



Szent István University

Doctoral School of Management and Business Administration

Ph.D. Dissertation

**DRIVERS FOR DEVELOPMENT SOCIAL
ENTREPRENEURSHIP IN MOLDOVA**

By

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GÖDÖLLŐ – HUNGARY

2020

Szent István University
Doctoral School of Management and Business Administration

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ABBREVIATIONS AND ACRONYMS

ANTiM – National Association of Young Managers

BSC – Balanced Scorecard

CSO – Civil Society Organization

EC – European Commission

e.g. – for example

EU – European Union

EUR – the euro (€) is the official currency of 19 of the 28 member states of the European Union

etc. – et cetera (and so on)

GDP – Gross Domestic Product

i.e. – that is

MDL – Moldovan Leu (the official currency of Republic of Moldova)

NBS RM – National Bureau of Statistics of the Republic of Moldova

NGO – Non-Governmental Organization

NIER – National Institute for Economic Research

RM – Republic of Moldova

no. – number

LTD – Limited company

OECD – Organization for Economic Cooperation and Development

p.p. – percentage point

rom. – in Romanian

SBI – Social Business Initiative

SE – Social Enterprise

SME – Small and Medium Enterprises

UN Agencies – United Nations Agencies

USA – United States of America

USAID – United States Agency for International Development

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1. INTRODUCTION

1.1. Actuality of this scientific work

In 2015 countries around the world (192 members of UN) adopted 2030 Agenda for Sustainable Development, with 17 development goals. The Agenda aims to accomplish what was started within Millennium Development Goals. The implementation of Agenda requires major effort and resources in order to eradicate poverty by 2030. Social enterprises, along with other priorities, have an important role in achieving the goals of the Agenda. Even in the agenda is not mentioned anything about how social enterprises can contribute, the document clearly mentions about necessity for driving sustainable and inclusive development, as well as tackling inequality.

Social entrepreneurship remains actual and in the same time broad disputed and argued subject for politicians, decision-makers, private sector, researchers and other worldwide stakeholders.

Many researchers and practitioners around the world still argue on how social enterprises' mechanism must look like, what legal forms characterize social enterprises, what resources must involve, what are the drivers and success factors that allow social enterprises become successful, etc. However, despite the debates, most of the researchers agree that social enterprises can contribute on inequality reduction, promote inclusiveness and in the same time contribute to economic growth.

At the European level, social entrepreneurship is a popular subject among EU priorities and national programs. In order to have a common sense on social entrepreneurship, an approved definition of what is a social enterprise was suggested by Social Business Initiative of European Commission, lunched in 2011. Since that, a remarkable progress have been achieved in terms of: i) improved access to finances for social enterprises; ii) more visibility for social enterprises; iii) optimized legal framework regarding social enterprises.

Almost all EU member states reached more or less progress in respect to social entrepreneurship and social economy sector. First of all, member states defined what is a social enterprises and made some regulatory progress into this respect. Some of them created specific laws for social enterprises, others incorporated social entrepreneurship dimension into existing legal frameworks.

Even though Republic of Moldova steadily confirms its Occidental direction, only very insignificant progress were made in the field of social enterprises. The EU Country Roadmap for

engagement with Civil Society for the period 2018-2020, prioritize development of social entrepreneurship and enforcement a legal form.

Law Amendments on Social Entrepreneurship (SE) were adopted and established the definition of a social enterprise, as well as list available benefits to SEs. Public funding is channeled via direct action grants from certain Ministries (in such areas as culture, youth, economy or environment) or via contracting of social service delivery.

Some of the biggest challenges with social entrepreneurship in Republic of Moldova are:

- poor regulatory framework with many question marks;
- limited awareness of social entrepreneurship;
- lack of financial, institutional and organizational leverages for developing social economy sector.

There are different causes that generated above mentioned problems, however one of the most important is lack of a comprehensive research regarding perception of individuals and enterprises on social entrepreneurship. Also, lack of concrete business models and organizational strategic directions create psychological risks among people with a social developed spirit. Even recently Moldova adopted the amendments for social enterprises, integrating them into the basic law governing entrepreneurship activity, significant results were not achieved. The author believes that without concrete measures and operational mechanism, the level of social entrepreneurship in Moldova will remain the same.

