

Business characteristics of the operation of Hungarian social enterprises

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- In memory of my grandmother, Borbála Boros -

*“All things are possible
to those who believe.”*

(Unknown author)

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1. Introduction

In my dissertation, I examine the characteristics and methods of the business operation of domestic social enterprises, because I believe that the operation based on business logic enables the achievement of resources independent of tenders and state quotas, and the operation of the organization can be influenced and planned. In their article, Repisky and Tóth (2019) consider those enterprises as social enterprises “*which were created or transformed to solve social problems in a financially sustainable way (p. 12).*” The definition used in my work is closest to the interpretation of this relatively new and domestic reference, which I place in the section on the theoretical background and typologies of social entrepreneurship among the approaches of the international and domestic literature. I start from the premise that social enterprises are initiatives whose primary purpose is to solve a social problem in a way that makes them financially viable.

In my research, I am interested in the business models that enable domestic social enterprises to operate on a business basis. Furthermore, I would like to know what kind of development process and business models are used as development tools by organizations developing social enterprises. In my article-based dissertation, I examine the business characteristics of domestic social enterprises from the social enterprise side, using the example of social enterprises operating in the health and social fields, and from the organizational development side, including the development processes of organizations developing domestic social enterprises from a business perspective, through the business models and tools used in the process.

It is important to note that my aim was not to analyze the domestic health and social sector in depth, but to explore the role of social enterprises in the domestic health and social fields. By health and social fields, I mean all the social enterprises operating in a given area whose beneficiaries’ problems need to be addressed from a health or social perspective. The professional justification for this is as follows: in Hungary, social enterprises are primarily aimed at the integration of disadvantaged groups into the workplace, as exemplified by the Iparfejlesztési Közhasznú Nonprofit Kft (IFKA) and PiacTárs, an organization and project aimed at the development and support of social enterprises, while social enterprises are also active in other areas of the social welfare system. The role of social enterprises in welfare areas is a less researched topic in Hungary, some research reports that there are social enterprises in other areas of the welfare system besides workplace integration, but we do not have information

on how these organizations contribute to the welfare system (Kiss et al., 2020), so I wanted to know more about them. Furthermore, another criterion for my choice of research field was that we know that the domestic health and social system has many difficulties, so it was worth looking at the situation of social enterprises in this system. My personal reasons for choosing this research field are as follows: For years I have had a personal attachment and interest in the social enterprises operating in these areas. One aspect of this is to apply the business knowledge I have acquired during my university years, and another aspect is to combine this with a form of human assistance that addresses the problems of disadvantaged individuals through health services. A social entrepreneur, Éva Ibolya Farkas, played a huge role in this and gave me an insight into the problem-solving processes of her social enterprise.

In the third article of my dissertation, I look at the organizational development side, but this field cannot be limited to the development of social enterprises providing health or social solutions, because the work of developers is independent of the social enterprise profile.

In the followings, I will present my research concept, the literature background of my topic, the research methodology I used, as well as the articles and main results of my article-based dissertation.

2. Research plan

2.1. Rationale for choice of the topic

My interest in social entrepreneurship started at the beginning of my Master's degree, when I started thinking about how to combine being an entrepreneur with helping others through entrepreneurship. This is when I met the social entrepreneur I mentioned earlier, Éva Ibolya Farkas, who supports many people with her mental health solutions. I interviewed her on several occasions to get to know the subject better, and then wrote my Scientific Students' Associations paper. Later, I developed this paper further and wrote my Master's thesis on the process of social value creation and the entrepreneurial and strategic mindset of social entrepreneurs (Krátki, 2016).

After completing my Master's degree, I started working at Iparfejlesztési Közhasznú Nonprofit Kft, which at the time was dealing with European Union tenders. The main topics of the tenders were the development of the social enterprise ecosystem, the development of the business approach of social entrepreneurs and social innovation. I carried out sub-research on

the above-mentioned topics according to the different application criteria. Furthermore, I participated as a volunteer mentor in the Erste SEEDS Incubation Program organized by Erste Bank, Simpect and IFUA Nonprofit Partner to develop the business plan for BOOKR Kids, a technology-based social enterprise. It aims to improve the reading skills of young children with reading difficulties and autistic youth by developing and selling interactive e-books.

After gaining work experience, I decided to apply for a doctorate. At that time, I finished my joint research with Roland Zsolt Szabó (PhD). Our joint article was published in the Hungarian journal *Theory, methodology, practice* volume 14, issue 1 in 2018. We investigated the value proposition of social enterprises in the health sector and their production methodology. Our published article is titled as *Social Value Creation and Impact Measurement – What Do They Mean Exactly?*

At the beginning of my doctoral studies, I had the opportunity to participate in the research of the sub-project “New generation of social entrepreneurs” of the EFOP-3.6.2-16-2017-00007 project “Aspects of developing a smart, sustainable and inclusive society: social, technological, innovative networks in employment and the digital economy”. In the project, with my topic leader, Réka Matolay (PhD), we researched the concept of social entrepreneurship among young domestic social entrepreneurs and collected generational characteristics of them. In the second year of my training, I worked with Julianna Kiss (PhD) and Gábor Deme in the sub-project “Social entrepreneurship in social and health services” within the framework of the EFOP-3.6.3-VEKOP-16-2017-00007 project “From Talent to Young Researcher - Supporting career in research activities in higher education”. The project explored the institutional environment of the health and social fields and its influences on social enterprises, and it also analyzed the activities and operational strategies of social enterprises in the health and social sectors. The first two articles of my dissertation examine the partial results of this research.

My first conference papers were prepared together with my supervisor on social value creation in mental health activities of Hungarian social enterprises (The Hungarian methods of social value creation in mental health services, COST Dissemination Conference 2019, Frankfurt; and, Social Innovation and Mental Health: Social Enterprises Fighting Stress in Hungary, ISIRC Conference Glasgow 2019). Furthermore, we looked at the definition and management methods of young social entrepreneurs in Hungary (New Generations of Social Entrepreneurs in Hungary, Working Group on theoretical foundations of SE (WG1 “Foundations”) Conference Budapest 2019).

My first single-authored article was published in 2020, in the Volume 1, Issue 3 of the Hungarian journal *Új Munkaügyi Szemle* under the title of “Egy városi társadalmi vállalkozás munkaerő-politikája” (The labor policy of an urban social enterprise). In the research, I investigated the employment decisions of a social entrepreneur in the health fields. In 2020, I had the opportunity to publish in Volume 31, Issue 3 of the Hungarian journal *Esély* together with Julianna Kiss (PhD) and Gábor Deme. The title of our article was “Társadalmi vállalkozások a szociális és egészségügyi szektorokban: intézményi környezet és szervezeti aktivitás” (Social enterprises in the social and health sectors: institutional environment and organizational activity). The research focuses on the situation of social enterprises in the social and health sectors, examining both the established institutional environment of these sectors and the organizational activity of social enterprises.

In recent years, I have had the opportunity to research the entrepreneurial thinking, activity and decisions of social entrepreneurs from various angles. In my dissertation, I used previous research findings and explored the key factors for social enterprises to operate independently, which I have done by examining the following sub-topics:

- examining the key actors in the organizational field of social enterprises in the domestic health and social fields and their influence on the functioning of social enterprises;
- exploring the financing and revenue-generating potential of social enterprises;
- exploring the development processes and tools of organizations that develop social enterprises from a business perspective.

Research on key actors is interesting because they have an impact on the functioning of social enterprises, and it provides insights into the opportunities and limitations of the institutional environment that influence the functioning of social enterprises. Funding is worth looking at because it gives an insight into the funding models of social enterprises, the business logic behind how they generate revenue. The organizations that develop social enterprises, in turn, provide an insight into the development methods and tools they use to support the business approach of social entrepreneurs and thus the business operations of social enterprises.

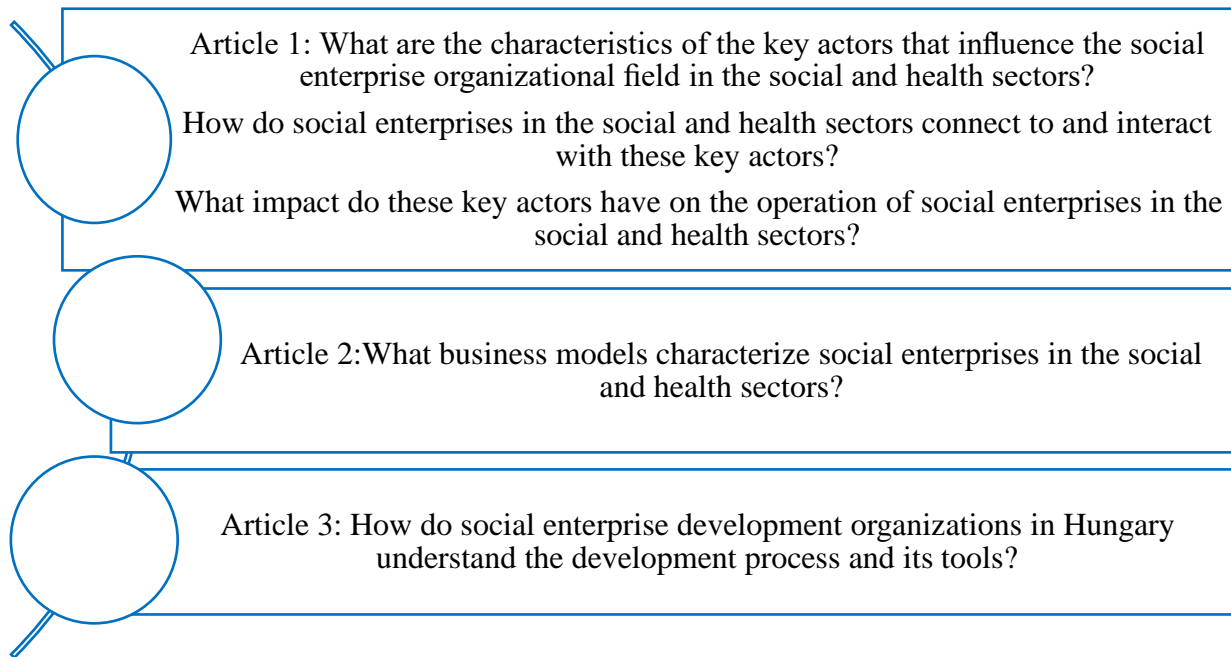
2.2. Rationale for topic

My topic is a new field, which is constantly changing, extremely diverse and therefore in need of research. In the social entrepreneurship sector, there is entrepreneurial demand for business-oriented support, internationalization services and private financial support. Social

enterprise development organizations are increasingly providing opportunities to promote social enterprise development. More and more social enterprises are being reported to have participated in a business development mentoring program and to have prepared a 1-1.5-year business plan. Some of these businesses have already entered the international market. By developing their marketing channels and sales activities, they are able to generate their own revenue streams in the domestic and international markets. The own revenue stream gives entrepreneurs the opportunity to achieve independence from the various sources of funding. This makes the case for looking at this issue from the entrepreneurial and business development perspective. Although I focus on the business models that developers are thinking about and how they want to promote business operations, my research does not address the specific business operations of concrete organizations. Just as it does not explain different corporate functions, or analyze the financial data of organizations either. I do not plan to go into the entrepreneurial decision-making of social entrepreneurs, to compare or contrast non-profit and for-profit operations, and although two of my articles examine social enterprises for health and social purposes, I do not plan to analyze the domestic health and social sector. In the next section, I describe the content and research questions of my dissertation.

2.3. Content of the dissertation

By the end of my doctoral studies, I set myself the goal of writing an article-based dissertation consisting of three articles. My overarching research question is the following: What are the characteristics of business operations of domestic social enterprises? Figure 1 contains the sub-questions of my overarching research question, which correspond to the research questions of my articles.



1. Figure: Presentation of the units of the article-based dissertation

Source: own editing

The introductory article was prepared with Julianna Kiss (PhD) and Gábor Deme, and it was published on 16 July 2021 in the international Q2-ranked *Social Enterprise Journal*. In this article, we identified the key actors interacting with social enterprises in the domestic health and social fields and their influencing effects (opportunities and limitations) on the functioning of social enterprises. The key actors were identified as those that are most important for the functioning of social enterprises. This was judged on the basis of the interviews conducted.

The second article was published in January 2021 in Volume 1 of Issue 52 of the domestic B category journal *Vezetéstudomány*. With my co-author, Julianna Kiss (PhD), we investigated the business models typical of social enterprises in the domestic health and complementary social fields, including their financing models, which provide the revenue generating logic of the business model.

The aim of the third article is to identify the organizations developing social enterprises in Hungary, to interpret their diversity, to identify their development tools and to examine their development processes. In this case, the focus is on the tools and business models used by the development organizations, and I examine the how of their development process, the considerations and decisions behind it. The article will appear in the journal of *Vezetéstudomány* in summer 2022, for which I have an acceptance letter.

The characteristics of the business operations of social enterprises are the result of examining their business models from different perspectives. The analysis of their relationships is crucial for social enterprises and has a major impact on their operations. In today's world, networking is slowly becoming inevitable for them as it can influence various financing decisions and gives social enterprises the opportunity to support each other through various means and services.

The business model as a financing model defines the different channels, business-like activities that are part of the business operation. The work of development organizations provides an insight into how the methods they propose can influence the developmental direction of social enterprises, both at the enterprise and sector level.

In the next chapter, I present my summary of the literature on my topic.

3. Theoretical background

The theoretical background of my PhD dissertation is provided first and foremost by the literature on social enterprises, the main directions of which and the approaches that provide the theoretical framework for my research are presented first in this chapter. My research is business-focused, so I will also provide insights into the literature on business models. For the purpose of my research on social enterprise development organizations, I will introduce the types of development organizations. Parts of the literature background are further elaborated in the relevant articles.

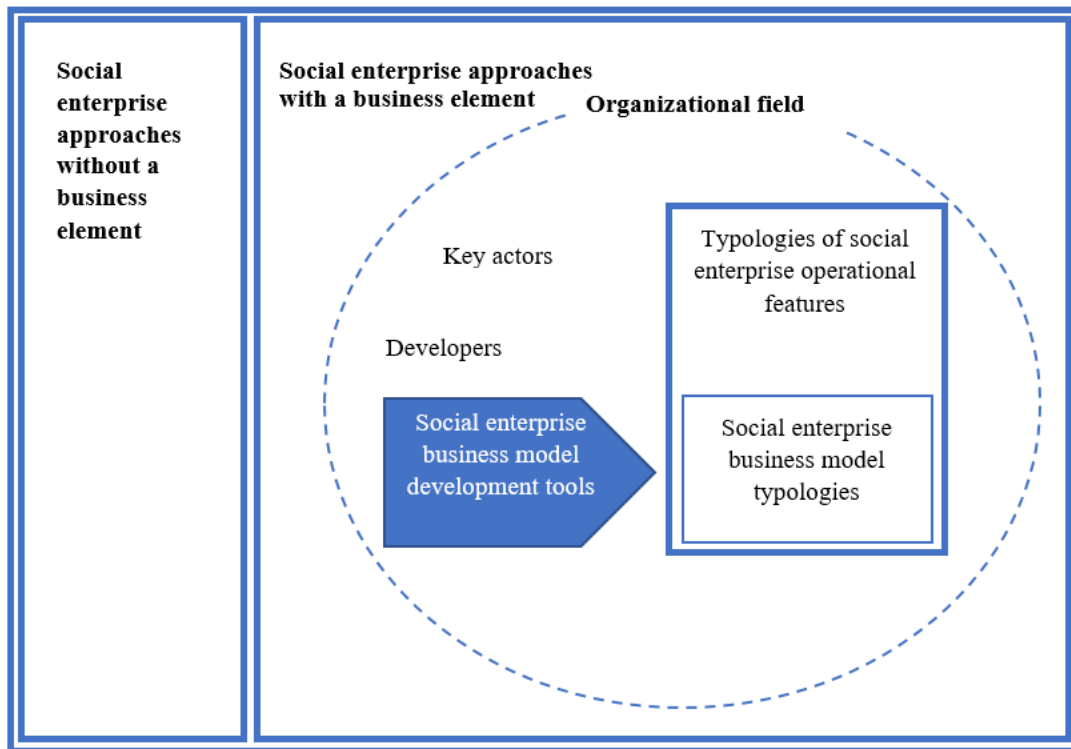


Figure 2: Conceptual framework of dissertation

Source: Compiled by Réka Matolay and Noémi Krátki

Figure 2 describes the conceptual choices and layers of the dissertation. In the literature review I am providing a comprehensive introduction to the various approaches of social enterprises. Out of the different schools my research focuses on those directions that include a certain level of market-based income and business-orientation. I am depicting this differentiation in the figure by showing the further layers of my thinking in the box on the right. The size of the two boxes of approaches does not refer to the number or relevance or any other feature of the approaches. The one on the right is larger to allow for introducing further details on my foci of research. This selective introduction – only those elements covered in the dissertation are shown in the figure – characterizes the conceptual framework in this figure.

Within the approaches of social enterprises I provide an overview of typologies of their operational features from various angles. Since the business nature of social enterprises is the core theme of the dissertation, one of them – the social enterprise business model typology – is selected to be mentioned in the figure.

I am researching the social enterprises in their context, thus the dotted circle refers to the organizational field (see Matolay, 2012 for a further detailed analysis of the organizational field) around them. Key actors and a specific stakeholder group, the social enterprise developers are on display here. Both of these are analyzed in the empirical part of my research, and the latter is also explored conceptually.

Finally, the figure includes the tools applied by the social enterprise developers. Those explored are fundamentally directed to the business models of social enterprises, the arrow shape refers to this connection.

3.1. Social enterprise concepts

Social enterprises do not have a uniform and commonly agreed definition. Different interpretations can be found in academic publications, in European Commission papers, in market research by organizations developing social enterprises.

Éva G. Fekete et al. (2017) defined the approaches to social enterprises as follows: the two trends of the market-based approach are the entrepreneurial non-profit and the social purpose business trends, which originated in the United States. The entrepreneurial nonprofit trend focuses on the market profit-making activities of nonprofit organizations, while the social purpose business trend focuses on the business-based solution to the social goals set by nonprofit and for-profit organizations. The social innovation approach, which also originated in the US, starts from the entrepreneur as an individual, rather than an organization, who is responsible for finding innovative solutions to a given social problem. The Western European approach of EMES (“EMergence des Entreprises Sociales en Europe”) refers to the combination of social and economic objectives of social enterprises, democratic decision-making and innovative ways in which organizations can increase the social impact of their activities (G. Fekete et al, 2017). Most European Union research is based on the European Commission’s definition (European Commission, 2017) of social enterprises as organizations that do business activities to create social value and reinvest a large part of the profits they make back into operations, with operations and ownership specialized to create social impact.

It can be seen that even these few approaches are diverse in terms of whether they focus on the enterprise or the entrepreneur, how they approach the social purpose (social objective, social value creation, social impact are also mentioned above), how they address the economic side (market revenue generation, business-based solution) and its effectiveness (financial stability

or even profit), whether they expect novelty, innovativeness, or whether they pay attention to the internal functioning, structure and decision-making of the organization. From the point of view of my work, the above sources are fundamental, as they are the basic literature of the domestic social enterprise sector, they are works and starting points that are often cited in practice and research.

Different narratives on social entrepreneurship are summarized by Mihály (2017) as follows: (I) The social entrepreneur narrative infers from the entrepreneur to the organization. The social entrepreneur is the agent of social change. The social entrepreneur's task is to create value for society through new solutions and methods. (II) The market income narrative groups social entrepreneurs according to income strategies. In this case, social enterprises are organizations that combine social and economic goals to achieve their mission. (III) The focus of the EMES research network approach is on social enterprises that aim to employ people with disabilities and contribute to the welfare state system. (IV) According to the theory of solidarity economy, social movements that have an impact or generate change not only in social but also in economic and political terms are worthy of researchers' attention. In other words, we see in this synthesis both individual, organizational, beneficiary group highlighting and movement-level narratives. In their research, Szegedi and Bereczk (2017) describe three main types of social enterprises. (1) Based on the business model approach, social enterprises transfer the proven operating processes and business models of traditional for-profit enterprises into their own operations, thus achieving their social purpose. (2) According to the entrepreneurship competence approach, the starting point for achieving the social goal set by the organization is the entrepreneur's skills, characteristics and competences. (3) Finally, the double bottom line approach examines financial and profitability factors along a double bottom line, looking at the financial impact of the organization and the positive social impact it creates.

Mihály (2017), Szegedi and Bereczk (2017) use business-related terms in their conceptualizations of social enterprises. These include entrepreneur, market, strategy, business model, for-profit operations, finance. The authors use business terms to define social enterprises. Ryder and Vogeley (2017, p.2.) define social enterprises in Figure 3 according to five criteria: (a) type of organization, (b) motivations, (c) methods, (d) goals, (e) purpose of income and/or profit.

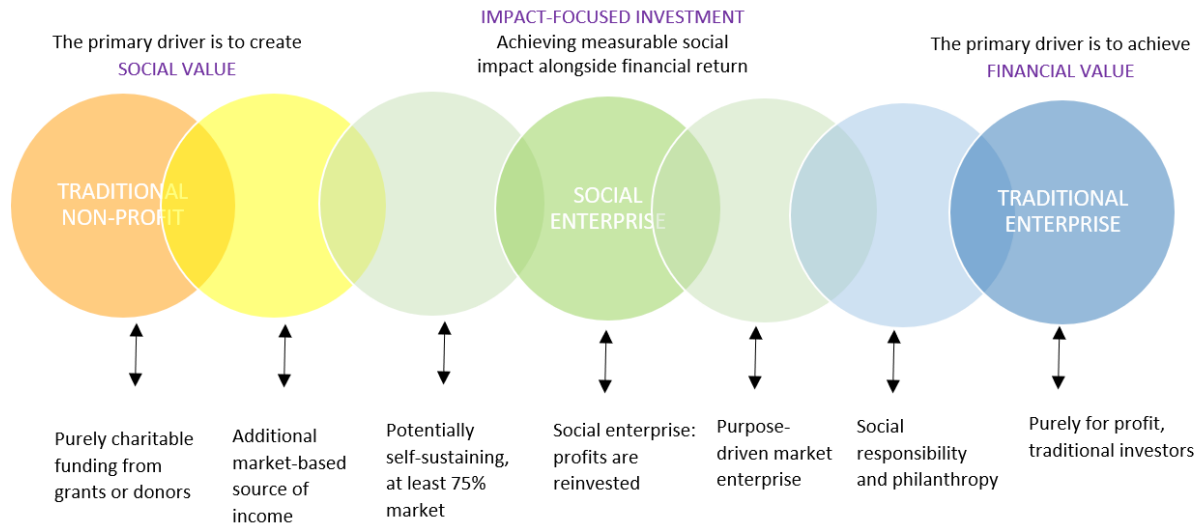


Figure 3: Synthesis of social entrepreneurship concepts

Source: Ryder, Vogeley, 2017, p.2.

Their approach places social enterprises between traditional non-profit and traditional enterprises. This is because traditional non-profits can only generate income from charitable sources, donations, subsidies and tenders, while traditional businesses are purely profit-making, with income from their own operations. The dual purpose of social enterprises is reflected in the figure, to achieve measurable social impact alongside financial returns.

Among the definitions of social enterprise, Éva G. Fekete et al. (2017) and Mihály (2017) provide almost identical definitions, which also define social enterprises in a territorial context. Market-based and social innovation approaches, which have their origins in the US, include the mixing of different legal forms, the provision of innovative solutions, and the presence of marketization. In the definition of EMES and solidarity economy used in Western Europe, the political and economic aspects of community empowerment and the internal processes of organizations are already included alongside innovation. American approaches do not include an internal analysis of organizations. Overall, however, the European Commission's definition is a synthesis of the concepts of market-based, social innovation and EMES, encompassing the internal workings of organizations, business purpose and innovation.

Among these schools, I found my own approach in the market-derived income school, which is a good starting point for the subsequent presentation of business models. This approach is about combining the business and social goals of social enterprises. Within the market-derived income school, I highlight the mission-driven business orientation because it gives me the

opportunity to look not only at nonprofits, but also at business-type initiatives. I separate my approach from that of traditional non-profit organizations. My perspective includes, as an initial phase, a complementary source of income, as well as social enterprises that are potentially self-sustaining and profit-reinvesting.

After defining social enterprises, I present their definitional categorization, the types of organizations that develop social enterprises, and the business models.

3.2. Typology of social enterprises

After the social enterprise approaches, I now present different typologies from the operational side, summarizing the operational characteristics of social enterprises with the aim of differentiation.

Alter's (2007) approach focuses on the degree of integration of business activities and social programs within the organization, which is related to the mission of organizations. Embedded social enterprises are non-profit organizations that created their business activities to make their social project a success, with the social mission at the core of their business. Often, these non-profits take on for-profit legal form in countries where they can do so in order to run their business more efficiently. In the case of the integrated social enterprise, the scale of social purpose programs goes beyond the business type. In most cases, this form is created when non-profit organizations are looking for a source of funding, partly from business activity to support their social projects, and there is an overlap between business and social objectives. In the case of external social enterprises, social programs are different from business activities, they are created when non-profit organizations want to cover their operating costs and social services from their own activities. Non-profit organizations then establish a separate social enterprise to finance social services and operating costs. The previous grouping by Alter (2007) can be linked to another approach of the author (Alter, 2007), which focuses on the mission of organizations: external social enterprises are in many cases not mission-related types, their business activities are not directly related to the realization of the social mission, but they are rather related to the financing of operating costs. Integrated social enterprises are often mission-driven, with business activities linked to the mission of the organization. In many cases, embedded social enterprises are mission-centered with business activities central to achieving their mission. By comparing the business activities and social programs of social enterprises, we consider the dual purpose of organizations, which is a combination of business and social purpose.

Defourny and Nyssens are associated with the categorization that typifies social enterprises along three basic interests (general, mutual, capital). The general interest is the interest of communities, such as the provision of public education or the operation of a health system. In many cases, these tasks are carried out by the state. Mutual interest means pursuing the interests of the members of the organization, which is typical of cooperatives, for example. The capital interest is the type of interest that is for-profit oriented, linked to return on investment and profit maximization. On this basis, the authors distinguish between four types of social enterprise with hybrid resources, i.e., both market and non-market resources. (1) Entrepreneurial non-profit organizations are non-profit organizations that engage in entrepreneurial activities to supplement their income in order to achieve their social purpose. (2) Social cooperatives are democratically managed and owned by their members. They are established to achieve a social purpose based on mutual interests. (3) The primary purpose of for-profit social enterprises is to create social value, and they are business-based social enterprises. (4) Public social enterprises are organizations that are outsourced by the state to reduce costs and are social in nature (community spin-offs) (Defourny & Nyssens, 2017, cited in Repisky & Tóth, 2019, pp. 12-13 and cited in Matolay & Révész 2020). The interest-based classification highlights the orientation of the activities of social enterprises and the extent to which they are market-based.

Another way of typologizing social enterprises is to classify them by diversity category. Social enterprises support a wide range of disadvantaged groups, including women, ethnic minorities, or people with disabilities. In fact, in this case, grouping is done according to the supported groups, people who use the service, that is the beneficiaries (Primecz et al, 2019). Diversity categorization points to the definition of social enterprise beneficiary stakeholders, which is then used in the business model tools of social enterprises.

