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Article

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Article

From Science to Policy: How to Support Social Entrepreneurship in Croatia

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Abstract: Entrepreneurs are constantly looking for new models to address growing global challenges in a sustainable manner. Over the past several decades, those challenges have been identified and responded to through the development of social entrepreneurship. There is a number of research dealing with the theoretical concepts of those topics; however, the definitions and framework for action are different from country to country. Having in mind that the main idea of social entrepreneurship is to enable decent work for employees and to gain broader welfare for communities, the purpose of this paper is to analyse the development of social entrepreneurship in Croatia. The research is focused on recent developments, connecting key definitions and principles of social entrepreneurship with common trends and concrete case studies. This study's results show that there are different approaches to social entrepreneurship globally. However, social entrepreneurship in Croatia develops within a clear legal framework. The current state of social enterprises is connected with respective public policies, while the number and types of social entrepreneurs are constantly rising in the last few years. The results of the analysis also show that there are still actions to be taken in order to encourage future policy measures aiming to support social entrepreneurs in Croatia.

Keywords: social entrepreneurship; social entrepreneur; social entrepreneurship environment; sustainable economic development; risk management; Croatia



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1. Introduction

Entrepreneurship is one of the fundamental drivers of economic development characterized by an unequal spatial approach, which causes uneven economic development of regions and nations (Stam 2009). Entrepreneurship and entrepreneurial activities, in general, are relevant for European economic and social development, and supporting tools and mechanisms are applied towards supporting European Union (EU) entrepreneurship (Carayannis et al. 2020).

New times bring about new challenges for entrepreneurs in terms of wellbeing and socially responsible behaviour. One of the answers on how to adjust to new circumstances, how to proceed and how to plan further growth is to become a social entrepreneur. Although social entrepreneurship is a relatively new paradigm, its roots go back in the past. Already in 19th and 20th centuries there were entrepreneurs dealing with social problems. Even Karl Marx and Max Weber initiated social entrepreneurship as a method to achieve a social change. Thus, the term social entrepreneurship originates from the age of industrialization when individuals were gathering in associations and cooperatives with the aim to facilitate overcoming difficulties in work and life in general.

Currently, the concept of social entrepreneurship is widely used in various forms. Solving social problems with the accompanying transformation towards welfare is one of the key goals of social entrepreneurship. This applies to associations and organizations engaged in the field of children's rights, empowering women and, for example, environmental protection. In addition to addressing social issues, social entrepreneurship also

includes the recognition and resolution of environmental and financial problems in rural and suburban areas. Social entrepreneurs use the principles of entrepreneurship with the intention of creating social capital; however, basically, they are not focused solely on profit. The aim of social entrepreneurship is to create socio-economic structures, relations, institutions, organizations and practices that provide social benefits. There are numerous examples of social entrepreneurs: from the non-governmental institutions fighting for human rights and against global poverty or climate change to the actions initiated by large multinational companies with the aim to communicate environmentally and socially responsible behaviour. All of them try to solve emerging global problems. Some of the recognisable actions undertaken by social entrepreneurs include opening or supporting schools in less populated areas; educating women for family planning; providing farmers and low-income residents with access to low-interest loans; and establishing waste processing plants, planting trees and greenery, etc.

All social entrepreneurial activities are based on seven key behavioural principles (Yunus 2010; Prachi 2021):

- The first principle defines the purpose of social enterprises' existence. According to this principle, their business goal is to overcome poverty or to address problems such as education, nutrition, healthcare, environment and enable technology access to the low-income population and not only for the sake of profit making.
- The second principle refers to financial and economic sustainability. Social entrepreneurs look for sources of finance that are socially responsible.
- The third principle manages return on investments. Social entrepreneur investors are not encouraged to run for profit at the expense of achieving wider social benefits.
- The fourth principle is related to the amount earned over and above the investment that should be reinvested back in order to increase the scope of operations and improve them. This expansion aims to attract more people or improve the quality of services.
- The fifth principle covers social enterprises that should be responsible for environmental welfare. They should play a major role in the improvement of environment either directly or indirectly. This means that their operations ensure that they do not harm the environment.
- The sixth principle means that the company's employees will receive fair compensation, which is in line with industry standards. The workers receive better working conditions.
- The seventh principle represents the attitude that the social entrepreneur does not aim at maximizing profit. Therefore, social work is only managed by those who passionately contribute both to society and the environment. This means that business takes place in an environment of joy and not of stress.

At the 2009 Walden Social Change Conference, David Bornstein highlighted three stages of social entrepreneurship development: "Social entrepreneurship 1.0", which is focused on individual entrepreneurs; "Social entrepreneurship 2.0", which is related to institutions causing social change; and "Social entrepreneurship 3.0" implies the recognitions that social change and social innovation have begun (Schwiesow 2010). A social entrepreneur "combines the passion of a social mission with the form of business discipline, innovation and determination" (Abu-Saifan 2012; Bornstein 2004).

Social entrepreneurship is often associated with social innovation as social entrepreneurs are searching for innovative solutions that can meet new social needs. In the context of economic organization, social enterprise operates within the social economy and it refers to one of the tangible outcomes of social entrepreneurship (Doh 2020).

Although the paper provides a brief analysis of the European context, it mainly focuses on the research of development climate for social entrepreneurship in Croatia. Being a part of the concept of the social economy, social entrepreneurship in Croatia consists of private non-profit organizations that produce market and non-market products and services and that are established with a social goal.

Social entrepreneurship is defined and listed in the National Strategy for the Creation of an Enabling Environment for Civil Society Development for the period 2012–2016 ([Government of the Republic of Croatia 2012](#)) as a framework for solving social problems by applying entrepreneurial methods, taking sustainable development into account and using a democratic system of decision making (with solidarity and mutual assistance). The National Development Strategy of the Republic of Croatia until 2030 covers social entrepreneurship through strategic objective 5—Healthy, active and quality life ([Government of the Republic of Croatia 2021](#)). The Program of the Government of the Republic of Croatia 2020–2024 highlights the development of social entrepreneurship for the purpose of hiring the most vulnerable groups in the labour market.

The goal of this paper is to examine the development of social entrepreneurship in Croatia and to analyse how social enterprises recognize and respect both current public policy as well as the environment for social entrepreneurship in Croatia. Following the main goal, the main research question is as follows: “Which public policies aim to promote social entrepreneurship and how do they support the creation of a stimulating environment for social entrepreneurship?”

Several methodological approaches have been used for this purpose, which mainly includes a literature review. The analysis consists of qualitative approaches and is carried out by using several sources, i.e., legislation, official statistics and various empirical reports.

The paper begins with the analysis of the strategic framework for social entrepreneurship in the European Union, followed by the analysis of the development of social entrepreneurship in Croatia. The next part is dedicated to the analysis of social enterprises and other organizations within the framework of social economy in Croatia. Finally, discussion of results, conclusions and recommendations for future research are provided.