The necessity for insights and visions regarding social entrepreneurship, from individuals and enterprises, as well as other community stakeholders, along with vision of Government and CSO sector is essential to create a sustainable sector and stimulate social enterprises. Thereupon, the objective necessity appears for detailed research of this problem, elaboration of recommendations for booming social businesses in Moldova and development of a conceptual business model framework that can be applied by those who intend to have a social enterprise and in the same time are restricted in resources. All this determines the actuality of this work.

1.2. Strategic approach of the thesis

The thesis skeleton consists of general objective, specific objectives, research hypothesis and research questions. It is summarized in the table below:

Table 1. Strategic approach of the thesis

<i>General objective:</i> the general scope of the thesis is to identify main drivers that can contribute to development of social economy sector in Republic of Moldova on one hand and promotion of social entrepreneurship among businesses and individuals on another hand.	
<i>Explanation</i>	The general scope of the thesis refers to the business ecosystem of the country and the way this environment is ready and mature to accept social enterprises. It also aims to identify those success factors and drivers that would promote social entrepreneurship at the national and regional level.
<i>The problem aligned to the general objective</i>	In Republic of Moldova existing SMEs environment is traditionally supported by the idea of doing business for profit. The lack of business culture in terms of socially responsible companies makes the subject of the future research. The central problem of the thesis is based on inexistence of social economy sector and lack of sustainable social enterprises in Republic of Moldova.
<i>Specific objective 1:</i>	Analysis of theories, definitions, meanings and characteristics of social entrepreneurship in general and situation in Republic of Moldova in particular.
<i>Rationality for objective 1</i>	The objective allows to suggest recommendations in terms of definition and characteristics for social enterprises in Republic of Moldova. Also it gives possibility to suggest strategic approach that private sector can use
<i>Research question 1.1</i>	What are the characteristics and meaning of social enterprise and social entrepreneurship that can be aligned to regulatory framework of Moldova
<i>Specific objective 2:</i>	Comprehensive review of social enterprises forms, legal structures and operational, functional and strategic approaches
<i>Rationality for objective 2</i>	The objective aim to provide a clear picture from the organizational perspective. It affords to highlight those

	criteria that make a social enterprise operational, in terms of legal structures and forms.
<i>Research question 2.1</i>	What are the forms, statuses and legal structures of social enterprises across EU countries that can be recommended in the context of Moldova?
<i>Research question 2.2</i>	What are most used approaches of doing social entrepreneurship in EU?
<i>Specific objective 3:</i>	Analysis of business models and incentives that support social enterprises across EU countries
<i>Rationality for objective 3</i>	The objective allows to understand how exactly social enterprises and social entrepreneurs are stimulated and supported and in this way author provides recommendations on national mechanisms for stimulating social enterprises
<i>Research question 3.1</i>	What concrete practices could be introduced in country's business fabric to achieve a sustainable development?
<i>Research question 3.2</i>	What incentives should be created in order to achieve a social commitment and responsibility?
<i>Specific objective 4:</i>	Comparative analysis of various strategic planning tools and business models
<i>Rationality for objective 4</i>	This objective provides an overview of existing tools and business models that helps author design a specific business model for social enterprises using circular economy principles that can be recommended for individuals and private sector from Moldova
<i>Specific objective 5:</i>	Analysis of general perception and readiness for social entrepreneurship in Republic of Moldova
<i>Rationality for objective 5</i>	This objective allows to understand general perception on social entrepreneurship and the level of maturity for developing the new business concepts and models among existing entrepreneurs from Moldova
<i>Research question 5.1</i>	What are the stereotypes of entrepreneurs and individuals from Moldova that has to be modeled in

	order to have a social mission of the their start-ups/companies?
<i>Specific objective 6:</i>	Identify critical drivers and success factors of social driven organizations
<i>Rationality for objective 6</i>	This objective allows to understand what are the factors and drivers that make a social enterprise sustainable and more efficient
<i>Research question 6.1</i>	What are drivers and success factors of sustainable social enterprises?