I summarized the chapter on the typology of social enterprises by comparing the social programs, business activities and missions of social enterprises, and the orientation of the organizations' activities and their beneficiary groups. In connecting the different theories, it is possible to distinguish between business enterprises and social enterprises, depending on the degree of integration of the business activities and social projects of the organizations and their relation to the mission and the orientation of their activities. Finally, this determines the scope of beneficiaries of social enterprises (Figure 4).

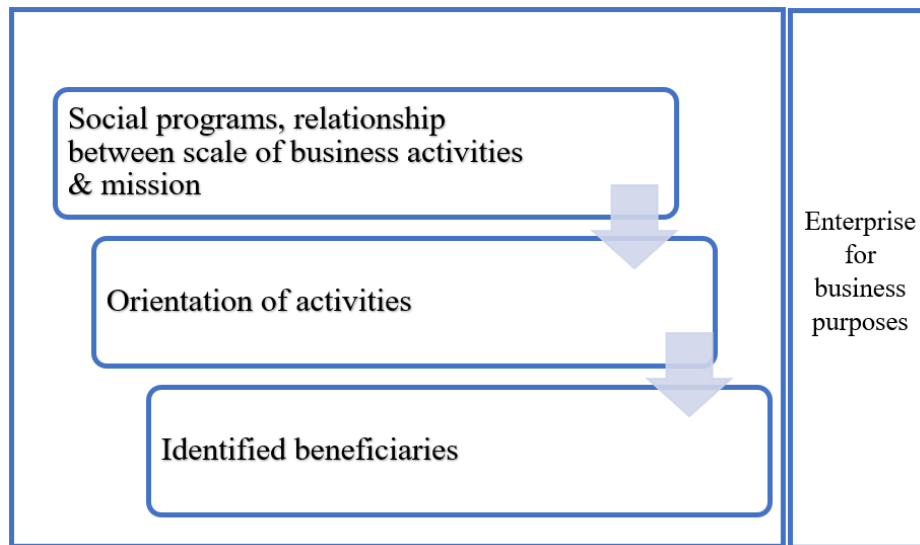


Figure 4: Synthesis of social enterprise typologies

Source: own creation

Defourny and Nyssens (2017, cited in Repisky & Tóth, 2019, pp. 12-13) are the closest to my view in their classification of for-profit social enterprises and entrepreneurial non-profit organizations, while Alter (2007) is more concerned with the concepts of embedded and integrated social enterprises. These approaches allow for a market-based approach, considering both non-profit and for-profit organizations as social enterprises, and do not exclude social enterprises that do not have a self-financing model from the beginning.

The above categorizations help to define the business models of social enterprises, point out the relationship between their business and social goals, and the relationship of social enterprises to the state. Furthermore, social entrepreneurs are made aware of the ways in which they can create their own sales channels in addition to their non-profit operations. After framing social enterprises, I introduce the other actors in my research, organizations that develop social enterprises from a business perspective.

3.3. Typology of organizations developing social enterprises

There are two types of organizations involved in business development for social enterprises: consultancy organizations and incubators. In many cases, these organizations work together on development work, for which accelerator programs are announced (Figure 5).

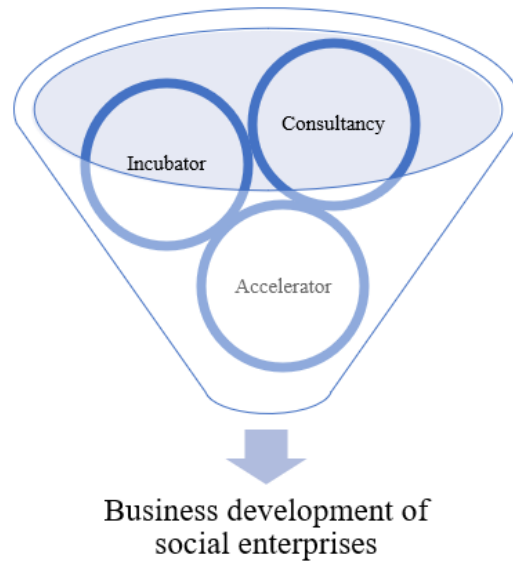


Figure 5: Developing social enterprises

Source: own creation

Incubator houses develop over a longer timeframe, up to several years, to accompany social enterprises in achieving their business goals. In addition to business knowledge transfer, they provide community office space, access to financial investors, research institutions, higher education institutions (Klofsten, 2016, cited in Nchang & Rudnik, 2018, p.4). Their primary target group is young, start-up businesses. They aim to develop and implement a business plan for start-up or early-stage social enterprises.

Consultancy organizations can be distinguished according to the complexity of their services. Full-service firms are the so-called Big Four international firms, which also provide accounting, controlling, business management and technology consulting. Traditional consultancy organizations provide integrated consultancy services (general service firms). Specialized consultancy firms are a special type of traditional consultancy organization which deal with developments of strategic importance. And highly specialized service providers (boutique firms) focus specifically on market areas or clients that the larger players do not address (Poór, 2010, cited in Fejes, 2015, p.26).

Németh et al. (2010) classify the types of consultants as national or multinational consultancies; medium-sized and small enterprises specializing in one type of consultancy; individual consultants; consultancy departments of other enterprises with a main profile; consultancy professors; associations and agencies providing consultancy services that are

essentially non-profit-making. National or multinational consultancies deal with all areas of consultancy, while the specialized type deals with one area of consultancy. Individual consultants often work with partners to provide a more complex service. The consultancy departments cover services related to the original profile, and the consultant professors cover academic specialists. Finally, non-profit consultancies provide consultancy services either to their own members or to a specific type of business (start-up or established), either through self-financing or external partner funding.

In addition to knowledge transfer, accelerator programs provide a start-up investment opportunity for applicants, as the program concludes with a so-called demo event, where social entrepreneurs have the opportunity to present their business concept to financial investors (Cohen, 2013, cited in Nchang & Rudnik, 2018, p.21). During the training sessions, the importance of competitiveness and the role of teamwork are emphasized, so that the team focus is followed instead of the founder focus. In this sense, teamwork also includes the founder, and these programs are specialized for people constituting social enterprises (Miller & Bound, 2011, cited in Nchang & Rudnik, 2018, pp.19-20).

3.4. Business models

In this chapter, I present business models of social enterprises that highlight the ways and means by which the above-mentioned social enterprise typologies are being invented and tried to reach their peak.

I examine business models from two different angles (Figure 6). Not only from an asset perspective – see the different business model canvases summarizing the assets, resources and their way of usage by social enterprises – but also from an operational perspective, that is as concepts of how social enterprises operate. Hybrid models represent a new way of operating social enterprises. In my research I look at both sides, from the asset side at both the Osterwalder and Pigneur canvas and their extended version, and from the operating side I mainly focus on the operating models that show the diversity of revenue generation.

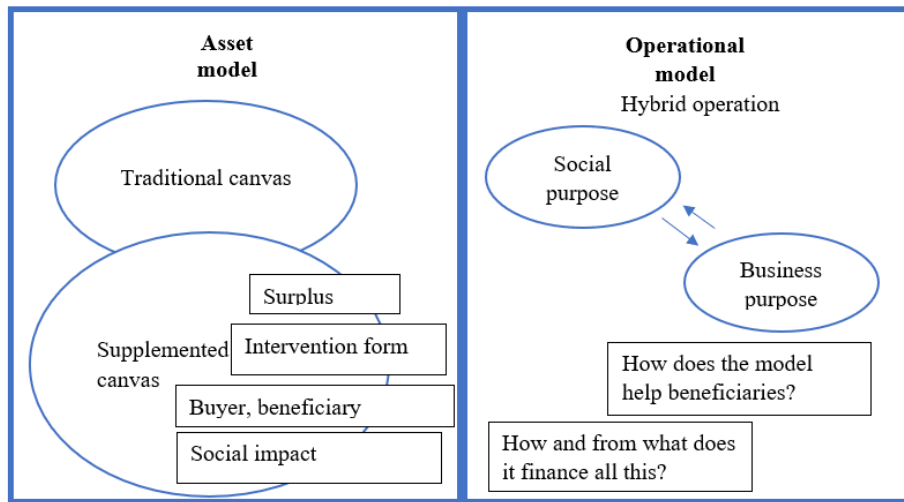


Figure 6: Correlations of business models in the case of social enterprises

Source: own creation

There are social enterprises that use one-to-one business enterprise models in designing their operations, of which Osterwalder and Pigneur's business model canvas is a good example. According to Osterwalder and Pigneur's definition of business model (2010), "*a business model describes the rationale of how an organization creates, delivers, and captures value*". The model defines the basic value creation logic of the company, which is part of the corporate strategy. It defines how the company creates value for the consumer, what resources and activities are needed for value creation. For the Erste SEEDS Mentoring Program, Osterwalder and Pigneur's model was used, with the consumer side being one part of the model (Figure 7 - see Annexes section). The consumer segment means that the organization selects the target group whose needs it wants to satisfy. The value proposition is the set of products or services that the company offers to create value for its clients and to solve the client's problem. Sales channels summarize the ways in which a company delivers its product or service to the consumer. This can be online or offline, and includes corporate communications as well. Client engagement is the long-term interaction with consumers. A good example is the provision of after-sales services (product repair, warranty). The other part of the model is the so-called infrastructure side. There are four types of corporate resources: physical, intellectual, human and financial. Resources are the assets that are necessary for a company to operate. The main activities of the company are the actions that need to be carried out in order to achieve the basic objective. Key partners are the actors with whom the company has a beneficial agreement. These types of key partners and the relationships with them influence the functioning of social enterprises, which can be financial supporters, funders, donors, the state, voluntary and skilled

labor, suppliers, higher education institutions, organization developers. Social enterprises have a diverse network of partners, which stems from their hybridity and legitimacy challenges, and therefore seek to engage with influential and diverse organizations to increase their operational efficiency (Folmer et al., 2018). The bottom part of the model details and compares the revenues from the product or service sold to consumers with the costs of running the business model (Osterwalder & Pigneur, 2010). Another model used is the Social Business Model Canvas (SBMC), an extended version of Osterwalder and Pigneur's Business Model Canvas (Figure 8 – see Annexes section). According to Knode (2008), by using the business model, entrepreneurs can structure their activities with economic or social impact. Table 1 (see Annexes section) shows the main questions that can be clearly answered by the Social Business Model Canvas. Using the elements of the model, we can get an idea of the tools for sustainable social business, to which we can relate the analysis of the strategic mindset of entrepreneurs.

Finally, I detail the business model definitions in an operating model context, which provide a summary picture of how social enterprises operate. These approaches articulate the hybrid functioning of social enterprises, their dual purpose, the role of economic purpose and the way in which social and economic value is created.

Santos et al.'s (2015) study interprets social enterprises as a hybrid system with a specific business model. According to this view, the business model underpinning the operation is itself the business-focused model through which the social purpose of the social enterprise is fulfilled and financed. Business requirements meet growing societal demand. Social business hybrid organizations combine financial and social value to achieve their mission, focused on solving a specific social problem. It is important to highlight the legal form of the enterprises using this model, which is very mixed (foundation, association, limited liability company, etc.). Hybrid business models create value for society and for the business owner. (1) The first specific hybrid business model is the market hybrid model, which is the ability to sell a product with low production costs to its beneficiaries at a lower price than the normal market price. In this case, the beneficiary is the buyer (customer). (2) In the blending model, there are solvent clients, but part of the entrepreneurial activity is about creating social value for a certain segment of society. This value creation process is not about revenue generation. (3) Bridging hybrids have a client base and beneficiaries from different groups. A good example is the so-called WISE social enterprise form, which sells goods and services to clients by employing people with disabilities. (4) Finally, the coupling hybrid model is also exemplified by WISE but in the case of the

bridging model, they are able to integrate beneficiaries and clients towards a kind of value creation (e.g., a dark cellar tour led by non-sighted people). In the case of coupling hybrid, integration does not take place, the buyer (customer) is only looking for a good quality service or product, while the business has beneficiaries.

Alter (2007) defines nine types of operational business models used by social enterprises, which are configurations of social and economic value creation that can be applied to organizations, programs, service provision, and can be linked to Alter's (2007) typology of social enterprises that examines the degree of integration of business activities and social programs within an organization. Operating models are designed in line with the social and economic purposes of social enterprises, taking into account the needs and capabilities of clients, market dynamics, the mission of the organization and the legal environment. Social enterprises aim to use models to create as much value as possible for society. The models that can be linked to embedded social enterprises are the followings: (1) The entrepreneur support model sells business support and financial services to its clients, i.e., entrepreneurial individuals and businesses. Later, these clients will be able to sell their products or services on the market. In this case, the social mission is at the core of the business, its mission is to create a secure financial situation for its partners through their entrepreneurial activity. In this case, social enterprises have a self-sustaining model and are able to cover their own operating costs by selling their own services to their clients. (2) The market intermediary model: where the clients of social enterprises are a variety of individuals and small producers for whom they provide a market entry support service, covering product development, production process support, marketing and loans. It is important to highlight that they promote the marketing of products produced by their clients, even by buying these products and selling them at market prices. Market development and supporting the financial security of clients are at the core of the organizational mission. Their self-sufficiency model stems from the sale of their clients' products. (3) Using the employment model, social enterprises provide employment opportunities and job training services for disadvantaged people, people with disabilities, homeless people, young people at risk, or ex-offenders. Self-funding comes from the sale of products made by the employees, and their mission focuses on providing adequate working conditions, workforce skill training, mental and physical therapy and accommodation. (4) The fee-for-service model provides social enterprises with a way to market their services to their clients. The client base consists of companies, communities and individuals. These embedded social enterprises sell their social services in the education and health sectors, self-financing

through fees for services. In this case, it is a question of marketization of social services. Typical members may include hospitals, professional associations, schools, museums and clinics. (5) The low-income client model is a special type of the fee-for-service model that sells hygiene products, health care and utilities to low-income groups. (6) In the cooperative model, social enterprises provide their own members with direct benefits by accessing market information, products and services, sending their own products and services to international markets, realizing economies of scale through bulk buying, and technical assistance through sales to members.

In the previous models, the business coincides with the social project, but in the following case they are complemented by the models used by integrated social enterprises, where business activities and the social projects of the organizations overlap. (7) The market linkage model aims to connect customers and other commercial entities (local firms and cooperatives, small producers) to the market. In this case, social enterprises charge a fee for providing market information and research results. Where embedded social enterprises apply the model, the business itself is the sale of the service, whereas in the case of integrated social enterprises, the social program and business activities overlap, as they can use the revenue and market information to support other social enterprises.

Integrated social enterprise model is (8) the service subsidization model, whereby social enterprises sell products and services to external markets, using the revenue to finance own social projects. Integrated social enterprises share their assets, costs and revenues. The business activity enhances or expands the social mission. They are characterized by selling an internal service (transport among others) to another organization with a charitable purpose or selling a premium health service to a solvent demand to fund access to services for disadvantaged groups. Integrated social enterprises are often mission-driven, with business activities linked to the mission of the organization.

The model of external social enterprises (9) is the organizational support model, whereby social enterprises sell their products and services to other organizations, markets and companies. For external social enterprises, business activities are completely separate from social programs. In many cases, the organization responsible for funding is a subsidiary of a parent company, which is responsible for running the parent company and financially covering its social purpose. As external social enterprises are often not mission-related, the business

activities of social enterprises using the organizational support model are not directly related to the realization of the social mission.

In the above chapter, I presented the literature background of my dissertation, which draws on the theoretical approaches used in writing the various articles that make up my work. The next chapter answers the question of how my research was carried out. It explains the purpose of my research, the methodology I use, the question of validity and my research question.

4. Detailed explanation of the research design

I did the research of my dissertation with qualitative methodology. The qualitative choice is justified by the exploratory and understanding nature of my research, its ability to identify and understand phenomena, relationships and processes. I present my research design based on Maxwell's (2012) model. The model outlines the main elements of qualitative research and their relationship to each other.

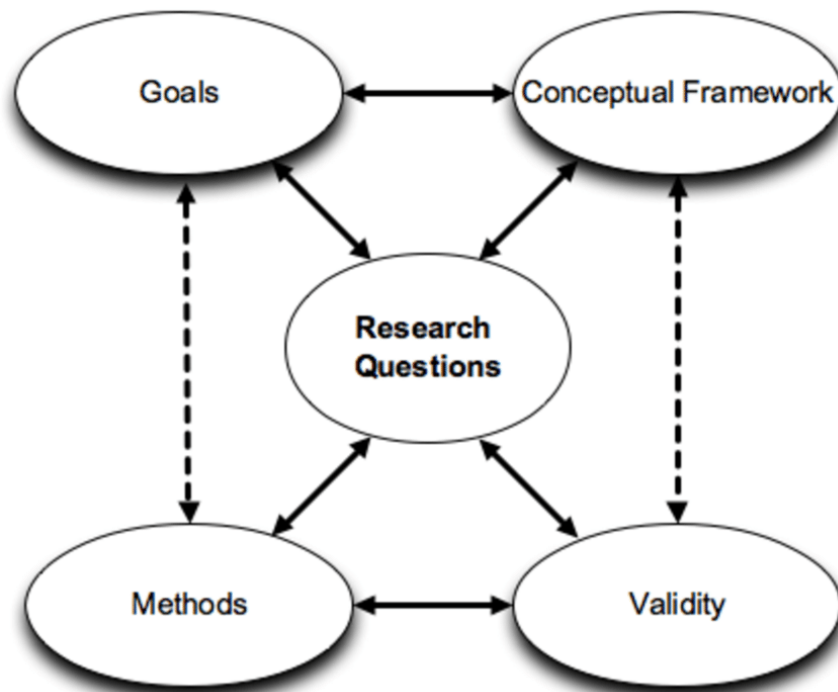


Figure 9: Figure of the research design

Source: Maxwell, 2012, p. 217.

The purpose of my research, my research questions are described in section 2.3. I presented the theoretical background in Chapter 2. In this chapter, I discuss the details of the research methodology and the issue of validity.

4.1. Methodology

4.1.1. Qualitative research methodology

In my PhD research, I used a qualitative methodology, the purpose of which is “*to understand certain social situations, events, roles, groups or interactions based on situation-specific and detailed data.*” (Locke et al., 1998, cited in Horváth & Mitev, 2015, p.25). In qualitative research, researchers seek a deeper understanding. “*Qualitative research is an attempt to capture the deep meaning that structures what we say about what we do.*” (Van Maanen, 1988:11, cited in Horváth és Mitev, 2015, p.26). Qualitative research is composed of different philosophical approaches and schools of thought, which interpret the essential elements of society, its descriptiveness and its main drivers in different ways. As a result, they have different views on how detailed empirical research can and does formulate a view of the world. The diversity of qualitative research lies in the fact that it can focus on social meanings, interpretations, practices, discourses, processes, constructions. Qualitative research is not the equivalent of statistically evidential research, but is used to understand processes, to identify behavioral characteristics, to detect trends. Its main questions include: What? Why? How? What does it depend on? (Majoros, 2005) My aim in using qualitative research was to understand different processes and identify problems.

I chose the qualitative research methodology because I believe that a deeper understanding of the topic is the best way to gain a true understanding of that topic, and to ask the interviewees directly about the information and experiences they had. For me, this methodology is also important because it is not a rigid, standardized system, it is not removed from real life, from the natural social context (Mason, 2005). In qualitative interviewing, data generation is based on interactions with the interviewees (Mason, 2005), and this is what I experienced as the most exciting part of data collection.

4.1.2. Case study method

Case study is a good way of describing complex phenomena and helps us understand them through in-depth research. The case study is seen as a tool for understanding and interpretation (Mitev, 2015).

In Yin’s (1994, cited in Mitev, 2015 p.131) approach, the case study examines a contemporary event, where the case needs to be contextualized and explored using multiple sources. The case study provides “*a detailed, contextual description of the complex*

relationships between a limited number of events and their environment” (Mitev, 2015 p.129). Along different philosophies of science approaches, the case study method also has different purposes and considerations, but for my work I consider it important to highlight that “*case studies can provide a very thorough description of a phenomenon, test a theory or generate new theories*” (Mitev, 2015, p.131).

Majoros (2005) considers the case study to be an empirical study with in-depth source material. A multiple case study provides an opportunity to explore and understand the differences and similarities between selected cases (Stake, 2006). In her article, Mason (2002) discusses in detail the sample selection, the choice of categories on which it is based and the comparability of cases. During the sampling process (see next subchapter for details), I tried to ensure that the selected samples were as diverse as possible and comparable along the main criteria. To detect similarities and differences, a multiple case design was chosen. In addition to the reliability of research findings, the advantage of a multiple case study is that it eliminates the possibility of the researcher becoming biased towards a single case (Rao, 2014).

Among the ways in which Eisenhardt (1989, cited in Mitev, 2015, p.130) relates theory to case study, theory is “*the initial guide to research design and data collection*” (p. 130) in my work. Of the six data collection techniques proposed by Yin (2003, cited in Mitev, 2015, p.141), the techniques of interview and archival studies were used. These are presented in the next subchapter.

4.1.3. Sampling, data collection and analysis

Qualitative interviews form an essential element of the data collection methodology of all three articles. In the case studies of social enterprises in the first two articles and in the research on social enterprise development organizations in the third article, I also include publicly available documents and sources provided by the organizations. The second article is built on mixed-methodology: with my co-author we also used quantitative analysis of data from the Hungarian Central Statistical Office (KSH). Table 2 summarizes the main features of the sampling, data collection and analysis.

	Article 1	Article 2	Article 3
Data collection	Qualitative methodology: conducting semi-structured interviews	Mixed methodology: collecting organizational documents, searching statistical database, conducting semi-structured interviews	Qualitative methodology: collecting publicly available resources, organizational documents, conducting semi-structured interviews
Sampling	Purposive sampling, maximum variation sampling	Purposive sampling, maximum variation sampling	Purposive sampling, maximum variation sampling
Data analysis	Semi-structured interview analysis (thematic coding)	Semi-structured interview analysis (thematic coding), analysis of public benefit reports, analysis of KSH data (cross tabulation, Anova)	Semi-structured interview analysis (thematic coding)

Table 2: Research methodology of the articles in this dissertation

Source: own editing

In the first article of my dissertation, the key actors in the organizational field of social enterprises operating in the health and social fields and their influences on social enterprises were explored. The macro-level analysis of the research aims to explore how key actors influence the operating environment of social enterprises, and the micro-level analysis aims to explore how key actors influence the daily operations of social enterprises. In the first and second articles, we looked at the same organizations but from a different point of view. In the semi-structured interviews, the characteristics explored covered the founding history, circumstances and motivation, key resources (human, financial), partnerships, key milestones in operations, opportunities and limitations of the environment, and future plans. For the two articles, we conducted a total of six semi-structured interviews with four social enterprise managers and staff. Of the four case studies, two organizations are active in the health field and two in the social field.

The second article of my dissertation explored business models for financing social enterprises in the health and social fields. In the course of the research, my co-author carried out a KSH data analysis of the legal forms, activities, human resources and revenues of social enterprises in the respective fields, which were jointly interpreted to define the business operations of the organizations. In this case, the main topics of the semi-structured interviews were the basic characteristics of social enterprises (legal form, main activities), the main revenues and resources of social enterprises, the business models they used. In the four case studies, written on the basis of interviews and document analysis, we presented their specific financing business models. At the time of writing the first and second articles, the content of the case studies was revisited with the interviewees several times in autumn and winter 2019. The data collection was completed before the 2020 pandemic of the coronavirus, thus the impact of the COVID epidemic on the functioning of social enterprises is no longer part of our research.

In all three articles, I used one of the types of purposive sampling, maximum variation sampling (Patton, 1990), which consists of designing and analyzing a sample of a small number of items that are substantially different from each other in relevant respects, with the aim of drawing attention to similarities and differences between the items in the sample.

In the sample of the first two articles, these criteria were the field of activity, age, legal form and geographical location, as well as the diversity of the target groups. Due to the lack of a uniform definition and the diversity of organizations, we do not have a specific database, so we examined organizations, programs, lists of tenders, data available in studies and other articles on the topic, with the aim of selecting organizations that actually operate as social enterprises (the database used and updated during this research was developed by one of the authors in her PhD thesis, see Kiss, 2018). We selected social enterprises that work with addicts, people with physical disabilities, the homeless and people with intellectual disabilities (autism). The diversity of the target groups is reflected in the legal form of the enterprises (foundation, non-profit limited liability company, for-profit limited liability company, social cooperative), the location (Budapest and Central Hungary, Northern Hungary, Western Transdanubia) and the time of foundation (1994-2004). The selected organizations are presented in Table 3.

Beneficiaries	Supporting activity	Legal form	Age (years)	Founder/ Manager	Location
addicted patients	health services	foundation	25-30	target group member/indirectly concerned	capital
people with physical disabilities	product manufacturing, supply of development products	limited liability company	5-10	target group member/indirectly concerned	capital
people with intellectual disabilities	employment, health services	foundation + non-profit limited liability company	20-25	professional	countryside
homeless	employment	social cooperative	5-10	professional	countryside

Table 3: Sample – the social enterprises surveyed for the first and second articles

Source: own editing

In the second article, a quantitative analysis of the 2017 KSH sample was carried out to provide a picture of the operational characteristics of social enterprises in the sector. In line with the European Union's approach (European Commission, 2019), organizations in the form of foundations, associations, non-profit companies and social cooperatives were considered as social enterprises if their sales revenue exceeded 25% or more of total revenue. Social enterprises operating in other legal forms (e.g., other cooperatives, for-profit limited liability companies) were not included in the analysis due to the lack of a suitable database, so it is necessary to take these limitations into account when interpreting the statistical data.

In the third article of my dissertation, I examine the social enterprise development organizations operating in Hungary and compare the tools and business models they use for development. To establish the maximum variation sampling, I prepared a relevant map of social enterprises (Figure 10 in Annexes). After identifying the main external stakeholder groups – financial investors, suppliers, buyers, beneficiaries, regulators, developers, educators, researchers – and defining the group of developers, I focused on getting to know them. I collected basic characteristics, operational and other information on domestic social enterprise developers from public sources to establish the basis for sampling (Table 4 – see Annexes

chapter). As sources for desk research, I used the websites of the organizations, the various calls for tenders and organizational reports. After studying these, I selected 6 organizations from the 13 developers and incubators operating in Hungary so far, which are presented in Table 5. First, I separated development organizations from development programs and excluded organizations that ceased to operate in Hungary and those that develop social entrepreneurs instead of social enterprises.

	Organization 1	Organization 2	Organization 3	Organization 4	Organization 5	Organization 6
Type of organization	consulting organization	consulting organization	consulting organization	incubator	incubator	incubator
Domestic market presence	2009-	2012-	2012-	2016-	2016-	2016-
International background	yes	yes	no	yes	no	yes
Time of development	project-dependent (from 2-3 months to several years)	6-8 months	project-dependent	2-4 years	client-dependent	project-dependent
Regularity of development	project-like, program	project-like, program	project-like, program	project-like, program	program	project-like, program
Guaranteed value after development	business knowledge, rarely loan	business knowledge, sometimes capital, loan	business knowledge	business knowledge, loan, prize, capital	business knowledge	business knowledge, prize
Total number of enterprises developed	150	21	85	30	74	8000+

Table 5: Sample – the social enterprise development organizations surveyed

Source: own editing

In the selected six organizations, I conducted semi-structured interviews with their leaders and colleagues actively involved in social enterprise development, in January and February 2021, in the context of online interviews due to the coronavirus outbreak, by using the Teams

and Skype apps, for 1-1.5 hours. Half of the interviewees are founders and developers, while the others are development colleagues. The guidelines for the semi-structured interviews can also be found in the Annexes chapter.