2. Strategic Framework for Social Entrepreneurship at the EU Level

The European Commission (EC) defined social entrepreneurship in 2011 through the Social Entrepreneur’s Initiative in order to promote and create a favourable climate for key stakeholders as the beneficiaries and other stakeholders who can ensure the primacy of the social mission in the decision-making process for the organizations ([Yunus et al. 2010](#)).

According to the EC definition, social enterprises are defined as follows:

- Those for whom the social or societal objective of the common good is the reason for commercial activity, often in the form of a high level of social innovation;
- Those whose profits are mainly reinvested to achieve this social objective;
- Those where the method of organization or the ownership system reflect the enterprise’s mission, using democratic or participatory principles or focusing on social justice.

Structural change of local economies relies on improvements in job quality, in technological capability, in the nearness of local technology to global best practice and in innovativeness ([Malecki 2019](#)).

[Vidović \(2019\)](#) refers to the main events for the development of social entrepreneurship in the European context, and as first event emphasizes the adoption by the European Commission of the Statute of European Cooperatives in 2003, which provided a legal basis for cooperatives in Europe.

Due to the broad concept and complex interrelation of the ecosystems’ components, the focus is given to the legal and policy aspects of social entrepreneurship, which have a strong influence on all other elements by determining and defining conditions, measures and outcomes for all ([Figure 1](#)).

In the European Union, social entrepreneurship mainly appears through cooperatives and associations, and the most frequent activity is directed towards integration into the labour market and the provision of social welfare services ([Vidović 2012](#)).

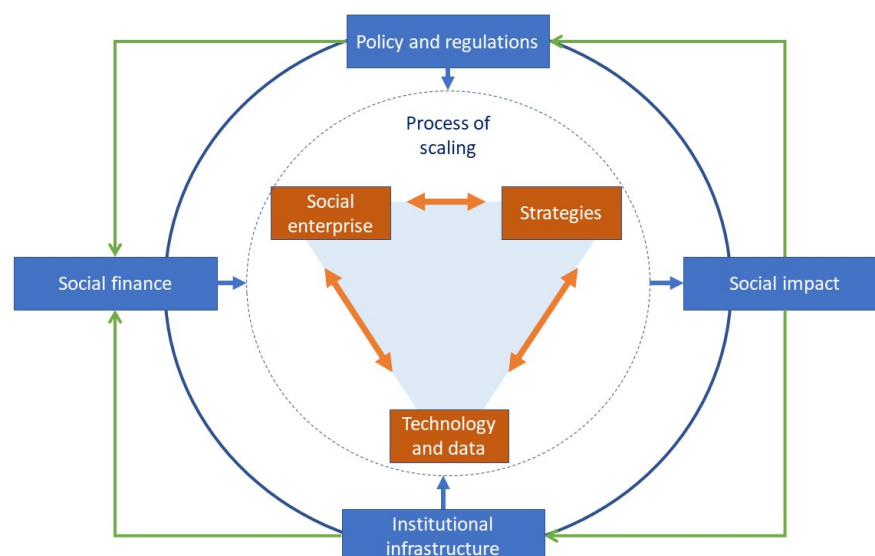


Figure 1. Selected elements of an ecosystem for social enterprises. Source: Authors.

The European Parliament, the Council of the European Union and the European Commission, as the highest European institutions, have repeatedly addressed the issue of social economy and entrepreneurship by adopting various acts within their competence (European Commission 2011). Among the more significant are documents such as the Small Business Act for Europe and the European Agenda for Entrepreneurship. What is particularly important is the public Procurement Directive, which suggests that public authorities should pay particular attention to tenderers from the domain of social economics when purchasing goods and services (Vojvodić and Šimić-Banović 2019).

The European Union provided significant support for social entrepreneurship through several initiatives and financial instruments. Thus, the Innovation Union initiative encourages charitable organizations and social entrepreneurs to develop innovative solutions to address social needs that the market or the public sector cannot meet (Vincetić et al. 2013). The next important initiative, the “Single Market Act”, aims to foster a common European framework and a single market that would increase the availability of funds, and, hence, investment in all member states (Vincetić et al. 2013). The “Social Entrepreneurship Initiative” created under the European Platform for Combating Poverty and Social Exclusion also merits mentions. This Initiative proposes three key measures: easier access to finance, greater visibility of social entrepreneurship and the development of an enabling legislative environment (European Commission 2011).

Among the most important documents for the development of the European Union, with relevant impact on social entrepreneurship, is the Europe 2020 Strategy (European Commission 2010), resulting in further initiatives and programs.

2.1. The Strategic Framework for Social Entrepreneurship in Croatia

The strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period from 2015 to 2020 was a framework that should enable the development of the social entrepreneurship sector. Social entrepreneurship is particularly important for hiring vulnerable groups (hardly employable groups such as people with disabilities, etc.) and for providing social services in the community. In this capacity of providing social and public services, social entrepreneurs are partners in the public sector. The strategy foresaw specific activities with a clearly defined carrier, co-holders, deadlines, indicators and financial value. Furthermore, the National Development Strategy of the Republic of Croatia until 2030 and the Program of the Government of the Republic of Croatia for the period 2020–2024 support the development of social entrepreneurship and social innovation. The synergy effect of these activities should provide an enabling environment for social entrepreneurs.

Gartner (1985) proposed a framework for describing the creation of a new venture across four dimensions: (1) individual(s) related to the person(s) involved in starting a new organization; (b) organization related to the type of firm being started; (c) the environment related to the surrounding situation and influencing the new organization; and (d) new venture process related to the actions undertaken by the individuals starting the venture (Figure 2).

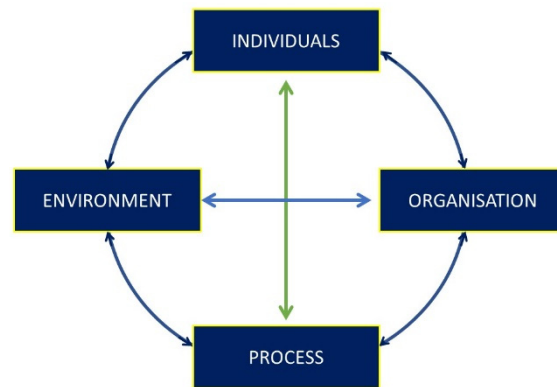


Figure 2. A framework for describing new social entrepreneurship creation. Source: Authors.

The creation of social ventures and their likelihood of success increases if the entrepreneurial ecosystem contains support organizations focused on social entrepreneurship (Roundy 2016).

This paper focuses on legal and policy aspects of social entrepreneurship as they influence all other elements of the ecosystem (Figure 1).

There are six legal forms of social entrepreneurship in Croatia: association, cooperative, institution, foundation, company and craft. Since social entrepreneurship connects for-profit and non-profit sectors, it can be implemented through legal forms common to both sectors. The non-profit sector includes the first four forms, such as associations, cooperatives, institutions and foundations (Operational Program: Effective Human Resources 2014).

