepreneurship is what happens when the creative and the practical become one.

3.BUSINESS SAVVY:

This may seem like a less exciting characteristic, but it is an important one. A successful social entrepreneur does not just have a good idea — they also have the practical business

knowledge to turn that idea into a reality. A social entrepreneur's solution considers market demand and research, finances, resources, and the restrictions and opportunities in their community and country. Successful social entrepreneurs also know the importance of data, and gather it at every step of the way, constantly monitoring their impact and looking for ways to improve.



4.THEY KNOW HOW TO NETWORK:

Social entrepreneurs know they are not alone when creating their innovation. The success of projects depends not just on a single strong leader, but the team working with that innovator. That can involve collaborating with other youth, finding a mentor, or knowing how to talk about an idea with community leaders, local governments, and microfinance institutions. Social entrepreneurs are often global citizens who connect with other aspiring and accomplished social entrepreneurs to share and improve their solution.

5.DETERMINATION:

Determination is needed for entrepreneurs and social entrepreneurs alike. Social entrepreneurship is about taking smart risks and sometimes facing failure as a result. But successful social entrepreneurs know that failure is a necessary step in success. Rather than giving up, social entrepreneurs look critically at their project or business and accept feedback,

changing it to become better. Determination is also needed when meeting other challenges, including bureaucracy, lack of capital, and the absence of community or family support.

● MAIN FIELDS OF WORK

According to the European Commission ^[7] social enterprises, despite their diversity, mainly operate in the following fields:

- **Work integration** - training and integration of people with disabilities and unemployed people
- **Personal social services** - health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people
- **Local development of disadvantaged areas** - social enterprises in remote rural areas, neighbourhood development/rehabilitation schemes in urban areas, development aid and development cooperation with third countries
- **Other** - including recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports.



In 2015, world leaders agreed to 17 goals for a better world by 2030. These goals have the power to end poverty, fight inequality and stop climate change. Guided by the goals, social entrepreneurs may find 'space' to leave their mark and provide alternative and innovative solutions to long-term societal challenges to build a better future.



● WHAT ARE THE KEY CHALLENGES OF SOCIAL ENTREPRENEURSHIP?

Social entrepreneurship comes with its unique challenges ^[8].

1. Lack of support structure and funding opportunities: Raising investment capital is challenging. Venture capitalists want to see the potential for rapid and large growth, and this is not something that social entrepreneurs can promise to deliver. This means going to family and friends or to crowdfunding. They may end up having a large number of smaller investors to each of whom they must report. This will take time and nurturing.

2. Locating the right manufacturer(s): In case the social enterprise involves physical products, one of the biggest issues

is that manufacturers usually require a minimum order, and coming up with the cash to meet that minimum can be an issue for social enterprises.

3. Low-profit margins: Social entrepreneurs place higher value on doing good than they do on profits. They have to be willing to embrace lower profit margins than their competitors.

4. Mission drift: As social entrepreneurs see their businesses grow and become profitable, two things can happen. They can expand their social missions. Begin with one initial product and then expand. Sometimes, however, social entrepreneurs can lose sight of their original mission in their drive to become more profitable. It is important for social entrepreneurs to have strong mission statements and to review these regularly if they are to stay “on track.”

● WHERE DO SOCIAL ENTERPRISES REVENUES COME FROM?



According to the European Commission ^[2], social enterprises exploit a range of sources in most countries, but the majority of their revenue comes from the public sector. While for-profit enterprises usually base their business models on revenues generated through trading activity, social enterprises typically adopt a ‘hybrid’ business model i.e. they derive their revenues from a combination of:

- Market sources e.g. the sale of goods and services to the public or private sector; and
- Non-market sources e.g. government subsidies and grants, private donations, non-monetary or in-kind contributions such as voluntary work etc.

