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## Article

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## Article

# The Essence of Social Entrepreneurship through a Georgian Lens: Social Entrepreneurs' Perspectives

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**Abstract:** The attention to the phenomenon of social entrepreneurship has been especially enhanced during the current turbulent times, as social enterprises have a key role to play in solving social problems caused by the pandemic. Currently, social entrepreneurship is still an undeveloped area in Georgia, but it has the potential to contribute to the country's economy and improve the social, ecological, and economic conditions of society. This paper analyses the concept in Georgia and explores social entrepreneurship from the social entrepreneurs' perspective. A qualitative interview method was applied to collect the data for this study, and semi-structured interviews were conducted with the seventeen Georgian social entrepreneurs from May–June 2021. The research reveals the drivers of social entrepreneurs and investigates the financial sources of social enterprises. It also discusses the practice of social entrepreneurship in terms of preventing and supportive factors while adopting the concept in transition economies, particularly in Georgia. The research demonstrated an urgent need for legislation to regulate the field of social entrepreneurship and formalize it.

**Keywords:** social entrepreneurship; social enterprise; social entrepreneur; funding; sources; innovation; Georgia



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## 1. Introduction

Attention to the phenomenon of social entrepreneurship has been especially enhanced during the current turbulent times when the world lives under the conditions of the COVID-19 pandemic due to the new coronavirus SARS-CoV-2, which has spread suddenly and rapidly (Brodeur et al. 2020; Ratten 2020; El Chaarani and Raimi 2021) and has caused considerable troubles in health, social, economic, and political systems globally. Social challenges require innovative solutions, yet the scientific research on the concept is relatively new (Kruja 2012; Matei and Voica 2013; Wu and Li 2011; Li and Matlay 2006; Bansal et al. 2019; Hysa and Mansi 2020; Cagarman et al. 2020; Sharma et al. 2021) and requires more consideration for many reasons.

Social enterprises play a key role in solving social problems caused by the pandemic and lockdown regulations, as they can deal with economic recessions, address market failure, and introduce inventive solutions (Galera and Borzaga 2009; Haugh 2012; Bull 2018; Littlewood and Holt 2018; Gigauri and Djakeli 2021; Oberoi et al. 2020). Therefore, studying social entrepreneurship in various country contexts and from different perspectives is significant.

According to the Edelman Trust Barometer (2021), trust is a combination of two factors: competencies and ethics. Barometer demonstrates that nonprofit organizations

(NGOs) are more ethical but less competent, while business is unethical but with more competencies. Trust is the most important driver for the future for companies to achieve success, remain in the market, and have a competitive advantage (Dixon 2015). Thus, social entrepreneurs, as a hybrid of both for-profit and nonprofit organizations, present the golden mean between those two extremes. They have a social mission and, hence, are viewed as ethical enterprises. Moreover, they use commercial business models and, consequently, can be seen as competent. This might suggest that the future belongs to social entrepreneurship; therefore, it is important to study the phenomenon now.

In fact, many social enterprises are initiated by young people using new communication technologies (Göler von Ravensburg et al. 2021). Moreover, Bosma and colleagues found that the 18 to 34 age group chose to work in organizations with social rather than commercial missions (Bosma et al. 2016). Since they strive to find their life purpose, young people desire to contribute to society and possess the potential to improve the social, ecological, and economic conditions of vulnerable people (Keohane 2014; Kolster 2020).

A country context plays a central role in the research of social entrepreneurship, but the literature deals mainly with the North American, Asian, and European countries relating to social entrepreneurial theory, practice, data, and perspectives (Li 2019; Chandra and Kerlin 2020; Li et al. 2020). Therefore, conducting a study in different contexts is significant for the discipline.

Currently, social entrepreneurship is still an undeveloped area in Georgia (Gigauri and Djakeli 2021). Academics do not show an active interest in the phenomenon, and there is little research in this field. However, social entrepreneurship has great potential in Georgia and can attract young people to begin their own businesses with a social mission. While the area of social entrepreneurship is promising given its potential to progress in both theory and practice, there is a lack of empirical studies in post-soviet countries such as Georgia. In the context of the scarcity of studies from Georgia, we seek to address this gap in the literature by investigating social entrepreneurs in Georgia and proposing input in the social entrepreneurship field.

The purpose of this research is to enhance the discussion on social entrepreneurship. The paper analyses social entrepreneurship in Georgia and explores entrepreneurship from a social perspective. The research reveals the drivers of social entrepreneurs and investigates the financial sources of social enterprises. It also discusses the practice of social entrepreneurship in terms of preventing and supportive factors while adopting the concept in transition economies, particularly in Georgia. The scope of the research is confined to identifying social entrepreneurship from the viewpoint of Georgian social entrepreneurs and recognizing the developmental tendencies of social entrepreneurship in the country. After the study analysis, the findings were interpreted and discussed in light of the research questions presented in the Methodology section. Based on the analysis, recommendations and further research areas have been developed.

The paper is structured into six sections. After the introduction, the relevant literature on social entrepreneurship is reviewed. Next, the methodological framework is discussed. Then, the data and research findings are presented. Finally, discussions and conclusions are provided, including the implications for theory and practice, followed by suggestions for future research avenues.

## 2. Theoretical Foundation

The literature review on the concept of social entrepreneurship presents no common definition of the phenomenon, as its development varies from country to country and is different in various economies (Cagarman et al. 2020; Starnawska 2016).

The description of social entrepreneurship begins with the characterization of entrepreneurship. Entrepreneurship is generally defined as the process through which business opportunities are discovered, evaluated, and exploited (Shane and Venkataraman 2000) to create goods and services or to find new ventures. According to Martin and Osberg (2007), an entrepreneur is inspired and motivated to change suboptimal equilibrium

with creative solutions and takes direct actions with courage and innovation. Moreover, entrepreneurship is linked to an innovative activity intended to create new societal wealth, jobs, and value. Entrepreneurship is seen as an engine of economic growth, especially in developing countries (Zahra and Wright 2016). Research has demonstrated that social enterprises need innovations to attract investments and achieve a social impact (Cagarman et al. 2020). Furthermore, entrepreneurship is explained as the process “to make business profits in society by innovation in the face of risk” (Tan et al. 2005). The research shows that fear of failure is an integral part of entrepreneurship, which can be both an obstacle to action and motivation for success (Cacciotti and Hayton 2015). Moreover, entrepreneurship is linked to innovativeness, including introducing new products and business models, proactiveness in taking leadership positions in the market, and willingness to take risks and operate under uncertain conditions (Anderson and Li 2014).