I recorded the interviews and prepared interview transcripts as well as interpretative interview summaries. The main aspects of the analysis and comparison were the followings: the social enterprise concepts of the development organizations, in order to explore their clientele; self-identification of developing organizations, with the aim of knowing the category of developer into which they fall; the specialties of consultancy organizations and the ways in which they operate and respond to development processes; in addition, the tools used in their development to gain insight into their methodological toolkits.

4.2. Validity, reliability, generalizability

In terms of the validity of research, Babbie (2008) draws attention to the importance of fieldwork and compares it with the use of questionnaire surveys. He argues that field research can generate more valid measurements, as information about the nature of different human conditions can be obtained through the presence of a researcher. It better captures the depth of research because it can produce more complex evaluations.

In terms of reliability, however, Babbie (2008) questions field research, as the results obtained can be very personal and the researcher can be emotionally influenced in the evaluation. However, researchers try to filter out the resulting biases, as they are aware of this problem.

According to Mason (2002), the issue of validity is often associated with the quantitative method, but she points out that it is equally important for qualitative research that the researcher is able to demonstrate the validity of the own concepts. When it comes to reliability, the researcher should focus on ensuring that the method chosen for the research is accurate. Finally, generalizability should not lead the researcher into the trap of making claims without explanation or support. The researcher cannot claim that the research is so specific and particular that it cannot be generalized in any way.

In addition to the above, Lewis (2003) mentions the need to ensure that the various literatures used in the research are selected with justification. Furthermore, the researcher must be able to logically outline their relationship to each other and be able to support the author's findings and explanations with them.

For me, what I learned in György Pataki's PhD seminar on "Qualitative Research Methods" (2019) helps me to maintain validity. I would highlight the role of intensive, long-term participation in the fieldwork; the richness and diversity of data collection; the role of intensive collaboration with interviewees and other researchers; the organization of meetings where interviewees validate the findings; and the comparison of several similar cases and publications.

In my case, I kept the above-mentioned learned aspects in mind. In my research, I made an effort to organize face-to-face meetings prior to the coronavirus pandemic. It was important for me to see the settings in which the interviewees I surveyed were active on a daily basis, thus gaining new impressions. Following the first face-to-face experience, I had several opportunities to conduct further interviews to ensure that no information was missing after the first round of interviews was assessed. To do this, I tried to establish direct contact with the subjects. I started to organize the interviews online after the coronavirus outbreak. The interviews were conducted using Skype and Teams, from which I recorded audio materials. I requested other documents and data to complement the interviews from the interviewees via e-mail. During the data collection, my co-authors and I tried to make the sampling as diverse and varied as possible. Business model concepts selected from the international literature are compared with local business models, not only with the business models used by social entrepreneurs, but also with the knowledge base of development organizations.

5. Presenting the research results

In this chapter, I present the main results of the research, followed by the articles and their references. I summarize the main findings of the articles and answer their research questions, as well as the main research question of my dissertation.

In the first two articles of my dissertation, I examine the business characteristics of domestic social enterprises from a social enterprise perspective, using the example of social enterprises in the health and social fields, so it is important to mention this operating environment. A constant feature of the domestic welfare system is the central role of the state in the provision of services and the low level of welfare expenditure (Bányai et al., 2012). In our analysis of the 2017 HCSO sample, we identified that 412 of the 13 567 social enterprises registered are active in the field of health care and 1014 in the field of social care. In terms of the legal forms of

organizations (Figure 11), 45.6% of social enterprises in the health field operate as foundations, 35.9% as associations, 16.4% as non-profit companies and 2.1% as social cooperatives.

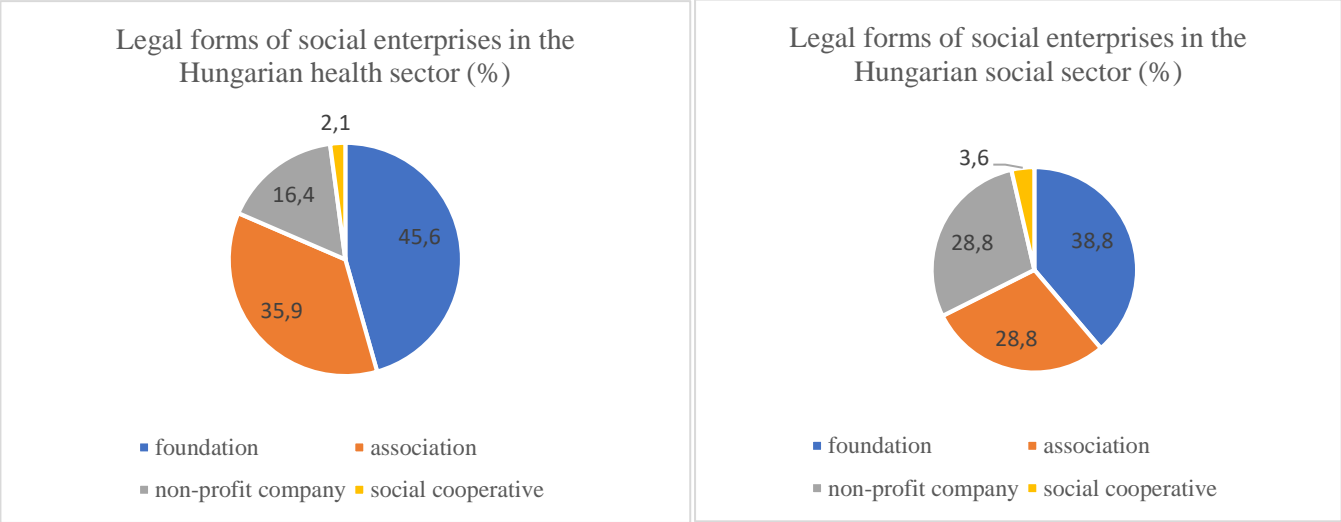


Figure 11: Legal forms of social enterprises in the health and social fields

Source: own editing

Of social enterprises in the social field, 38.8% are foundations, 28.8% are associations and 28.8% are non-profit companies, while the share of social cooperatives is 3.6%.

The most common activities in the health care system include public health promotion, disease prevention, screening; health care and medical scientific social activity; natural medicine; general and specialist outpatient care; inpatient care, mental health and other health care. For social care, the areas of activity include other social care, support, day care for children (e.g., day nursery, family day care), residential social care for the elderly, child welfare services, helping vulnerable groups (excluding families).

The development of revenues in 2017 is as follows: average HUF 47.4 million for social enterprises in the health field and average HUF 63.7 million for non-profit organizations in the social field. In both areas, the main type of income is the income from the core activity, with rates of 49.2% and 51.5% respectively. The rate of public subsidies is higher for social organizations, with 18.6% for those active in health care and 26.2% for those active in social care.

Overall, social enterprises contribute to the functioning of the welfare system through a variety of legal forms and activities, with their main sources of income coming from their core

activities, but the role of the state is still relevant, especially in the health field, while it is less pronounced in the social field.

In the first article of the dissertation, my co-authors and I sought to answer the following research questions: What are the characteristics of the key actors that influence the social enterprise organizational field in the social and health sectors? How do social enterprises in the social and health sectors connect to and interact with these key actors? What impact do these key actors have on the operation of social enterprises in the social and health sectors? To answer these questions, we identified the key actors that influence the functioning of social enterprises in the health and social fields and examined the characteristics of their influences.

In identifying the key actors, we found that social enterprises are mostly dependent on the central state, local public health institutions, and have important links with local governments. Their partnerships with private clients, development organizations and for-profit or non-profit organizations are less dominant. The key actors associated with social enterprises have an impact on the legal forms and core activities of social enterprises, as well as on the human resources and finances of the enterprise.

The role of the central state is complex, providing a space for social enterprises by addressing the shortcomings of the health and social care system as well as the unaddressed health and social problems. In these missing gaps, social enterprises alleviate the shortcomings of public subsidies. In the cases examined, the founders established their organization with the aim of filling these gaps by providing new and innovative solutions to improve the existing public service. The founders acquired the necessary knowledge, either through their own experience or through the involvement of a relative. Therefore, they cooperate with public health organizations and it is important to engage with them to fill these gaps.

Another part of the role of the state is that social enterprises have to adapt to the state system in order to survive, they can operate in forms that are rewarded by the state, they depend on the state's ability to generate revenue, and the state has a crucial role in the development of social enterprises in the field under study. Social entrepreneurs were critical of government regulation and development. In most of the interviews, excessive regulation, inflexibility of the system and unfavorable developments in the legal environment were mentioned. The interviewees talked about the lower level of public subsidies and its delay, the unequal distribution of resources (see Kiss & Mihály, 2019 for a further detailed analysis of the criticisms). They find it difficult to plan for the long term, their operating environment is changing dynamically, and social

entrepreneurs can focus more on day-to-day business. Interaction and communication between the state and social enterprises is often one-way. Although several organizations raised the issue of independence from the public funding system, only one of the cases we examined shows an entrepreneurial activity towards real independence, an attempt to change the institutional framework of the fields under study. This organization works on the development of groups with physical disabilities, and for several years they lobbied for the introduction of a new development service, which eventually succeeded.

Local governments appear as a partner for social enterprises operating in the capital, with one organization surveyed as a primary contracting buyer partner. For social enterprises operating in smaller towns, there is less evidence of long-term partnerships due to pre-existing contractual partnerships. Of all the paradigm-building organizations that shape the social enterprise environment, the state is the most dominant in this case, through the legislation, policies and funding schemes it creates. On the other hand, social enterprises are not actors influencing the institutional context. Social enterprises are not in a position to shape their institutional environment, so they continue to operate within the constraints and possibilities of the health and social fields. The partnerships mentioned above do not contribute to the long-term sustainable operation of social enterprises.

Other key actors identified are the followings: these actors are present in the life of the organizations, sometimes in the longer and sometimes in the shorter term, but they are less dominant than the state, the local care system and local governments. The analysis of the consumer and revenue generating direction anticipates the second article of this dissertation and the analysis of the developers anticipates the third article. With regard to buyers and consumers, two organizations are engaged in sales to individuals. Social entrepreneurs believe that it is important to raise awareness and promote the legitimacy of social entrepreneurship in our country. Although the existence of these organizations needs to be promoted, they have a large number of volunteers and involve the disadvantaged groups they support in their organizational activities. By promoting social enterprises, society would better accept the legitimacy of these organizations, which would contribute to the emergence of higher levels of cooperation. Contacts with for-profit organizations, non-profit organizations and developers were considered less important by social entrepreneurs. For two organizations, products are purchased by retailers with whom a long-term relationship is established. Cooperation with non-profit organizations was mentioned during the interviews, also in the case of organizations working in the same field,

which are not profit-making relationships. Developers in this research are the developers that social enterprises in a given area encounter. As mentioned above, the key role in development is played by the state, so the interviewees noted short-term development and excessive knowledge transfer in relation to other developers. An extended version of Osterwalder and Pigneur's (2010) business model includes a key partner element, on the basis of which social enterprises could benefit from a relationship with developers, but this is currently a role played by the state on a compulsory basis. Partnerships with for-profit and non-profit organizations, as well as with individuals, are beneficial relationships to be developed for the future, as they increase the number of buyers and open up opportunities for cooperation with organizations.

Key actors in the institutional environment shape the functioning of social enterprises through the limitations and opportunities they create. They play a role in the choice of legal form and scope of activity, and in the availability of financial and human resources. Within the given framework, the social enterprises surveyed were using the best solutions for them. The founders chose the legal form of their initiatives which best suited their core activities and which were likely to attract grant funding for the period. This suggests that the state regulation and funding environment influenced the entrepreneurs' decision-making. In the 1990s, the foundation proved to be the most appropriate legal form for the provision of health and social care, in return for which they received normative financial support. Later, the social cooperative form became popular thanks to social subsidies, and in other cases for-profit legal forms were chosen, with the aim of bringing social problems closer to the private sector. What changed after 2010 is that entrepreneurs sometimes establish a new organization alongside their existing one, with the aim of starting up a new activity. The range of activities of social enterprises has changed a lot, first they were small and focused on one type of service or product, later they started to expand their portfolios. There are organizations that recruited people involved in the problem to be solved as volunteers. This type of activity was financially supported at the time. In contrast, there were services that were discontinued due to lack of state financial support. In terms of financial resources, the founders initially started with their own capital and then followed up the opportunities for tenders. For older organizations, central state funding became the main income channel, with normative support and donations becoming the most important. However, this did not ensure a sustainable operation, so organizations started to look for other sources of additional income. Younger organizations, on the other hand, are rather looking to cover their operations from market-based income. The human resources of businesses also changed due to their financial situation, and in many cases, they started to employ volunteers on a full-time basis.

Social enterprises cannot afford to employ experts and can only employ them at below market rates. Management is generally open to the views of workers in decision-making and even asks for their opinion.

The research question of the second article of the dissertation is the following: What business models characterize social enterprises in the social and health sectors? To answer our research question, my co-author and I mapped the types of business models of social enterprises in the Hungarian health and social fields. In this research, the business model emerges as the operating model that frames the diversity of forms of financing social enterprises. In the course of the research, we first provided a comprehensive picture of the business operational characteristics of social enterprises in the health and social fields through the analysis of the HCSO data, including their activities, legal forms, revenues and human resources. In order to explore specific funding business models, quantitative analysis was less suitable and we needed exploratory qualitative research, so we examined the same aspects (activities, legal forms, revenues, human resources) in detail for the four organizations we selected.

As a result, two types of business models were typified, which can be distinguished according to the extent to which they are separated from the regulated state claims. The model that complements state funding through sales operates according to fixed rules and its main source of income is a normative support, supplemented by the organization's own income. The financing model based on private market sales is now based on less tied rules. It operates mostly on the revenue from the sale of its own product or service, or both. In the case of a model that complements state funding with sales, the main source of revenue is provided by the state, and supplemented by a small amount of sales revenue. The value proposition of social enterprises is a set of social services that are partly or fully funded by the state and they support some kind of disadvantaged group. The small amount of sales revenue that complements the main source of income comes from the market-based sale of products or services produced by professionals or the targeted disadvantaged groups. In a private market sales-based financing model, the main source of income comes from the sale of a product or service. Social enterprises with such a business model comply with the rules required by their legal form and try to meet the various conditions for tenders. In addition to their main income channel, they can also use private donations and income from various social responsibility projects as other sources of income. The value proposition is the marketing of products and services produced through the

employment of the target group and the sale of services and products eligible for non-normative funding for institutions dealing with the target group.

Within the business models literature, there are similarities between Alter (2007), Santos (2015) and our case study models (Figure 12). From Alter’s classification, parallels can be found with the employment model, the fee-for-service model, and the low-income client model. This is because the organizations in question create social value through employment, by selling services and making them available to disadvantaged groups. Among Santos’ models, bridging and blending models link the needs of different client and beneficiary groups, and the market hybrid model allows access to services at below market prices or even free of charge.

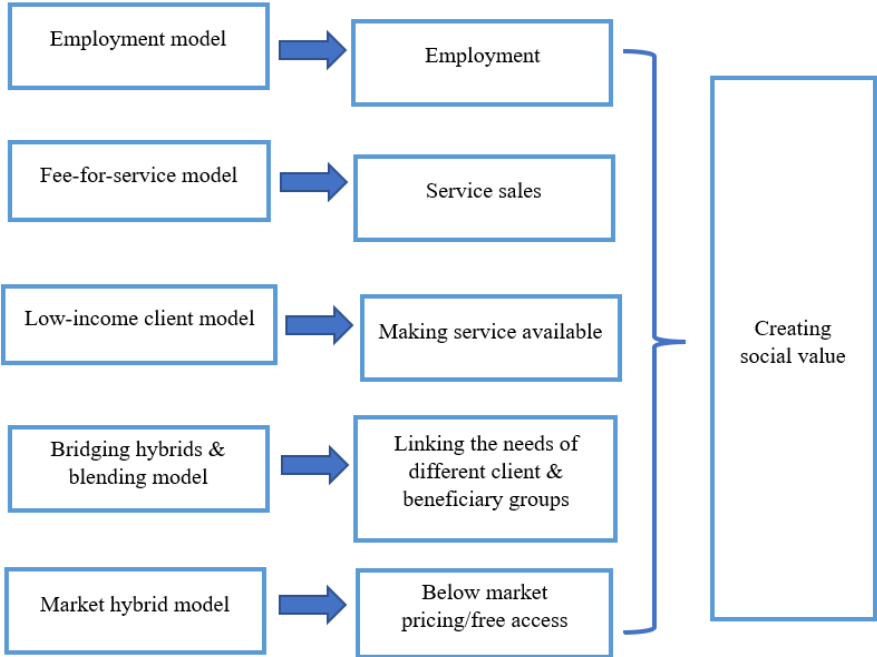


Figure 12: Creating social value through business models

Source: own editing

Based on the data processed, it can be said that in both the health and social fields, there are social enterprises that operate in a non-profit or business-like way. Among the organizations we examined, the limited liability company and the social cooperative base their income on the development of their own sales channels. The operation of non-profit foundations and non-profit limited liability companies is governed by the system of public subsidies. In more detail, we linked the legal forms and organizational activities of the organizations based on interviews and analysis of their annual reports. The evolution of the legal form is influenced by the decision-making of social entrepreneurs in the light of which legal form enables the realization

of which activity and which type of financial resources. The reason for choosing the foundation form is to effectively access public subsidies. There is a foundation that established a non-profit limited liability company to carry out its market-based activities. The social cooperative form was designed to access the tendering opportunities available at the time, and the foundation was already carrying out its economic activities at the time of its creation. Their activities include free or below-market institutional care for addicts and people with mental health problems, occasional homeless employment, the sale of services and products to institutions dealing with the target group to improve the situation of children with reduced mobility, the provision of housing for groups with multiple disabilities and the sale of products produced by them.

In terms of income and resources, the start-up of social enterprises was financed by own resources, followed by grant money, normative subsidies and central budget support. Thanks to their marketing activities, they attracted the interest of the public, donors, financial investors, from whom they generated other income. Table 2 in the second article shows that larger organizations (foundations) that have been in operation for longer generate more income. According to the variation in net sales revenue (NSR), the foundation that complements its operations by creating several non-profit foundations has the highest net sales and total income. The social cooperative relies on sales for its operations, with net sales as the only revenue item in its accounts. Other income may include membership fees, payments received from the founder, grant money, state subsidies (social security fund, 1% of the income tax, normative and non-normative subsidies) and other support (private donations). In the present case, the largest part of other income for the organizations is the amount of state subsidies (including normative and other central budget subsidies), especially for foundations with a non-profit limited liability company. The projected annual net sales of the limited liability company for 2019 are between HUF 10 000 000 and HUF 17 000 000. The category of other income is also present here, but it is less relevant than for non-profit organizations. The revenue from sales reaches 70% of the total revenue. Summarizing the different types of revenue, the highest revenue for a non-profit legal form is generated by the organization which was extended with another legal form. The range of other types of income can include a variety of revenue streams, reflecting the diversity of funding, with the longest established non-profit organizations receiving the most public support. A social enterprise that finances itself from the start through its own revenue stream is not dependent on public subsidies.

The diversity of income types shows that there is a link between the organizations in the sample and some of the types of social enterprise typology associated with Defourny and Nyssens (2017, cited in Repisky & Tóth, 2019, pp.12-13; Matolay & Révész, 2020). Since non-profit foundations and non-profit limited liability companies operate in a model that complements public funding through sales, there is a link with the definition of entrepreneurial non-profit organizations, which defines social enterprises as enterprises that supplement their revenues. They also include social cooperatives, which in this case operate on a business basis similar to limited liability company. They correspond to for-profit social enterprises due to their financing model based on private market sales.

In the third article, I sought to answer the following research question: How do social enterprise development organizations in Hungary understand the development process and its tools? In order to answer this question, I explored the types of organizations that develop Hungarian social enterprises from a business perspective, the ways and means of their development process. In the present case, the business model concept appears as a tool used by the development organizations in the development process.

In my research, I typed the organizations according to four aspects, which include the organizational profile, the type of target group, the criteria for access to development and the type of development funding. Based on profile, smaller consultancy organizations are involved in organizational development and consultancy, including business planning, corporate development, social impact measurement, strategy making, organizing professional volunteering programs and research. The larger scale consultancy organizations complement the above services with a process of facilitating the raising of capital for social enterprises, social impact measurement and its development, and reach out to social enterprises that have not yet engaged in business development but need it. Organizations of both sizes have members who specialized from the for-profit sector to the non-profit sector, simplifying and adapting methodologies that worked in business. The main objective of incubators is to motivate and prepare social entrepreneurs to develop and market their own products.

In terms of target group, developers mostly deal with young, newly created social enterprises, but a smaller number of already established social enterprises are also present. There are pre-specialized programs specifically targeted at young entrepreneurs or social enterprises that only have an entrepreneurial idea. Typically, not the social enterprises contact

the development organizations, but social enterprises apply for tenders for development projects and individual organizations.

Social enterprises can enter the development process according to different criteria. Each developer uses different criteria, including non-profit legal form, the existence of a social purpose, whether the problem to be solved has an environmental or extreme poverty focus. The more complex entry criteria include generating own revenue, having social impact measurement experience, operating for at least 3 years, and having enough clients.

In most cases, development is financed through the joint work of developers and their projects, using their own and international resources to finance the process. Their wide network of partners includes financial investors, banks, pro bono corporate partners, public organizations, EU institutions and other social enterprise development organizations. There are also less common forms of funding other than partner network funding. The pro bono type of financing means unpaid consultancy; the low bono type is where the social enterprise pays a reasonable amount for the service it requires, in other cases the social enterprise requesting the service pays a lower consultancy fee than the for-profit sector; the donor-supported type of financing is where the social enterprise's financial supporter pays for the service in return; and finally the hybrid type is where both the requesting social enterprise and the supporter pay for the service.

After identifying the development organizations, I explored the specificities of their development processes. Development processes are program or project specific, tailored to the specific needs of social enterprises. Two types of development process can be distinguished: development processes specialized for start-ups and development processes specialized for established enterprises.

The development of start-up organizations can be divided into three phases. In the first phase, they prepare their business plan, including a definition of their product or service, a justification for selling it, how to launch the product or service, positioning, the 4 Ps used in the marketing strategy, pricing and competitive analysis. Entry to the second phase is based on the usability of the business plan, its potential and diversity, and the level of commitment of the team. In the second phase, the mentors of the organizations evaluate the business plans and complete them. In the third phase, social entrepreneurs present their completed business plans to financial investors or to access capital, loans or prize from the development organization.

Developing already established social enterprises, the first step is to assess the problems of the organization and the tools needed to develop it. The training may include the preparation of a business plan, a cash-flow plan, or the training pillar of forming the organization. In this case too, the development can be divided into three phases. The situation assessment phase is where the problems of organizations and managers are assessed. Then, in the reflection on the mission phase, it is examined whether or not everyone agrees with the results of the situation assessment. The action planning and measurement tool phase concludes the process. These organizations usually struggle with organizational problems: work organization, job design, process organization, leadership development and project management.

In line with Cohen's theory (2013, cited in Nchang & Rudnik, 2018, p.21), after the kick-off meetings of accelerator programs, educational workshops start on the topics of business modelling, business plan preparation, financial planning, social impact assessment methodology, and risk analysis.

In support of Klofsten's claim (2016, cited in Nchang & Rudnik, 2018, p.4), incubator houses support social enterprises for 2-3 years, mostly working with stand-alone teams rather than structured programs, with the key part being impact measurement and financial plan as well as their ability to convince investors. The development process in this case also consists of three phases: training, mentoring and incubation. The 8-12 months of training and mentoring can be called development, where a business plan is prepared and presented to the participants, and finally a business concept is created and justified by supporting calculations. After incubation, a pilot plan is designed, on the basis of which the planned operation is launched and the mentors supervise the first few years of operation.

After examining the development processes, I explored the development tools. In the case of start-up social enterprises, the aim of development is to enable social entrepreneurs to acquire business knowledge and its terminology, and to start their organization with the right foundations. For existing social enterprises, we can talk about more complex issues, including the design and development of a social impact measurement system and the formation of organizations.

For business models, Osterwalder and Pigneur's (2010) canvas model is used as a basis. The model is complemented with some specific social business niches that are part of the Social Business Canvas (Social Innovation Lab, 2013). Another model used by developers is the

impact model, which includes the value proposition, the definition of the target group, and the value conveyed. Furthermore, one part of the model is the innovation element, which defines what novelty distinguishes the organization from its competitors that is from other organizations. An important part of the model is the measurement of social impact, identifying the activities within the organization that are intended to achieve it and how they can measure the social impact generated.

The generation of social impact is a process, so the static business model is complemented by the Theory of Change (ToC) method to explain business processes and to define the problems of social enterprises. In order to think through the activities in more detail, inputs, activities, outcomes and their short and long-term effects are identified using the ToC model. The inputs can be physical, human, financial resources needed to implement a given program, project or strategy. Outputs are the direct effects or results of programs, projects or strategies; outcomes are the short and long-term effects of the results of a given program, project or strategy. When determining each step, they define the potential risks, outcomes and measure the social impact to be achieved (Rogers, 2014).

The main research question of my dissertation is the characteristics of the business operation of domestic social enterprises. To answer my research question, firstly I explored the key actors in the operating environment of social enterprises and their impact on the operation of social enterprises, in order to gain insight into the business operations of social enterprises through the legal forms of the organizations, their main activities, and the human resources and finances they possess. As a second step, I looked at the types of business models that can be used to finance social enterprises, the types of organizations that rely on building their own sales channels for their revenues, and the types of organizations that are governed by the state support system. Finally, I approached the business operation from the developer side, identifying domestic developers, their development processes and tools, shedding light on the business tools and concepts used by social enterprises.

The limitations and opportunities generated by key actors in the operating environment have a major impact on the functioning of social enterprises. One of the primary aspects of this is the presence of financial constraints and dependence on public sector funding. To alleviate this, social entrepreneurs can choose the legal forms they need to carry out their activities. Market-based operations are a novelty, with some organizations developing their main source of income

from their own sales and others wishing to operate solely and exclusively from their own sales activities. The latter is reflected in the existence of for-profit legal forms and the involvement in a number of development opportunities. Development organizations aim to transfer and sustain basic and more complex business operations. Their methods and tools were adapted from the traditional business sector, specialized to the needs of social enterprises.

The social enterprise diversity I examined is in line with international and national literature concepts that allow social enterprises to operate on a market basis. The market-based form of operation is diverse, with one form being organizations that are still partly dependent on grant funding but are seeking financial independence, creating their own sales channels to generate new revenue streams, and the other form include social enterprises which, from the beginning or over time, have become self-sustaining.

5.1 First article

INTERACTION BETWEEN SOCIAL ENTERPRISES AND KEY ACTORS SHAPING THE FIELD – EXPERIENCES FROM THE SOCIAL AND HEALTH SECTORS IN HUNGARY

Purpose – In Hungary, as in other Central and Eastern European countries, the concept of social enterprise (SE) has attracted increased attention in recent years, with certain key actors shaping the organizational field. This growing interest is largely because of the availability of European Union funds focusing on the work integration of disadvantaged groups but ignoring other possible roles of SEs. This study aims to consider a seldom examined and underfunded area: SEs' institutional environment and organizational activities in the social and health sectors.