● **ENABLING ENVIRONMENT FOR SOCIAL ENTERPRISES: THE EU LEVEL**



Most European countries do not have a legal framework or an explicit policy commitment to grow social enterprises and as a result, there is variety in terms of the overall environment of social enterprises. There is no single legal form for social enterprises. Many social enterprises operate in the form of social cooperatives, some are registered as private companies limited by guarantee, some are mutual, and a lot of them are non-profit-distributing organisations like provident societies, associations, voluntary organisations, charities or foundations.

^[2] In most countries there is often an absence of an enabling

environment and incentives for social enterprise development – formation and growth. In countries where there are tax incentives, those vary depending on the legal status of social enterprises. ^[2]

In an attempt to support the development of social enterprises in a more strategic approach, in 2011 the EU launched the Social Business Initiative (SBI) to introduce a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation and prompt a debate on the avenues to be explored in the medium/long term. According to the SBI ^[9], there are 11 priority measures, organised around 3 themes:

- **Theme 1** - Making it easier for social enterprises to obtain funding: Emphasize the importance of creating a European regulatory framework for social investment funds, the development of microcredit in Europe by improving the related legal and institutional framework, an EU financial instrument to provide easier access to funding and make social enterprises an investment priority of the European Regional Development Fund and European Social Fund.

- **Theme 2** – Increasing the visibility of social entrepreneurship: Establish an exhaustive register of social enterprises in Europe, create a public database of labels and certifications for social enterprises, help the national and regional government to support, promote and finance social enterprises, create multilingual information and exchange platform for social entrepreneurs.

- **Theme 3** – Making the legal environment friendlier for social enterprises.

●ENABLING ENVIRONMENT FOR SOCIAL ENTERPRISES: THE LOCAL LEVEL

All, or the majority, of the above have been addressed at the EU level and policies and platforms have been created. However at the national level and especially in Cyprus a lot of effort still needs to be invested. Social enterprises started appearing more cohesive after 2010, with private sector initiatives that combined social and/or environmental objectives along with economic activity. Furthermore, charities and non-profit organizations started developing economic activity as a way to boost their income and sustainability. A diversity of actors can be identified as social enterprises in Cyprus: conventional companies, cooperative societies but also voluntary organizations / NGOs.

[2]

In January 2018, the Cypriot government developed the “Action Plan for the Development of the Social Enterprise Ecosystem”,^[10] which among other things includes a series of measures and incentives for the activation and / or expansion of social enterprises. Specifically the Action Plan provides for Social Grants, Social Enterprises Loans, access to Infrastructure and know-how, access to public procurement to award exclusive contracts in the case the social enterprise is an integration enterprise. However, no tax incentives are provided for.

At the same time, the Administrative Reform Unit prepared a relevant bill for the creation of a “Registry for the Creation and Preservation of Social Enterprises”^[10]. The bill identifies two types of social enterprises: general business social enterprise and social integration enterprise (at least 40% of its employees belong to vulnerable population groups). The majority of its income is generated from its business activities. At least 70% of its profits are invested to promote its social mission and fulfil

its original mission. It is managed in a transparent way within an inclusive and democratic framework with the participation of its members and/or employees and/or customers and/or other constituents but is not a public entity. Once registered, the social enterprise is obliged to submit an annual report including the progress made towards fulfilling its social

In the northern part of the island, efforts for a more enabling environment for social entrepreneurship are on the way. The European Commission will implement via Northern Ireland Cooperation Overseas (NI-CO) the 3 million Euro project "Innovative Entrepreneurship and Dialogue." The three-year project aims to open up shared spaces for innovation, inclusive and entrepreneurial engagement, community dialogue and knowledge sharing, through the creation of an innovation centre in Nicosia Old Town, on the provision of services to entrepreneurs, innovators and researchers, and the improvement of the entrepreneurship ecosystem. Additionally, inter-communal dialogue will be promoted via cooperation with the Cyprus Dialogue Forum. Grants opportunities will also be available to companies in the early stages of their development. Beyond that, several initiatives exist emerging from civil society organizations, educational institutions and local communities, such as the 'GIGEM' initiative (www.facebook.com/sosgigem) which offers trainings, seminars and consultations for women, youth and disadvantaged groups on entrepreneurship and innovation or initiatives led by higher education institutions and their affiliated Entrepreneur and Innovation centres.