If adding the term ‘social’ to the definition of entrepreneurship, the main distinction would lay in the value proposition: the entrepreneurs serve markets by offering new products and services aiming to gain financial profit for them and their investors, whereas social entrepreneurs do not seek financial rewards but desire to anticipate the transformation of society or derive large-scale benefits for society at large (Martin and Osberg 2007). In this sense, it centers social purpose at the heart of business activities (Austin et al. 2006). Social entrepreneurship includes entrepreneurial orientation and entrepreneurial behavior (Kraus et al. 2017). Research emphasizes the social mission instead of focusing on financial objectives (Halberstadt et al. 2020; Bornstein 2004; Dees et al. 2001). Social enterprises promote social value and target social problems while earning financial gains unlike nonprofit or charity organizations (Li 2014; Grilo and Moreira 2022; García-Jurado et al. 2021). Social entrepreneurship achieves social and business goals simultaneously and in an innovative way (Witkamp et al. 2011). They must balance this dual mission and overcome the tension between social and financial goals (Samuel et al. 2018). Moreover, political, legal, and economic conditions influence social enterprises (MacDonald and Howorth 2018). Governments impact the everyday operation of social enterprises through legislation and funding support (Kiss et al. 2021). In this regard, policy strategies should address social innovation initiatives to overcome market failure and deliver social good. Furthermore, social enterprises albeit their commercial model cannot survive without government support in the initial stage (Baptista et al. 2019).

The literature maintains that social entrepreneurship consists of social mission, innovation, and income generated (Lepoutre et al. 2013). The business logic of social enterprises indicates that innovation should be implemented and scaled for impact (Lubberink et al. 2019). According to Grilo and Moreira (2022), there are still difficulties to create a social innovation system, and much more remains to be done to establish favorable social, political, and environmental conditions for the development of social entrepreneurship and social innovations. Visionary individuals strive to change the status quo by finding innovative solutions to social problems that are not addressed by the market (Baptista et al. 2019; Novak 2021; García-Jurado et al. 2021). Social innovation is described as concepts, products, services, and initiatives aiming at mitigating social challenges and promoting values (Rabadjeva and Butzin 2019; Guerrero et al. 2020).

It must be underlined that entrepreneurs are not motivated solely by financial profits but rather by opportunities and vision to implement their ideas while taking risks, exerting effort, and investing their own capital (Martin and Osberg 2007). Changing environments and ambiguity influence entrepreneurial activities, especially in turbulent times, as their usual world has been shaken (Morrish et al. 2020), which forces them to adapt or transform. Entrepreneurs ensure successful organizational performance by widening their networks. They build relationships with partners, customers, distributors, and suppliers to obtain access to valuable information (Palacios-Marqués et al. 2019).

Ramoglou and colleagues did not find any entrepreneurial genes or psychological traits that enable them to become entrepreneurs; rather, they achieved success only because they believed in their entrepreneurship (Ramoglou et al. 2020). The prejudice regarding

their unique qualities is aroused by the fact that there are only a few individuals who are engaged in entrepreneurial activities (Ramoglou et al. 2020). However, personal characteristics such as communication and innovative skills, the ability to detect opportunities, and social commitment nurture marketing competencies, which lead to competitive advantage (Palacios-Marqués et al. 2019). Entrepreneurs are “passionate, enthusiastic, ambitious, and resilient” (Cacciotti and Hayton 2015), but they often face risks and might fail in business (Shepherd 2003). The main drivers to create a social enterprise are external—stemming from the environment and internal—resulting from the human and financial capital of an organization (Bogacz-Wojtanowska et al. 2014). Social entrepreneurs strive to create social value with limited resources by exploiting their abilities to find and use opportunities, design innovation, endure risks, and deliver social changes (Farinha et al. 2020; Lubberink et al. 2019).

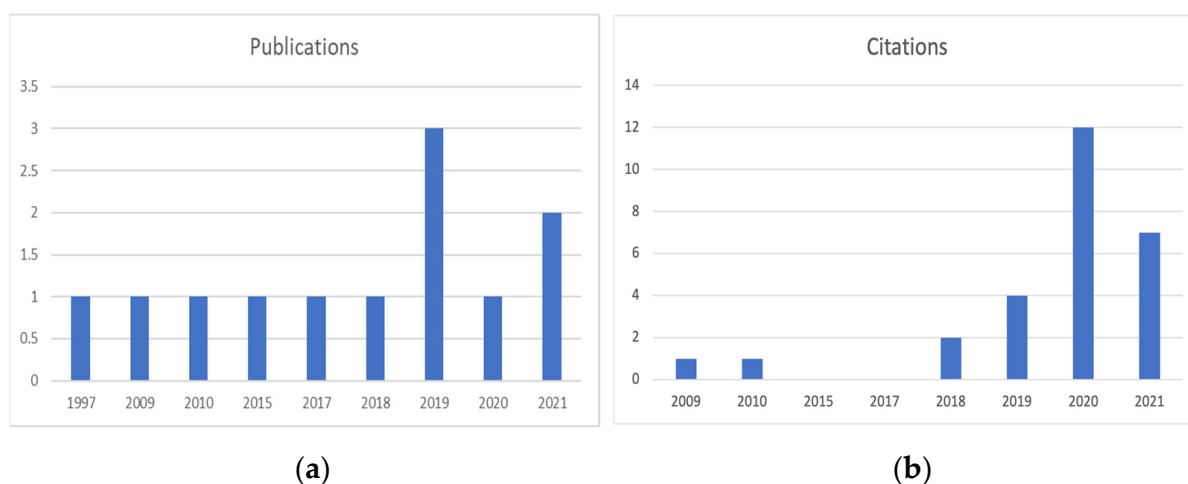
According to the European Commission (Borzaga et al. 2020), social enterprises in Europe arise from organizational models rather than business models as in the United States and are characterized by solidarity, inclusive participation, and sustainability. Since the core characteristic of social enterprises is to achieve both social and economic goals, the business process is influenced in Poland as well as in Europe by project management tools (Bogacz-Wojtanowska and Jałocha 2016). The conducted studies identified the following factors that critically determine the successful development of social enterprises from project structures: common aim, cooperation with founding teams, and leadership and business experience of employees (Bogacz-Wojtanowska and Jałocha 2016). Additionally, previous research did not discover any correlation between the success of an enterprise and project maturity, as social enterprises usually implement social rather than business projects and they obtain support for launching an enterprise rather than for funding established enterprises (Bogacz-Wojtanowska and Jałocha 2016).