The world's largest study of entrepreneurial activity is the Global Entrepreneurship Monitor (GEM), which launched in 1999 by the most developed countries and is led by a consortium of national teams headed by the London Business School and Babson College from Boston. Since 2002, CEPOR, the Small and Medium Enterprises (SMEs) and Entrepreneurship Policy Centre in Croatia conducts Global Entrepreneurship Monitor (GEM) research for Croatia (CEPOR—SMEs and Entrepreneurship Policy Center 2020).

GEM research refers to entrepreneurial activity at several levels:

- Individual level (sample of subjects for Croatia: 2000);
- Entrepreneurial environment through phases of entrepreneurial behaviour (recognition of business opportunities, intentions to start and grow business ventures and exit from entrepreneurial activity);
- Through characteristics of entrepreneurial behaviour (competencies, fear of failure and social status) (CEPOR—SMEs and Entrepreneurship Policy Center 2020).

The global results for all countries involved in the study, results for each country separately and the indicators of overall entrepreneurial activity and entrepreneurial environment are published on an annual basis in the GEM project report (Bosma et al. 2021). International institutions such as the EU, World Bank, Organisation for Economic Cooperation and Development (OECD) and European Bank for Reconstruction and Development (EBRD) use these research results in shaping their policies towards entrepreneurship (from a regulatory framework suitable for business startups and SME growth, strengthening the innovative capacity of SMEs with respect to education and access to financial resources). These GEM research results are not only valuable sources of information to Croatian policy makers at the national level but also to numerous international institu-

tions in shaping their policies, programs and instruments that interfere in establishing a stimulating entrepreneurial environment (Bosma et al. 2021).

In spite of the difficulties of the pandemic, Croatia's level of entrepreneurial activity in 2020 was quite strong. This can be observed in the fact that 40% of Croatian adults (18–64) suffered a loss in household income as a result of the pandemic compared to other European countries for which their results show much higher percentage. Furthermore, during the same period, 17% of Croatian adults gained an increase in household income as a result of the pandemic, which is the third-highest rate of all GEM economies, behind the Republic of Korea (19%) and Israel (33%). With respect to Croatia's rate of entrepreneurial intentions (adults stating they intend to start a business in the next three years), it has increased from 21% in 2019 to 24% in 2020. This is a little bit higher than expected according to the experience of other European countries. Economies such as Norway or the Netherlands show much lower values for entrepreneurial intentions rates than Croatia. Since 56% of Croatians with entrepreneurial intentions stated that their decision was influenced by the pandemic, this could be regarded as motivation for new entrepreneurs (Bosma et al. 2021).

Croatia's Total Early-stage Entrepreneurial Activity (TEA) rate has also raised from 10.5% in 2019 to 12.7% in 2020, which is the second highest rate among European economies (behind the Slovak Republic at 15.9%) (Bosma et al. 2021).

Contrary to those results, Croatian experts expressed rather negative assessments of the economy's Framework Conditions in 2020 due to the declined scores for two of its three government-related conditions. Thus, for "Government policy: support and relevance", the score increased slightly from 3.0 in 2019 to 3.2 in 2020 (41st place among GEM participating economies). The score for "Government policy: taxes and bureaucracy" decreased from 3.0 in 2019 to 2.5 in 2020 (43rd among GEM economies), and "Government entrepreneurship programs" decreased slightly from 3.4 in 2019 to 3.3 in 2020 (39th overall). Those findings show that Croatia's governance should improve its overall support for entrepreneurs (Bosma et al. 2021).

2.2. The Risk Management in Entrepreneurship

A social enterprise as any other organization faces a lot of challenges as well as risks that can affect operational efficiency and regulatory compliance. It is necessary to find methods to manage, mitigate, accept or transfer these risks.

Rozell (2020) points out that, on one hand, some technologies may pose physical danger to humans or the environment, while, on the other hand, there are technologies that are morally dangerous in that they violate a common societal value, make crossing an ethical line easier or simply cause more harm than benefits. As social entrepreneurs are in line to preserve an environment that does not place anyone in danger with products or businesses practices they perform, they are obviously aware of cultural sensitivities, ethical dilemmas and the natural potential for unwarranted overconfidence in their ability to anticipate unintended harm.

High-variability environments may incur more uncertainty and risk, which implies a need for adaptive approaches with the use of frequent reviews of incremental work products to ensure that risk is understood and managed (Project Management Institute 2017a).

According to ISO 31000:2018 (2018), the objectives of the enterprises are influenced by external and internal factors, and managing risk has to be an iterative process for which its aim is to assist the enterprise in establishing strategy, achieving objectives and making informed decisions. Internal risks, which can be controlled, can be caused by human factors, technological factors, physical factors and operational factors. External risks, which cannot be controlled, can arise from economic factors such as market risks or pricing pressure rather than natural factors in a form of floods or earthquakes, for example, and political factors such as compliance and regulations of the government (Miles 2010).

Olson and Wu (2017) addressed the audience interested in methods of handling enterprise risks. They provide models used in risk management with the underlying assumption that they can be applied to some degree to risk management in any context. In

addition, they discuss aspects of natural disaster management and consider sustainability and environmental damage aspects of risk management. They highlight risk matrices as a simple method for sorting out initial risk analysis and discuss decision analysis models such as Simple Multiattribute Rating Theory (SMART) models and Monte Carlo simulation models as well as mathematical programming models to include chance constrained programming, which incorporates probability into otherwise linear programming models and data envelopment analysis.

Sari and Sundiman (2019) researched the risks that influenced the field of business for social enterprises and how these risks affected aspects of social enterprise. They focused on four types of risks and their possible impact on social enterprise: financial risk, executive staff risk, activity risk and intention and behaviour risk.

Although the future of business results may be uncertain, entrepreneurs can calculate choices by using various tools and techniques and drive economic and social progress in a manner that provides new things and creates wealth through the provision of goods and services (Bernstein 1998).

3. Materials and Methods

The research design follows a qualitative approach based on an abductive approach, aiming at a better understanding of the rich variety of aspects inherent in social entrepreneurship (Figure 3). A review of the literature on social entrepreneurship was conducted, which includes published scientific papers, conference and workshop reports, current strategic and legal documents, official statistics and texts published online (all listed in the references). Research and analysis were conducted for normative documents concerning social enterprises, with a focus on the development of the environment and skills through the provision of recommendations and guidelines for better conditions for the functioning of social enterprises. An analysis of current obstacles related to the development of social enterprises was conducted, and a proposal is provided for pragmatic short-term and long-term solutions for overcoming aspects such as existing legislation and perspectives on the development of social entrepreneurship.