In the south, EU-funded initiatives also exist, which support social entrepreneurship specifically, such as the 'Innoventer' Project (www.innoventer-cyprus.eu) implemented in Cyprus by the Cyprus Chamber of Industry and Commerce, and 'Social Entrepreneurship Support Europe' (www.ses-project.eu) implemented by Euro Success Consulting. Taking into account the huge unemployment rates among youth on both sides of the island – almost 20% -, social entrepreneurship could have great potential in providing a valid alternative for work while

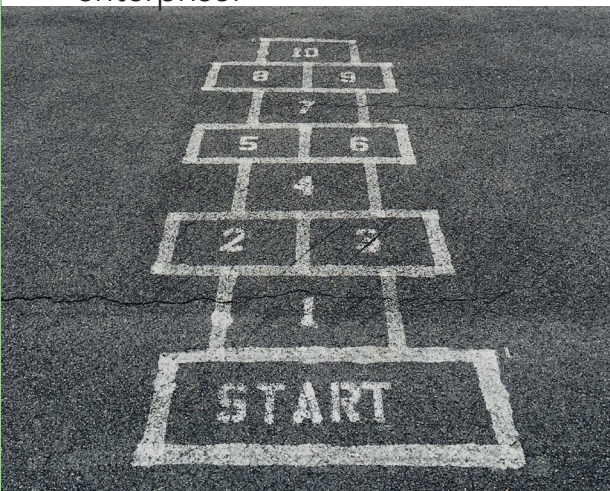
supporting economic growth and benefiting society and the environment. Furthermore, it could also function as a catalyst for peace-building initiatives. Such an example is the bi-communal project 'Go Social: Supporting Employability Through Social Entrepreneurship' (www.gosocialcy.eu) funded by the European Union. The project provides opportunities for young people and women on both sides of the island to get involved in social entrepreneurship and be inspired to start their own initiatives.

● SETTING UP AND RUNNING A SOCIAL ENTERPRISE -A PRACTICAL APPROACH

"Be the change that you wish to see in the world."

Gandhi

Here are some simple steps to follow in order to set up a social enterprise:



- Define your **mission**: what you want to do and why. Be clear on how much you want it. Like all start-ups, a Social Enterprise is equally challenging to set up and grow.

- Find startup **resources**: identify possible sources of resources, either personal/family/friends investment

or funding and grants, partnerships with companies through Corporate Social Responsibility (CSR), angel investors, people you know that may help you in any sense, any other resources available, financial or non.

- Do **research and analysis** to ensure you are fully informed regarding the area of work you want to engage in: be familiar with the problem, the solution, the partners, the competitors, the impact and the risks

- Define your **Business model** such as:

- One for one: every item you buy, the same one is donated to people in need
- Pay it forward: pay the next person's bill
- Percentage to fund: a portion goes to a fund for charity
- Create your own business model

- Set up the **team**: find social entrepreneurs and business minded people

- Figure out the **income streams**: Whether you will engage in products sale, services provision and/or donations from people and organizations

- Measure your outcome not your output: successful social enterprises are not defined by the effort and resources they input but rather by the actual **impact** of their work

- Be flexible and remote to **reduce costs**: avoid offices if possible and use cloud services to do business

- Connect and build **a network**: go to events, do speeches, become a member of relevant associations

- Do some **PR**: become visible through TV, print media, social media, blogs and competitions

●EXAMPLES OF SOCIAL ENTERPRISES FROM EUROPE

The Forbes 30 under 30 Europe features some of the most innovative entrepreneurs in Europe for 2017 ^[11]. Some examples are provided below:

Aeropowder (UK): Billions of chickens are slaughtered every year and AEROPOWDER is looking to repurpose the feathers traditionally discarded. The scientists are capitalizing on properties like water repellency and thermal insulation to create feather-based products.