Furthermore, the research findings have indicated that women social entrepreneurs cope with specific challenges in the emerging market environment, such as sociocultural barriers at the partnership stage or finding strategic alliances, accessing funding, or having resources (Rosca et al. 2020). However, the research by Canestrino and colleagues suggests that national differences in terms of social entrepreneurship cannot be explained only by culture (Canestrino et al. 2020). It is also noteworthy that social enterprises are largely founded by women rather than other business companies (Cagarman et al. 2020).

Usually, nongovernmental organizations initiate profit-generating business activities to survive and achieve self-sufficiency. However, when choosing such a path, nonprofit organizations must have the required competencies and management systems in place to run a business (Bogacz-Wojtanowska 2012). In general, social entrepreneurship in Georgia is still at the initial stage. The majority of social enterprises have been established in the country since 2010 by the grants and financial support of international organizations or local governmental authorities (Gigauri and Damenia 2020). The idea is promoted by international and local nongovernmental organizations as well as by Georgian social enterprises and social entrepreneurs. Social entrepreneurship has not yet been legally recognized and, hence, the concept is not formally defined. Consequently, social enterprises operate in different legal forms. In practice, entrepreneurial nonprofit organizations are more prevalent, followed by work integration social enterprises and social businesses. Nonprofit/nongovernmental organizations desiring to solve social and environmental problems start their social enterprises (Giorbelidze 2021), which simultaneously help them to generate independent income sources for financing their social mission and goals (Gigauri 2018).

Studies related to social entrepreneurship in Georgia are few; the Web of Science academic platform has 13 papers registered from 1997 until 2021. However, interest in this topic in Georgia has grown, with the number of citations following an upward trend, especially since 2018 (Figure 1).

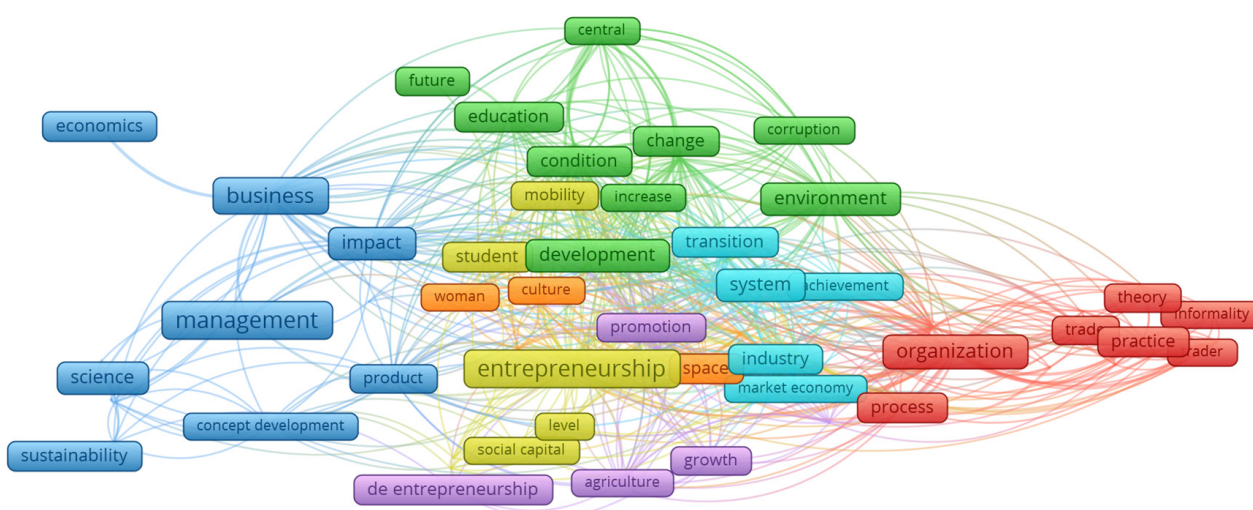




**Figure 1.** Dynamics on publications (a) and citations (b) on social entrepreneurship in Georgia. Source: Web of Science.

In the context of scarcity on this topic, our paper fills the gap in the extant literature. In order to recognize the most encountered words in these publications, we used bibliometric analysis, considering a frequency of at least 2 times, a correlation degree greater than 0.5, and a threshold of 0.5. The analysis has been realized using the Vos program.

The results are presented in Figure 2, the words that appear most often are management, business, entrepreneurship, development, organization, environment, and education.



**Figure 2.** Most encountered words and word networks in scientific publications' content.

Using correlation analysis, the most common combinations of words were also identified. Thus, seven significant clusters are highlighted:

Cluster one: cultural theory, economy, ethnic entrepreneurship, labor process, organization, practice, process, social implication, and trade;

Cluster two: change, condition, corruption, development, education, entrepreneurial activity, environment, future, and population;

Cluster three: business, concept development, economics, impact, innovation, management, sustainability, and transition economy;

Cluster four: mobility, social capital, trust, symbiotic mutualism, entrepreneurial intention, and entrepreneurial potential;

Cluster five: agriculture, economic reform, employment, importance, promotion, and tourism;

Cluster six: achievement, challenge, industry, market economy, system, transition, time, and entrepreneurial development;

Cluster seven: culture, gender inequality, income distribution, space, and woman.