The object of the study consists of individuals practicing limited economic activities, small and medium sized enterprises, CSO sector, people with limited access to physical and social resources as well as disabled people.

1.3. Thesis hypothesis

Author suggests several hypotheses that support the thesis fundamentals:

- a) Hypothesis 1: In countries wherein, social enterprises have limited appearances and the general perception is vague and unclear, Governments have to create necessary preconditions that will stimulate development of social enterprises;
- b) Hypothesis 2: Development of social entrepreneurship can be reached only by changing psychological status and stereotypes of traditional entrepreneur, using adequate policies and learning mechanisms;
- c) Hypothesis 3: Sustainable social entrepreneurship is ensured by strong leadership and management commitment;
- d) Hypothesis 4: Social enterprises can independently survive if the economic activities are governed by ‘social entrepreneurs’ and the revenue stream is mainly based on money gained from traded products or/and services;
- e) Hypothesis 5: At the start-up level, social enterprises can apply circular economy principles in order to optimize the operations and be financially sustainable;
- f) Hypothesis 6: There is only one specific business model that can be replicated for all social enterprises.

Once testing the hypothesis, it is expected that social entrepreneurship in Moldova could achieve large scale and a sustainable ecosystem through a combination of innovation and knowledge economy based on awareness and commitments within a circular economy.

1.4. Research fundamentals

Methodologically to justify the research findings a mixed research methodology is going to be used: **quantitative and qualitative in the framework of both field work and desk study.**

Expected results - it is expected to have reliable recommendations in terms of policies, strategies, incentives and business models adapted to Moldova country context.

The purpose of this research is rather twofold. Firstly, is to contribute to the social entrepreneurship debate. Secondly, it aims to understand those drivers and success factors that stimulate social entrepreneurship on one hand and ensure financial and social sustainability on another hand.

This is a complex approach because the analysis of the social entrepreneurship involves several concepts to be tackled such as circular economy and social entrepreneurship on the one hand and key-features such as leadership, social engagement, commitment and entrepreneurial action on the other hand.

Taking into account the above aspects that define an integral and complex character of the researched topic, two concepts are at the baseline of modeling and hypothesis justification, as well as that are going to be developed and correlated in next chapters.

The informational base includes: legislative and normative acts concerning this problem; the scientific publications of foreign and domestic researchers dedicated given problem; the reports of scientific projects; the analytical materials. Also, was used the following data sources: statistical databases of the National Bureau of Statistic of the Republic of Moldova; statistical databases of the international organizations; dates from author's questioning in the Republic of Moldova and the results of author's interviewing.

The following **research methods** were used in this scientific work:

- deduction and induction,
- logical,
- comparative,
- monographic,

- synthesis,
- economic analysis,
- sociological methods – questioning and interviewing,
- econometric modelling,
- etc.

The scientific novelty and originality of the receiving results:

- a methodological business model for social enterprises by designing a framework which combines circularity was developed;
- a recommendations roadmap that would help social entrepreneurship advance were elaborated;
- a correlation between perception of individuals regarding social problems and their readiness for starting a social business was revealed;
- types of facilities that would encourage existing enterprise to switch from traditional business to social entrepreneurship were elaborated.

The theoretical significance includes: the different approaches, which exist, regarding the developing of social entrepreneurship, were synthesized. The methodology for the analysis of social entrepreneurship in the Republic of Moldova was elaborated. The basic directions for the developing social entrepreneurship in the Republic of Moldova were elaborated.

The applied value includes the elaborated recommendations for improving the social entrepreneurship across the country.

1.5. Thesis structure

The work's structure includes: introduction, literature review, research methods, results and discussions, conclusions and suggestions, references, annexes, 00 tables, 00 figures and 0 formulas.