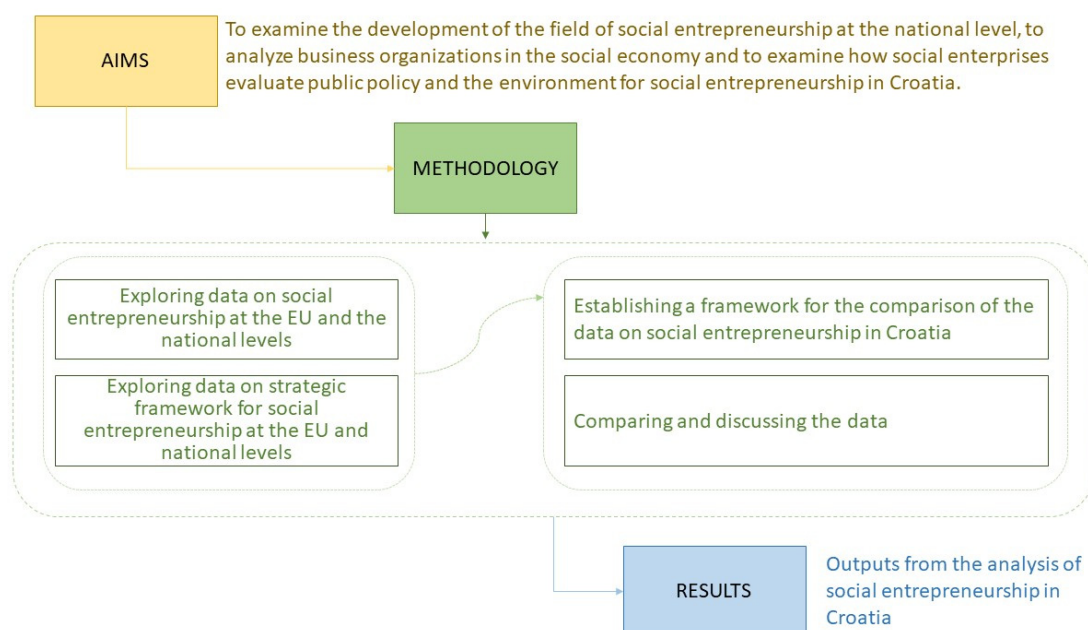


Figure 3. A flow chart summarizing the aims–methodology–results path. Source: Authors.

The latest data on the situation in the social entrepreneurship sector were used according to the CEPOR 2020 report, which contains the results of a survey within the European Social Enterprise Monitor (SEM) project in 2020, including a survey of 86 companies from

Croatia. The largest percentage of the companies falls on limited liability companies (32%); 23% are associations, 20% are cooperatives and 11% are simple limited liability companies. Other participants are institutions, crafts, joint stock companies, etc.

In order to analyse possible threats and opportunities for enabling the improvement of stimulating environment for social entrepreneurship in Croatia, a model of risk management is used (Tykkyläinen 2019; Sari and Sundiman 2019; Rozell 2020) (Figure 4). The step of risk (positive or negative) identification includes several tools and techniques such as expert judgement, data gathering, analysis of documents and meetings. Furthermore, SWOT analysis was used to increase the breadth of identified risks by including internally generated risks. The identification of strengths and weaknesses of social enterprises was provided. The opportunities for enabling the improvement of stimulating social entrepreneurship environment that may arise from strengths and any threats resulting from weaknesses were also identified. Qualitative risk assessment was conducted by using expert judgement, risk data quality assessment and risk probability and impact assessment. The proposal of risk responses relies on expert judgement and strategies for possible threats and opportunities. Document analysis and meetings were used for communication and monitoring threats/opportunities. The researchers, i.e., project team members, with specialized knowledge in social entrepreneurship provided expertise. Specialized meetings in a form of risk workshops were held for conducting risk identification, risk assessment, risk response and communication and monitoring. Risk data quality assessment provided the level of accuracy and reliability of the data about the possible threats/opportunities as a basis for qualitative risk analysis (Figure 4). Probability and impact matrices were used for mapping the probability of each risk occurrence and its impact on the social entrepreneurship environment in the case of the occurrence of that risk (Figure 5). Prioritization rules are specified by project team members. Opportunities and threats for improvement of stimulating social entrepreneurship environment are presented in a common probability of occurrence and impact matrix by using positive definitions of impact for opportunities and negative impact definitions for threats. Descriptive terms (such as very high, high, medium, low and very low) as well as numeric values were used for probability of risk occurrence and probability of risk impact (Project Management Institute 2017b). These numeric values are multiplied to gain a probability-exposure score for each risk, allowing the relative priority of individual risks to be evaluated within each priority level.

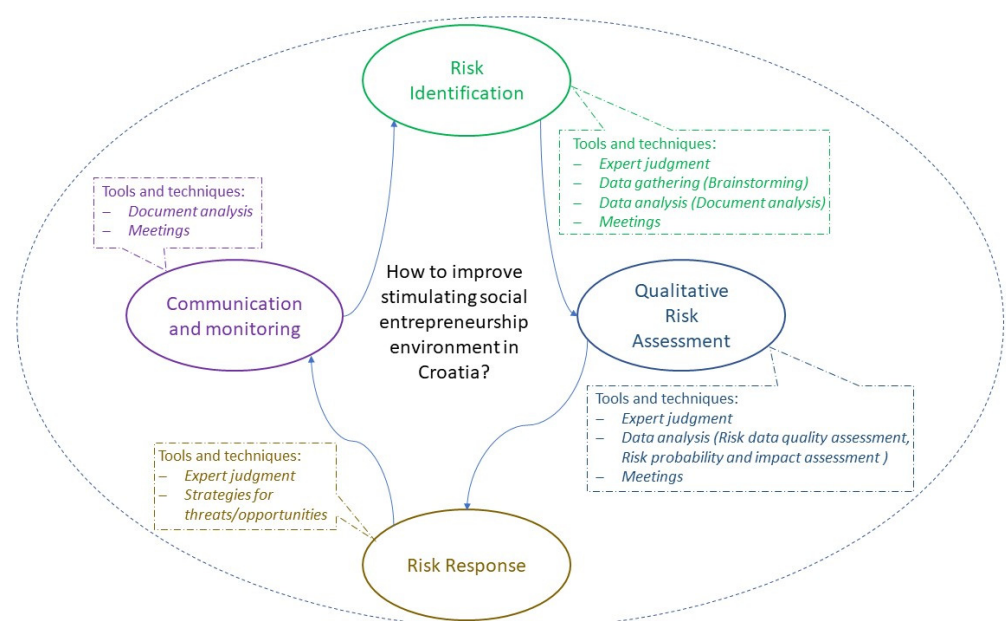


Figure 4. Framework for risk management in the improvement of stimulating social entrepreneurship environment in Croatia. Source: Authors.

| THREATS | | | | | | OPPORTUNITIES | | | | | | |
|--|----------------|----------|---------------|-----------|----------------|---|-----------|---------------|----------|---------------|---|--|
| NEGATIVE IMPACT (Severity if the event occurs) | 5 Very High | 5 | 10 | 15 | 20 | 25 | 25 | 20 | 15 | 10 | 5 | 5 Very High |
| | 4 High | 4 | 8 | 12 | 16 | 20 | 20 | 16 | 12 | 8 | 4 | 4 High |
| | 3 Moderate | 3 | 6 | 9 | 12 | 15 | 15 | 12 | 9 | 6 | 3 | 3 Moderate |
| | 2 Low | 2 | 4 | 6 | 8 | 10 | 10 | 8 | 6 | 4 | 2 | 2 Low |
| | 1 Very Low | 1 | 2 | 3 | 4 | 5 | 5 | 4 | 3 | 2 | 1 | 1 Very Low |
| | 1 Very Low | 2 Low | 3 Moderate | 4 High | 5 Very High | 5 Very High | 4 High | 3 Moderate | 2 Low | 1 Very Low | | |
| PROBABILITY (Likelihood the event will occur) | | | | | | PROBABILITY (Likelihood the event will occur) | | | | | | POSITIVE IMPACT (Severity if the event occurs) |

Figure 5. Tool for qualitative risk assessment: probability and impact matrix. Source: Authors., adapted from [Project Management Institute \(2017b, p. 408\)](#).