#### *Sustainable Development and Influence of Policies on Social Enterprises*

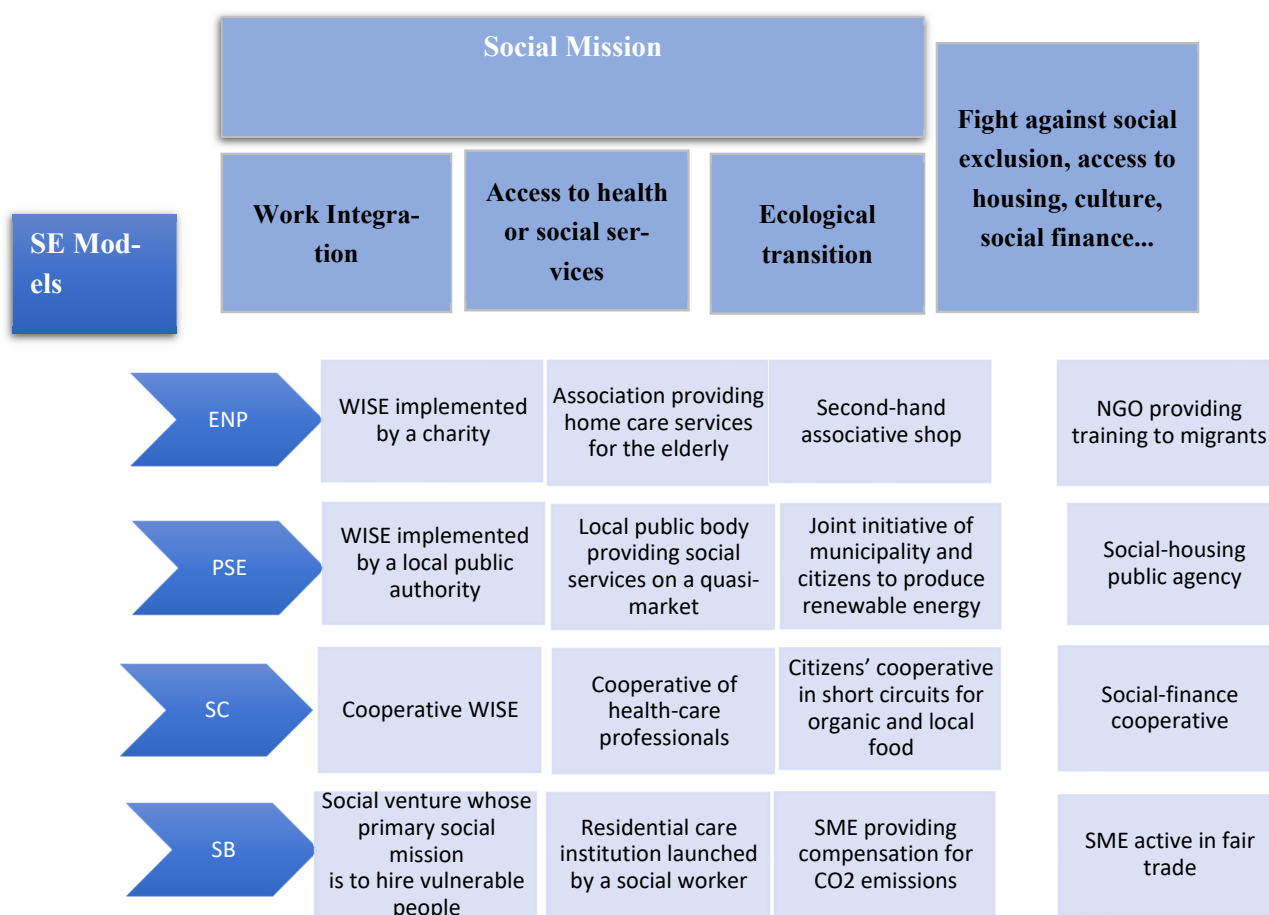
The bottom of the pyramid (BoP) concept attracts the attention of scholars and practitioners as they realize the economic potential of emerging markets (Prahalad 2006; Rosca et al. 2020), which is also addressed by social enterprises. Furthermore, social entrepreneurship relates to sustainable development (Méndez-Picazo et al. 2020) and the triple bottom line consisting of economic, social, and environmental objectives (Thelken and de Jong 2020). The correlation between environmental and social issues is becoming obvious, leading to the connection of social entrepreneurship to sustainable entrepreneurship to find a common solution (Cagarman et al. 2020). Entrepreneurship is a powerful tool to eliminate poverty in both developed and developing economies. While the gap between rich and poor is still wide, entrepreneurship is a natural way out of poverty, as it can create value (Morris et al. 2021). Recent research in the Visegrad region has confirmed the positive financial gains through entrepreneurship, as entrepreneurs earn on average 22% more than employees (Dvouletý et al. 2019).

While other institutions fail, social entrepreneurs are seen as the main forces to achieve the 17 Sustainable Development Goals (Horne et al. 2020) adopted by the United Nations (United Nations 2016). Social enterprises can transform societies by addressing disadvantaged groups and generating alterations in society in the political and economic arena as well as for society as a whole (Alvord et al. 2004). Likewise, in Georgia, the development of the social entrepreneurial landscape has the ability to contribute to the economy through innovative decisions to emerging problems and effective collaboration with the government (Gigauri and Damenia 2020).

The main purpose of social entrepreneurs is to increase overall social wellbeing through the delivery of profound social impact in developing and transitional economies (Dodo et al. 2021). It is therefore logical that social entrepreneurs as enablers and social changemakers should not create entrance barriers, unlike business entrepreneurs who do so, to gain competitiveness and should facilitate value generation (Halberstadt et al. 2020) and rebuild communities in an unfavorable entrepreneurship environment through impactful social innovation solutions (Dodo et al. 2021). However, the market or target groups are not infinite; hence, social enterprises may have to compete with each other (Halberstadt et al. 2020). Therefore, an appropriate strategy is to be implemented, especially during the current turbulent times full of uncertainties.

There are four commonly used models of social entrepreneurship (Defourny et al. 2021):

- (1) *The entrepreneurial nonprofit model (ENP)* includes nonprofit organizations that carry out profit-generating activities with the purpose of implementing their social goals.
- (2) *The public-sector social-enterprise model (PSE)* is used by public bodies, in partnership with nonprofit organizations, to outsource care services or other services, for example, offered by work integration social enterprises.
- (3) *The social-cooperative (SC)* model links mutual interests with stakeholder interests or the whole community by their social mission.
- (4) *The social-business (SB)* model is based on a business model attempting to balance economic and social objectives and create a 'blended value' (Defourny et al. 2021). Figure 3 illustrates the different models of social enterprises in relation to the social mission, demonstrating with an example of work-integration organizations (WISEs), as they are the most widespread social enterprises in Central and Eastern Europe (Defourny et al. 2021).