In the Introduction, the actuality and importance of the researched problem are established, the research purpose and tasks are formulated, the scientific novelty and originality and the theoretical and practical significance of the work are described.

In the Literature review - existing conceptual approaches of social entrepreneurship are synthesized; the EU models of social enterprises are outlined; the approaches of social entrepreneurship through circular economy are analyzed.

In the second chapter Research methods - the methodological approaches for the analysis of social entrepreneurship in the Republic of Moldova was elaborated and presented.

In the third chapter Results and discussions - the evaluation of social entrepreneurship in Republic of Moldova was realised. Features of social entrepreneurship through circular economy in Republic of Moldova were revealed and analysed.

The results of the research are generalized and summarized in the main **conclusions and suggestions**. Recommendations are also presented in this work. By the author's opinion all these will allow improving the situation with social entrepreneurship in the Republic of Moldova.

Keywords: social entrepreneurship, circular economy, business model, sustainability, young entrepreneurs, etc.

2. LITERATURE REVIEW

2.1. General overview on social entrepreneurship

The chapter provides a review on various studies regarding concept, meaning and characteristics of social entrepreneurship.

2.1.1. Conceptual approaches to social entrepreneurship

In order to have an understanding of social entrepreneurship, it has been undertaken a comprehensive research on traditional theories and definitions of entrepreneurship and social enterprises. The authors identified some controversial facts regarding the evolution of social entrepreneurship as a part of traditional entrepreneurship. For example, Mair (2006) states that there is still a lack of conceptual and empirical research to prove whether social entrepreneurship is a part of „traditional entrepreneurship“ or whether it is an independent field of study.

One of the main founders and researchers who contributed to entrepreneurship is Cantillon who introduced his theory about “landowners, hirelings and undertakers”. Cantillon (1959) perceived the entrepreneur as being responsible for economic system consisted of exchanges of goods and services.

On other side, Say (2012) gives different interpretation for the responsibilities that entrepreneurs must have into the economic system. He perceived the entrepreneur as a manager of a firm; an input in the production process. In his vision, the entrepreneur is the person responsible for economic balance of the capital/economic system.

The early theories of entrepreneurship underline the findings of Cantillon and Say (mentioned above), while the Frank Knight’s Risk theory first introduced the dimension of risk taking, as an obvious characteristic of modern entrepreneurship.

Withal, the entrepreneur has been seen as a disturber of equilibrium and the cause of change by Joseph Schumpeter’s innovation theory of entrepreneurship. Thus, Schumpeter (1934) viewed the entrepreneurs like innovators and change-makers. Some scholars argue that Schumpeter put the basis for social enterprises theories, in terms of innovation.

More recently, according to Hebert and Link (1988), entrepreneurship has been recognized as an independent factor of production on a more-or-less equal footing with land and labor, as recognized by contemporary economic theory. The latest theories of entrepreneurship states about the core place of risk takers, value creation and competitiveness achievement.

Also, it is important to list the Alfred Marshall’s theory that introduced land, labor, capital,

and organization as the four factors of production as well as Weber sociological theory which states about social culture as the driving force for the entrepreneurship. The remark of Harvey Leibenstein, who considered entrepreneurs as “gap-fillers”, must be underlined.

In his turn, Peter Drucker holds innovation, resources, and an entrepreneurial behavior as the keys to entrepreneurship. Along with that, McClelland’s “Theory of Achievement Motivation” hold that people have three motives for accomplishing things: the need for achievement, need for affiliation, and need for power.

In 2006 Austin et al. state that social entrepreneurship is innovative, it is an activity that creates social value within or across the nonprofit, business, and public sectors. They mentioned that social entrepreneurship is defined as “entrepreneurial activity with an embedded social purpose. However, they don’t state about the limitations of social entrepreneurship and the exact models for designing it. On other side, Perrini (2006) suggests that most researchers of social entrepreneurship see the crisis of the traditional welfare state and the increased competition within the nonprofit sector contributing to the emergence of social enterprises.