Design/methodology/approach – Based on neoinstitutional theory, the paper uses desk research and qualitative case studies. It presents the experiences of SEs providing social and health services for specific disadvantaged groups.

Findings – This paper identified the key actors influencing the everyday operation of SEs and examined their connections, interactions and partnerships. Based on the findings, SEs primarily depend on the central state, public social and health institutions and local governments. At the same time, their connections with private customers, networks,

development and support organizations, third sector organizations and for-profit enterprises are less significant. The key actors have a relevant impact on the legal form, main activities and the financial and human resources of SEs. SEs, however, have little influence on their institutional environment.

Originality/value – The paper contributes to understanding the opportunities and barriers of SEs in Hungary and, more generally, in Central and Eastern Europe, especially regarding their place in social and health services.

Keywords: Social enterprise, Social services, Health care, Institutional environment, Key actors, Hungary

1. Introduction

The concept of social enterprise (SE), which can be broadly defined as a business that serves a social mission (Defourny and Nyssens, 2006), has become increasingly popular in many European countries in recent years (Nyssens, 2015). Several organizations started to identify themselves as social enterprises; new legal forms, policy measures and support schemes were introduced. Key actors shaping the SE field have also emerged, from state institutions to private development and support organizations, advocacy groups, networks or academic institutions (European Commission, 2020). This growing interest can be attributed to three specific interconnected trends. Firstly, third sector organizations have become more entrepreneurial due to the scarcity and decrease of state funding. Secondly, for-profit organizations have experienced growing expectations from consumers to put more emphasis on ethical business practices. Finally, shrinking welfare states have turned away from traditional institutional and redistributive approaches to more active and work-oriented economic and social policies, including initiatives aimed at outsourcing the provision of welfare services (Mulgan, 2006; Pestoff, 2014). SE has also become increasingly relevant at the level of the European Union. An official definition of social enterprises was introduced in 2011 (European Commission, 2011) and support was provided in the 2014– 2020 development period through the Structural Funds (European Commission, 2013).

In the European Union (EU), social enterprises have initially been subject to interest due to their role in promoting the work integration of disadvantaged social groups (Defourny and Nyssens, 2010). Since the late 1990s, there has also been increased focus on the potential of SE in health and social services, especially in the UK (Roy et al., 2012; Caló et al., 2019). In the

UK, the goal of health care policy during this time was to introduce market mechanisms into the National Health Service. Social enterprises were increasingly regarded as vehicles to outsource services, and thus, become alternative service providers because they were considered innovative, cost-efficient and responsive to societal needs (Frith, 2014; Caló et al., 2018). However, according to recent research, rather than substituting and competing with state welfare services, social enterprises achieve enhanced outcomes when complementing and collaborating with public service providers (Caló et al., 2018).

Though present in all EU member states, the emergence and development of the social enterprise field has had different characteristics in different countries, due to variation in the social, economic, legal and welfare systems, as well as institutional and stakeholder networks (Kerlin, 2013; Persson et al., 2016; Hazenberg et al., 2016). In Central and Eastern Europe (CEE), social enterprises were initially created as civic responses to social problems not managed by the shrinking post-socialist welfare state and the neo-liberal market. They were more organized from the bottom up or as pilot projects by international actors and less due to state policy (Les and Kolin, 2009; Kerlin, 2017). However, the importance of SE in public policy has grown in the region due largely to the influence of the EU. The sector can now be characterized as relying on funding and professional support from national or international public and private institutions, that mainly focus on work integration and market-based sustainability (Baturina et al., 2021). Still, social enterprises are typically not commercially viable, not least because there is a lack of localism and collaboration between the different key actors of the SE field (Hazenberg et al., 2016).

Besides promoting the integration of disadvantaged people into the labor market, other potential roles of social enterprises, such as in social and health services, have little been explored in public policy in CEE countries (Galera, 2009). When providing services traditionally carried out by the public sector, social enterprises have not been regarded as equal, collaborating partners but subordinate to state welfare institutions (Ciepielewska- Kowalik et al., 2021). The possible roles of social enterprises in the welfare system have not been defined, and current policy initiatives fit the direction of the welfare state's withdrawal from the provision of public services (Persson et al., 2016).

In Hungary, similarly to other CEE countries, the concept of social enterprise, which was not widespread for a long time, has been met with increasing interest in recent years. More and more public and private actors are now targeting the SE field, and the sector's development has

intensified by using EU funds (G. Fekete et al., 2017a; European Commission, 2015; European Commission, 2019a). At the same time, following EU priorities, state policy has continued to look at social enterprises as vehicles for work integration whilst ignoring other possible roles in welfare services. Nonetheless, the sector shows a more diverse picture of activities and target groups than public policy suggests. Organizations are involved in the fields of education (36%), social services (34%), culture (34%), hobbies and leisure (27%), community development (27%), economic development (24%), environmental protection (23%), sport (12%), health (11%) and international relations (one organization could give multiple objectives as answers) (G. Fekete et al., 2017b). The picture is also diverse regarding target groups. The most common beneficiaries of social enterprises are people experiencing poverty, people experiencing unemployment, members of the local community, people with disabilities or long-term illnesses, children, the elderly and ethnic minorities (G. Fekete et al., 2017b).

Social enterprises are present in the provision of different welfare services in Hungary and focus on various disadvantaged social groups. However, their role in these areas has hitherto received scant attention. Most studies have focused on defining and understanding the concept (Kiss, 2015; Hubai, 2016; G. Fekete et al., 2017a; Mihály, 2017) or giving a general description of the field (European Commission, 2014; SEFORÏS, 2016; G. Fekete et al., 2017b; Kiss, 2018; European Commission, 2019a), but more in-depth sector-specific research is lacking. Following neoinstitutional theory, this paper aims to fill this gap by examining the institutional environment and organizational activity of social enterprises operating in Hungary's social and health sectors that focus on certain disadvantaged target groups. These target groups are people experiencing alcohol and drug dependence, people with intellectual disabilities or autism, people with physical disabilities and people experiencing homelessness. In particular, this paper aims to explore how key actors influencing the social enterprise organizational field in the social and health sectors impact the everyday operation of social enterprises and how social enterprises connect to and interact with these actors. After describing the theoretical background, the particular Hungarian context and the methodology, this paper examines the experiences and views of social entrepreneurs regarding the key actors shaping the field by presenting the results of case studies.

2. Theoretical background

To explore the research topic, this paper uses neoinstitutional theory. Neoinstitutional theory is an interconnected set of approaches that investigate how institutions shape formal organizations. Institutions can be defined as systems of formal and informal rules and norms embedded in the wider socio-economic and political environment, whilst organizations are the formal manifestations of institutions created to reach purposeful goals (Pinch and Sunley, 2015). In particular, this paper draws on the theories of institutional isomorphism, reflexive isomorphism, historical institutionalism, institutional entrepreneurship and the social business canvas.

Whether emerging or established, an organizational field is a set of organizations that appear in a recognized area of institutional life, such as key suppliers, consumers, regulatory and other organizations (DiMaggio and Powell, 1983). In the case of an emerging organizational field, according to the theory of reflexive isomorphism (Nicholls, 2010), there are no clearly defined boundaries and definitions and the field is in the state of “paradigm- building”. In this state, certain dominant, resource-rich paradigm-building actors are actively involved in promoting the development of the field to a closed system by shaping the main discourses according to their interests. Nicholls (2010) regard social enterprise to be such an emerging field, in which the main paradigm-building actors are the state, development and support organizations (foundations and scholarship organizations), networks and academia. The state influences the sector through legislation, policies and funding. Development and support organizations also provide funding, professional support and facilitate building connections. Networks offer office space or business support, and academia conducts research and education activities (Nicholls, 2010). To this list, according to Kiss (2020), international level actors, specifically the EU, can also be added by providing funding and promoting policy directions.

Once an organizational field is established, as is the case of the social and health sectors in a given country, according to DiMaggio and Powell’s (1983) theory of institutional isomorphism, various pressures from different actors direct organizations towards similar organizational solutions (isomorphism). DiMaggio and Powell (1983) distinguish between three mechanisms of institutional isomorphism by different key actors. Coercive isomorphism stems from both formal and informal pressures of the state and other authorities (such as development and support organizations) and the cultural expectations of society (e.g. consumers and employees). It can include laws, unified operational procedures or standardized

reporting methods, for instance. Mimetic isomorphism occurs by copying the operation of already successful organizations, such as well-known social enterprises. Normative isomorphism is the effect of professionalization, which is the collective struggle of members of a profession to determine the circumstances and methods of their work and establish their professional autonomy. In this process, universities and other educational institutions, and advocacy organizations are usually active.

Organizational fields also develop differently, depending on the wider past and present social, political and economic processes (Roy et al., 2014). From a historical institutionalist perspective, though the SE sector can be regarded as an emerging field, its development has still been influenced by the opportunities and constraints of certain already-existing macro-level formal (economy, state and civil society) and informal (culture and social classes) institutional factors. The variation of these factors results in different types of sectors in different countries. According to Kerlin (2010), the state, the market, civil society and international actors have influenced the development of the social enterprise sector. These actors are important because due to their hybrid nature of having a social aim and market activities simultaneously, SEs sits at the interface of different institutional logics (Pinch and Sunley, 2015). Social enterprises in social and health services are shaped by the logic of the public sector, which provides welfare services, the private sector that requires entrepreneurial responses and civil society emphasizing social value and the democratic commitment of workers and communities (Vickers et al., 2017). Therefore, for-profit companies, customers and clients and third sector organizations, communities and volunteers, can also influence the operation of social enterprises.

Though existing institutional structures, logic and rules established by the key actors shape an organizational field significantly, according to the theory of institutional enterprise, competent grassroots actors can also influence their institutional environments (DiMaggio, 1991; Nicholls and Cho, 2006). Based on this, social enterprises and social entrepreneurs can shape their organizational field, as they have a dynamic relationship with their environment and try to influence its behavior, often deliberately disrupting dysfunctional structures through innovation. This approach corresponds with Hazenberg et al.'s (2016) work, according to which besides formal institutions (e.g. political or legal), informal institutions (such as culture), the public, private and third sectors and the networks/groupings within them, organizations (e.g.

social enterprises) and individuals (e.g. social entrepreneurs) also influence the development of the SE field.

The key actors that impact the operation of social enterprises can also be examined by looking at the connections and partnerships of social enterprises, highlighted by the social business model canvas, an augmented version of the business model canvas (Osterwalder and Pigneur, 2010). The original business model canvas includes certain key actors that influence the operation of businesses, such as customers. The model also includes the key partners of the enterprise, those with whom the company works for mutual benefit (or strategic partnerships). Other organizations with which contact is essential for operation ¹also appear, such as tax authorities. Additionally, the social business model canvas includes other important actors because of social enterprises' hybrid nature and social mission, such as the beneficiary target group, the group supported by the initiative. Another group in the model consists of those who support the production process (Dohrmann et al., 2015). The roles of other stakeholders can be different; they can be donors, financial supporters, social investors, value creation and delivery partners, volunteers or specialists (Quastharin, 2016). Thus, social enterprises have a diverse network of connections and partners that influence their everyday operations.

In sum, certain key actors have shaped the development of the social enterprise organizational field. Based on the theories described above, the state (central and local level) and public institutions, international entities (e.g. the EU), development and support organizations, networks, academia, social enterprises and social entrepreneurs, for-profit and third sector organizations and society (and culture) as citizens, customers, clients, beneficiaries and volunteers can be regarded as relevant influences. This paper examines the institutional environment and organizational activity of social enterprises by looking at the connections and interactions between these key actors and the social enterprises themselves.

3. Literature review: the context in Hungary

The social enterprise sector is an emerging organizational field in Hungary. The concept has only become well-known in recent years, and there is no uniform definition, separate legal form or specific law yet (G. Fekete et al., 2017a; Kiss, 2020). Still, social enterprises connect to certain existing traditions with more established institutional backgrounds, primarily civil

¹ corrected in dissertation

society and the third sector, cooperatives and socially oriented for-profit enterprises (European Commission, 2019a). Accordingly, social enterprises can exist in different legal forms as non-profit organizations (e.g. foundations or associations), cooperatives (including social cooperatives) and for-profit legal forms (e.g. ltd.s). They appear in several fields of activity as well, including social and health services. These sectors also have already established institutional rules and norms to which social enterprises need to conform. In the following section, the wider context of the SE field and, in particular of the social and health sectors will be described to present a picture of the key actors and influences.

3.1. The social and health sectors in Hungary

To understand the situation of social enterprises in the social and health sectors, the public welfare system must be briefly introduced (for a more detailed summary of the topic, Kiss et al., 2020). The Hungarian welfare system has had certain specific constant characteristics, such as the primary role of the state in service provision and low levels of welfare spending – in line with the low gross domestic product (GDP) per capita (Bányai et al., 2012). Certain characteristics, such as dominant policy directions, however, have changed significantly. The state socialist period (1949–1989) followed a more or less universalist approach via centralized, state-owned service provision. After the regime change in 1989, new approaches towards the welfare system became influential. Decentralization and democratization efforts delegated important tasks to local governments, whilst neo-liberalism reduced the state’s role by involving organizations outside the public domain in service provision (Lakner, 2005). Since the change of government in 2010, a more uniform policy approach favoring the (re) centralization of welfare services and needs-based benefits with tighter conditions and reduced values emerged. The most vulnerable groups have increasingly been excluded from the social security system, whilst the solution for social problems has primarily been expected from labor market inclusion (Szikra, 2018).

The institutional system of social services was defined by Act III of 1993 on Social Governance and Social Benefits. The law provides cash benefits and benefits in kind (e.g. energy use allowance). In addition, it also provides social services (e.g. family assistance support services and street social work) and institutional care (e.g. rehabilitation institutions and residential homes). The provision of these services became the responsibility of local governments (Harsányi and Széman, 1999). However, in the past decade, the role of local governments in maintaining institutions has been substantially reduced and the provision of

these services was centralized (Kuti, 2017). For example, in 2013, residential care for people with disabilities, psychiatric patients, people experiencing alcohol and drug dependence and the institutional system providing child protection care was placed under centralized control (Czibere et al., 2017). Expenditure on social protection has been steadily declining, from 18.1% of the GDP in 2009 to 13.1% in 2018 (Eurostat, 2020). This decline has inordinately affected the most disadvantaged groups and areas (Scharle and Szikra, 2015; European Commission, 2019b).

The institutional system of health services is regulated by Act CLIV of 1997 on Health Care, which includes basic health care, outpatient specialist care, inpatient specialist care and other health care (e.g. medicine) (State Audit Office, 2019). This sector has also been increasingly centralized since 2012, as ownership of hospitals was transferred from the local governments to the central government. By 2017, previously independent management and funding organizations were merged into the Ministry of Human Resources responsible for health care. Public spending on health has stagnated in recent years at 5.2% of the GDP in 2009 and 4.7% in 2018 (Eurostat, 2020). Due to low public spending on the health care system, people often choose private health care providers, there is a shortage of specialists in public institutions and primary care and prevention are often neglected (OECD, 2017; European Commission, 2019b).

Regarding the specific target groups of the research, services for them are primarily provided by public institutions, increasingly on the central level, with the role of local governments and non-state organizations decreasing. In terms of addict care, we can talk about daycare, outpatient care and hospital care, along with prevention, intervention and rehabilitation services (Kovács et al., 2018). Homeless care includes various services, such as night shelters, temporary accommodation, public kitchens, homeless rehabilitation facilities or street social work. People with intellectual and physical disabilities can access various basic social and health services, such as support services, daycare, specialized personal care services (e.g. rehabilitation facilities or residential homes) and various cash benefits (e.g. disability allowance) (Kajner and Jakubinyi, 2015). The services available for these different disadvantaged groups are connected to both the health and social sectors. It is the professional task of the social institutions that provide personal care for them to provide health care as well (Szűcsné dr. Dóczy, Zs, 2015). Thus, when examining social enterprises focusing on these target groups, the institutional environments of both the health and social sectors are analyzed.

The public services available for the disadvantaged target groups face several problems. Care for people experiencing alcohol and drug dependence has been criticized for its outdated treatment methods, inflexibility of institutions and lack of funding and human resources. Inadequate information provided to potential patients and limited professional cooperation amongst organizations has also been a problem (Erdős et al., 2018). Homeless care currently is low-quality accommodation with fewer places available than necessary, and people experiencing homelessness are stigmatized for sleeping on the streets. Furthermore, no policy targets housing provision for those who are already homeless or are on the verge of becoming homeless. A complex approach to solving the problem, which would focus on the physical, mental and relational effects of homelessness, is also lacking (Papp, 2014; Missetics, 2017). There is also a scarcity of social services for people with disabilities, especially in disadvantaged regions (Máté, 2017), and the employment rate of people with disabilities is much lower than that of people without disabilities (Csillag et al., 2018). Services provided by the public welfare system do not fully meet the needs of the target groups, making the emergence of grassroots initiatives, amongst them social enterprises, important in these fields.

3.2. Non-state actors in service provision

Although public institutions have been of particular importance in providing welfare services, non-state organizations have also been involved in this field. Third sector organizations have provided social and health care since the regime change. Due mainly to the economic and social crisis of the early 1990s, latent social problems such as poverty, unemployment, homelessness and drug addiction came to the surface, as did the fact that the public welfare system did not offer enough help (Kuti, 2017). The number of third sector organizations grew dynamically, including in social and health care, until 2010, when this growth stopped (Bényei et al., 2007; Hungarian Central Statistical Office, 2020). At the same time, institutional volunteering and general trust in society remained low, and citizens continued to expect the state to provide welfare (Győri, 2010; Perpék, 2017).

The legal framework of third sector organizations quickly developed after the regime change, and the LXV Act of 1990 on Local Governments also established a general framework for outsourcing public welfare services to actors outside the public domain. The law detailed local governments' compulsory and voluntary public tasks and allowed for the contracting out of services to non-profit organizations, church entities or for-profit companies (Kinyik and Vitál, 2005). However, services were often not outsourced to civil society organizations but to

close-to-state entities founded by public institutions, such as local governments. Thus, though public funding for and the economic weight of the third sector increased, organizations closer to the state were behind this growth since the 1990s, due in part to the lack of resources of local governments and the lack of the necessary trust and strategy (Bocz, 2009). Funding has also been more connected to short-term grants than long-term service contracts and statutory support, whilst the amount of support was often not enough to sustain operation (Bocz, 2009; Tóth et al., 2011). Finally, a long-term, comprehensive strategy for the third sector was not developed at a policy level, and the influence of independent organizations on policymaking remained limited (Szalai and Svensson, 2018). Since 2010, new regulations and decreasing funding have made the autonomous functioning of organizations more difficult; previously existing partnerships and forums were eliminated (Kuti, 2017; Szalai and Svensson, 2018). Opportunities for providing services have also become more limited for grassroots civil society organizations, as organizations owned by the major churches or the state have been preferred (USAID, 2017).

Besides the third sector, for-profit organizations and cooperatives, in particular, need to be considered when describing the context for welfare service provision in Hungary. After the regime change in 1989, neo-liberal economic policy has led to the excessive liberalization, deregulation and privatization of the previously centralized state socialist economy (Les and Jeliaskova, 2007). After the regime change in 1989, neo-liberal economic policy has led to the excessive liberalization, deregulation and privatization of the previously centralized state socialist economy (Les and Jeliaskova, 2007; G. Fekete, 2017). However, having a pronounced social aim and exercising corporate social responsibility (CSR) was not common amongst Hungarian enterprises and has only recently gained more ground (Győri, 2010; European Commission, 2019a). The weight of cooperatives decreased after the regime change, mainly due to negative attitudes towards them because of their prominent role in the previous state socialist system. It increased again in the 2000s after the concept of the social economy gained importance in the EU and Hungarian public policy, and the newly introduced legal form of social cooperatives was supported by a top-down approach through funding programs. Social cooperatives are still highly supported by state funding programs, due primarily to their role in work integration and connection to local governments (European Commission, 2019a).

3.3. The emergence of the social enterprise field

The concept of social enterprise was introduced in the second half of the 1990s in Hungary by two international development organizations, namely, Ashoka in 1995 and NESsT in 2001 (G. Fekete et al., 2017a; European Commission, 2019a). These organizations influenced the development of the SE field in the beginning by providing small amounts of funding and long-term professional assistance to social enterprises or entrepreneurs. Their approaches primarily focused on improving the business, marketing and management skills of social enterprises to achieve financial sustainability by market-based income generation (Kiss, 2020). However, these approaches align with the retrenchment of the welfare state and do not reflect on the specific context of the country, such as high taxes or low levels of welfare spending (Kiss and Mihály, 2020).

In the 2010s, the state also started expressing interest in social enterprises, following the priorities of the European Union. In 2016, a funding mechanism was launched in the framework of the Economic Development and Innovation Operational Program, co-financed by the European Social Fund that provided grants and loans. The purpose of the development was mainly the work integration of disadvantaged social groups, conforming to the EU narrative on job creation (European Commission, 2019a; Kiss and Mihály, 2020). State funding is also restrictive regarding legal forms. For some years, social cooperatives received support, whilst even today, the legal forms accepted by public funding programs are still restricted (though not only to social cooperatives anymore). Thus, the concept of social enterprise is understood in a narrow sense in current public funding programs, the role of social enterprises in the welfare system is not explored further in public policy measures and there is no long-term state strategy (European Commission, 2019a). Existing – short-term and project-based – funding sources have opened opportunities in the sector but have been criticized for being too bureaucratic, inflexible and not manageable to sustain (G. Fekete et al., 2017b, Kiss and Mihály, 2020).

In recent years, several other actors have appeared in the SE field. New domestic and international development and support organizations started programs, banks and financial institutions became involved in funding. Advocacy organizations and networks are also present, with one alliance of social enterprises explicitly using the term and directly aiming at advocating for SE. Academic institutions, such as universities and research centers, have also appeared in the field, with an increasing number of courses taught and research carried out (European Commission, 2019a). Several actors engage with social enterprises, but these actors

have less impact on the development of the field – in general, and in the social and health sectors specifically – than the international development organizations, the EU and the state (Kiss, 2020). In the analysis, the characteristics of these key actors and other essential influences identified by the social enterprises in the case studies will be examined.

4. Methodology

The present research sought to analyze the experiences of social enterprises in some specific areas of the welfare system, focusing on different vulnerable social groups in the social and health sectors, in particular. On the one hand, it examined the possibilities and limitations arising from the existing institutional environment of these areas; on the other hand, the purposeful activities of social enterprises in these fields. Instead of a general analysis of the situation of social enterprises, the aim was to establish more sector-specific findings (Kiss et al., 2020; Krátki and Kiss, 2021).

This paper specifically focusses on one aspect of the research. Following the neoinstitutional approaches summarized above, it aims to explore how certain key actors that shape the development of the social enterprise organizational field influence the everyday operation of social enterprises in the social and health sectors and how social enterprises connect to and interact with these key actors. To achieve this aim, the main research questions were:

RQ1. What are the characteristics of the key actors that influence the social enterprise organizational field in the social and health sectors?

RQ2. How do social enterprises in the social and health sectors connect to and interact with these key actors?

RQ3. What impact do these key actors have on the operation of social enterprises in the social and health sectors?

To answer these questions, after undertaking a literature review to present the institutional environment of social enterprises in social and health services (summarized above), qualitative, exploratory case studies were conducted to provide a detailed presentation of social enterprises operating in different areas of the social and health sectors. The case studies were based on in-depth interviews and document analysis. A total of six semi-structured interviews were conducted with managers and employees of four Hungarian social enterprises, and some of the interviewees were consulted on several occasions in the autumn and winter of 2019. As data

collection was finalized before the pandemic in 2020, the impact of the Covid virus on social enterprises was not analyzed in the research.

The interview guide included questions about the history of the social enterprise, including the motivations and objectives for starting the social enterprise, the circumstances of creating the enterprise, the main resources and partnerships and major turning points; the present characteristics, such as human and financial resources, connections and interactions with key actors, major successes, problems and plans for the future; and opinions about the SE sector in general and in health and social services specifically, e.g. main opportunities and barriers. The analysis started during and immediately after the interviews (Kvale, 1996). The interviews were coded, based on which different patterns and categories were identified. Through the analysis, the experiences and opinions of social entrepreneurs about the key actors that influence the organizational field were explored.

Regarding the sample of the case studies, the concept of social enterprise has several competing definitions. Whilst all include in their description the characteristics of having social objectives and entrepreneurial activities, the different international schools of thought emphasize different features, such as being non-profit, innovative or participatory (Defourny and Nyssens, 2006). As with the existing international approaches, several SE definitions are available in Hungary (Kiss, 2018). The present research uses a broad definition; social enterprises are here understood as organizations seeking solutions to social problems by pursuing market activities.

Due to the lack of a uniform definition of social enterprise in Hungary, current statistical data collection is limitedly suitable for identifying the organizations that classify as such. Therefore, it seemed more appropriate to look for organizations that are considered social enterprises by experts. Based on lists of funding programs, development and support organizations, awards, studies and articles focusing on social enterprises, in particular, a total of 265 initiatives were regarded as SE (Kiss et al., 2020). From this list, a varied sample was selected according to purposeful sampling (Patton, 1990). It was important for the research to include social enterprises focusing on different disadvantaged target groups. This diversity provided an opportunity to learn about the characteristics of social enterprises involved in social and health services, in general but also highlighted relevant differences in institutional environments across target groups. Besides diversity according to target groups, the case studies varied in other characteristics. In terms of legal form, non-profit organizations (foundation, non-

profit ltd.), a social cooperative and a for-profit company were analyzed. In connection with the type of settlement and region, in addition to Budapest and Central Hungary, organizations operating in other cities in different regions (Northern Hungary and Western Transdanubia) were included. According to age, the date of establishment of the organizations ranged from 1994 to 2014 (Table 1).

5. Findings

In the course of the research, four social enterprises dealing with different target groups – people experiencing alcohol and drug dependence, people with physical disabilities, people with intellectual disabilities and autism and people experiencing homelessness – were examined through organizational case studies. In the following section, the experiences of these social enterprises working in the social and health sectors are presented by looking at their connections to and interactions with key actors influencing the organizational field and the impact of these key actors on the everyday operation of the SEs.

Social enterprise	SE1	SE2	SE3	SE4
Beneficiary group	People experiencing alcohol and drug dependence	People with physical disabilities	People with intellectual disabilities and autism	People experiencing homelessness
Activity for the target group	Provision of services	Provision of products and services	Employment and provision of services	Employment
Legal form	Foundation	Ltd.	Non-profit ltd. and foundation	Social cooperative
Founders	Members or relatives of the target group	Members or relatives of the target group	Social professionals	Social professionals and members or relatives of the target group
Type of settlement and region	Capital (Central Hungary)	Capital (Central Hungary)	City (another region)	City (another region)
Interviewees	Interviewee 1	Interviewee 2	Interviewees 3 and 4	Interviewees 5 and 6

Table 1: Characteristics of the examined social enterprises

5.1. Connections and interactions between key actors and social enterprises

Social enterprises in the case studies were grassroots initiatives created to better the situation of the given target groups. The main activities of the social enterprises focused on them as beneficiaries, offering them services for free or at a lower price, employing them or helping them in other ways. The founders of social enterprises were often connected to these target

groups (they were people formerly experiencing alcohol and drug dependence or homelessness or relatives of young people with physical disabilities). They decided to launch the initiatives because of their negative experiences with the state institutional system. In two cases, social professionals (social workers and social policy experts) related to the given problem were (also) founders who, based on their professional experience gained during their previous work, also wanted to remedy the shortcomings of the existing public institutions. Besides them, other employees had similar professional backgrounds. Thus, the contribution of these groups to the SEs was of primary importance.