**Figure 3.** Social Enterprise Models and Social Mission. Source: Based on (Defourny et al. 2021).

In Romania, for example, entrepreneurial nonprofit organizations, work integration social enterprises, and cooperatives (with general interest goals) are more common (Lambru and Petrescu 2021). While many countries have not yet adopted a special law for social enterprises, including Estonia and Georgia, in Latvia, the legal form—although strictly defined as SE—still allows a variety of activities, unlike Lithuania, where the law defines the concept so narrowly that many companies with social missions are not acknowledged as social enterprises (Evans et al. 2021).

The need for social enterprises to achieve both economic and social objectives creates tension between the two and hence poses the most difficult challenge for them to overcome (Bogacz-Wojtanowska et al. 2014). Consequently, the research analysis has demonstrated that policymakers should create a stimulating environment for developing entrepreneurship (Méndez-Picazo et al. 2020). For example, policies with the purpose of developing human capital, issuing grants, and promoting investments can influence social entrepreneurship, while policies aimed at increasing innovation, decreasing corruption, and enabling free markets to affect general entrepreneurship as well (Méndez-Picazo et al. 2020).

Research conducted in Poland argues that many social enterprises believe that since their mission and objectives are social, they have the right to be subsidized by the state, and hence, they focus less on economic results (Batko and Bogacz-Wojtanowska 2015). The same is observed in Georgia as a common attitude of social entrepreneurs because of their need for financial support at the initial stage of launching social enterprises. To solve this conflict between social and economic goals, scholars (Batko and Bogacz-Wojtanowska 2015) suggest building the identity of the social economy organizations on consistent values.

In addition, social enterprises also expect public agencies to be the main clients and contribute to their financial success (Bogacz-Wojtanowska et al. 2014). Therefore, a partner-



ship between local governments and social enterprises is required (Bogacz-Wojtanowska et al. 2014).

On the other hand, social enterprises are characterized by four core beliefs: shareholders do not gain a financial return on their investments, profits generated by an enterprise are reinvested for social missions, and services and products are sold at a low price to make them affordable for poor members of society, and public subsidies are not accepted because social enterprises must remain independent from the state (Nyssens 2021).

Thus, social entrepreneurs must resolve a dilemma to remain independent and attract financial sources to serve their social mission and simultaneously engage in business activities.

### 3. Data and Methodology

For this study, a qualitative interview method was applied to collect the data, as it enables us to obtain knowledge about the research topic (Kvale 2007) and to comprehensively investigate entrepreneurship (Neergaard and Ulhøi 2007). The semi-structured interview guide made it possible to react to the respondents' statements and enabled them to compare their responses afterward (Bernard et al. 2016; Eisenhardt and Graebner 2007; Neergaard and Ulhøi 2007).

The research question was twofold: What is social entrepreneurship from the social entrepreneurs' perspective, and how do they attract financial sources for launching and developing social enterprises? Therefore, the interview guide included three open-ended questions:

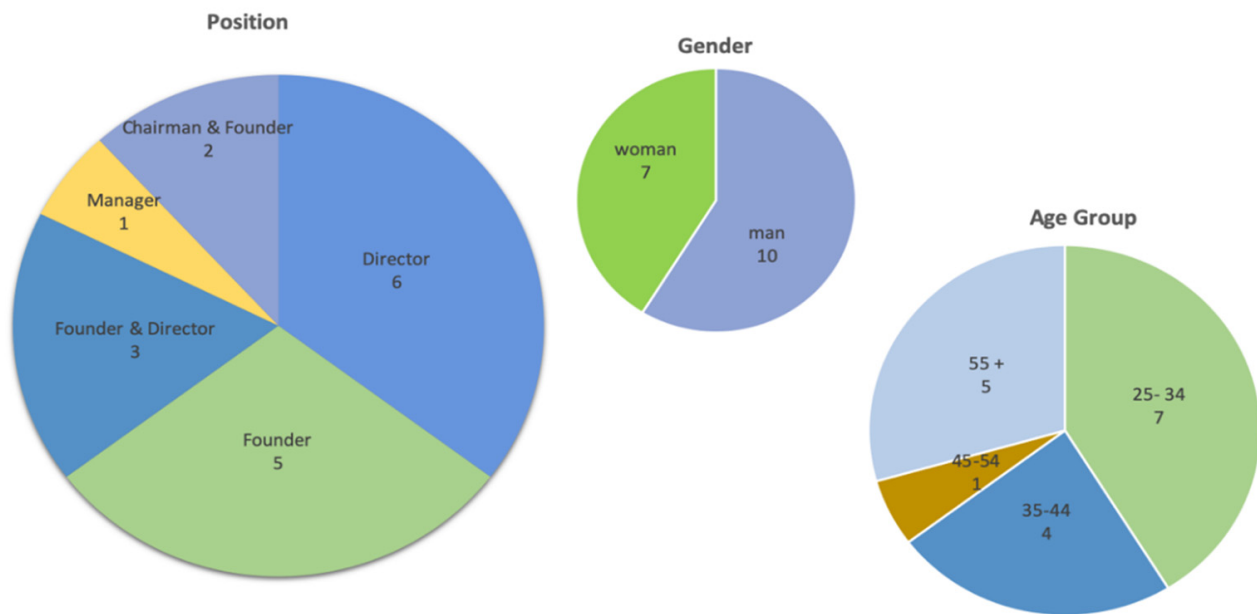
- (1) How would you define social entrepreneurship?
- (2) Why did you establish your social enterprise, and are there factors that prevent the development of a social enterprise?
- (3) How was the foundation of your social enterprise financed, and what is the main source of funding at present?

The website of the Social Enterprise Alliance Georgia includes 63 social enterprises in Georgia (SEA 2021). A total of 17 interviews were conducted with Georgian social entrepreneurs.