Mostly, the social entrepreneurship begun as a competition between profit and non-profit sector but it is not ascertained the exact position of this sector in the overall. A number of authors have emphasized the not-for-profit (NFP) nature of social entrepreneurial activities. In the same time, another business steam, Social Enterprise School, states that entrepreneurship itself is viewed as social enterprise initiative. This refers to any organization, in any sector, that uses earned income strategies to pursue a double bottom line or a triple bottom line, either alone or as part of a mixed revenue stream (as a social sector business) that includes charitable contributions and public sector subsidies”. Social Enterprise School centers on earned-income activity by nonprofits, but also includes market-based solutions to social problems as well as businesses that generate profit that is donated to a social venture or purpose. In contrast, Mair and Marti (2006) argue that social entrepreneurship can take place equally well on a for-profit basis.

Perrini and Vurro (2006) show the linkage between social entrepreneurs and social enterprises, arguing that social entrepreneurs implement their social mission through profits they gain from economic activities.

According to Martin and Osberg, social entrepreneurship signals the imperative to drive social change, and it is that potential payoff, with its lasting, transformational benefit to society, that sets the field and its practitioners apart.

From what or from whom to start development of social enterprise still remains area of

discussion and interest. In different countries the situation is different, and cases are as well different. It is easily for already successful business to lunch a social mission business direction (i.e: delivering food with all necessary vitamins at low prices to people from poor communities), and harder to the start-ups or other category of enterprises.

2.1.2. Profile of social entrepreneurs

According to Ashoka's researchers (2008), social entrepreneurs are individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide- scale change. They are visionaries, but also realists, and are ultimately concerned with the practical implementation of their vision above anything else.

Other researchers suggest that there is an important leadership behavior that is underdeveloped owned by social entrepreneurs, which is transactional leadership. Transactional leadership – often associated with the more managerial side of running the organization – is important to provide followers with guidance and to manage the organization in an effective way.

There are only very few findings regarding the optimal age of social entrepreneur. Some authors do not create age limitation for social entrepreneurs, however they suggest about certain leadership characteristics social entrepreneurs must have. For instance, Lin Scriber mentions that social innovators must have the following qualities:

- They are highly innovative. Well, of course, they are. But what's interesting is that out-of-the-box, creative thinking is a natural for them. They're always search- ing for new ways of doing things;
- They are persistent. They keep trying until it works. And, they never let road blocks, obstacles, or naysay- ers deter them. It's their can-do attitude that keeps them moving forward -- no matter what;
- They found a cause that inspires them. It may seem obvious, but each of them is fully committed to and believes in what they're doing. They may come at the cause from different experiences (from childhood, career, personal tragedy, but each of them is passionate about their cause.);
- They have boundless energy. Barbara describes it best when she says that while many of her friends are slow- ing down at this stage, she has more energy than she's ever had before, and often feels like a teenager. I'm not sure if the work creates the energy or the energy keeps the work going;

- They are exceptionally collaborative. In every case, these social innovators are masters of seeking out partnerships that support the work they're doing, help spread the work, and make it sustainable;
- They have a positive vision of the future. There's not a gloomy Gus in this bunch. No matter how daunting the social problem (85% illiteracy in Afghanistan, one billion victims of mass violence) that some might call "hopeless", they see the possibility and the potential for change and are hopeful and optimistic about the future.

Additionally, every social entrepreneur is facing some leadership challenges from the very beginning, as follow:

- a. Identifying the social problem and suitable solutions for it;
- b. Building a management team and sustainable business model;
- c. Recruiting right people;
- d. Leadership development;
- e. Retention people;
- f. Delegation;
- g. Managing the time and energy;
- h. Improve continuously the processes.

Jeremy Office suggests that successful social entrepreneurs have common values. They're typically more focused on social values than profits, and partner with local communities, governments, companies and charities. Social entrepreneurs are in it for the long haul; overall success comes when there is long-term, structural change to address their cause. Their positive contributions to society include changes in health care, transportation and education.

2.1.3. Definitions of social entrepreneurship

EU definitions on social entrepreneurship

Social enterprises' definition differs from country to country. However, at the EU level, a clear definition was provided by SBI, that states:

"A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion

and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities.’’