“We created this service to dare to ask each other, dare to talk about a problem that affects us.” (Interviewee 1)

“When I graduated from university and started to work as a social worker here, we started thinking, and since then, we have constantly been thinking about how to create some kind of employment situation for people here, and then I decided to try this.” (Interviewee 6)

Though the SEs had initially started as volunteer-based grassroots initiatives, certain key institutional actors influencing their operation emerged throughout their history. The key actor mentioned most often as impacting the SEs was the state, more specifically at the central level, through the legal, policy and funding environment. The central state mainly received criticism for posing major difficulties for the operation of the SEs. Interviewees often mentioned excessive regulation, inflexibility and the unfavorable development of the legal environment in recent years. At the policy level, there was a general centralization of services and a lack of support for autonomous initiatives. In terms of funding, where the role of the EU was also regarded relevant, reductions or delays in state funding and anomalies in grant-based funding were mentioned most frequently, posing a major threat to the sustainability of organizations. In addition, the low levels of state statutory subsidies and the higher levels of such subsidies of church organizations also appeared as problems.

Compliance with the rules in force was almost impossible, making day-to-day operation and long-term planning difficult, according to several interviewees. Interaction between the central state and social enterprises was one-sided, as the influence of the social enterprises on public policy was limited. Whilst all case studies reported dependence on public funding, only one social enterprise had activities specifically aimed at changing the institutional environment, in which case the policy environment proved to be open to the given social problem – disability.

In this case, as a result of many years of lobbying, legislation was amended and new types of support schemes were developed.

“Everything is too centralized, the system is too regulated, which unfortunately often hampers the use of innovative solutions in the field of healthcare.” (Interviewee 2)

“Over the last 20 years, legislation and funding has changed so many times that we could differentiate specific periods.” (Interviewee 3)

Besides the central state in general, specific social and health institutions, mainly at the local level, were regarded as important. In each case, the founders created the organizations as innovative, more flexible responses to some social issues not solved by the bureaucratic and low-quality state institutional system, which they experienced when getting in contact with public institutions. These social issues included the rehabilitation of people experiencing alcohol and drug dependence, the social integration of children with physical disabilities, employment and housing for adults with intellectual disabilities or providing people experiencing homelessness with work and income. However, though the shortcomings of the public social and health care system led to the creation of the initiatives, most of the organizations had a close relationship with the local public institutions dealing with the target group.

Two organizations provided social institutional care substituting public welfare institutions (e.g. full-time rehabilitation care and residential care). They were already embedded in the institutional structure of social and health services and had strong connections to local public social and health institutions. Two organizations did not maintain a social institution. One of them was a separate legal entity connected to an institution providing care for the target group. Here, the support of this public institution during the establishment and operation of the SE was essential in providing human resources and a location where the market activities of the SE could take place. The other organization sold products and services that promote the social integration of their target group. It did not have a specific institutional background, but its institutional relationships were also relevant primarily for the sale of its products and services. Having connections and partnerships with local social and health institutions was crucial for the continuous operation of the social enterprises, though the level of support of these public institutions was not high and constant enough to achieve the long-term sustainability of the SEs. The impact of the SEs on these public institutions was also limited; only one interviewee

mentioned that the innovative methods used by the social enterprise spread as good practice in public institutions.

"If the institution had not helped in the beginning, this whole thing could not have come to fruition." (Interviewee 6)

"The Hungarian social welfare system is not structured in a way that is written in the theories of social work [...]. Here the main point is that the institution should survive." (Interviewee 5)

The role of local governments was also considered important by the interviewees. For organizations operating in the capital, the local government was a partner; in one case, it was considered the primary contracting partner. However, in the case of SEs operating in smaller cities, less long-term cooperation was reported, which hindered the sustainability of the organizations. Here the local government already had contracting partners with no place for new entrants or requested a political stance in exchange for support.

"A political, financial commitment would be needed, and it could be linked to a better reception at the local government." (Interviewee 6)

The role of the majority society as consumers also came up in the interviews as the main customers of two social enterprises were private individuals. The SEs also received volunteers from the majority society, which was important as a tool to increase the social inclusion of the disadvantaged target groups. However, it was also mentioned that society's attitude is characterized by a low acceptance towards social enterprises and autonomous organizations. To promote a more effective role for social enterprises, interviewees considered it necessary to increase the willingness to cooperate and reduce mistrust in general.

"This is a rock-hard Hungarian reality, and it is worth talking about it, if someone is successful, the road leading to it, the work, the sacrifice, no one cares about that." (Interviewee 3)

Other actors mentioned in interviews but considered less relevant included for-profit companies, social enterprise development and support organizations and professional and SE-specific networks. Corporate relationships were not frequent and regarded as less relevant for the sustainability of the SEs by the interviewees. However, when selling products produced by the target group, the main customers in two cases were small retailers, with whom organizations established long-term cooperation and personal relationships. Cooperation with third sector organizations and specifically with social enterprises operating in similar professional fields

was mentioned in the interviews, but it was often regarded unsuccessful and not profitable. At the same time, interviewees in three cases did not have good opinions about social enterprise development and support organizations; only one organization had a positive experience. As main problems, short-term development and the transfer of unnecessary knowledge during training and mentoring activities were mentioned. Thus, the level of local and sectoral cooperation appeared to be low based on the interviews.

“I do not consider the various development organizations to be a positive connection, because in many cases people, who have never worked in the non-profit sector, just want to tell us what is good.” (Interviewee 1)

“So networking can be a good thing and a love story, but you can also experience negativity from partners.” (Interviewee 4) (Table 2).

5.2. Impact of the key actors on the operation of social enterprises

The opportunities and barriers set by the key actors influencing the organizational field significantly impacted the operation of social enterprises. They played a role in choosing the legal form, main activities and financial and human resources. Within the framework determined by the key actors, the SEs developed the most favorable way of operation they were able to.

The legal forms chosen by the founders were considered to be the most suitable for carrying out the planned activities and obtaining the potential revenues required when the initiatives were created. Thus, the public regulatory and funding environment played the

Interaction with	Social enterprises
Beneficiary target groups	Relevant: Founders of the SEs in three cases are members or relatives of the target group; the reason for establishing all social enterprises is to provide a solution for the beneficiaries
Social professionals	Relevant: Social professionals are also founders and employees of the SEs in three cases
Central state and the EU	Relevant: The legal, policy and funding environment anomalies are the main obstacles to the sustainable operation of all SEs; their interaction with the state is one-sided
Public social and health institutions	Relevant: All SEs were established as a flexible response to the shortcomings of the public welfare system, but partnerships with local social and health institutions are crucial
Local government	Occasionally relevant: In the capital, the local government is a major contracting partner (two cases), but in smaller cities, there is no long-term cooperation (two cases)
Society	Less relevant: Private individuals are customers and volunteers, but negative social attitudes towards SEs hinder their operation
For-profit companies	Less relevant: Corporate relationships are less frequent, but two SEs have long-term cooperation with small retailers
Third sector organizations and SE networks	Less relevant: Cooperation is regarded as unsuccessful and not profitable
Development and support organizations	Less relevant: Negative experiences about training and mentoring in three cases

Table 2: Ranking the connections between the key actors and the examined social enterprises

most prominent role in this decision. In the case of organizations founded in the 1990s, the legal form of the foundation was the most fitting to provide social and health services and receive statutory support for it. In the case of the newer organizations, the social cooperative legal form was chosen because an EU co-financed grant program supported the creation of social cooperatives. In another case, a for-profit legal form was chosen to be more connected to the private sector and not to experience the increasing problems of non-profit organizations. Throughout the years, the legal forms mostly did not change. In the case of one foundation, though, business activities also affected the legal form. In this case, other organizations were established (other foundation and non-profit ltd.) due to the inflexibility of the legal environment, which did not allow the diversification of services, including the start of their business activities, in the original legal form.

“Then there were promises that every start-up social cooperative would receive X million in support.” (Interviewee 6)

The main activities of social enterprises often changed over the years. The organizations started their operation with more minor services and products (e.g. summer camp and counselling service) not provided or provided in an inadequate manner by public institutions.

Older organizations reported a gradual increase and expansion from voluntary activities to establishing social institutions that provide residential care and daycare. The employment of members of the target group also occurred due in part to available funding. At the same time, some services were discontinued due to the lack of public funding, withdrawal of local governmental support or change of the market environment. However, some interviewees also reported services for the disadvantaged target groups maintained despite not finding an external funding source.

“The first goal was to create a home, and when the home started to take shape, we realized that having a house over their heads and having something to eat does not matter if they do not work and there is no employment.” (Interviewee 2)

In terms of financial resources, the founders, in most cases, launched the initiatives by investing their own capital, besides which in some cases grants were awarded as well. In parallel with the development of activities, the size and structure of revenues also changed. Public funding – central statutory support, subsidies and grants – became the primary source for older social enterprises, which did not ensure sustainable operation in the long run. In these cases, market and sales activities appeared as complementary activities to the initial non-profit services to alleviate funding uncertainty and promote financial sustainability. Although set up expressly to generate market revenue, younger organizations also needed grants to ensure their operation. Currently, the total annual revenue of organizations varies over a broad spectrum, from EUR10,000–40,000 revenues of the smaller organizations to EUR1–2m revenues of the foundations that maintain the social institutions. Sales revenue remained small for all organizations; the larger organizations generate 10%–20% of the annual revenue from sales, whilst in the case of smaller organizations, the total revenue is small. Other potential funding sources, such as private or corporate donations, are not decisive. Thus, social enterprises providing health or social services are mainly dependent on public funding sources, which they complement with market sales revenues. However, the operation of the SEs in the long term is still not sustainable. The older, more established organizations can only plan for one year in advance, whilst the younger organizations are either in the process of suspending their activities altogether or only operate as side-businesses, whilst the founders have other day jobs.

“The construction of this started pretty slowly, step by step. There was a membership loan that helped getting started. Later, with the expansion of services, another dilemma arose: we produce certain things, but where to sell it.” (Interviewee 5)

The organizations' human resources have also changed following their financial situation, from mostly volunteer work of the founders to several full-time employees. The number of people employed in the initiatives was variable, ranging from hundreds to 1 registered employee. Employing experts, however, often remained challenging even for the more established organizations, as they could often only provide below-market pay or part-time work. At the same time, to compensate for the financial aspect, social enterprises could take advantage of certain characteristics that were attractive for potential employees, e.g. working for a social cause and implementing their own ideas. Furthermore, taking into account employees' opinions and direct contact with the target group were emphasized, which also helped the commitment of employees.

“The fact that I would say about our colleagues is that they are overwhelmed, this may not be a good word, but a person really does many things, but I think it is also a good thing for a person who always likes to take on new tasks.” (Interviewee 4) (Table 3)

6. Discussion

The development of an organizational field, whether emerging or already established, is shaped by certain key actors and influences, according to neoinstitutional theory (Pinch and Sunley, 2015). Based on the different theoretical approaches summarized above (Dimaggio and Powell, 1983; Nicholls, 2010; Kerlin, 2010; DiMaggio, 1991), the key actors in case of the social enterprise organizational field are the central state, local governments, public institutions, international entities (such as the EU), development and support organizations, networks, academic institutions, social enterprises and social entrepreneurs themselves, for-profit and third sector organizations and society, e.g. as citizens, customers or beneficiaries. Social enterprises involved in the social and health sectors have also been influenced by these specific welfare areas' already established institutional rules and norms. The present paper examined the characteristics of the key actors that influence the social enterprise organizational field in Hungary's social and health sectors and explored their connections with and impact on social enterprises providing social and health services.

When analyzing the key actors that shape the SE field in the social and health sectors, examining the past and present characteristics of the state and especially the public welfare system is of primary importance. Besides, civil society and the third sector, cooperatives and

the private sector have impacted the social enterprise sector (European Commission, 2019a). The main characteristics that have influenced social enterprises in Hungary – similarly to other Central and Eastern European countries – include the traditionally privileged role of the state in providing services, low levels of welfare spending and social attitudes favoring the public sector as the primary provider of services. Previous efforts to outsource service

Impact of key actors on	Social enterprises
Legal form	Impacted by the inflexible and bureaucratic state regulatory and funding environment
Main activities	Increase from voluntary activities to establishing social and health services and institutions. New activities and employment of the target group due to available public funding, services sometimes discontinued due to lack of funding
Financial resources	Initially investment of own capital and grants. Afterwards, public funding (central statutory support, subsidies and grants) and complementary market and sales activities, but long-term sustainability not achieved
Human resources	Changed from mostly volunteer work of the founders to full-time employees, but for below-market pay or part-time work

Table 3: The impacted operation areas of the examined social enterprises

provision to non-state organizations, the dynamic growth of the third sector, neo-liberal economic policy, distrust in cooperatives and low CSR have also been defining characteristics. Additionally, recent (re) centralization tendencies, declining or stagnating expenses on public welfare services and shrinking opportunities for civil society organizations have also shaped the SE field. The social enterprise organizational field, in particular, began to take shape in recent years following the approaches of certain key actors directly focusing on this field. These include international development and support organizations giving professional and financial support focusing on market-based sustainability and the central state – and the EU – providing funding for work integration purposes to certain legal forms.

To examine how social enterprises providing social and health services connect to and interact with the key actors, four case studies of social enterprises involved in these sectors were conducted. Based on the findings, besides the social entrepreneurs themselves and the specific target groups, mainly the central state (and the EU through funding), specific public social and health institutions and local governments have had a significant impact on the operation of the social enterprises. The initiatives examined offer services or products to their target groups that the public welfare system does not provide at all or provides inefficiently. Thus, SEs rather substitute than complement public institutions, fitting the state’s withdrawal from welfare services. Still, the examined initiatives are not commercially viable but dependent on state

funding and EU co-financed grants. The support of public social and health institutions and, in some cases, local governments is also crucial. However, the deficiencies of these key actors pose several obstacles to the day-to-day operation and long-term sustainability of the social enterprises. At the same time, their contacts with individual customers, professional networks and specifically SE networks, development and support organizations and the third and private sector are less decisive. The low levels of local and sectoral cooperation, as well as negative social attitudes also hinder their functioning.

The key actors have had a relevant impact on the operation of the examined social enterprises. The various discourses and pressures used by them have influenced the development of the organizational field (DiMaggio and Powell, 1983; Nicholls, 2010). The legal form, main activities and financial and human resources of the social enterprises have been significantly impacted by the characteristics of the key actors, especially the central state and public welfare institutions. At the same time, social enterprises are not regarded as equal partners. They have little ability to act as institutional entrepreneurs, influence their institutional environment and achieve systemic change (DiMaggio, 1991; Nicholls and Cho, 2006). Their operation usually remains small-scale and is determined by the opportunities and barriers shaped by the key actors of the social and health sectors and the social enterprise organizational field in general.

The research shows that neoinstitutional theory provides a valuable framework for understanding the Hungarian context as it explores how certain key actors impact the development of the SE field. It also highlights that the past and present characteristics of the key actors show regional specificities. Indeed, the research findings of Hungary show similarities to research conducted in other CEE countries (Galera, 2009; Baturina et al., 2021; Ciepielewska-Kowalik et al., 2021). Still, the approaches of the key actors that have shaped the SE field – the state and international entities, such as the EU and development and support organizations – have so far little reflected on the specific context of the country and the region. Instead, by emphasizing market-based sustainability, they have contributed to the state's withdrawal from welfare services. However, the regional specificities of the SE field – such as the dependence on public funding, small amounts of sales revenue, scarcity and underutilization of alternative resources, increasing centralization of services or low levels of cooperation between the key actors – have significantly impacted the everyday operation of social enterprises. Therefore, these characteristics should be considered when shaping EU or country-

level public policy directions, designating professional or financial support or conducting research on the topic. At the same time, increasing opportunities for social enterprises to share their experiences and views, represent their interests and shape policy directions would also serve the long-term development of the organizational field.

Besides regional and country-specific characteristics, the research explored sectoral specificities, contributing to the international research focusing on the social and health sectors (Roy et al., 2012; Caló et al., 2019; Frith, 2014). Though the state has been the primary provider of social and health services in Hungary, social enterprises have appeared in these sectors and have created solutions to social problems unsolved by public welfare institutions. However, substituting the services instead of collaborating with the public welfare system as equal partners fit the direction of the retrenchment of the welfare state. At the same time, the shortcomings of the institutional environment that remain unfixed hinder the sustainability of the SE field. The current public policy primarily focusses on social enterprises in connection with work integration and does not acknowledge their roles in other areas of the welfare system, such as in social and health services. To create a more inclusive and cooperative institutional environment, the diversity of the field should be accounted for in public policy and the contribution of social enterprises to the social and health sectors, in particular, should be addressed.

7. Conclusion

The present paper examined the institutional environment and organizational activity of social enterprises operating in Hungary's social and health sectors, focusing on certain disadvantaged target groups – people experiencing alcohol and drug dependence, people with intellectual disabilities and autism, people with physical disabilities and people experiencing homelessness. It, in particular, aimed to look at how certain key actors that influence the social enterprise organizational field impact the everyday operation of social enterprises and how social enterprises connect to and interact with these key actors.

The research used neoinstitutional theory to investigate this subject, especially the theory of institutional isomorphism, reflexive isomorphism, historical institutionalism, institutional entrepreneurship and the social business canvas. The methods used for the research included desk research and four qualitative case studies of Hungarian social enterprises providing social and health services for specific disadvantaged groups.

Presenting the research findings, the paper described the characteristics of the social enterprise field in Hungary's social and health sectors by identifying the connections, interactions and partnerships between the key actors influencing the SE field and the social enterprises themselves. The research found that the key actors that influence the everyday operation of social enterprises the most are the central state, public social and health institutions and local governments. In contrast, private customers, networks, development and support organizations, third sector organizations and for-profit enterprises have a limited connection and impact. The key actors influence the legal form, main activities and the financial and human resources of social enterprises, whilst the social enterprises themselves have little impact on their institutional environment.

The research helps understand the opportunities and barriers of this type of initiative in the Hungarian welfare system, which can improve the everyday operation of social enterprises engaged in social and health services, inform national public policy and EU-level approaches and provide an opportunity for international comparison as well. By exploring the regional and sectoral specificities, the paper highlights the diversity of the SE field, and thus, enriches the current understanding of social enterprises. However, limitations of the research stem from its exploratory, qualitative nature; therefore, further research is necessary for a more comprehensive view of the topics discussed.

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5.2 Second article

BUSINESS OPERATING MODELS OF SOCIAL ENTERPRISES IN THE SOCIAL AND HEALTH FIELDS

The aim of the paper is to introduce certain types of business operating model for social enterprises which are operating in the health and social sectors in Hungary. The article is based on statistical data analysis and four case studies. During the research, two model types used by social entrepreneurs were identified. Some social enterprises use the

model of public funding with complementary sales activity, realizing their main revenue from the state and seeking to supplement it with revenue sources generated through their own sales channels. In contrast, there are social enterprises which use the model based on private market sales, detached from public revenue sources, in an effort to generate revenue from independent sales activity.

Keywords: social enterprise, business model, business operation, social sector, health sector

In Hungary, there is a growing trend of professional interest in social enterprises, and the number of research studies on the topic is increasing. However, there is relatively little analysis of the business operating models of social enterprises in Hungary. In the context of current business-related research, Ádám Bereczk and Zoltán Bartha (2019) investigated the ability of organizations to generate their own revenue in 220 Hungarian social enterprises. In her 2017 study, Barbara Bihary investigated the financial indicators and business models of social enterprises within a given organization. Áron Török and Irma Agárdi (2020) looked at the self-sustainability of social enterprises in food chains. Research by OFA Nonprofit Kft. and Grants Europe Consulting (2018) pointed to the fact that the financing situation of social enterprises is not strong enough on its own, and in many cases external financial resources are needed to ensure their sustainable operation.

In Hungary, social enterprises operate in several legal forms: as non-profit organizations, foundations, associations, non-profit business corporations; and for-profit operating forms, including limited partnerships, limited liability companies, cooperatives and social cooperatives (Kiss & Mihály, 2019). Regardless of their legal form, non-profit and for-profit social enterprises can also carry out market-based activities. There is a growing interest in strengthening business operations, as well as various organizations and programs (e.g., Ashoka, NESsT, Erste SEEDS) aim to develop the sector through courses for social entrepreneurs to build their business and entrepreneurial skills. The sector is also diverse in terms of activities: recent research shows that education (36%), social care (34%), culture (34%), hobbies and leisure (27%), community development (27%), economic development and employment (24%), environmental protection (23%), sport (12%), health (11%) and international relations (11%) are the main areas of activity (G. Fekete et al., 2017). However, policies, development programs and research on the sector take little account of these activity-based differences and tend to treat the social enterprise sector in general terms.

The diversity of legal forms and areas of activity gives social enterprises the opportunity to operate in their own specific way, including the business models they use. Researchers have a very wide range of instruments at their disposal, as it is possible to typify the different ways in which social enterprises operate according to their legal form, the business models of non-profit and for-profit organizations, and to examine the influence of their role in specific fields of activity. This study contributes to the exploration of some of the business operating models used by domestic social enterprises in two areas, the social and health sectors, in different legal forms, by capturing this diversity. The study discusses the partial results of our research on the institutional background and purposeful activity of social enterprises in these two sectors, and the business models revealed provide insights into the functioning of the selected social enterprises through the analysis of their different revenue streams.

Definitions of social enterprises

There are many different definitions of social enterprises in the national and international literature. Based on Defourny, Hulgard and Pestoff (2014), three schools of thought encompass the concept of social enterprises: two American schools and one European school. One of the American schools is the earned income school, the other is the social innovation school, and the European approach is linked to the EMES school (Kiss, 2018). According to the earned income school, the diversification of income sources and the strategy of income generation serve the efficient realization of the social goal. The two approaches of the school are commercial non-profit and social-purpose/business/mission-driven business. The first considers non-profit organizations with market revenues as social enterprises, while the second includes all social purpose business initiatives, that is including organizations with market driven operations. The primary goal of social enterprises is to solve a social problem rather than to maximize profit. These organizations operate in a market context, their economic function helping to achieve the social mission set by social entrepreneurs (Defourny & Nyssens, 2016). Repisky and Tóth (2019, p.12), for example, in their article, *“consider social enterprises as those enterprises that have been created or transformed to solve social problems in a financially sustainable way.”*

The social innovation school focuses on the personality of the social entrepreneur who achieves his social purpose through innovative solutions. The social entrepreneur is an active actor who constantly monitors the opportunities around him and supports society through continuous learning and development. Gregory Dees (1998, p. 4) describes the social

entrepreneur himself and his activities, according to him “*social entrepreneurs are key agents of the social sector, acting in the following ways:*

- *a social mission instead of a business, private mission,*
- *recognizing and exploiting market opportunities to create social value,*
- *continuous innovation and its adaptation to the social enterprise,*
- *undertaking activities without limiting the resources currently available,*
- *operational accountability, measuring social impact.”*

The European school of the international research network EMES (L’EMergence de l’Entreprise Sociale en Europe) examines social enterprises along three dimensions: economic, social and governance. According to this approach, social enterprises are initiatives for the benefit of the community, run by a group of citizens or civil society organizations, operating autonomously, characterized by collective and participatory decision-making, with a continuous productive and/or service activity, a paid workforce and economic risk (Defourny & Nyssens, 2012). The European Commission’s definition is a synthesis of the three main schools. It argues that social enterprises are incentivized to do business in order to create value for society as efficiently as possible, with the implication that a large part of the profits are reinvested in operations (European Commission, 2017).

A common element in EMES and earned income schools is the multiple ways of doing business or generating income and the aspiration to do so (Kiss, 2018). The social innovation school, on the other hand, is characterized by a partly business-like operation, as the entrepreneur constantly monitors the opportunities offered by the market and the operating environment and exploits them at the right time. Overall, business-like operation enables the realization of a social purpose. The many ways of generating revenue (e.g., private donation, public support, revenues) are already referred to in definitions of social enterprises. This diversity of types gives rise to the variety of social business models available to social entrepreneurs.

General categories of social enterprises

After a presentation of the approaches of the main schools of thought that define social enterprises, we also describe the categories that researchers in the field created according to different criteria. Defourny and Nyssens (2016) use four different models to define social enterprises according to their sectoral affiliation. In the entrepreneurial non-profit model (ENP),

social enterprises are non-profit organizations (foundations, associations) with a general, community interest that finance their operations, for example through membership fees, private donations, public and non-public donor funding, or supplement their operations with earned income revenues, in order to achieve their social purpose. According to the social cooperative model (SC), social enterprises are organizations based on mutual representation of interests and run by members through democratic decision-making. Mutual representation is established between the customer and the social enterprise selling its product, between the social enterprise and its producer or supplier, or between the workers' trade union. This model therefore brings together the interests of its members and other groups. In the social business model (SB), social enterprises are market driven organizations that develop their business objectives in order to achieve their social purpose. In their operations, these social enterprises combine social and business objectives, which they integrate into their organizational strategy. Lastly, in the public-sector social enterprise model (PSE), social enterprises are organizations with strong links to public institutions that provide services outsourced by the state for cost efficiency. These types of social enterprises operate under a high degree of state regulation and control.

A distinctive dimension of Alter's (2007) models is the relationship of the social enterprise to its organizational mission. The mission-centric social enterprises (MCE) designed their self-funding model to achieve the mission of the organization. In this case, the social entrepreneur's only motivation is the social mission. Mission-related social enterprises are a transitional form between the mission and the profit motive. These organizations sell services for which there is a solvent demand and use the revenue to support their disadvantaged beneficiaries. They also tend to extend their mission to other services in order to support their beneficiaries more effectively. The focus of social enterprises unrelated to mission is on making a profit, to such an extent that they are responsible for financing the costs associated with the social programs of the parent organization. Another distinguishing dimension of Alter (2007) is the degree of integration of business activities and social programs within the organization. In the case of embedded social enterprises, business activity and social programs coincide, these non-profit organizations directly fund their social projects from their business activity, so their business activity is built on their social project. In the case of the integrated social enterprises, the social programs go beyond the business activities. In most cases, this form is created when non-profit organizations are looking for a source of funding, partly from business activity to support their social projects. In the case of external social enterprises, social programs are

different from business activities, being created when non-profit organizations want to finance their operating costs and social services from their own business activities.

Different groupings look at social enterprises from different angles. Some draw on models based on sectoral linkages (Defourny & Nyssens 2016), some compare social entrepreneurship with the mission of another organization (parent company) (Alter, 2007), and some examine the extent to which the social project is realized in relation to the organization's business performance along the dual-purpose system of social enterprises (Alter, 2007). These typologies also help to define the business models of social enterprises by defining the relationship between their business and social goals, by highlighting the relationship of social enterprises to the state, and by showing the diverse ways in which social entrepreneurs can generate their own income in addition to their non-profit activities, which is also the case for their for-profit activities.