Agricool (FR): This French start-up had humble beginnings: the first Cooltainer was created on a family farm in 2015 to enable cities to locally produce fresh produce year round. In fall 2017 they closed a \$4.3 million funding round that will allow the company to fulfil its vision to reduce pollution while providing a sustainable source of pesticide-free produce.

Integrating New Arrivals: Ninon Demuth, 27, is using food as a catalyst for long-lasting refugee integration. She co-founded Über den Tellerrand, an organization that connects refugees with locals through refugee-led cooking classes, street food markets and cookbooks. The idea is catching hold: already they've spread to 25 cities in four European countries.

Reducing Our Carbon Footprint: Scientist turned entrepreneur Julian Melchiorri, 29, invented the first synthetic biological leaf that mimics the work of an actual leaf. By absorbing carbon dioxide and emitting breathable oxygen, the BioSolar Leaf holds limitless possibilities from increasing air quality in cities to even potentially making life on another planet possible.

Five App: Mach Mateusz (Poland) created the Five App while

he was in high school as a silly lifestyle application for teens to send hand signs to their friends. But quickly it was embraced by the deaf community and became the world's first sign language messenger.

●EXAMPLES OF SOCIAL ENTERPRISES FROM ALL OVER CYPRUS



Cans for Kids: Registered as a charity in 1990, the organization deals with the collection and recycling of aluminium cans in Cyprus. The earnings from the sale of cans are used to purchase medical equipment for the children's wards in

Cypriot hospitals. Since its inception, more than 25 million cans have been gathered and equipment worth over 273,000 euros has been donated to the Makarios Hospital, which is the central paediatric hospital in Cyprus, treating seriously ill children from all over the island. In addition to upgrading the equipment - and hence the level of care - in the hospital wards, Cans For Kids raises awareness about the benefits of recycling by giving presentations at schools and hosting 'hands on' visits to their recycling centre.

www.cansforkids.org



Tiganokinisi: Turning used cooking oil, a harmful waste into biodiesel while promoting development and civic action. Through this educational, environmental programme, students become agents of

change and schools gain resources for environmental education and support of their environmental infrastructure, for the benefit of all students. At the same time, green jobs are promoted and young, unemployed scientists are recruited.

www.tiganokinisi.eu



items. Recycling reduces the volume of landfill waste whereas at the same time useful items are offered to people in need through charity stores.

www.anakyklos.org

Anakyklos: the non-for profit organization set in 2010 deals with the collection and recycling of fabrics and the recycling of used clothes, shoes, sheets and other



Can Kid (Teneke Çocuk):

Initiated by the Cyprus Green Action Group in 2014, the project focuses on the collection and recycling of aluminium cans in the northern part of Cyprus. Used Beverage Cans (UBCs) are being reduced as waste and after their sale revenues

are being geared towards a charitable cause: to buy medical equipment for children's units in the local hospitals. At the end of 2018, Can Kid had recycled about 1,000,000 cans. The project's social objective energized 23 communities so far thus benefitting the society and the environment at the same time. Furthermore, through the project, children and youth

become socially and environmentally responsible individuals.

Facebook: TenekeCocuk



MAKAMER: The Famagusta Women Centre Organization's main objective is the psychological and professional support of women in need. Besides the trainings offered and the legal and psychological support, any

income generated from the various events organized by MAKAMER is geared towards the education of children of disadvantaged women. Furthermore, after women attend the handcraft trainings, MAKAMER offers them an avenue to sell their products including Lefkara, silk cocoon, Lapta, and Lapta Macrame, sewing, ceramics, gourd decorating and wicker basket weaving courses. This is accomplished through MAKAMER's Labour Workshops. The women producers receive all profits.

Facebook: Mağusa Kadın Merkezi Derneği – Makamer

"Whatever you can do, or dream you can, begin it. Boldness has genius, power and magic in it."

Johann Wolfgang von Goethe

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