The Commission uses the term 'social enterprise' to cover the following types of 'businesses':

- Those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- Those where profits are mainly reinvested with a view to achieving this social objective,
- The method of organisation or ownership system reflects their mission using democratic or participatory principles or focusing on social justice.’’

Each member states have adopted their definitions on social entrepreneurship based on provided definition by SBI. Some examples are provided below:

- Austria didn't adopt any official definition;
- Belgium adopted the definition on 'social purpose company' that is very similar with the SBI definition. However the law doesn't impose governance responsibilities;
- Cyprus didn't adopt any official definition;
- Czech Republic has non-official definition, which is not enforced by public law but broadly accepted. The definition was suggested by the Thematic Network for the Development of Social Economy (TESSEA) (2011). Even the definition is different from SBI and misses the social impact, it underlines an important fact that companies' sustainability and economic life have to be independent from external founders;
- France states what is the goals and scope of social and solidarity economy. The Law on social and solidarity economy refers implicitly on financial sustainability and autonomy of social enterprises;
- Greece describe characteristics social enterprises have, especially that SE have autonomy on their economic activities. The definition of SE is stated into the Law 4019/2011 on Social Economy and Social Entrepreneurship;
- Hungary use the definition given by SBI and that allows Government to develop grant programs for eligible organization that fits under the definition;

From definitions provided by analyzed member states can be concluded that some countries use the definition provided by European Commission, others use their own definition where they highlight some characteristics that SE have, such: autonomy, the right for commercial activities, social mission.

Social entrepreneurship is relatively new concept and business model; however, its origins come from earliest entrepreneurship theories. During the times different schools and streams appeared and characterized entrepreneurship. In his research, Bula (2012) summarizes different theories of entrepreneurship, from different literature. Following theories are described: Cantillon's theory (1755), Marshall's approach to entrepreneurship (Marshall, 1949), The Social Enterprise School, Schultz Approach (Schultz, 1975), Kirzner's "alert" entrepreneur (Kirzner, 1997), Schumpeter (1999): the discovery and opportunity theory of entrepreneurship (equilibrium destruction theory), Knight's Approach (Knight, 1971), Neoclassical Constraints, Biological Theory of Entrepreneurship, Sociological Theories of Entrepreneurship.

Social enterprise has drawn the attention of practitioners, policy makers and scholars (Mair and Marti, 2006). The practitioners highlight the importance of social enterprise as being the element in societal organization that aims to solve local, national and regional societal problems. Companies, especially corporations have become more interested in the social enterprise because the used social models allow them to fulfil corporate social and environmental responsibilities. For other organizations, social enterprises are perceived as good tool for strengthening the company's brand. On the other hand, the researchers define common meaning of social enterprises but in the same time with distinctive elements, which depend by diverse variables.

According to Ashoka's researchers (2008), social entrepreneurs are persons with innovative solutions to society's acute problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. They are visionaries, but also realists, and are ultimately concerned with the practical implementation of their vision above anything else.

2.1.4. Components and characteristics of social enterprises

Even there are many common characteristics between a traditional for profit making and social enterprises, nevertheless there are unique components that define and characterize social driven mission business organizations.

Some authors distinguished several unique characteristics of a social business consisting of: mission leaders, emotionally charged, change agent, opinion leader, social value creator, highly accountable.

Rural Support Partners highlights the differences existing between traditional for-profit making organizations and social enterprises. According to the organizations, a social enterprise is distinguished from traditional on by:

- i) Purpose: A social enterprise has a social and/or environmental mission as part of its core purpose. Such organizations seek for profits in order to achieve their missions;
- ii) ii) Impacts: A social enterprise generates significant social and environmental benefits for communities and people, in addition to revenue.

In advance to the mentioned characteristics, social innovation and sustainability are other elements that distinguish social enterprises. Social entrepreneurs develop new solutions to solve social problems or use technologies to facilitate problem solving. Moreover, every social entity must be financially sustainable and not keep relying on government support and donors or they are not sustainable because they do not use efficiently and effectively internal resources for their social missions. In order to be sustainable, the strategic decision making is very important in the earlier stages.