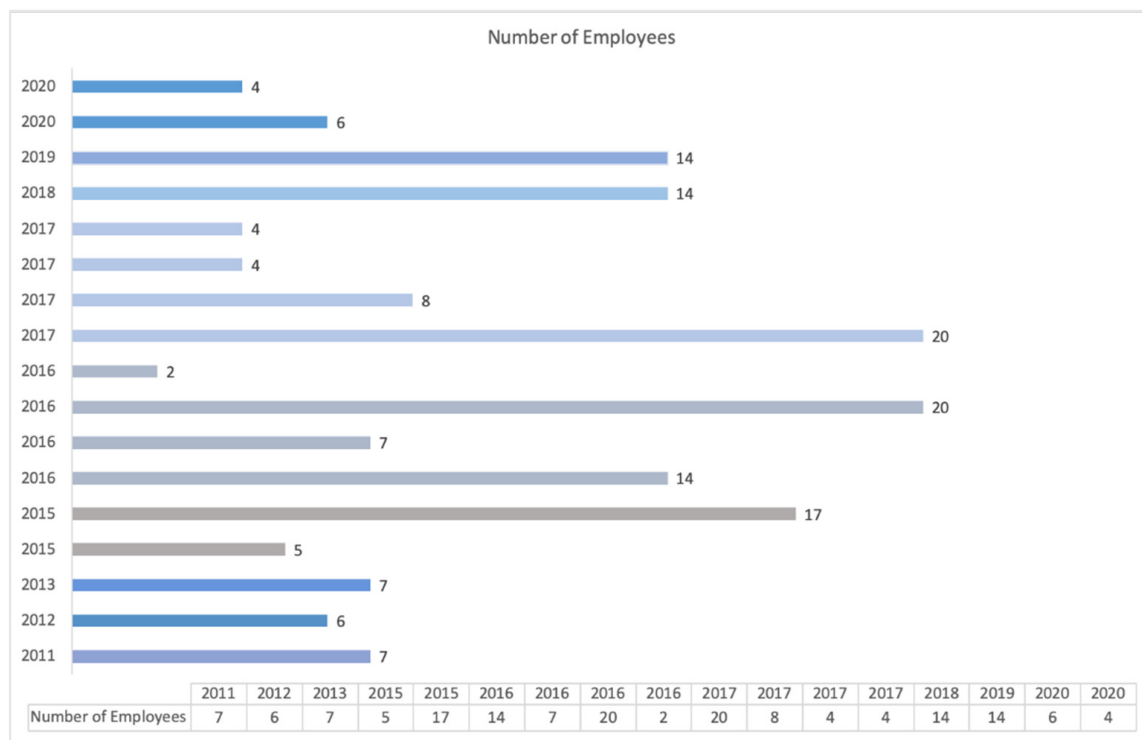
The sampling procedure followed a nonprobability purposive sample technique (Patton 2014; Guest et al. 2006), acquiring seventeen participants to collect the necessary information. The sampling process is intended to gain knowledge and new insights about the study questions rather than confirm statistical validity (Chase and Murtha 2019). The concept of saturation was applied to identify sample size (Boddy 2016; Cooper and Schindler 2014; Corbin and Strauss 2014; Morse et al. 2002). First, all social enterprises in Georgia were identified through the collaboration of the Social Enterprise Alliance Georgia (SEA 2021). Then, the researcher contacted them through phone, email, and Facebook to invite them to an interview session. All interviews were held online through online communication channels because of pandemic restrictions and recommended physical distancing. The interviews were conducted in May–June 2021. The duration of the interview sessions ranged between 20 and 40 min, after which the transcripts were analyzed.

Regarding the demographics of the participants, ten were men, and seven were women. The age of participants fluctuates from 25 to above 55. Taking into consideration the study aims, the interviewees are leaders and decision-makers of social enterprises (Figure 4).

The social enterprises were founded from 2011 to 2020 and employed from 2 to 20 people (Figure 5). The participating social enterprises are in different regions of Georgia. Specifically, six of them are operating in Tbilisi (the capital city), and the rest are situated in other cities or small towns in the country.



**Figure 4.** Sample Characteristics. Source: own data.



**Figure 5.** Characteristics of the Interviewed Social Enterprises: Number of Employees and Year of Foundation. Source: own data.

It is worth noting that all Georgian social enterprises are small organizations. They offer products and services to customers. In particular, social enterprises create souvenirs, enamel accessories, and handmade decorations. They also produce home textiles and linen and release audiobooks; they develop environmentally friendly products, recycle paper, and clothes and are engaged in farming to produce confiture. Moreover, the social enterprises of the interviewed participants offered services such as training in handicrafts, conducting educational and cultural activities, running an inclusive preschool and parent's schools, and managing hotels and cafes (Figure 6). Their social mission targets local women,

youth, disabled persons, persons in conflict with the law, and other vulnerable groups as beneficiaries to improve their social and economic condition.

Services	Goods
<ul style="list-style-type: none"> <li>• Accommodations for tourists</li> <li>• Café</li> <li>• Culture–educational activities</li> <li>• Training to local women in handicraft, embroidery, and felt</li> <li>• Detection of developmental disability in children and make recommendations</li> <li>• Training in sewing, embroidery, and thermal transfer silkography</li> </ul>	<ul style="list-style-type: none"> <li>• Table salt</li> <li>• Jam, confiture, and compote of strawberries farmed in the greenhouse</li> <li>• Wooden toys</li> <li>• Souvenirs</li> <li>• Cloisonné enamel products</li> <li>• Home textiles, bed linen, handmade items;</li> <li>• Caucasian fir seedlings</li> <li>• Products of textile waste such as accessories, clothes, decorations</li> <li>• Eco-friendly products of recycled paper</li> <li>• Audiobooks and video comics (multi-books)</li> </ul>

**Figure 6.** Nature of Interviewed Social Enterprises. Source: own data.

The gathered data were analyzed by a thematic analysis tool and content analysis suggested by scholars to explore themes and patterns (Bernard et al. 2016; Patton 2014; Flick 2014; Kvale 2007; Silverman 2000; Krippendorff 2018).