4. Results

4.1. Results on Legal Forms of Action of Social Enterprises in Croatia

The profit sector includes legal forms (companies and crafts) that meet the criteria of operational definition of social entrepreneurship adopted by the EU (economic/entrepreneurial, social and ownership dimension). Each of these forms has its advantages and disadvantages. Which of them will be chosen depends on several criteria, namely the circumstances of the particular case, the size of the undertaking, the financial means available and the content of the activities performed ([Operational Program: Effective Human Resources 2014](#)).

The legal forms of action of social enterprises in the Republic of Croatia (Figure 6) are as follows:

- Companies: a limited liability company and a joint stock company;
- Cooperatives. Article 1 of the [Cooperatives Act \(2011\)](#) defines the concept of a cooperative as a voluntary, open, autonomous and independent society governed by its members, who through its work and other activities or the use of its services, on the basis of collectiveness and mutual assistance, achieve, improve and protect their individual and common economic, social, educational, cultural and other needs and interests and achieve the objectives the cooperative is founded for. Article 5 of the Cooperatives Act emphasizes that the state and local and regional self-governments encourage the development of cooperatives through economic and social policy measures and other measures for improving the development of cooperatives and cooperative systems. The Act determines the types of cooperatives that have certain particularities, e.g., Agricultural cooperative (plant production, livestock, forestry or hunting or related services); Workers cooperative in which at least 2/3 of its members have an employment contract with the cooperative; Fisheries cooperative (catching, farming and processing of fishery products, including their placement on the market); Housing cooperative—established to meet the housing needs of its members; Construction cooperative—conducts construction activities; Social cooperative—performs activities that help meet the basic needs of socially endangered, powerless and other persons, who either by themselves or with the assistance of family members still cannot meet them due to unfavourable personal, economic, social and other circumstances; Consumer cooperative—established for the purpose of joint purchase or procurement of goods or services; Craftsmen cooperative—is a cooperative in which at least half of its members perform activities in accordance with the Crafts Act; Secondary cooperative—is a cooperative established by two or more cooperatives with a view towards joint market performance, increasing competitiveness and achieving other common objectives ([Perić 2019](#)). It is difficult to determine the total number of cooperatives in Croatia today. According to the Register of Business Entities kept by the Croatian Bureau of Statistics, their number in 2017 was 4482, while the number of active coop-

eratives according to the Register itself was 973. According to the Financial Agency, in 2017 the number of cooperatives was 904, which was calculated according to the submitted financial reports. Although the number of cooperatives is relatively small, it is still growing, primarily due to the support provided by the Croatian Veterans' Ministry for the establishment of veterans' cooperatives. Cooperatives are not equally distributed across the counties. Most of them are located in Split-Dalmatia County (129), Osijek-Baranja County (90) and in the City of Zagreb (84), i.e., in the counties with the largest share of Croatian veterans. The lowest number of cooperatives is located in the Međimurje and Požega-Slavonia Counties (11 each). These counties, along with Lika-Senj County, have the smallest share of the total number of Croatian veterans. In Split-Dalmatia County, there is a relatively large share of Croatian veterans who can apply for the use of support from the Ministry of Croatian Veterans. Moreover, the Southern Alliance of Dalmatia, established as early as in the 19th century, is active and has contributed to the largest number of cooperatives in that county (Broz and Švaljek 2019). Agricultural cooperatives are the most important in Croatia. Agricultural cooperatives participate in the total number of cooperatives in Croatia with a share of 41.7%, followed by the processing industry, which employs 16.6% of all cooperatives in Croatia, and the services sector covering 16.2% of all cooperatives, while the smallest number of cooperatives are located in fisheries and tourism;

- Associations. According to the Associations Act (Associations Act 2014), associations are defined as any form of a free and voluntary association of a number of natural or legal persons who, in order to protect their achievements or advocate the protection of human rights and freedoms, environmental and nature protection and sustainable development as well as humanitarian, social, cultural, educational, scientific, sports, health, technical, information, vocational or other beliefs and objectives that are not contrary to the Constitution and the law, without the intention of obtaining profit or other economically measurable benefits, are subject to the rules and organization. (Vojvodić and Šimić-Banović 2019) Example: Association DEŠA Dubrovnik—Regional Centre for Community Building and Civil Society Development;
- Foundations and endowments. The foundations are legal entities. According to the Foundations Act (Foundations Act 1995), a foundation is an asset intended to permanently serve, on its own or through revenues acquired by it, the achievement of some generally useful or charitable purpose, while the endowment is an asset intended to serve, within a certain period of time, the achievement of some generally beneficial or charitable purpose. The foundations generally have useful purpose to improve cultural, educational, scientific, spiritual, moral, sports, health, ecological or any other social activity; purpose; or overall material state of society. Charities fulfil such a purpose by providing support to persons in need of assistance. When establishing a foundation, its founders permanently dedicate certain assets to the foundation's purpose (basic assets). Basic assets must not be reduced but are invested in order to be increased, while annual income is used for generally useful and charitable purposes. Example: Adris group—Adris Foundation;
- Institutions. An institution is a legal entity established for the permanent pursuit of activities of education, science, culture, information, sport, physical culture, technical culture, childcare, health care, social welfare, disability care and other activities if they are not performed for profit-making purposes (Institution Act 2019). In Croatia, 25 public scientific institutes can be considered as examples of social entrepreneurs. Using the public infrastructure, the institutes acquire additional funds by offering their services on the open market, which in turn are fully invested in raising the level of scientific excellence and improving the conditions of their work and development. Such a method of functioning is recognized in international practice as a form of social entrepreneurship.
- Protective and integrative workshops. According to the Ordinance on Protective and Integrative Workshops for Employment of Persons with Disabilities (Ministry

of Labour and Pension System 2014), an integrative workshop is an institution or company employing persons with disabilities based on the findings and opinions of the Centre for Professional Rehabilitation, which stipulates that due to their disability they can achieve between 30% and 70% of the expected labour efficiency (Hrg Matušin 2019). The integrative workshop must have at least 40% of persons with disabilities employed in relation to the total number of persons employed. Persons with disabilities employed in the integration workshop must be provided with professional support, supervision and guidance of professional workers engaged in the integration workshop. Therefore, professional workers and trainers work in the integrative workshops. A protective workshop is an institution or company providing protective posts for persons with disabilities proved to be employable only in protective posts by the findings and opinions of the Centre for Professional, and who can achieve between 30% and 70% of the expected labour efficiency due to their disability. According to the Ordinance on protective and integrative workshops (Ministry of Labour and Pension System 2014) for employment of persons with disabilities, the protective workshop must have at least five employees and at least 51% of the total number of employees must be persons with disabilities employed in protective posts. The protective workshop must meet personnel, technical and organizational requirements set out in Ordinance (Ministry of Labour and Pension System 2014) and have a business plan with financial indicators prepared.