2.1.5. Business models of social enterprises

The sustainability and impact of every social enterprise depends by the conceptualized business model. Practitioners and researchers replicate existing business models to their social business organizations (ex: Social business Model Canvas as an extension of Business Model Canvas of Osterwalder). Comparing with the business model of traditional for profit organization, social enterprise has to create such kind of business model that show to create social value in a measurable way and, social impact also has to be a part of the business model (Lukjanska, 2015). Some imperious variables mentioned by Yunus (2009) is the need to consider all stakeholders, not only shareholders, and the need to define the social profit.

Some authors suggest different traditional business models that can be aligned to social purposes of social enterprises. Some of the adapted models are: Business Model Canvas, My Social business model (MySBM), RCOV framework (Resources and competences (RC), the Organization (O) and the Value Proposition (V) of the company are the main components interacting with each other).

According to Grassl (2012) from a design perspective, a business model must as minimum specify: what, for whom and why. Grassl suggests 9 fundamental types of business models for social enterprises: entrepreneurs support model, market intermediary model, employment model,

cooperative model, low-income client as market, fee-for-service model, market linkage models, service subsidization model, and organizational support model.

2.1.6. Risks associated to social enterprises

Because of its nature, social enterprises face different kind of risks. Moreover, the opinions that appeared near these beliefs share the idea that social enterprises need a special approach, facilities and “attention”. The author’s opinion is that social business is that kind of commercial activity that are managed by the best social change makers from every community, the innovators. Moreover, social enterprises must be treated and shall have the same privileges as any traditional enterprise.

In many countries, especially developing one, wherein the model of social businesses is still unknown (Moldova case), local stakeholders believe that social enterprises must be treated different and must have Government facilities. However, the facilities are required because of high risks social enterprises can have. This sub-chapter describes some risks associated to social enterprises.

Many authors Dees (1998), Di Domenico, Haugh, and Tracey (2010), Haugh (2006), Peredo and McLean (2006), believe that social entrepreneurs face different challenges while setting social business models, especially regarding financial and human resources involvement. In Republic of Moldova, the lack of qualified human resources is one of the problems that SME sector face. The phenomenon of “brain drain” characterize mainly the problem with human resources qualification. Regarding the financial support, SMEs sector has very limited access to State funding or/and international funding.

Investigations of Harding and Cowling in 2006 show that social entrepreneurs are significantly more likely to fear failure than traditional entrepreneurs.

Additional risks associated to social enterprises are related to organization mission. Mission and reputation could be compromised if the venture is seen as a sell-out by stakeholders. Organization has difficulty balancing mission and money, causing mission drift from core social activities to business.

Operations risks characterize social enterprises as well. Increased organizational complexity requires to support additional costs. In addition, the need for skilled influence the cost structure and directly impact the price competition on the market.

2.2. Social entrepreneurship in EU

2.2.1. Types of social enterprises in member states

As part of wide and holistic discussions, the scholars identified several types of social enterprises. The first type of social entrepreneurship, is “Social Bricoleur”, found on Hayek’s view of entrepreneurship as a largely localized undertaking, in 1945. The “Social Bricoleur” type of social entrepreneurship, with a focus on local concerns, is partly driven out of first- hand exposure to problems.

The second type of social entrepreneurship, labeled “Social Constructionists”, identifies gaps in the social market, mentioned by Kirzner in 1973 and tries to fill them. This kind of enterprise build and operate alternative structures to provide goods and services addressing social needs that governments, agencies, and businesses cannot.

The third type focuses on deconstructing and reconstructing the engines of society to achieve broad social aims. This form of social entrepreneurship, labeled as “Social Engineers”, engages in entrepreneurship as envisioned by Schumpeter. This type seeks to build lasting structures that will challenge existing order.

Basically, social entrepreneurship is about social engagement and entrepreneurial action. This is one of the issues debated among scholars, entrepreneurs, NGOs, policy makers.