Business operating models for social enterprises

Social enterprise is an intermediate phenomenon which lies between the for-profit and non-profit sectors. An indispensable part of for-profit operation is the pursuit of profit maximization, maximizing the benefits for the members of the organization. The main objective of non-profit activities is to solve a social problem, to create value for society. The focus of a social enterprise is on maximizing benefits for society and the environment as well. From an organizational perspective, social entrepreneurship with market driven operations is a new form of profit maximization, the financial activity of which is aimed at achieving the social goal set by the organization (Ashraf, Razzaque, Liaw, Ray & Hasan, 2019). It should be noted, however, that there are social enterprises operating as non-profits that aim at the so-called "no-growth model", whereby the goal is to realize just enough revenue to achieve the social mission.

The business models used by social enterprises, which provide a framework for the way these organizations operate, are detailed below. The business model shows how the enterprise positions itself in environmental or social and economic terms, and includes the way in which the enterprise uses its resources (Upward & Jones cited in Anacleto, Paiva & Moura, 2008). These models are innovative tools that define a new value proposition and profit mix. The value proposition is the value (product, service) that the social enterprise produces for its target audience (Yunus, Moingeon, Lehman-Ortega cited in Anacleto et al., 2008). A sustainable business model summarizes the direction of thinking of an organization, the organizational

logic and creates value for society, the environment and the economy (Joyce & Paquin cited in Anacleto et al., 2008). The model itself helps social entrepreneurs in the process of social value creation.

Social enterprises' business operating models describe the operational framework of the organizations, which includes the way of doing business, the services or types of products to be sold and the different customer and beneficiary segments. Social business models should include the following factors determining operation. *“(1) Its core approach is to provide a mission-driven mode of operation, rather than one that is focused on the interests of shareholders. (2) It must generate positive externalities for society. (3) It must recognize the existence of an entrepreneurial mindset. (4) It must make the organization competitive in the market, which is the result of effective strategic planning and management”* (Grassl, 2012, p.51).

The main models in the international literature are the followings. According to Santos et al (2015), the so-called hybrid models combine business objectives and social demand. (1) The market hybrid model sells a product with low production costs to its beneficiaries at a lower price than the normal market price. In this case, the beneficiary is the customer himself. (2) In the case of blending model, the beneficiary is also the customer, but here, in addition to the entrepreneurial activity, the social enterprise also engages in other social value-adding activities (e.g., education), a value-adding process that is not revenue-generating. (3) Bridging hybrids have a clientele and beneficiaries from different groups, linking the needs of these groups, e.g., by providing training for disabled workers to find jobs in different types of workplaces. (4) The coupling hybrid model also creates value for beneficiaries and customers from different groups in different ways, e.g., by selling high quality products made by people with disabilities (Santos, Pache & Birkholz, 2015).

Alter (2007) identified a total of nine business models used by social entrepreneurs, which are: (1) entrepreneur support model: selling business support and financial services to individuals or other businesses, (2) market intermediary model: selling market access support services to individuals and small producers, (3) employment model: providing employment opportunities, labor training services to disadvantaged people, (4) fee-for-service model: selling the service of a social enterprise to its clients, (5) low-income client model: selling a service or product to low-income groups, (6) cooperative model: providing direct benefits to members such as mass purchasing power, access to certain market information, access to products, (7)

market linkage model: supporting the linking of customers and other commercial entities, (8) service subsidization model: selling products and services to an external market and finance their own social projects, (9) organizational support model: selling products and services to other organizations and markets.

Business operations of Hungarian social enterprises

Social enterprises do not have a generally accepted definition or a uniform legal form either internationally or in Hungary (Kiss, 2018). It is common that the lack of a unified legal form causes problems with supports, as public tenders only support social enterprises with a specific legal form. The legal forms of social enterprises eligible for state funding include foundations, associations, non-profit companies and social cooperatives. At the same time, state-funded organizations are complemented by for-profit enterprises (e.g., limited liability companies), cooperatives and certain church organizations (for the main characteristics of each legal form of social enterprises and the legal framework governing their operation, see Kiss & Mihály, 2019).

Definitions in Hungary include the concepts of the European Union (see above), as well as Ashoka and the NESsT development organizations. In these definitions, the role of business operations and market-based activities is mostly important. This means that domestic social enterprises have entrepreneurial activities, which can be market production activities, commercial activities and service activities. The role of the dual-purpose system is emerging, which includes business sustainability and the effective achievement of the social purpose, with the social purpose taking priority. In some definitions, they are also characterized by democratic decision-making, responsible and innovative operations, entrepreneurs strive to find innovative solutions to various social problems, and they are also characterized by the prohibition of profit sharing, whereby the profits realized are reinvested in the operations of the organization (G. Fekete et al., 2017).

In 2016, social enterprises operating as non-profit enterprises had a total turnover of €2.3 million, which represented 2.1% of GDP at that time (Kiss & Mihály, 2019). According to market research by Seforis (2016), 14% of the performance measurement instruments for social impact of organizations represent performance from economic activity, which is equal to the % of projects and initiatives of organizations. 11% is the number of volunteers, 22% is customer satisfaction and 58% is the number of customers, beneficiaries and organizations

served. In terms of entrepreneurial behavior, entrepreneurial experimentation and proactivity are the most prevalent, but risk-taking, innovative behavior and, to a lesser extent, an aggressive competitive attitude are also present. 62% of the sources of liquidity come from sales and earned income, with public support at 25%, investment at 2% and loans taken out at 1%.

Social enterprises operating in the domestic market can therefore be said to have a certain degree of business-like operation. Furthermore, with reference to the introductory section, there are already a number of organizations in Hungary that are engaged in the development of social enterprises, which are the ones that most strongly promote the sustainable business aspect. These development organizations can be accelerator organizations, incubator houses, support organizations running development programs, consultancy firms. Since 2001, NESsT has been in contact with more than 100 social enterprises and monitors the development of 14 organizations on an ongoing basis. Social enterprises that emerge successfully from a development program operate in a sustainable way, based on a successful business plan and strategic plan, successful risk management, entrepreneurial flexibility, organizational transparency and structured operations (Csáky, Fehér, Laczkó, Molnár, Ormai & Tóth, 2014). The other best-known development organization is Ashoka, which has been developing social enterprises for 30 years and has 170 social enterprises as partners in Central Europe. The organization aims to increase social innovation and helped to implement 3000 social innovation solutions worldwide (Ashoka website, 2020). In recent years, new players have also emerged, including Erste Bank, which in 2017 launched its Erste SEEDS program enabling social entrepreneurs to write a complete business plan. The developers teach social entrepreneurs how to run a business successfully in the long term through their training program, which usually ends with social entrepreneurs having their own business plan, using different business models.

At the same time, a certain level of business-like operation is not yet sufficient to ensure a stable financial-funding situation for domestic organizations. At present, the overall revenue-generating capacity of domestic social enterprises is not strong enough, and their establishment and maintenance require the involvement of external resources. Compared to the for-profit sector, the income-generating capacity is lower, with business-related income lower than non-business-related income. The financing environment offers a range of options for social enterprises, but these are not flexible enough. Non-repayable grants do not provide an additional incentive for social entrepreneurs, the different tenders are too rigid and sometimes have high application criteria that many organizations are not able to meet. Currently, there are few social

impact investors and high levels of extra risk and a shortage of coverage. As a result, it is also important to transfer business knowledge to social entrepreneurs and to educate them to operate independently and market their own product or service (OFA Nonprofit Kft & Grants Europe Consulting, 2016). Török and Agárdi (2020), in their research mentioned in the introduction, revealed that external fundraising is necessary for businesses and only enterprises that are able to target some niche market generating solvent demand are viable. In Bihary's (2017) study, the business model of the chosen social enterprise is already capable of running the organization in a stable way, while also providing steady growth for the future. Bereczk & Bartha's (2019) research shows that the ability to generate independent revenue is associated with the existence of business skills and business affinity, and the fact that the regulatory environment is not transparent is seen as risky by these entrepreneurs.

About the research methodology

Social enterprises are present in many fields of activity (see above G. Fekete et al., 2017), but research in Hungary has so far tended to give a general assessment of the situation, with little analysis of their role in specific sectors. Our research, of which this study is a part, therefore examined social enterprises in specific welfare sectors, social and health services (for the main results of the research, see Kiss, Krátki & Deme, 2020). In the research, we analyzed the opportunities and constraints of the existing institutional background in these areas, as well as the purposeful activities, strategies and business operating models of social entrepreneurs. In this way, our aim was to provide a basis for more sector-specific findings rather than a general analysis of the situation of social enterprises. The main research questions were the followings: (1) What are the characteristics of the institutional environment of social enterprises in the social and health sectors and how do these characteristics influence the involvement of social entrepreneurs; and (2) What are the activities and strategies of social entrepreneurs in the social and health sectors? (Kiss et al., in press)

This paper presents the partial results of the research related to the second research question, the activities and strategies of social enterprises in the social and health sectors. Within this topic, it examines the activities, revenues and business operations of social enterprises operating in different legal forms, answering the following research sub-question: What business models characterize social enterprises in the social and health sectors? The results highlight the main characteristics of the business operations of social enterprises in the social and health sectors. The research, which ran from September 2019 to January 2020, was

based on a mixed methodology, including both quantitative and qualitative elements (document analysis, statistical database analysis, expert interviews and case studies of social enterprises).

In addition to summarizing the relevant statistical data on business operations, we present semi-structured in-depth interviews² with social entrepreneurs and related findings from case studies based on an analysis of available documents from organizations. The statistical analysis of the database of the Hungarian Central Statistical Office (KSH) provides insights into the specificities of the organizations' operations through certain financial indicators and other factors of social enterprises in the health and social sectors. Case studies based on in-depth interviews and document analysis provided the researchers with in-depth information from managers and staff of four domestic social enterprises (six interviews in total, several interviewees were interviewed on several occasions). The interviews were conducted in a semi-structured framework, with a particular focus on the following themes:

- basic characteristics of the social enterprise (legal form, main activities),
- income and resources of the social enterprise,
- business model used.

Due to the lack of a uniform definition and the diversity of organizations, we do not have a concrete database on social enterprises. As a consequence, the research encountered minor difficulties in sample selection (for a more detailed explanation of the sample selection methodology, see Kiss et al., in press). In the absence of a database, we selected organizations that actually operate as social enterprises based on the list of organizations developing social enterprises, programs, tenders, studies on the topic and other articles available (the database used and updated during this research was presented in the PhD dissertation of one of the authors, see Kiss, 2018). From the database, four organizations were analyzed using purposeful sampling (see Patton, 1990). One type of purposeful sampling is maximum variation sampling, which involves examining samples with a small number of items that are substantially different from each other according to relevant criteria, thereby highlighting similarities and differences. In the present study, these criteria were field of activity, age, legal form and geographical location. We have also sought to ensure that the target groups of each of the selected organizations are different (see the analysis of the case studies section below for a discussion of this). Table 1 shows the data for the selected social enterprises. In order to ensure anonymity,

² corrected in dissertation

the names of the organizations are not included in the table, but information is provided on the field of activity, age, legal form and geographical location of the social enterprises.

Table 1: Description of the selected organizations

Characteristics	Case	Case	Case	Case
field of activity	healthcare	social care	healthcare	social care
age	25-30 years	20-25 years	5-10 years	5-10 years
legal form	foundation	foundation + non-profit ltd.	ltd.	social cooperative
geographical location	capital, Central Hungary	city, Northern Hungary	capital, Central Hungary	city, West Transdanubia
interviewees	1st interviewee	2nd interviewee	4th interviewee	5th interviewee 6th interviewee

Source: own editing

Statistical data analysis of social enterprises in the social and health sectors

In the following, we analyze the 2017 sample of the KSH database on non-profit and social associations, which was requested through a specific data request, in order to provide a picture of the operational characteristics of social enterprises in the sector. In line with the approach of the European Union (see Kiss & Mihály, 2019), during the data request, organizations in the form of foundations, associations, non-profit business corporations and social cooperatives whose sales revenues exceeded 25% or more of total revenues were analyzed as social enterprises. Social enterprises operating in other legal forms (e.g., other cooperatives, for-profit limited liability companies) were not included in the analysis due to the lack of a suitable database, so it is necessary to take these limitations into account when interpreting the statistical data. In total, 13567 organizations can be considered as social enterprises in the KSH database, based on the criteria of the data request. Of these, 412 are organizations active in the health sector (3% of all organizations) and a much larger number, 1014, are organizations active in the social care sector (7.5% of all organizations). The sample can be completed by 47 social cooperatives (9 in the health sector and 38 in the social sector) (in total, 1615 social cooperatives in the sample).

Legal forms and areas of activity

In terms of the legal form of social enterprises, 38.8% of social care organizations are foundations, 28.8% are associations and 28.8% are non-profit companies - social cooperatives account for 3.6%, but as these organizations offer employment opportunities to unemployed members, they can all be considered in some respects as social organizations. 45.6% of social enterprises in the health sector are foundations and 35.9% are associations, with a lower proportion of non-profit companies (16.4%) and 2.1% of social cooperatives. In these areas, there are far fewer associations and more foundations than for all organizations taken together - associations are thus mainly active in other sectors, such as sport, leisure and hobbies.

In terms of areas of activity, the activities of social enterprises in each sector can be further broken down into more specific categories. Looking at the activities also through the activity numbers of the NSZOR (National Register of Non-Profit Organizations), the most common activities in terms of health care are other health care services; public health promotion, disease prevention and screening; health and medical professional scientific associate activities; natural medicine; general and specialized outpatient care; inpatient care and mental health (these categories are more than 5% of the sample). In the case of social care, other social work, support, day care for children (e.g., day nursery, family day care), residential social care for the elderly, child welfare services, assistance to vulnerable groups (excluding families) are the most frequent (more than 5%) of the fields of activity.

Revenues, resources

Looking at the size of realized revenues in 2017 (social cooperatives are not included in this study due to the different data types), the total revenues of non-profit health enterprises averaged HUF 47.4 million, and the average for non-profit social organizations was HUF 63.7 million. While this average revenue may seem high, it is important to note that the vast majority of organizations have lower revenues: a quarter of organizations in the health sector have an annual revenue of less than HUF 1.02 million, half have less than HUF 2.92 million and 75% have less than HUF 11.61 million. In the social field, a quarter of the organizations have an annual income of less than HUF 1.63 million, half have an annual income of less than HUF 7.33 million and 75% have an annual income of less than HUF 36.9 million.

In terms of types of revenues, the revenue structure of non-profit organizations can be divided into the following categories according to the classification of the KSH: income from

the main activity or public benefit activity, i.e. income from services, commission, fees and sales of the organization's main activities from central government, municipalities, other legal entities or natural persons, as well as income from membership fees; management income, i.e. explicit business income, rental income, sale of fixed assets, income from banking and securities markets; public subsidies, including all normative and non-normative subsidies from central public authorities or municipalities, but also subsidies from social security funds, national cooperation funds, 1% of the personal income tax or business tax; private domestic or foreign subsidies, which include subsidies from foreign and domestic public institutions, private foundations, enterprises, individuals, EU funds; and other income, e.g. loans and borrowings. Sales revenue is considered to be revenue from the core activity and management income.

In both health and social sectors, the largest share of their revenues comes from main activities (49.2% and 51.5%). The measure of income from main activities reflects the income generated by the main activity of the social enterprise concerned. However, the income from prices, fees and sales of the main activity for health organizations is mostly derived from public, municipal bodies (26.7%), thus reflecting the dependence on the public sector (this figure is only 3.9% for social organizations). However, for organizations operating in the social field, it is clearly the income from prices, fees and sales of the main activity from other legal and private persons that is relevant (46.3%, compared to 22.4% for health care). Management revenue, which can also be classified as sales revenue, is more representative for health organizations (29.7% and 18.3%). Within this, entrepreneurial activity is also more significant in the health sector, at 28.7%, compared to only 12.6% in the social sector.

The rate of public subsidy is higher for social organizations, with 18.6% for those active in health care and 26.2% for those active in social care. This also shows that the realization of sales revenue is more evident in health organizations than in social organizations, although the presence of a public partner is more prevalent in the case of sales revenue. Within public subsidy, normative central subsidy is of particular importance for social organizations (18.1%), to a greater extent than non-normative central subsidy. In health care organizations, on the other hand, the level of support from social security funds is significant (8.1%). Social organizations therefore receive a higher proportion of normative subsidies, which are centrally regulated by the state and are subject to frequent changes. Health care organizations are not subject to this uncertainty factor, creating less uncertain contractual relations in their operations. Local government support is not significant in either sector, so central schemes dominate in terms of

state support. Overall, public funding (public subsidies and core activity revenues from income, fees and sales from local and regional authorities) is 45.3% in the health sector and 30.1% in the social sector. Private support is not significant, neither for business support, nor for public support, nor for 1% of the personal income tax, nor for support from abroad. Nor is the level of other revenue significant.

In addition to financial resources, it is important to mention the main characteristics of human resources. In social care, organizations employ on average 7.76 full-time equivalent (FTE) workers, while health care organizations employ on average 3.83 FTE workers. Public employees are also more numerous in social organizations (0.11 full-time equivalent public employees in the health sector, 0.47 full-time equivalent public employees in the social sector). The number of volunteers is also higher in the social segment (0.31 in health and 1.01 in the social segment for the calculated number of volunteers). At the same time, health organizations have more private contractors (0.91 compared to 0.12 in the social segment), so overall the total calculated human resources are 5.17 in health and 9.36 in the social segment.

The main conclusions that can be drawn from the statistical data are that non-profit social enterprises take a variety of legal forms and operate in different areas of health and social care. Their main sources of income are main activity income, public subsidies – mainly central and non-municipal – and business income, with private subsidies and other income being less important. The role of the state is therefore still relevant, but fundamental differences between the two sectors emerge, while in the social sector state support is predominantly normative central support and their contractual relations are not with the state but with other legal and private entities, while health organizations receive support from social security funds and have a high degree of contractual relations with the state.

Brief description of the social enterprises selected as case studies

The KSH data provide a comprehensive picture of the legal forms, activities, revenues, resources and related business characteristics of social enterprises in the social and health sectors. However, quantitative statistical data are not well suited to identifying specific business models, which requires more in-depth, exploratory qualitative research. The following analysis, based on four selected cases, serves this purpose. Based on interviews with managers and staff of social enterprises and analysis of documents relevant to the exploration of the financial situation, the basic characteristics of social enterprises (legal form, activities, revenues) are

presented and then the emerging business models are examined. For a detailed analysis of the institutional environment and organizational activity of the cases, see (Kiss et al., in press).

Legal forms and areas of activity in the cases examined

In terms of legal form, older organizations, established in the 1990s, operate as foundations, while younger organizations, established in the 2010s, operate as social cooperatives, market-based enterprises. The emergence of market-based organizations is a marked novelty compared to non-profit organizations that have been operating for 20 years or more. According to the interviews, the reason for choosing the foundation form was that at the time there was no other legal form available to properly carry out the activities of the organization's choice and to access the available public funding. One of the foundations later created non-profit limited liability companies with the aim of expanding its activities to perform market-based economic activities, while the other older organization could perform its market activities in its original foundation form. In the case of the social cooperative, the decision to create this legal form was taken primarily because of the current tendering opportunities. *"At the time, there were promises that every start-up cooperative would receive a grant of X million."* (Interviewee 6) In the case of a limited liability company, the entrepreneur chose the legal form for the purpose of setting up an economic activity.

In terms of fields of activity, one of the organization's main target groups is addicts and people with mental health problems. For them, institutional care and other services are provided at below market prices or free of charge. In another case, the organization aims to reduce the hardship factors in the living conditions of children with reduced mobility by providing products and services purchased by institutions dealing with the target group. We have also analyzed an organization that aims to improve the living conditions of people with severe and multiple disabilities, mainly by providing them with housing and employment, and by selling the products made by the beneficiaries. *"The first basic objective was to create a home, and when the home started to take shape, the question arises that having a house over their head and something to eat, even if they don't work and have no employment, it doesn't make sense."* (Interviewee 2) Finally, in one case, the social enterprise supports the employment of disadvantaged homeless people by facilitating casual work.

Revenues, resources

In terms of types of income, the interviews revealed that starting a business was characterized by the involvement of own resources, such as providing equity, and the time it takes to work out the details of the business. One interviewee summarized the perception of social entrepreneurship as follows: *“You either have a lot of money or you are very persistent. A lot of free time, unpaid energy is injected into your system.”* (Interviewee 1) In addition, once the initiatives were launched, public support, both in the form of normative and other central budget support and in the form of tenders, was and still is a primary source of income for social enterprises. *“The value created by the enterprise is bought by the state, by the social system itself. It is the biggest revenue earner.”* (Interviewee 1) In the case of larger foundations, sales revenues were not generated at the start-up stage, but later in the life of the organization, while the younger foundations targeted market revenues at the time of their establishment. *“We slowly started to build this up step by step, we had member loans to help us get started. Later on, as services expanded, there was another dilemma: we had to produce certain things, but the question was where to sell them, so we had to make a business plan.”* (Interviewee 5) Thanks to effective marketing, over time the organizations have attracted the attention of the general public, financial investors and donors alike, thus over time, other sources of income were generated, such as private donations, corporate support, grant money, funds from financial investors, low interest loans. This means that organizations are characterized by a diversity of resources, but this does not necessarily ensure profitable business operations. In the case of a limited liability company, for example, one of the entrepreneur’s objectives remains to create a stable and efficient operation that can fully finance its livelihood and later on be able to operate without personal involvement. *“Don’t think we can do this without overhead,”* the interviewee said of the way social enterprises work. (Interviewee 4)

According to the interviewees, the total annual revenue of the organizations varies widely, since the foundations providing social services from normative and other state funding have revenues of several hundred million, while the other two organizations reported revenues of between 3 and 22 million. According to the income, human resources could be as low as one employee or as high as several hundred employees. The development of the total revenue, net sales revenue (NSR) and other income of the selected social enterprises can be examined in more detail on the basis of the related documents of the organizations - annual public benefit reports, company histories. The relevant indicators are summarized in Table 2, which however

does not include one of the selected social enterprises, the market-based limited liability company, for which we draw conclusions based on the interviews. The analysis covers three years.

Table 2: Financial indicators for the selected organizations (2016-2018)

Year	Financial indicator	Social cooperative	Foundation	Foundation + non-profit ltd
2016	Total revenue (1000 HUF)	3 062	186 489	465 027
	NSR (1000 HUF)	3 062	8 076	115 503
	Other revenue (1000 HUF)	-	178 413	349 524
	NSR / Total revenue	100	4,3	24,8
2017	Total revenue (1000 HUF)	2 396	197 456	582 402
	NSR (1000 HUF)	2 396	8 751	140 660
	Other revenue (1000 HUF)	-	188 705	441 742
	NSR / Total revenue	100	4,4	24,2
2018	Total revenue (1000 HUF)	2 206	213 073	663 842
	NSR (1000 HUF)	2 206	10 612	132 206
	Other revenue (1000 HUF)	-	202 461	531 636
	NSR / Total revenue	100	5	19,9

Source: annual reports and documents of the organizations

In terms of total income, it can be seen that larger organizations (foundations) that have been operating for longer have higher income, with the largest income being generated by foundations that set up several non-profit limited liability companies to expand their activities. The rate of financial growth over time is proportional to the efficiency of operations, with the exception of social cooperatives. According to the change in net sales revenue (NSR), the foundation that complements its operations by creating more non-profit limited liability companies has the highest net sales revenue in terms of total revenue realized. This organization ensures that it can carry out a wide range of activities by diversifying its legal forms, thus crossing the boundaries of each legal form. By comparing these two indicators, net sales and total revenue, we gain an insight into the effectiveness of a given social enterprise's sales activities. As the only item of income in the social cooperative's accounts was net sales income, its operations are based on sales, although in previous years the sources of subsidies were also significant. In the case of the foundation, which also has non-profit limited liability companies,

this is less than 25%. In the case of foundations with no other legal form, it reaches 5% only in the last year. It is also worth looking at the other income of organizations, as it has a more prominent role in this sector than in the business sector. Other incomes include, for example, membership fees, payments from the founder, grant money, public subsidies (social security fund, 1% of the personal income tax, normative and non-normative subsidies) and other subsidies (private donations). For the organizations, the level of state support (including normative and other central budget grants) represents the largest share of other incomes, which is significant for the foundation with non-profit limited liability companies.

The company has been renewed over the last 1.5 years and is currently operating with a grant from an organizational development company. The organization's projected annual net sales for 2019 are between 10 000 000 and 17 000 000 HUF. The role of other income is also present in market based social enterprises, but to a lesser extent than in non-profit organizations. The reason is that it is not the non-profit direction on which they build their business plan, but their own market operation, the sales activity. The other income of the limited liability company is HUF 5 000 000 and its total income in relation to the highest net sales is HUF 22 000 000. The income from the sales reaches 70% of the total income. For the time being, this amount does not exceed the figures of the foundation complemented with non-profit organizations and the traditional foundation in terms of total income, but it can surpass the social cooperative. The share of sales activity is highest for market-based enterprises, except for social cooperatives. In terms of net sales turnover, it is ahead only of the foundation complemented by a non-profit limited liability company, and it is third behind the foundation in terms of other income. However, it is important to note that this is due to the start-up capital received from the development organization.

The business models revealed

Based on the interviews and financial indicators, the selected social enterprises show that there are some organizations that operate more in a non-profit way and others that are more commercial. The main driver of the non-profit operation is public subsidies, while in the business models of the limited liability company and the social cooperative, income is based on their own sales. On this basis, the research identified two types of business operating models, one complementing public funding with sales and the other based on private market sales. The models can be found in both sectors under study, i.e., health and social care, and can be distinguished according to the extent to which they are separated by regulated public demands.

The model that complements public funding with sales operates under a set of rules and its main source of income is normative and other public support, supplemented by the income earned by the organization from its own sales channel. In the present case, the main revenue comes from the state, supplemented by a small amount of sales revenue. This model offers society the following value proposition: it provides a social service to a disadvantaged target group which is partly or fully financed by the state, and in addition, to a lesser extent, sells products and/or services produced by professionals or members of the target group on the market. In terms of legal form, this is the social business model of the larger, older public charitable foundations in the survey. In contrast, the model based on private market sales operates under a less fixed set of rules. It operates mainly on the revenue from the sale of its own product or service, or both. It complies with the rules for legal forms (in this case, limited liability companies, social cooperatives) and the requirements for the various types of grants. It can generate additional income from private donations, social responsibility projects. In this case, the value proposition is the marketing of products and services produced by the employment of the target group, or the sale of services and products eligible for non-normative funding to institutions dealing with the target group.

Looking at the selected cases, among the approaches of Santos et al. (2015), the operational models identified show similarities with the bridging and blending models, which link the needs of a clientele and beneficiaries from different groups, and the characteristic of the market hybrid model, whereby the service is provided at a lower price than the market price or even for free in order to facilitate access. Alter's (2007) definitions are similar to the employment model, the fee-for-service model, and the low-income client model. In terms of social value creation, organizations create value through employment, by selling their social services and by providing access to their services.

Summary

The environment in which domestic social enterprises operate is diverse, dynamic and constantly changing. For social enterprises to be sustainable, they need to be able to meet the conditions dictated by the dynamically changing environment and to take advantage of the opportunities generated by these changes. One key to this is the range of diverse business models used by social entrepreneurs. Social enterprises in the social and health sector operate in different legal forms, with a variety of business models, ranging from primarily regulated in line with state constraints to predominantly market-based. The diversity of their activities can

also be linked to their business operating models, including the employment of certain disadvantaged groups and the provision of services to beneficiary groups.