#### 4. Research Results

The research results demonstrated that there is no agreed-upon definition of social entrepreneurship and a definition of social enterprise in Georgia that causes challenges for social entrepreneurs. The biggest problem they encounter is the relationship with the bank. One of the interviewed social entrepreneurs illustrated the problem:

“The bank refused a loan because the enterprise was neither NGO nor LLC by its activities—specifically it is a nonprofit organization that started a business company to engage in profit-oriented activities. Thus, by law, the bank is not allowed to issue credit for our organization. However, without investment, it is impossible to develop the enterprise. The loan is needed for purchasing equipment or new technologies” (R1).

Moreover, social enterprises are subject to VAT, and they pay value-added taxes because otherwise, they will not be able to sell their products in markets. Therefore, social entrepreneurs expect that a new law on social entrepreneurship will be passed to solve this issue.

The interviewed social entrepreneurs answered the question of why they launched commercial activities. There are several reasons why Georgian entrepreneurs decided on setting up a social enterprise. The majority of the respondents underlined that the main motivation for starting a social enterprise was to facilitate vulnerable groups in social integration and to give them employment opportunities. They reported their intentions to establish enterprises to create employment possibilities for persons with disabilities but also to earn an independent income for their nonprofit organizations. In this way, the income generated by the social enterprise could be used to pay the salaries of employees of the nonprofit organization, ensuring the stable operation of the organization and allowing working uninterruptedly to achieve its social goals. The interview participants also described that the reason for launching social enterprise was to solve social problems that they personally encountered, as well as to tackle social challenges. Table 1 summarizes the main reasons for establishing social enterprises by the interviewed social entrepreneurs.

**Table 1.** Motivations for Founding a Social Enterprise.

Reason	Number of Respondents
To solve the social problems that have affected me personally	n = 4
In response to social challenges	n = 4
To solve environmental/ecological problems	n = 4
To create employment opportunities for disadvantaged groups	n = 7
Due to the lack of social services	n = 3
For the social integration of vulnerable groups	n = 11
Due to the functional load of the park	n = 1

Source: own data.

Interestingly, no one declared an announced grant competition as a motive for initiating a social enterprise, while most social enterprises in Georgia have been established by grant support. However, this is not a reason why they found an enterprise, so they do not take advantage of grant competitions to prepare projects for receiving funds. Conversely, social entrepreneurs have a cause, and while searching for financial sources, they participate in such competitions.

The research uncovered the past and current sources of funding. The results confirmed that the development of social enterprises was predominantly financed by grants from donor organizations, mainly international ones, and as a result of the grant competition. The interviewed entrepreneurs also noted state funding by the Georgian governmental bodies. They pointed out having financed their enterprises by various donations as well as with their own capital. The participants accentuated not being able to use microcredit for setting up a social enterprise due to the lack of legislation in this regard. It should be noted that some respondents indicated several sources of funding. Table 2 demonstrates the financial sources of starting a social enterprise by Georgian entrepreneurs.

**Table 2.** How was financed the creation of your social enterprise?

Funding Sources	Number of Respondents
With a grant from a donor organization	n = 4
Within the framework of the grant competition	n = 11
With the personal capital of the founders	n = 5
By donation	n = 3
With state/governmental funding	n = 2

Source: own data.

With respect to the current sources, the respondents specified several sources of financing for their enterprises at the moment. The interviewed social entrepreneurs identified enterprise profit and their own funds, as they reached the break-even point but were not able to generate profit. Many of them finance their social enterprises still with grants issued by international donor organizations or by different donations, including crowd-funding. Among the main sources of funding at present, they also outlined state grants and government funding as well as microcredit or even the own income of the founders (Table 3).

**Table 3.** Current sources of funding for social enterprises.

Financial Sources	Number of Respondents
Own fund/enterprise profit	n = 14
Grant from a donor international organization	n = 3
State grant/funding	n = 2
With donations	n = 2
Microcredit	n = 1
With their own income	n = 1

Source: own data.

The study endeavored to explore how social entrepreneurs understand the term social entrepreneurship and how they define its meaning. The research analysis has revealed that social entrepreneurs link the concept with opportunities to reach social goals while implementing business activities to generate income. They indicate social problems, social mission, social need, as well as community, particular, vulnerable, and marginalized groups when discussing social entrepreneurship. Additionally, the respondents also refer to business-, entrepreneurship-, and profit-oriented activities. In addition, they connect the term with financial, economic, and social empowerment, integration, and employment. Moreover, they notice innovation and opportunities when arguing about the concept of social entrepreneurship (Table 4).

**Table 4.** What does social entrepreneurship mean?

Respondent ID	Perception of the Concept of Social Entrepreneurship (SE): Quotes from the Interviews
1	SE is a tool or an instrument to ensure equality and equal conditions for people with <i>disabilities</i> , as they live in an unequal environment. Social entrepreneurship gives an <i>opportunity</i> to achieve <i>social goals</i> . However, it is a business and needs to act as a <i>profit-oriented</i> company as soon as it gains profit. In my view, social enterprises would not be necessary if government and businesses conclude an agreement to employ persons with disabilities and increase the equality index over time, yet companies need incentives and motivation from the government to do so.
2	A <i>profit-oriented</i> business whose profits are used to address local <i>social needs</i> .
3	SE is a <i>business activity</i> that has a <i>social mission</i> and is focused on solving specific <i>social problems</i> .
4	It is a <i>problem-solving</i> method.
5	SE is <i>entrepreneurship</i> , whose operation and full profit are used to achieve a <i>social mission</i> .
6	A social enterprise is a <i>business</i> whose revenues are focused on <i>improving</i> the economic and social situation of <i>marginalized groups</i> .
7	It responds to the <i>challenges</i> a <i>particular group</i> is facing.
8	[For example,] I have identified a <i>problem</i> in my region that was within my means to solve it, and I am moving forward each year to address it, which is to train women for employment, especially for <i>vulnerable groups</i> , to increase their income and promote self-realization.
9	[It is] an organization based on a <i>social mission</i> , which promotes the development of human capacity and [fulfillment of the] purpose. It develops <i>innovation</i> , production, and <i>commerce</i> .
10	SE is the best tool for <i>solving social problems</i> in the <i>community</i> .
11	[It allows] to do something necessary and <i>useful</i> .
12	SE is a good <i>opportunity</i> to respond to <i>problems</i> .
13	SE is an enterprise designed to address existing <i>social challenges</i> , focused on <i>solving a problem</i> in the <i>community</i> , empowering <i>vulnerable groups</i> , and promoting poverty alleviation.
14	[SE is an] Entrepreneurship based on <i>business</i> principles, which has a social mission; Profits are used to strengthen the enterprise to achieve <i>social goals</i> .
15	SE enables to do something <i>important</i> , and exemplary for the <i>country</i> that brings a lot of <i>good</i> .
16	For me, Social Entrepreneurship is one of the best ways to train and <i>employ vulnerable groups</i> , specifically, people with <i>disabilities</i> , their self-realization, <i>integration</i> into society, and improving their <i>economic</i> situation.
17	SE is a <i>business</i> that has a <i>social mission</i> and is focused on solving social issues. A social enterprise is a <i>financially profit-oriented</i> activity. Part of the benefits generated will be spent on <i>solving social problems</i> .