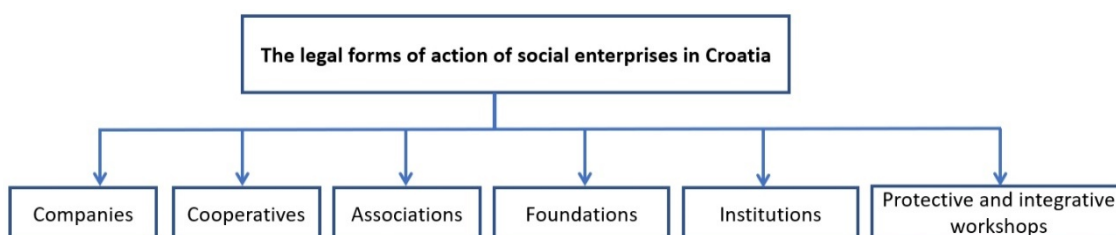


Figure 6. The legal forms of action of social enterprises in Croatia. Source: Authors.

4.2. Results on Possible Threats and Opportunities for Enabling the Improvement of Stimulating Environment for Social Entrepreneurship in Croatia

The analysis of the identified risks shows that most significant threats for enabling the improvement of stimulating social entrepreneurship environment are as follows: (A) lack of adequate law to recognize modern social entrepreneurship; (B) administrative barriers and insufficient material; (C) lack of financial and human resources necessary for the development of new ideas; (D) difficulties in implementation of significant projects of social entrepreneurship; (E) unclear competencies at the level of ministries and implementing bodies; (F) lack of understanding and general knowledge about social entrepreneurship; (G) instability of the sources of income for social entrepreneurs; (H) invisibility of social entrepreneurship; (I) negative perceptions of competition that social enterprises can view as unfair competition; (J) problem with involvement of as many stakeholders as possible; and (K) lack of knowledge about how social enterprises can influence the broader business community to act more sustainably.

The most significant opportunities for enabling the improvement of stimulating social entrepreneurship environment are as follows: (L) generating sustainable source of income; (M) accountability for achieving social objectives; (N) encouraging organizations to manage social interest, assets and investment; (O) innovation; (P) market orientation; and (R) results orientation (Figure 7) (Haugh et al. 2018).

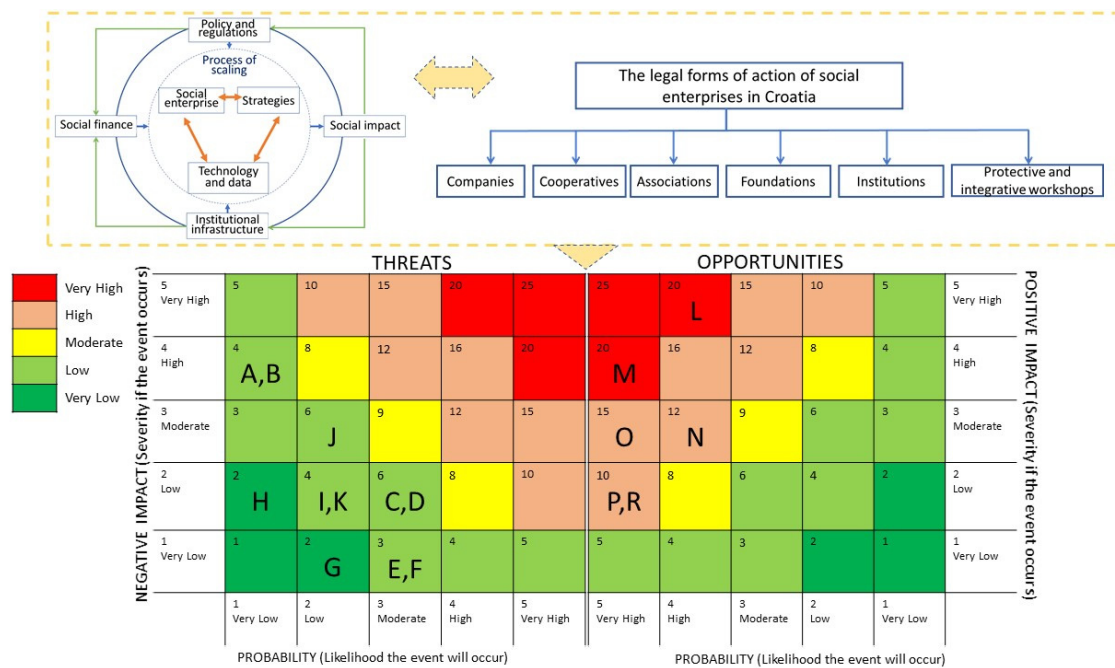


Figure 7. Probability and impact matrix. Source: Authors.

Furthermore, the analysis shows a lack of appropriate educational content about social entrepreneurship that will contribute to its development as a potential model for achieving social change and improvement and as an innovative approach to solving economic and social problems. Furthermore, the business sector is not sufficiently involved in social programs, either as a co-financier of various social entrepreneurship programs or through securing market access or mentoring for non-governmental organizations.

Some social entrepreneurs point out that there are not enough partnerships between public authorities, non-governmental organizations, enterprises and cooperatives at regional, cross-border and transnational level in order to act in a more organized manner and contribute to the recognition of social enterprises.

The problem is observed in high taxes for social enterprises that reinvest their profits into activities that contribute to the development of the community.

Furthermore, several more problems are pointed out such as low intersectoral co-operation, underdeveloped network of social entrepreneurs, lack of proper legislation and education.

Qualitative risk analysis was made using the probability and impact matrix.

Opportunities and threats are presented and prioritized in a common probability and impact matrix (Figure 7) using positive definitions of impact for opportunities and negative impact definitions for threats. Descriptive terms very high (red colour), high (orange colour), moderate (yellow colour), low (light green colour) and very low (dark green colour) are used for probability and impact (Olson and Wu 2017).