Limitations and prospects

The present research explored business operating models in the health and social sectors through the analysis of statistical data and case studies of four organizations with different legal forms, providing an opportunity for a deeper investigation and comparison of the business operations of the organizations. However, in the future, it would be worthwhile to conduct more case-based research in order to examine the business operating models used by domestic social enterprises on a broader scale. The academic sector would benefit from further research on the types of social enterprise operations, additional business models and the business skills of entrepreneurs. For the management sector, the present research contributes to the understanding of a new type of entrepreneur, the social entrepreneur, which is less widespread in our country.

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5.3 Third article

THE IMPROVEMENT PROCESS AND TOOLS OF THE SOCIAL ENTERPRISE DEVELOPMENT ORGANIZATIONS

The focus of the research involves the tools, business models and the type of the improvement processes used by social enterprise development organizations. The article is based on expert interviews which are provided by the selected development organizations. In the research, Hungarian social enterprise development organizations were identified, which include business consultant organizations and incubator houses. Two types of development processes have been identified, those which are specialized in initial phase social enterprises and those which are specialized in established social enterprises. The developers select the tools and business models which they use according to the level of development of the domestic market, which currently aims to enable social entrepreneurs to understand as quickly as possible the importance of the business approach and how it works. Furthermore, to be able to easily outline and use different tools, thus supporting the expansion of social entrepreneurship business knowledge.

Keywords: social enterprise, development organizations, business model, social business model, business consulting

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Introduction

Research on social enterprises covers a wide range of areas such as approaches to the definition of social enterprises, different legal forms, social value creation, social impact measurement. However, research on the specifics of the business operations of social enterprises is less well known, including the development side, which provides business development for social enterprises.

Social enterprises are enterprises with a social purpose, with a demonstrable positive social impact, which generate income from the market, mostly through the sale of goods or services - these are the basic characteristics of social enterprises. Their primary purpose is to solve a social problem in a novel way, their secondary purpose is to provide the financial means for their business to achieve their primary purpose. In Hungary, social enterprises are mainly involved in labor market integration (21%), local community development (12%) and improving the situation of people with disabilities (11%). In addition, their main activities include support for disadvantaged people with special needs (youth, elderly) (7%), environmental protection (7%), advocacy (2%) and reducing Roma segregation (2%). The research on the activities of these social enterprises is semi-representative, based on focus group interviews and a questionnaire survey, and on the opinions of individuals (G. Fekete, Bereczk, Kádárné, Kiss & Péter, 2017).

Social enterprises can take both non-profit and for-profit forms. In terms of their legal form, they can be foundations, associations, church organizations, civil society organizations, for-profit and non-profit (limited liability companies, limited partnership) organizations (Kiss & Mihály, 2019). A key element of their business existence is the ability to develop their own sales channels in domestic and possibly international markets with the aim of generating independent income, which may provide an opportunity to become independent from grant funding and donations.

Social enterprise development organizations work in a variety of development areas, including strategic, human resources, operational, IT development and outsourcing types of consultancies. Research by Tokár-Szadai (2015) shows that social entrepreneurs are open to using consultancy. According to her survey, the most frequently requested areas are strategic, IT, operational and human resources consultancy. The main reasons for using development can be to identify and explore a current problem, to find a new option or solution, to implement a development change, and to provide training and competence development. In the recent research of Tokár-Szadai (2021), although progress can be seen in the functioning of social enterprises, the biggest problem is access to financial resources. Due to the COVID-19 pandemic, demand for their services and products decreased, while the lack of business expertise increased. For these reasons, the most important areas of expertise include facilitating financial accessibility and networking, that is connecting with donors, and developing marketing skills. Among the forms of counselling identified in the 2015 research, operational development is a priority. There is a decrease in strategic, IT and human resources consulting.

The biggest drop is in strategy, which social entrepreneurs prefer to solve themselves, unlike for-profit entrepreneurs.

The aim of the research is to map the organizations developing social enterprises in Hungary, their development processes and their tools, the business models they use for development – to find out in which direction social enterprise developers influence the developed domestic social enterprises. During the research, an important starting point was the social entrepreneurship approach and understanding of the developers, as well as the theoretical and practical ideals towards which they guide the organizations they develop. I also link their orientations to the literature background, so as the next step of the article, I provide a theoretical overview in this context.

This publication provides useful information for social entrepreneurs who are open to a business approach but have little knowledge of domestic development organizations and their work, and it also helps social entrepreneurs who are considering development to choose a development organization. On the other hand, it provides a knowledge base for experts from domestic development organizations as well as for academics, students and researchers.

Definitions of social enterprises

There are many different definitions of social enterprises in academic sources and in the research papers of the organizations that develop them. In Europe, the most widely accepted definition is that of the European Commission, which defines social enterprises as organizations that are set up to make a social impact for the benefit of the community, as opposed to distributing profits to shareholders. Social enterprises are subject to the prohibition of profit-sharing, whereby the surplus generated is reinvested in the operations of the organization in order to achieve the greatest possible social impact. Social enterprises are new and innovative ways of tackling different social problems, characterized by transparent operations and financial accountability (Kiss & Mihály, 2019).

In their research, Sandberg, Elliott, and Petchel (2020) describe the marketization process of social enterprises. The degree of marketization varies, with some social entrepreneurs having an entrepreneurial orientation and others who have an original community approach, complemented by a market approach. The marketization phenomenon may be driven by organizational pressures, environmental change or the need to create a new product or service.

According to the international development organization NESsT, social enterprises aim to solve social problems in innovative ways (Tóth cited in Kiss and Mihály, 2019). Another popular development organization is Ashoka, which develops social innovators, that is it does not target social enterprises itself, but rather social entrepreneurs. Overall, social enterprises specialize in solving environmental, cultural and social problems and their main goal is to solve these problems (Kiss & Mihály, 2019).

According to the earned-income school of thought, social enterprises operate in a non-profit way, but their social and economic goals are interlinked. Their main objective is to diversify their income structure by generating revenue from sales (Dees and Anderson cited in Mihály, 2017). The long-term stable financial operation of social enterprises provides the basis for creating social innovation, whereby social enterprises offer new solutions to the problems of society.

Szegedi and Bereczk (2017) classify the definitions of social enterprises into three main categories. (1) According to the business model approach, social enterprises seek to achieve their social purpose by applying the operating processes and business models of for-profit enterprises. (2) The entrepreneurship competence approach focuses on the skills, characteristics and competences of the entrepreneur as a key factor in achieving the social purpose. (3) Finally, the double bottom line approach looks at financial and profitability factors along a double bottom line. Business development includes developing the business skills of social entrepreneurs and ensuring profitability in order to finance their social purpose. The business competencies of social entrepreneurs, the ability of social enterprises to adopt and apply a business approach and operation, and the ability to ensure profitability are part of business development.

Primecz et al. (2021) describe social enterprises as hybrid organizations with a business and a social purpose. The dual nature of social enterprises is reflected in their simultaneous focus on social purpose and financial sustainability. As a result of the present research, it can be concluded that the primary purpose of domestic social enterprises is social, and the second purpose is business. The reason for the establishment of these organizations is based on a social purpose in order to help a certain group of society. The research of Repisky and Tóth (2019) also shows the same sequence of objectives, with social value creation followed by the achievement of financial objectives. Social enterprises are created to solve different social

problems and can do so through financial sustainability. Gidron (2016) refers to social enterprises that achieve their social purposes on a market basis as market-oriented social enterprises. One type of social enterprise is the so-called WISE (Work Integration Social Enterprises), which employs the disadvantaged group it is intended to support as paid workers, producing and selling a product. In this case, the social purpose is not achieved through donations, but through the financial investments that create this form of operation.

Peredo & McLean (2006) compared non-profit and for-profit social enterprises in a critical examination. Social enterprises are created for the sole purpose of creating social value, seeking to identify and exploit their potential, and they are innovative in their approach to problem solving, risk tolerant and reject resource constraints. Beckmann (2015) considers that there are relatively few economic approaches to the nature and motivation of social enterprises. In his grouping, he defines four types of social enterprises: the owner distributes profits to beneficiaries (external social enterprise), provides higher wages (fair wage social enterprise), employs disadvantaged groups (work integration social enterprise), provides services at a low price (consumer social enterprise).

Kiss and Mihály (2020) argue that social enterprises in a capitalist world represent a more people-centered economy and society. Social and solidarity economy theory aims to make the economy more just, with the market, the state and the complementary third sector working together (Gagyí cited in Kiss and Mihály, 2020). Social enterprises are actors in the social and solidarity economy. A critique of market-based social enterprise approaches is that they legitimize the marketization of the state. This policy reasoning argues that social enterprises should be responsible for delivering welfare services, relieving the state of this task. However, in order for social enterprises to deliver welfare services, they should be able to finance themselves on the basis of market revenues and move away from dependence on tenders. In Central-Eastern Europe, dependence on grant money is more prevalent than in developed countries, including the United States (Amin, 2009). Amin (2009) stresses the importance of being aware of the tension between market and welfare objectives at the policy level. The quality of welfare services provided by social enterprises differs from state solutions, and it is therefore not advisable to copy or substitute the state's role in the welfare system.

The above-mentioned definitions of social enterprise refer to the dual purpose of social enterprises, that is social and business purposes. The literature analysis focuses primarily on the

business-oriented approach to social entrepreneurship, which is the approach most prevalent in the United States of America (Mihály, 2017). Furthermore, they also include market-based business operations, revenue generation opportunities, as well as entrepreneurial skills, business models, the role of innovation and organizational internal functioning. Among the critical approaches to the definitions, a relevant role in the research is played by the critique of the business-oriented approaches, which includes the importance of the ability to generate independent market revenue. After defining social enterprises, I compare social enterprise development organizations on the basis of different theoretical approaches.

Typification of business development organizations

The following chapter presents the types of organizations that develop social enterprises from a business perspective, introduced by the concept of business consultancy. Basically, social enterprises as institutions are developed by consultancy organizations and incubators, while accelerator programs are specific programs created by development organizations with the aim of jointly developing social enterprises in a programmatic way. Accelerators are fixed-term business-related training programs and mentoring support for entrepreneurs.

Business consultancy is a service that provides value to the contracting party that uses it, approaching the organizational problems to be solved from an objective, expert perspective. The value is in the knowledge itself and in enhancing the performance of the organization. During the development process, the consultancy works with the client from the definition of the problem to the end of the process (Tokar-Szadai, 2012).

In Hungary, British examples were used to develop social enterprises alongside CSR, or corporate social responsibility. In their research, G. Fekete et al. (2017, p. 67) refer to developers as business developers, *“which are engaged in assessing social and market needs, identifying social entrepreneurship opportunities, and providing development services. They are often involved in the development of start-up businesses.”*

Regardless of the fact that, unlike incubators, accelerators are programs, in their development processes, entrepreneurs can also gain access to a network of contacts, investors, shared offices and other services (Lovas & Riz, 2016). Miller & Bound distinguish accelerators from incubators on the basis of five main characteristics: accelerator programs provide an investment opportunity for starting social enterprises; they have a team focus rather than a founder focus; they raise awareness of the importance of competitiveness; they are shorter in duration; their training specializes in working together with all those who make up social

enterprises, which includes the founder too (Miller & Bound cited in Nchang & Rudnik, 2018). In the research of Nchang and Rudnik (2018), Cohen adds to this set of characteristics by concluding the programs with a demo event, which provides an opportunity to meet social entrepreneurs and investors.

Incubators are about long-term development, during which they provide community space, one-to-one counselling, networking with financial investors and companies. According to Klofsten (Nchang & Rudnik, 2018), incubators serve as a development space for young social enterprises, providing opportunities for collaboration with research institutions, higher education institutions, financial investors. Incubators develop not only social enterprises but also traditional businesses. They sometimes launch incubation processes that are sector-specific, including for the technology industry. In fact, the two forms of development differ in the length of the development period, the actors in the network of contacts, the difficulty of the criteria for the admission process, the specificity of the program, and the target audience. Hungarian incubator organizations include Impact HUB, Badur Foundation and HAT Foundation.

Fejes (2015) defines consulting organizations according to Poór's theory. The first distinguishing dimension is the complexity of the service provided by the consulting organizations, according to which there are full-service firms, general service firms, specialized firms and boutique firms. Full-service consulting organizations include accounting, controlling, business management and technology consulting, which are typical of large international companies, the Big Four (PwC). There is a lack of comprehensive or integrated service providers in the aforementioned areas, also known as traditional consulting organizations (Simpact, IFUA Nonprofit Partner Közhasznú Nonprofit Kft, Fa-Se). Specialized service providers are a set of traditional organizations that usually specialize in development of strategic importance. In Hungary, strategic development is not separated into different types of organizations, with traditional consultants providing this service. Lastly, highly specialized consultants focus specifically on a market area or client that is not addressed by the larger actors, a type that does not exist in Hungary.

Németh et al. (2010) classify the types of consultants as follows: national or multinational consultancy firms (providing complex expertise and sufficient capacity in all areas of business consultancy); medium-sized and small businesses specializing in one area of consultancy (dealing with one area of business consultancy); individual consultants (which represent the majority of businesses in the consultancy market, characterized by the development of

partnerships and the provision of more complex solutions); consulting departments of companies with other main profiles (providing services related to the original profile of the company); consulting professors (experts from universities, higher education institutions, management training organizations); associations or agencies providing essentially non-profit consultancy services (either for their own members or for a specific type of business, whether start-up or established, at their own cost or with the support of external partners).

Among the categories of Németh et al. (2010), in Hungary there are national consultancy organizations (PwC), mainly individual consultants, who develop jointly through their partnerships (Simpact, IFUA Nonprofit Partner Közhasznú Nonprofit Kft.), and the category of consultant professors, who may support a social enterprise in accelerator programs rather as a voluntary mentor (social enterprise investors, university representatives, policy developers). Through business development, social entrepreneurs have the opportunity to learn business-like entrepreneurship and become independent players in the market.

Social enterprise development programs

In most cases, social enterprise development programs are created in cooperation between different development organizations, which illustrate well the process of training, mentoring and incubation.

The Hatchery + Program 2019 is a development program jointly created by the Badur Foundation and Simpact. The Badur Foundation acts as an incubator, while Simpact acts as a consultancy organization to develop social enterprises. The program was aimed at organizations that support people living in extreme poverty, or do not have an entrepreneurial idea or have an entrepreneurial idea but have not yet started to implement it, and those that have a need for organizational development. The training phase consisted of 4 months, at the end of which the organizations to be mentored were selected. After the 4-month mentoring phase, the successful organizations could enter the incubation phase, which started in 2020. During the training, the Business Model Canvas by Osterwalder and Pigneur (2010) was used in group workshops to design start-ups and to screen existing organizations. This was followed by interactive training sessions where participants could learn from each other and share their experiences. The learning process was facilitated by pre-defined exercises and a presentation at the end of the training, during which they presented their business ideas and preliminary development plans. During the mentoring phase, participants were given individualized support to prepare their business plan. In the incubation phase, the Foundation provided financial support for the options

selected by the organizations, which included the implementation of the pilot project, the purchase of equipment, a study trip, start-up costs and losses of business, and followed the development of the organization in a continuous partnership (Hatchery+ Program 2019).

The Erste SEEDS 18-month incubation program in 2017 also provided social entrepreneurs with individualized business training, organizational development support and expert mentoring. The program was set up by Erste Bank, IFUA Nonprofit Partner and Simpact, the latter two of which act as consulting organizations. The training included business planning, management skills, how to build partnerships, marketing strategy, PR and communication techniques, how to achieve financial investments. The best performing participants received financial support and were able to present their business plan to financial investors in the sector (Erste Group Press Release, 2016).

The Impact Academy program was created in 2018 to teach social enterprises how to measure the social impact they create and what strategy they need to design to develop their social impact measurement system. The program developed social enterprises with the help of donors, mentors and pro bono corporate partners, and the curriculum was made available online through workshops. The program included a one-day training, individual and group incubation, and made various studies on social entrepreneurship publicly available through their online knowledge repository (Ashoka Website, n.d.).

PwC Hungary, as a business advisor, launched its Civil Mentoring Program in 2017, providing pro bono personalized advice and mentoring on tax, legal, financial and other business topics (Piac Társ, 2017).

About the research methodology

There is a demand among social entrepreneurs for business-oriented support, internationalization services and private financial support. Social enterprise development organizations are increasingly providing opportunities to encourage social enterprise development. There is a growing number of social enterprises that participated in mentoring programs for business development (Krátki & Kiss, 2021). By developing their marketing channels and sales activities, they are able to generate their own source of income in the domestic and international markets. The own source of income provides entrepreneurs with the opportunity to achieve independence from various sources of funding. This demonstrates the relevance of the research.

The research question of this article, based on a qualitative methodology, is the following: How do social enterprise development organizations in Hungary understand the development process and its tools? The aim of the research is to identify the social enterprise development organizations operating in Hungary, to interpret their diversity, to identify their development tools and to examine their development processes. The results highlight the main types of domestic development organizations, their types of activities and the tools they use for development. Using qualitative methodology, I had the opportunity to meet the interviewees, who gave detailed answers to my questions and provided me with some learning materials on development tools.

The data collection started with a comprehensive mapping of organizations and programs developing social enterprises in Hungary: their collection and identification started with expert interviews, online exploration and continued with the snowball method during the interviews. I collected data on the organizations according to a categorization system based on publicly available information, using the organizations' websites, calls for tenders and organizational reports as sources. After finding out about them, I selected six organizations (see below for sampling).

There are a finite number of development organizations in Hungary. Eight development organizations and six accelerator programs were identified in the course of the research. One type of purposeful sampling (Patton, 1990), maximum variation sampling, aims to sample a finite number of domestic development organizations with different elements according to relevant criteria and to analyze the similarities and differences between the development organizations (Krátki & Kiss, 2021). By examining the similarities and differences between the selected organizations, the diversity of their organizational types and development characteristics were explored, providing an insight into the diversity of developers operating in the domestic market. Following the typology presented above and based on the experts' own categorization, the first step in the selection of the six organizations was to separate development organizations, incubators and development programs from each other, and to exclude those organizations that have ceased to operate in Hungary. Other exclusion criteria included filtering out organizations that develop social entrepreneurs instead of social enterprises. As a justification for the choice of subject, only those organizations were selected from the finite number of national developers that actually develop (consultancy organization, incubator house). Accelerator programs cannot be treated as a separate entity, as these are the

developers' programs. My focus for this research was to look at the organizational level, so I excluded developers that target entrepreneurs rather than businesses.

I made sure that the sample included both consultant and incubator entities, organizations with an international background, and it was also important to keep in mind the diversity of value guaranteed by developers

Table 1 shows the selected social enterprise development organizations. In accordance with the interviewees' request, to ensure anonymity, the organizations were not named in the research.

Table 1

Description table of the selected development organizations

	Organization 1	Organization 2	Organization 3	Organization 4	Organization 5	Organization 6
Type of organization	consulting organization	consulting organization	consulting organization	incubator	incubator	incubator
Domestic market presence	2009-	2012-	2012-	2016-	2016-	2016-
International background	yes	yes	no	yes	no	yes
Time of development	project-dependent (from 2-3 months to several years)	6-8 months	project-dependent	2-4 years	client-dependent	project-dependent
Regularity of development	project-like, program	project-like, program	project-like, program	project-like, program	program	project-like, program
Guaranteed value	business knowledge, rarely loan	business knowledge, sometimes capital, loan	business knowledge	business knowledge, loan, prize, capital	business knowledge	business knowledge, prize
Number of enterprises developed	150	21	85	30	74	8000+

Source: own editing

I conducted semi-structured interviews with one expert per selected organization. Half of the experts are involved in the operation of the organizations as founders and development colleagues as well, while the others are development colleagues. All of them have considerable experience in achieving the organizational goal and implementing development activities. Those development organizations that have an international background, operate as part of an international development organization, opened an office in Hungary or they are part of a for-profit business consultancy firm, and some are established by local entrepreneurs.

The following topics were highlighted during the interviews:

- developer's concepts of social enterprise - exploring how they understand the essence, purpose and identity of the social enterprise;
- the process of development - the length and depth of their involvement in the life of the social enterprise;
- development tools, the proposed business models - what methodology is used in their development work, how and where they shape social enterprises.

The interview guide was first developed through expert-consultant dialogue, complemented by experience gained in a development program and professional materials provided by developers. The main topics were chosen to first understand how they define their clients, what their development process looks like and what tools they use in development.

The interviews were conducted online in the first semester of 2021, lasting 50-60 minutes, recorded and transcribed, and interpretive interview summaries were prepared. These were analyzed, collected and interpreted independently by my supervisor and myself using thematic coding. The main aspects of the analysis and comparison were: the concepts of development organizations in relation to social enterprises, in order to explore their clientele; the self-identification of development organizations, with the aim of determining which developer category they fall into; the specialties of consultancy organizations and the ways in which they operate, in order to answer the question of their development processes; and the tools used in development, in order to gain insight into their methodological toolkits.

Categorizing the operations of the selected development organizations

The services provided by the developers take the form of business consultancy, the main topics of which are strategy development, organizational design, business modelling, business planning, project management, social impact assessment, controlling, complex development of

social enterprises, investment preparation, community office provision, product development, market entry, financial plan preparation, partner networking, building and monitoring of business operations, and participation in professional meetings.

Classifying development organizations into specific categories is very difficult, and in several cases during the interviews, interviewees did not distinguish between categories because each organization is engaged in providing a business development process.

Based on profile, types of organizations include consulting organizations and incubators. Smaller consultancies are those organizations that provide organizational development, consultancy services including business planning, business development, social impact assessment, strategy development, professional volunteering programs and research. Both smaller and larger consultancies specialized from the for-profit sector to the non-profit sector, simplifying and adapting methodologies that also work in business. The larger consultancies, incorporating the activities of the smaller organizations, are complemented by a process of initial assistance in raising capital for social enterprises, identifying social enterprises that have not yet been involved in business development but they would need it. They are engaged in social impact measurement and its development. Incubators also provide business development training and workshops for social entrepreneurs. Their priority is to motivate and prepare social entrepreneurs to develop their own products and to enter the market.

Based on target group, most organizations are involved in developing young social entrepreneurs, in some cases social entrepreneurs who only have an entrepreneurial idea. Young social enterprises are targeted through domestic mentoring programs and development projects. Entry to the program is usually by tender application. Individual requests are rare, and it is not yet common for domestic social entrepreneurs to ask a service provider to solve their social enterprise problems or develop their organization. In addition to young social entrepreneurs, there are also established organizations and, in the case of one organization, they specifically target young entrepreneurs, for whom they also launched a personalized program.

Based on the entry criteria for development, there are development organizations that welcome any kind of entrepreneurship on condition that it has a social purpose. Others add a non-profit form of operation to the above condition. Some developers narrow down the business profile by making the problem they are targeting an environmental or extreme poverty related problem. There are organizations that believe in a higher level of entry and in setting more entry criteria. This includes being able to realize own revenue in addition to its social purpose; being able to generate 50-100 thousand EUR in turnover and being involved in social impact

measurement activities. In addition, the applicant must have sufficient internal capacity, at least 3 years of operation, sufficient clients to make it worthwhile to measure social impact.

Based on funding, development organizations have a strong network of partners. In most cases, they jointly develop and launch programs with their own and international funding. Their partnerships include financial investors, banks, pro bono corporate partners, public organizations, European Union institutions and other social enterprise development organizations. The lack of development resources for social entrepreneurs is financed by development organizations through their network of partners. It is rare for the developing organization to finance the service from its own resources, and it is also rare for the development to be carried out through financial investors in the hope that a successful operation will generate a return for the investor. Yet there are different forms of financing and solutions, which are less common than financing through a network of partners. Pro bono funding, which is unpaid consultancy, is rare. In the low bono type, the social enterprise pays a reasonable amount for the service it requires, which it can afford. The third type is when the social enterprise requesting the service is able to pay a lower consultancy fee than the for-profit sector, the fourth is donor-supported financing, that is when the financial donor of the social enterprise pays for the service in return, and finally, in the hybrid solution, both the requesting social enterprise and the donor pay for the service.

The social enterprise concepts of the developers interviewed point to the directions of the development processes of the developing organizations. Before describing the development processes and tools, the importance of this is highlighted.

Social enterprise concepts of the selected development organizations and experts

The definition of social enterprise by the development organizations and experts interviewed is shown in Table 2. In the definitions of the development organizations, the organizational purpose, that is the solution of the social problem itself, is the first to be included, complemented by elements of business, such as service delivery, financial sustainability, profit generation. There are also definitions that specify and name a particular target group and one that sees social enterprise as a goal for all companies.

The representatives of these organizations base their definition of social enterprise on the study materials they teach, the non-profit sector, the economic activities and specific market of social enterprises. In the mindset of the experts interviewed, there is a definition of social

enterprise adopted and used by the partners, which is based on the continuous joint work, the purpose of social enterprise and its integration into the business model, and the issue of institutionalization in relation to the diverse legal forms of social enterprises.

Table 2

The social enterprise image of development organizations and experts

<p>Organization 1 (consulting organization): Social enterprises are organizations that aim to solve a social problem while being financially sustainable.</p> <p>Expert 1: <i>“If we approach it from the business side, it is difficult to know where the line is. There are only rare cases where this activity is not CSR, meaning that for me as a for-profit company it is an important issue and I am not only involved sometimes, but all the time.”</i></p>
<p>Organization 2 (consulting organization): The primary purpose of social enterprises is to provide a long-term solution to a social problem by providing a service to society.</p> <p>Expert 2: <i>“This is a business-like operation, so the ability to generate revenue is not in question. Basically, it has a market income, not exclusively, but it is the main source of livelihood.”</i></p>
<p>Organization 3 (consulting organization): A social enterprise is any organization created to achieve a social purpose.</p> <p>Expert 3: <i>“A social enterprise can be a non-profit organization or not, but the important thing is that it has a social cause, be it social, environmental, cultural, other. And it does not work on this social cause alone, but with partners.”</i></p>
<p>Organization 4 (incubator): Social enterprise is an organization created to solve a specific problem, such as improving the quality of life of disadvantaged poor communities.</p> <p>Expert 4: <i>“Accounting firms are willing to do half-price accounting for civil society organization, and law firms give them consulting hours for free, because social enterprises are good for the community.”</i></p>
<p>Organization 5 (incubator): Successful companies are either wholly or partly social enterprises. Whether they are non-profit or for-profit organizations, both aim to make a profit, but profit is not only measured in monetary terms.</p> <p>Expert 5: <i>“My definition of social entrepreneurship is that between the financial profit goal and the social, environmental profit goal, the economic one is never ahead of the other, in the worst case the two goals are next to each other, but ideally the social, environmental purpose is ahead.”</i></p>
<p>Organization 6 (incubator): Social enterprises are organizations that respond to social and environmental problems, create lasting value for society in addition to generating profit.</p> <p>Expert 6: <i>“Social enterprise is responding to a problem in society that is what I always emphasize, that there has to be a social problem that you are solving, so to speak, and it is important that it should be business based.”</i></p>

Source: own editing

The first organizational definition includes *financial sustainability*. The aim of any organization is to achieve *financial stability, whatever its legal form*. According to the organization's expert, the concept is very difficult to define because it includes many different legal forms, plus there are also business organizations that built their *social enterprise pillar* over time. Institutionalization is important for organizational delimitation. It is difficult to distinguish *social responsibility projects* from social enterprises.