Source: own research.

Figure 7 shows the most common words used by social entrepreneurs when they speak about the meaning of social entrepreneurship.





**Table 5.** In your opinion, what are the factors that prevent the development of your social enterprise?

Obstacles to the Development of Social Enterprises	Number of Respondents
Absence of a law on social entrepreneurship	n = 12
Lack of financial resources	n = 9
Lack of technical resources	n = 7
Lack of human resources	n = 7
Less support from the state	n = 6
Inconsistent business strategy of a social enterprise	n = 5
Lack of partners (state, business, media, associations, non-governmental sector)	n = 2
Lack of business skills	n = 2
Less purchasing power of customers	n = 1

Source: own data.

The following sections offer a discussion of the research results and draw conclusions.

## 5. Discussion

This research intended to analyze the core question of how Georgian social entrepreneurs define the term social entrepreneurship and what the main motives are to launch a social enterprise. Consequently, the research examined the funding sources of social enterprises and the main obstacles the social entrepreneurs encounter in Georgia. Accordingly, the research provided answers to the following questions: (1) How do Georgian social entrepreneurs define social entrepreneurship? (2) What are the main motives for establishing a social enterprise, and what factors prevent the development of a social enterprise? (3) How is the foundation of a social enterprise financed, and what is the main source of funding at present?

The study results revealed that the nonprofit sector launches social enterprises to apply business activities with a social purpose in the center confirming the prior findings (Morris et al. 2020; Morris et al., 2021). Our findings resonate with the literature emphasizing social entrepreneurs' purpose to create social value, their ability to identify and exploit opportunities, foster innovation, accept and sustain risks, and deliver social results with scarce resources (Farinha et al. 2020; Lubberink et al. 2019; Peredo and McLean 2006; Tan et al. 2005). Creating employment or addressing the needs of disadvantaged groups are strong motivational factors for social entrepreneurs (Alvord et al. 2004).

Georgian social entrepreneurs define social entrepreneurship as a tool to solve social problems with commercial activities and in this regard, mention the importance of innovation, echoing the literature (e.g., Witkamp et al. 2011; Austin et al. 2006). Moreover, the study conducted by Kraus and colleagues (2017) found that social entrepreneurship implies entrepreneurial orientation and entrepreneurial behavior coupled with innovation (Kraus et al. 2017).

The research demonstrated an urgent need for legislation to regulate the field of social entrepreneurship and formalize it. However, its framework needs to be broad enough to cover the various directions of Georgian social enterprises. Our study results are in line with the findings of Baptista et al. (2019) arguing that policy strategies should focus on social innovation initiatives in order to promote the survival and growth of social enterprises, which enable them to deliver social value (Baptista et al. 2019). Therefore, they expect incentives from the government (Méndez-Picazo et al. 2020; Batko and Bogacz-Wojtanowska 2015). In addition, the results suggest that social enterprises need to diversify their funding sources and rely on their own income produced by commercial activities rather than expecting funds from the government. Social enterprises must be independent of state influence, as advocated by field experts (Nyssens 2021).

Our study confirms prior research suggesting that the main driver to creating social enterprise and delivering social innovation is the dissatisfaction of agents with an existing situation (Novak 2021). Instead, entrepreneurs are motivated to change the status quo. Social entrepreneurs are at the center of social innovation, and they determine social

enterprises as the initiatives come from them and not from the organizations (García-Jurado et al. 2021).

In conjunction with the literature, this research affirmed the important role of innovation from the entrepreneurs' perspective to engage in social entrepreneurship and the balance of social and economic goals, which is difficult to achieve.

This research did not confirm that female social entrepreneurs confront more challenges in developing economies, as proposed by previous studies (Rosca et al. 2020). However, future research must be conducted to examine possible differences in challenges and opportunities between women and men entrepreneurs. Additionally, sociocultural barriers need to be evaluated at various stages in the life cycle of social enterprises, taking into account national differences (Canestrino et al. 2020). In this light, policy recommendations need to be elaborated to stimulate more women entrepreneurs, particularly in Georgia. In addition, future studies can explore social entrepreneurship in a religious context and how culture and traditions shape the values used by social enterprises in their social and commercial activities.

## 6. Conclusions

The paper discussed the concept of social entrepreneurship in Georgia from the perspective of social entrepreneurs. Thus, there is a need to identify factors affecting social entrepreneurship to determine the appropriate actions to encourage entrepreneurship and stimulate economic growth through it. Policies and regulations being into effect can boost social entrepreneurship and inspire Georgian entrepreneurs.

The research contributes to the investigation of social entrepreneurship in Georgia, as previous studies have suggested exploring the phenomenon in different countries, contexts, and economies (e.g., Cagarman et al. 2020; Chandra and Kerlin 2020). It also provides insight and a better understanding of social entrepreneurship as an important research field and as a discipline (Cieslik 2018; Mair and Martí 2006). The presented research paves the way for further studies in the area to investigate social entrepreneurship, social enterprises, and social entrepreneurs from various perspectives. This research was focused on founders and social enterprises. However, the beneficiaries' and customers' perspectives should be analyzed in terms of impact and performance.

Finally, the paper offers incentives for Georgia to engage in social entrepreneurship and promotes its further development. The presented research will facilitate the progress of social entrepreneurship and will have a positive impact on society. It supports policymakers in making important decisions concerning social entrepreneurship in the country and encourages practitioners and entrepreneurs.

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