Low threats include the following: lacking adequate law to recognize modern social entrepreneurship (A) as well as administrative barriers and sufficient material (B); lack of financial and human resources necessary for the development of new ideas (C); difficulties in implementation of significant projects of social entrepreneurship (D); unclear competencies at the level of ministries and implementing bodies (E); lack of understanding and general knowledge about social entrepreneurship (F); negative perceptions of competition that social enterprises can view as unfair competition (I); problem with involvement of as many stakeholders as possible (J); and lack of knowledge about how social enterprises can influence the broader business community in order to act more sustainably (K).

Very low threats include instability of the sources of income for social entrepreneurs (G) and invisibility of social entrepreneurship (H).

Very high opportunities include generating sustainable source of income (L) and accountability for achieving social objectives (M), while encouraging organizations to manage social interest, assets and investment (N); in addition, innovation (O), market orientation (P) and results orientation (R) are high opportunities.

Analysis of possible risk responses shows several proposed methods that include but are not limited to the following:

- Networks allowing a social enterprise to gain access to connections and assets necessary to succeed throughout the value chain (Malecki 2019)—as an answer to threats (B), (C), (D), (H), (I) and (J).
- The advantages a cooperative, as one of legal forms of action of social enterprises in Croatia, provides to persons and SMEs include risk sharing; investments in machinery and equipment that would otherwise be unavailable to them; easier access to the market; better negotiating position in the procurement and placement of products; and increasing their capacity to develop governance, training and research (Broz and Švaljek 2019). Broz and Švaljek (2019) provide data that in 2017 there were almost 160 thousand family farms in Croatia. She is of the opinion that there is greatly unused economic potential in the field of agriculture, lying in the possibility of merging a very large number of family farms into cooperatives. It is precisely the possibility of joining family farms together into cooperatives in order to achieve easier market access that can help increase their competitiveness and provide the agricultural sector the opportunity to develop more strongly.
- Broz and Švaljek (2019) conclude that any form of economic activity in all parts of the country is essential for the country's economic development. Croatia could, therefore, take advantage of cooperative joint venture as a business model. A new trend is also present in social entrepreneurship activities in renewable energy sources sectors, the successful examples of which are the energy cooperative on the island of Krk, EOK and the Green Energy Cooperative ZEZ (Broz and Švaljek 2019).
- Vojvodić and Šimić-Banović (2019) are of the opinion that cooperatives are just starting their new take-off, thus having the opportunity to be drivers of regional and local development through great potential and support of their members (and, more concretely, of public policy). Namely, the new cooperatives are under the umbrella of the civil sector, and in the joint mission they are open to many stakeholders and new industries, while the benefits of old cooperatives are directed towards their own membership. The development of cooperatives is particularly important in the spheres complementing the sustainability of the local economy and innovative approaches to creating new values by using renewable energy sources (sun, water and wind), sustainable waste management, dynamic, eco-agriculture, organic food cultivation and the possibility of financing new entrepreneurial ventures according to the principles of ethical banking (Vojvodić and Šimić-Banović 2019).
- The Associations Act is, in certain parts, in accordance with the basic principles of social entrepreneurship. Pursuant to Article 31, an association may carry out economic activities if required by the Statute and in accordance with special regulations governing the conditions for conducting this type of activity. Economic activities of an association may be carried out in addition to activities that achieve its objectives set out in the Statute but, due to its non-profit character, may not be carried out in order to obtain profit for its members or third parties. Thus, if the association achieves a surplus of income over expenditures in the performance of economic activities, it must be used in accordance with the Statute of the association solely to achieve the objectives set out in the Statute. Moreover, pursuant to Article 8 of the Associations Act, the activities of the association are based on the principle of democratic organization; that is, the association is governed by the members in such a manner that the internal organization of the association must be based on the principles of democratic representation and democratic expression of the will of the members, which is in accordance with the principle of democratic management emphasized in

the criteria for recognizing social entrepreneurs. The number of associations in the Republic of Croatia is constantly increasing.

Tracking the identified risks, identifying and analysing new risks and evaluating risk process effectiveness throughout the process of enabling the improvement of stimulating environment for social entrepreneurship in Croatia are ongoing processes which should enable decisions that are based on current information about risk exposure.

4.3. Monitoring of Social Enterprises and Social Entrepreneurs in Croatia

The creation of a register or an official list of social enterprises/entrepreneurs is one of the most important measures of the Strategy for the Development of Social Entrepreneurship of the Republic of Croatia 2015–2020, but such records have not yet been established.

The competent authority would decide whether a social undertaking meets the requirements for registration. Any legal or natural person will be considered a social entrepreneur who continuously carries out registered economic activity and its three-year strategic/business plan, annual work program or, if it operates for more than three years, its accomplished results should prove that it operates in accordance with the criteria for the recognition of social entrepreneurs. After a period of three years, registration will have to be renewed.

Since such a register of social enterprises entrepreneurs has not yet been established, the data on the number and status of social enterprises/entrepreneurs, on the areas of their activity and the like, are more difficult to find and analyse, i.e., to evaluate the development and status of social entrepreneurship. The data can be found in the records of Croatia's Financial Agency and the Register of Non-profit Organisations as well as in various reports, expert and scientific papers created on the initiative of researchers engaged in social entrepreneurship.

Recent data on the state of affairs in the social entrepreneurship sector are provided in the aforementioned CEPOR 2020 report, which presents the results of research conducted under the European Social Enterprise Monitor (SEM) project in 2020. Eighty-six companies from Croatia participated in the survey. The largest percentage of social enterprises are limited liability companies (32%) where 23% are associations, 20% are cooperatives and 11% are simple limited liability companies. Other participants are institutions, crafts, joint stock companies, personal agricultural holdings, etc.

An increase in the number of cooperatives and associations in Croatia is evident. It can be related to the growth in the number of targeted public tenders to these legal forms but also to presenting social entrepreneurship as innovative and progressive business model (Šimleša et al. 2019).

5. Discussion

The success of an enterprise accompanied by productivity and employee satisfaction, is the result of understanding the basic objective, mission and purpose of the enterprise. The best method to maximize work or to achieve the best efficiency is in sharing acquired knowledge and experience among employees and in effective cooperation between departments. This applies to all organizations, including social enterprises where it has even greater significance.

Muhammad Yunus (2010) pointed out the following: “When we want to help the poor, we often donate them through various humanitarian activities. We often use humanitarian organizations to avoid identifying problems and finding solutions. Humanitarian aid is becoming a way to give up our responsibility. Humanitarian aid does not solve the problem of poverty. Humanitarian aid only deepens poverty because it takes from the poor the opportunity to learn and take the initiative”.

We can say that social entrepreneurship and social enterprises, given their specificities and characteristics, are an untapped business model and untapped potential for economic development both in the EU and, to an even greater extent, in Croatia. In addition to the

need to improve legal and institutional environment for the functioning of social enterprises, it is necessary to regulate special incentives and exemptions for them on the state level.