The second organizational definition includes the *long-term*, that is sustainable *provision of services*, which the expert complements with the ability of social enterprises to *generate their own income*, and stresses that the *main financial resource is market income*. Therefore, civil society organizations cannot be classified as social enterprises, because social enterprises are not dependent on donations, but have their own economic activity and income. Social enterprises operate on a *combined financing model*, mainly through their own sales and any losses are financed by donations.

The third organizational definition includes the reason for the creation of a social enterprise, to which the expert adds that the purpose of a social enterprise is to *systematically create a positive change* in the lives of a *defined target group, integrated into its business model*. It is important that social enterprises do not work on their own to solve problems, but do so *together with their partners*, other social enterprises, civil society organizations and local authorities.

In case of the fourth organization, the specific problem as well as the target group are identified that *certain types of social enterprises* wish to support. The expert adds that a social enterprise is a market-based organization, that is an *economic organization*, where social and business objectives are balanced. The social enterprise *market is specific*, with its own labor costs and voluntary work.

There is a difference between the definition of the fifth organization and the expert's opinion. The organizational concept is open, *seeing a social enterprise profile in all companies and enterprises*. In contrast, the expert considers that social enterprise is *non-profit*, because non-profit operation ensures that the economic purpose of the organization does not take precedence over its social purpose and that the financial surplus generated is reinvested in the operation of the organization. The non-profit mode of operation prevents the owner from deciding the fate of the profits generated alone.

The sixth organizational definition links *profit generation* and *social value creation*. According to the expert, social enterprises are created with the aim of solving a social problem. It includes a *business approach as a way to solve the problem*. Social enterprise is a business approach to solving a problem in society.

Compared to theoretical approaches to social entrepreneurship, the definitions of development organizations include a focus on financial sustainability, a diversified revenue structure (as defined by Dees and Anderson in Mihály, 2017), the phenomenon of marketization (Sandberg, Elliott, and Petchel, 2020), a double bottom line approach that includes a business approach and operation, as well as a business model approach (Szegegi and Bereczk, 2017; Gidron, 2016; Repisky & Tóth, 2019; Primecz et al., 2021). However, difference is observed against the definitions of Ashoka, NESsT (Mihály, 2019) and the European Commission, the first two of which focus on innovation and the latter on the internal relations of the organization (Kiss & Mihály, 2019).

Overall, most experts highlight the dual purpose of social enterprises, where it is important to note that the primary purpose of social enterprises should be to solve a social or environmental problem, and the secondary purpose should be to achieve a financial or economic goal that makes the enterprise viable in the long term, allowing it to become less dependent on donations and grants. Only one expert rejected the for-profit nature of social enterprises, arguing that non-profit operation ensures the achievement of social benefit as opposed to individual benefit. In this case, the expert's opinion is not entirely in line with the position of the respective development organization, which does not exclude for-profit enterprises. Another expert raises the issue of social responsibility and institutionalization when defining the concept of social enterprise, referring to the diverse legal forms of organizations. Furthermore, the specific market for social enterprises was raised, whose parameters could distinguish them from traditional enterprises.

The development processes identified

In development processes, a distinction should be made between development for young social enterprises and development for established organizations. In general, development processes are program- or project-specific, as they are designed to meet the needs of specific social enterprises.

For the development of start-up or young social enterprises, the development process can be divided into three phases. The first phase aims to enable social entrepreneurs, after finalizing their business idea, to define their product or service for sale; to justify why their product or service should be sold. The training will teach them the rules of market entry, product and service launch, positioning, the 4 Ps of marketing strategy, pricing, competitive analysis, summarized in the business plan. If the business plan is varied in the process, the team is committed and the whole process has enough potential, then the second round of development follows. In the second phase, mentors are assigned to the organizations to provide more intensive support. They evaluate the business plan, and if it is not sufficiently sound, they help to think it through further. In the third phase, social entrepreneurs present their completed business plan to financial investors or to access capital, loans or prize money from the development organization.

In the case of developing existing organizations, first a diagnostic is made of how the organization is functioning and what problems it is currently facing. This is used to assess what tools are needed for improvement. Training may include the preparation of a business plan, a cash-flow plan, the training pillar of the organization formation. During the process of setting up an organization, organization of workflow, job design, process organization, developing management tasks and project management are dealt with. In the case of a strategic planning process, the process does not usually go as far as business planning. In this case, the consultant facilitates and makes the social entrepreneurs think. (1) In the situation assessment phase, the problems of the managers and the organization are identified. (2) In the so-called reflection on their mission phase, they check whether everyone really agrees with the first phase. They outline strategic directions, options and then goals. (3) The action planning and measurement tool phase concludes the process. The problem for these clients is that they feel fragmented in the organization.

Accelerator programs start with a kick-off meeting, where the program is opened and participants can get to know each other. The kick-off meeting is followed by workshops with specific topics. During the workshops, the educational process takes place. The topics depend on the target group. They usually include business modelling, business plan preparation, financial planning, social impact assessment methodology, risk analysis.

The incubator houses will monitor the business for 2-3 years, taking responsibility for the long-term success of the development process. They usually work with autonomous teams

rather than structured programs, with the key elements being impact measurement, financial plan and their ability to convince investors. They teach terminology such as customer centricity, value proposition, marketing, customer-first philosophy, the ability to think with the customer's head. This is called custom development. After the idea generation part, they work on building the business pillars of social enterprises. In the process, training is followed by mentoring and the incubation concludes. Of this, the training and mentoring can be called development, which takes about 8-12 months. A classic business planning process is provided, during which they cover areas at a basic level. The preparation of the business plan is based on a guideline. At the beginning of the training phase, a business plan is prepared and presented to the participants, and at the end a business concept is created that can be justified with supporting calculations. After incubation, a pilot plan is prepared to launch the planned operation. The investment suitability development process focuses on businesses that have a revenue-generating, social impact model. One aspect of development is then to fine-tune the business model, the other is to understand and measure the impact story. Incubators connect social entrepreneurs with investors. Investors include business angels, foundations, corporate partners and institutional investors.

Business models and tools used by developers

The social impact measurement system and organizational restructuring are introduced in the case of social enterprises in operation. In the case of starting enterprises, development aims to give social entrepreneurs a confident start and to help them understand the language of business and learn to think in business terms.

The business model is prepared at the beginning of the training. In national practice, the business model used by developers is the model known as the Business Model Canvas of Osterwalder and Pigneur (2010) containing nine components. *“It is no coincidence that this model is popular among social entrepreneurs, because it gives you very important aspects to think about when you start such a business”* (Expert 6, incubator). According to the expert, the use of the canvas helps to define the key elements of running a business. The model, which summarizes business considerations, is complemented by social elements. The social elements are linked to the social objectives of the organization. The aim of using methods that are easy to understand is to be able to relate them to practical examples, thus linking theory to practice.

Developers believe that the business pillar of social enterprises should match the market conditions of for-profit firms. *“I want to reduce these organizations to the fact that we are not different. So, we will be in exactly the same market and when someone chooses your jam, they will compare it with Aldi jam.”* (Expert 3, development organization).

The model of Osterwalder and Pigneur (2010) is presented in Figure 1. According to Osterwalder and Pigneur (2010), *“a business model describes how a firm creates, delivers and captures value.”*

Figure 1

Business Model Canvas

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost Structure		Revenue Streams		

Source: Osterwalder and Pigneur, 2010, pp.18-19.

When preparing the Business Model Canvas, social entrepreneurs define the following units:

- Value propositions: the product/service that the consumer is willing to pay for; provides value to members of society (buyers and beneficiaries)
- Revenue streams: structure of the revenue
- Cost structure: composition of the cost structure
- Key partners: exploring beneficial forms of cooperation
- Key activities: identification of key activities to achieve the primary purpose
- Key resources: identification of existing and needed resources
- Channels: how the product/service is delivered to the data subject
- Customer segments: identification of consumers and beneficiaries
- Customer relationships: definition of customer relationship type

Units of the model related to the social purposes are the followings (Social Innovation Lab, 2013):

- Form of intervention: the form of intervention to solve a social problem
- Social impact measurement: measuring the value-creating activities of the enterprise
- Surplus: how the profit generated is further used

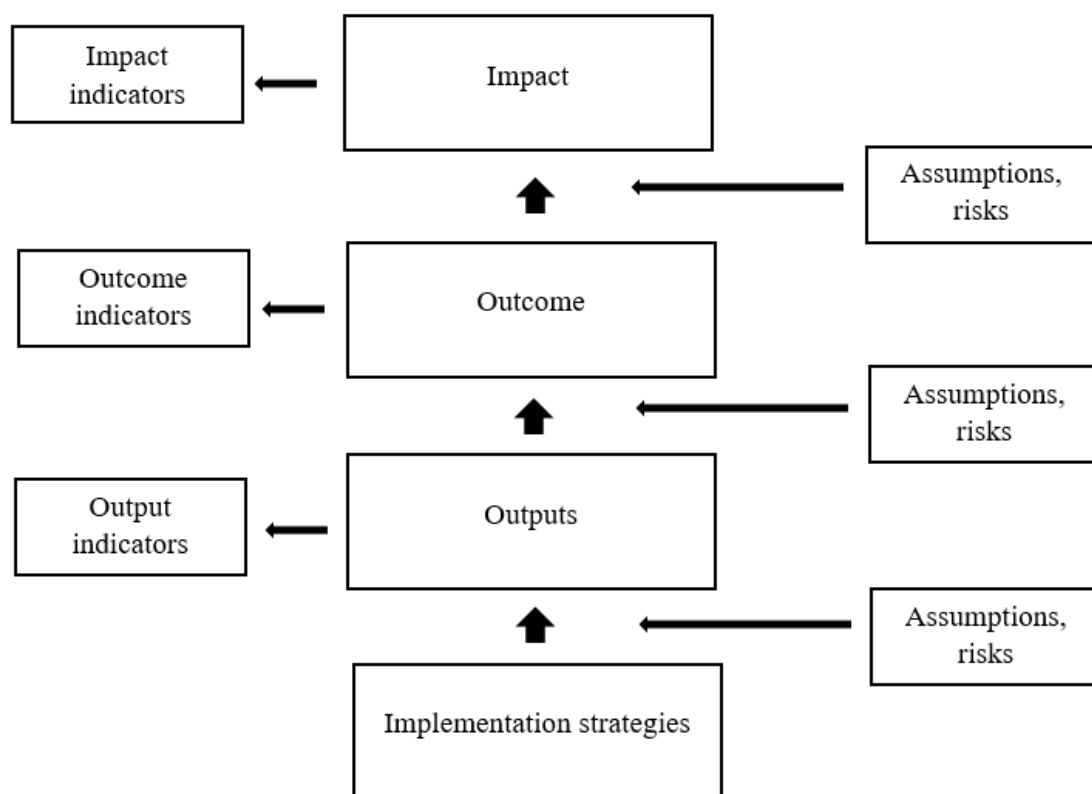
Some developers believe in creating two business models. First, the business model mentioned above is created, followed by the so-called impact model. Of the elements of the business model, the most important are defining the value proposition and the target audience, what value is being communicated and to whom they want to deliver it. Then comes the innovation part of the impact model, which identifies what is new that differentiates them from their competitors and from other organizations. It is important to define the social impact they want to achieve, and within that, the activities they plan to undertake to achieve that impact. An important part of the model is the measurement of social impact, determining how they can measure the social impact generated. The model is taken from the respondent expert's own training material (Own organizational impact model canvas, Expert 4).

A business model is a static model that is valid for one point in time. The chain of activities, that is generating social impact, is a process. The Theory of Change (ToC) (Figure 2) is a method for explaining business processes, which helps to define the problems of social enterprises. The use of the ToC method forces social entrepreneurs to think more carefully about their activities. The logic model of the change theory examines how the steps in a strategy,

program, project or policy activity contribute to the desired impact or outcome (Serrat, 2017). Logical model of the ToC is built by identifying inputs, activities, outcomes and their short and long-term effects. Inputs include the physical, human and financial resources needed to implement a given program, project or strategy. Output refers to the direct effects and results of programs, projects or strategies; outcome refers to the short and long-term impact of the results of a given program, project or strategy. Each step is defined by identifying the potential risks and measuring the outcomes and the social impact to be achieved (Rogers, 2014). *“We are trying to link the social problem perceived at stakeholder level with the long-term change and describe the actions along the steps leading to it. If the actions generated here can be taken back to the business model and there seems to be a connection and interoperability between the two, then I think a viable business and impact model can be created.”* (Expert 4, incubator)

Figure 2

Figure of ToC model application



Source: Rogers, 2014, Peer Review Group Meeting educational material, p.1

One of the main goals of the developers, is to use the simplest possible development tools in the training, so that people who have no knowledge of the business world can quickly and easily design and think in business terms. In many cases, foreign language barriers, especially for older social entrepreneurs, are a challenge. Developers need to pay particular attention to easing any resulting tensions in order to work successfully together. It is important that the motivation and determination of the participants in the development process is not undermined by language barriers or the use of potentially complex methodologies. The latter is replaced by the use of simplified schemes. The complementary version of the used business model meets the dual purpose of social enterprises by including their conditions. Rather than approaching a more complex financial side of social impact measurement, the ToC model is an appropriate first step towards real impact measurement.

Summary

Social entrepreneurs have many opportunities and help to develop their business skills. Incubator houses are particularly recommended for starting social entrepreneurs or those who want to make a big change in their operations, such as going international or creating a new product/service. If social entrepreneurs with the above-mentioned objectives apply to the incubator houses, they will be eligible for funding over several years. In addition, the incubators are also recommended for social entrepreneurs who wish to work with partners, research institutes, universities, financial experts on a long-term basis. The incubators are actually responsible for nurturing starting enterprises, and they also provide them with a financial advantage by making office space available. Accelerator programs can be found at any development company, advertised jointly with their partners. In this case, we can talk about a faster, more intensive knowledge transfer and development process, where there is no time to go into every topic in depth, unlike with incubators. It is mainly recommended for social entrepreneurs who want to develop their knowledge in a specific timeframe, expand their network of contacts during community events and find new financial investors during the closing event. Large companies providing full-service consultancy and integrated or comprehensive consultancy develop complex business areas. In Hungary, they mostly work in accelerator projects with other development organizations.

Limitations and prospects

The research contributes to mapping the activities of social enterprise development organizations in Hungary. It extends the findings of research on the business development needs and financial performance of social enterprises by identifying the types of development organizations in Hungary, their work and their development tools.

In future research, it would be worthwhile to analyze the business plans prepared jointly by development organizations and some social enterprises, and to ask social entrepreneurs for their views on how they perceive the work of development organizations and what value they represent for them. It may also be interesting to see how much money the developers have spent on development and how the amounts they have spent on development have changed year on year since their entry into Hungary. Other research topics could include a critical analysis of the business operations of social enterprises, the business model of development organizations and why they operate in the Central-Eastern European region.

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6. Annexes

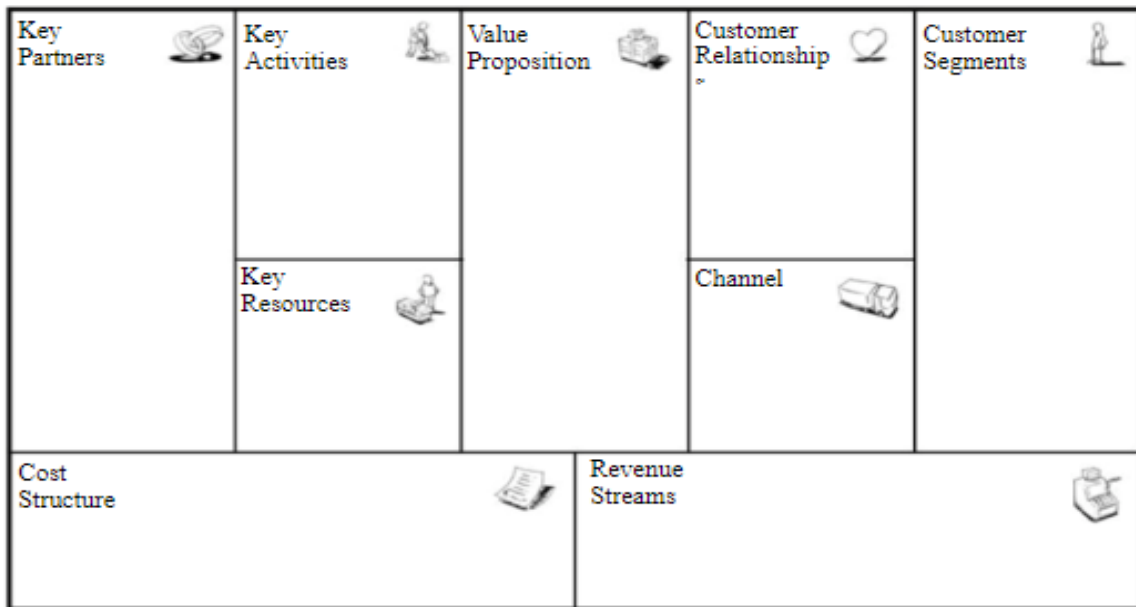


Figure 7: Business Model Canvas

Source: Osterwalder and Pigneur, 2010, p. 44.

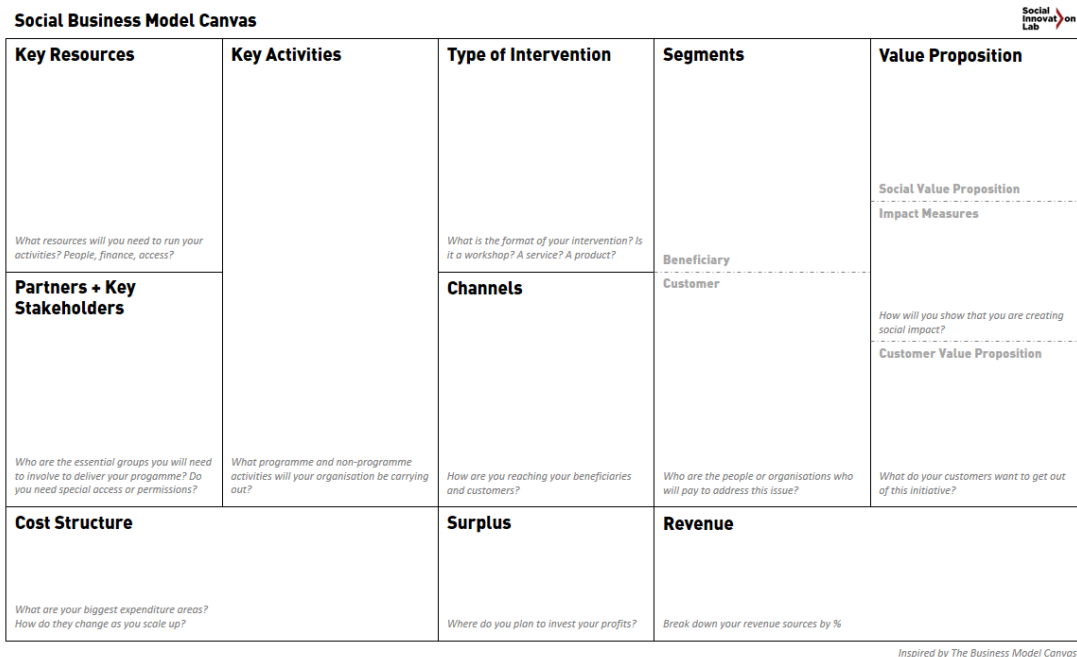


Figure 8: Social Business Model Canvas

Source: Social Innovation Lab, 2013

Elements of SBMC	Provides the entrepreneur with answers to the following questions
Value proposition	What is the product/service that the consumer is willing to pay for? What is the product/service that provides value to the members of society/beneficiary/customer?
Revenues	How does the enterprise generate revenue?
Cost structure	What are the costs of operating a business?
Surplus	In what other ways does the enterprise intend to use the generated profits (creating a new product, founding another legal entity)?
Key Partners	What forms of cooperation exist in the market? Which can be beneficial for the enterprise? What is the benefit of cooperation?
Key activities	What are the activities needed to achieve the basic objective?
Key resources	What resources does the enterprise already have? What resources does it need?
Sales channels	In what way can the entrepreneur deliver the product/service to the consumer, a specific stakeholder?
Form of intervention	How does the organization want to intervene in a social problem (reducing poverty, reducing exclusion)?
Social impact measurement	How can the value creation of the enterprise be measured? How efficient is the value creation process itself?
Segmentation	Who is the main target group? Who does the enterprise create value for? What kind of social challenge is the enterprise addressing? Who is the consumer and who is the beneficiary?
Customer relationships	How can the consumer return? Is it worth developing an after-sales service? What is the secret of a good customer relationship?

Table 1: Elements of the Social Business Model Canvas

Source: Presentation of the elements of Social Business Model Canvas based on the figure of Social Innovation Lab

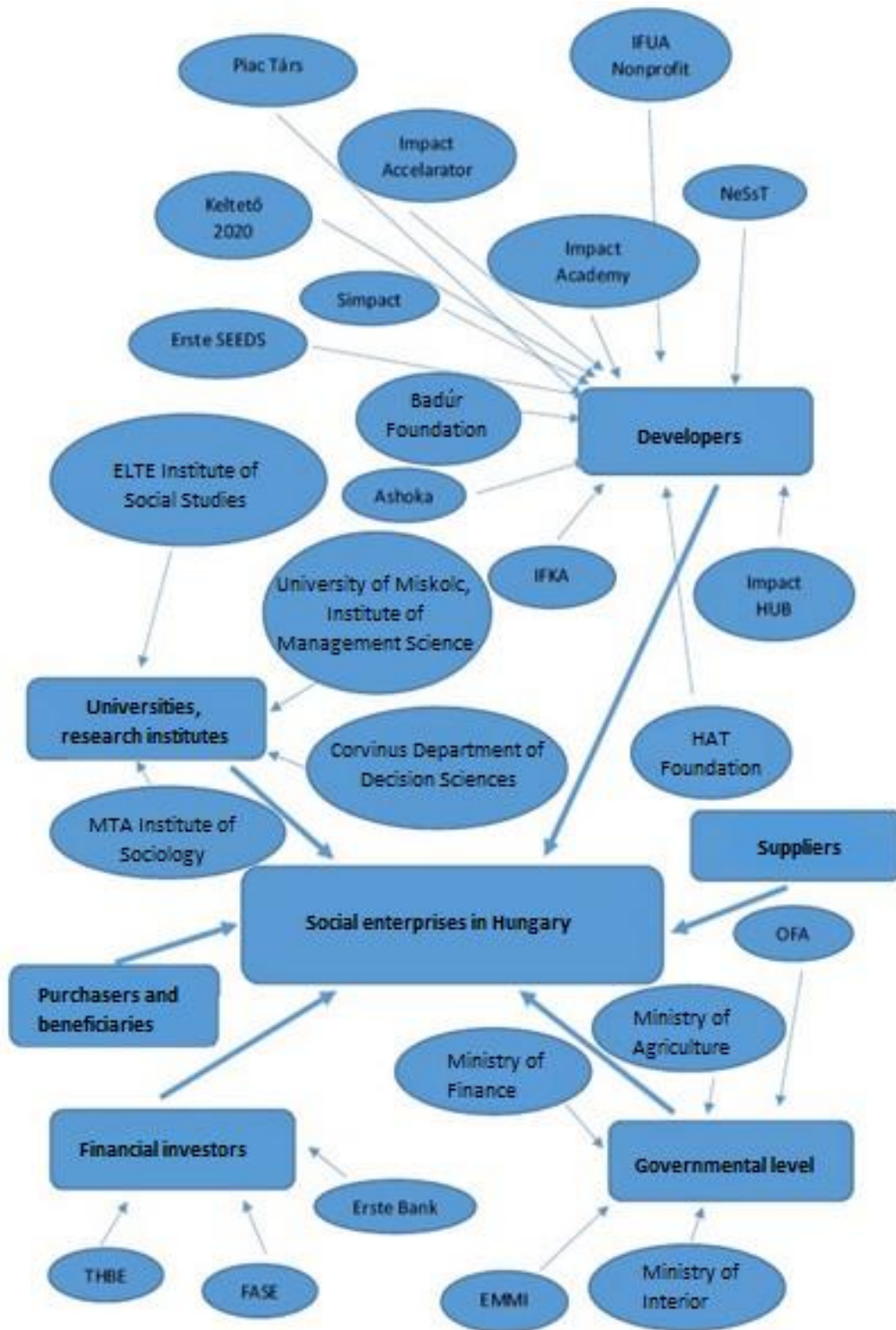


Figure 10: Related map of domestic social enterprises

Source: own editing

Aspect/Organization	Organization 1	Organization 2	Organization 3	Organization 4	Organization 5	Organization 6
Type of organization	consultant	consultant	consultant	incubator	incubator	incubator
Regularity of development	project-like, program-like	project-like, program-like	project-like, program-like	program-like	project-like, program-like	project-like, program-like
Length of development	1,5 years	project-dependent	project-dependent	2-4 years	client-dependent	project-dependent
Number/duration of training sessions	project-dependent	project-dependent	project-dependent	6 days	client-dependent	project-dependent
Total number of enterprises developed	project-dependent	project-dependent	85	30	3 to 5 at a time	8000+
Develop with partners?	yes	yes	yes	yes	yes	yes
Partners	Erste, Simpect, IFKA	Avaka, Webstation, LA Communications, KPMG, Ashoka	Erste, Badur, MOL Foundation	Simpect	European Union, Ministry of National Economy	Magnet Bank, Erste, Door Office
Type of source used	project-dependent	own revenue	project-dependent	international	tender, own revenue	project-dependent
Guaranteed value after development	capital	capital	loan, capital	loan, prize, capital	loan, capital	prize
Development output	consulting, training	consulting, training, strategy, business plan	consulting, training	project implementation, financing, business plan	training, campaign, funding, development, community office, product development, market entry, financial plan	community space, building up a network of partners, setting up and monitoring business operations, participation in professional meetings, support for the implementation of social projects
Entry requirements	idea or operating enterprise	social purpose and own revenue	anyone with a social purpose	social enterprises addressing extreme poverty and environmental problems	social purpose, non-profit legal form	start-up social enterprises (with an idea), social enterprises in need of development

1. Table: Desk research on developers

Source: own editing

Interview questions for the third article

Personal:

- When and how did you first encounter the concept and phenomenon of social entrepreneurship? How would you define social enterprises?
- In what form and framework are you currently involved in social enterprises?
- What is the specialty of your development organization? How would you define your organization in the market?

Development process:

- What are the main issues and problems you address? How can you help the target group in the development area?
- What key knowledge and skills are needed to run a social enterprise?
- How do you define the development process itself? What happens during development? What are the phases?
- It can be observed that some social enterprises visited several development organizations. What is the reason for this?
- What are the critical points in development where social enterprises fall out, where they lose their motivation? How do you address this situation?

- How easily do social enterprises identify with development? Was there an organization that strayed from the development process?

Development tool:

- What is the basis for development? What knowledge base is used for development?
- What qualifications and experiences do the development staff have?
- What tools are used in the development process?
- To what extent is the business model an important part of the development?
- What types of business models are used? Why these? (Please describe some of them)

Future:

- What do you think the role of business-oriented social enterprises will be in the future? What will be their relationship with non-profit organizations? How will the sector itself operate?
- What responsibilities do you feel you have in developing them?

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