Limitations of the research derive from the lack of a register or lack of an official list of social enterprises/entrepreneurs, resulting in the fact that the total number of social enterprises is difficult to determine. Due to the COVID-19 situation, it was difficult to realize all personal contacts with social entrepreneurs. A review of the literature on social entrepreneurship was limited to published scientific papers, conference and workshop reports, current strategic and legal documents, official statistics and texts published on-line according to keywords such as social entrepreneurship; social entrepreneur; social entrepreneurship environment; sustainable economic development; and risk management.

Research to date points out to the important role that social economy, including social enterprises, has in strengthening competitiveness and efficiency of the European economy. Among the most important activities for achieving that goal, but not limited to them, are as follows: directing unbundled and unused resources towards economic activity; by mobilizing local resources; raising the culture of entrepreneurship; by removing market rigidity; and by promoting market and production flexibility in multiple locations. The importance of social enterprises in strengthening the capacity to preserve and strengthen employment and prevent job losses in difficult stages of economic development should be emphasized.

Social enterprises are a key component of the European social model not only due to the growing supply and demand for social enterprise services but also relative to the interaction of various factors such as changes in behaviour and lifestyle combined with the transformation of the social security system.

The perception of social enterprises as a form of organized economic activity is growing, and the specificity of their purpose implies the need for special legislation, as well as the support of the state and society as a whole. The promotion of social entrepreneurship entails the promotion of wellbeing and contribution of social enterprises to the economic and social development of the country and society and should be based on the best modern communication and information technologies and ideas implemented in various programs and measures (Terziev et al. 2020).

A more proactive attitude of individuals towards learning, innovation and development can be encouraged by changes in the education system, which entails changes in other spheres of the entrepreneurial ecosystem, which would ultimately result in proactive planning and systematic development (Manimala and Wasdani 2015; Šajfar and Strmota 2020).

The main problem this sector faces in Croatia lies in the lack of adequate legislation in order to recognize modern social entrepreneurship as well as in related administrative barriers and insufficient material, financial and human resources necessary for the development of new ideas and implementation of important projects of social entrepreneurship. A significant contribution of policy to the organization of social entrepreneurship in the Republic of Croatia is the Strategy for the Development of Social Entrepreneurship in the Republic of Croatia from 2014 to 2020, which was supposed to adopt concrete measures and ensure the way for a clearer development of this concept. Weaknesses detected have not been addressed and the implementation of the Strategy can be considered as being very limited.

A brake on the development of social entrepreneurship stems from the often unclear competencies at the level of ministries and implementing bodies, accompanied by a lack of understanding and general knowledge about social entrepreneurship (Baturina 2017). The risk for a social enterprise, in line with its reliance on market principles, is reflected primarily in the instability of the sources of income, the invisibility of social entrepreneurship and the negative perceptions of competition that social enterprises view as being unfair. While income instability must be compensated by the continuous efforts of each social entrepreneurship actor, in terms of visibility, the state plays a key role by setting an adequate normative framework. However, financial institutions also play a significant role since they enable financing of social entrepreneurship initiatives (Šajfar and Strmota 2020).

The development of social entrepreneurship implies active involvement of as many stakeholders as possible, e.g., civil society organizations, scientific and educational community, companies and crafts, associations and cooperatives, state and public administration, local, regional self-government units, institutes, family farms, interested individuals and international organizations. By selecting relevant stakeholders, the effort is made to empower the community, make democratic decisions, take responsibility for the environment/community, measure social impact and achieve commercial, social and environmental goals.

According to Social Enterprise Monitor 2020, 96% of social entrepreneurs indicated that they actively aim to influence other organizations, but little is known about how social enterprises can influence the broader business community to act more sustainably. Possible methods of social entrepreneurs' influence include the following: 1. raising the possible—contributing to knowledge and technical innovation so that companies are able to act more sustainably; 2. raising the desirable—contributing to societal norms and values so that companies are expected to act more sustainably; and 3. Raising the acceptable—contributing to coercive standards, regulations and/or laws so that companies have to act more sustainably.

On the other hand, in some cases, corruption in emerging markets has rather negative effect on opportunity-based entrepreneurship since it might ruin people's entrepreneurial enthusiasm (Liu et al. 2019), which is a key driver of opportunity entrepreneurship (Barcena-Martin et al. 2021).

Risk management for enabling the improvement of stimulating environment for social entrepreneurship in Croatia is the continuous process of developing options, selecting strategies and agreeing on actions to address overall risk exposure as well as to treat individual risks. Effective and appropriate risk responses can minimize threats, maximize opportunities and reduce overall risk exposure, but unsuitable risk responses can have the converse effect. In the case of high-priority threats or opportunities, priority action and highly proactive response strategies may be required.

6. Conclusions

In Croatia, the main supporters of social entrepreneurship are civil society organizations and non-profit organizations, and most of them are associations.

Social entrepreneurs have enabled services of public importance and social services to be provided in an economically sustainable manner. This is often more efficient in comparison with the public sector as the provider of these services, which places social entrepreneurs among important actors in social policy.

As social entrepreneurship functions in order to achieve social goals, it needs the support of the ecosystem for its proper development. The EU allows the member states to independently regulate social entrepreneurship. Thus, in this context, Croatia has formalized the domain of social entrepreneurship through legislation at the national level.

The formal status of social enterprises in Croatia encompasses a wide range of organizations, but their share in the national context is low. The main cause of insufficient development of social entrepreneurship lies in legislation. Although the field of social entrepreneurship in Croatia is developing, still there is a lack of vision and a long-term strategy as well as insufficient support from the environment.

Placing social entrepreneurship in the public sector's focus requires good public policies, allocation of public finances and management of social entrepreneurship by public bodies. Public policies should encourage the development of social enterprises with defined indicators of their growth, income growth and employment data.

It is necessary to develop appropriate educational content about social entrepreneurship that will contribute to its development as a potential model for achieving social change and improvement and as an innovative approach to solving economic and social problems.

The business sector should continue to be encouraged to engage more in social programs, either as co-financier of various social entrepreneurship programs or through securing market access or mentoring non-governmental organizations.

Boosting social entrepreneurship requires development of partnerships between public authorities, non-governmental organizations, enterprises and cooperatives at regional, cross-border and transnational level in order to act in a more organized manner, thus contributing to the recognition of social enterprises.

It is necessary to provide tax reliefs for social enterprises that reinvest their profits in activities that contribute to the development of the community.

As a further guideline, we propose the following:

- To encourage intersectoral cooperation, which will include the media;
- To network social entrepreneurs through a platform providing them with the opportunity to cooperate and make useful resources available;
- To improve legal framework of social entrepreneurship. In order to perform this, it is necessary to prepare and draft a systematic comprehensive Act on Social Entrepreneurship that would incorporate elements of social entrepreneurship from the current laws.

Considering that complexity is the result of human behaviour, system interactions and uncertainty, we propose continuously evaluating and navigating the complexity of social entrepreneurship development so that approaches and policies enable social entrepreneurs to grow successfully. Enabling change through a structured approach and policy can facilitate the transition for social enterprises from the current state to a future desired state.

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