In the Republic of Moldova there is a huge gap of perception between different community actors regarding types of social entrepreneurship and who is a social entrepreneur. In order to define concrete models of social enterprises is not enough to benchmark the situation worldwide, but it is important to understand the whole integration context inside the country. Moreover, it seems very difficult at the first stage to set out a unique model that will be able to characterize and integrate interested stakeholders.

According to Benchmarking study on social entrepreneurship in the framework of the Project ISEDE- NET, innovative social enterprise development network, following models can be found in different EU countries:

In **Austria**, the social economic sector is characterized by a high degree of heterogeneity and complexity concerning the organizational legal forms. A specific segment of social enterprises prevails in Austria, so called “Work Integrated Social Enterprises”. There are six models of WISEs:

- a. Social economic enterprises (SÖB)
- b. Non-profit employment projects (GBP)

- c. Non-profit temporary-employment agencies (AKÜ)
- d. Integrative enterprises (IB)
- e. Employment projects for disabled persons
- f. Social integration enterprises that make (only) use of an integration subsidy to finance their services of integration into the labour market.

In **Bulgaria**, the existing forms of Social Enterprises are:

- a. Non-profit organizations which perform profit activities and use the profit for financing the social mission of the organization;
- b. Non-profit organization which provides employment of people with disabilities or provides training services (for example, trainings for development of labour abilities);
- c. Non-profit organizations engaged with social assistance;
- d. Socially oriented cooperatives.

In **Hungary**, social economy consists of the following organisations:

- a. Non-profit organisations undertaking employment of disadvantaged people;
- b. Social association;
- c. Associations reorganised after the change of the political regime;
- d. Foundations;
- e. Public Benefit Companies;
- f. Social cooperatives.

In **Greece**, the main social enterprise types are:

- a. Social Cooperatives of Limited Liability (Koi.S.P.E) for people with mental health problems;
- b. Social Cooperative Enterprises of the Law 4019/2011;
- c. Women's Agro-tourist Cooperatives.

In **Slovenia**, the general social enterprise sector consists of:

- a. Societies;
- b. Non-profit private institutions;

- c. Companies for disabled;
- d. Cooperatives.

As it can be inferred, all the models were created according to the social needs each of the countries faces and the available organizational models of the entities in a specific country, which means that a certain model doesn't exist for all the countries.

2.2.2. Social entrepreneurship models in EU

According to many authors, in Europe there are five main models of social enterprises and social economy, as follows:

1. Anglo-saxon model – this model supports the idea of non-profit organizations as social entities. This model make clear differences between social enterprises and private sector. This model implies that social enterprises have to focus on disadvantaged areas;
2. Scandinavian model (Sweden, Denmark, Finland, Norway) – this model consists in promoting and facing the needs of social services of the community and to promote social solidarity and gender equity. The main forms of social enterprises are cooperatives that make pressure in order to achieve social scope and satisfy social needs of the communities. In this respect, both cooperatives and associations contribute to the reallocation and creation of new social services for the citizens;
3. Continental model – this model promotes public services to face social needs of citizens. In some countries cooperatives created the necessary framework to facilitate the social needs.
4. South-European model – in Mediterranean countries, where dual regimes persists, the legal form of cooperatives are used and their role is to offer social services that Government can't provide.
5. Central and East European model – this is the most incipient model with fragmented elements. Countries from this region are at initial stage of development social economy and social enterprises. For example, in Romanian under the Ciolos Government, in 2016 was lunched SOLIDAR Program aiming to consolidate the social economy.

2.2.3. Legal forms and statuses of social enterprises

There are different opinion about legal forms social enterprises must incorporate. According to some practitioners (Esela, 2018), there isn't a unique recommended legal model for social companies. According to the mentioned source, legal shapes are divided into three main pillars:

- i) social enterprises that have the incorporate existing legal forms, such as Foundations, Associations, Co-operatives; Companies;
- ii) special designed legal forms for social enterprises;
- iii) social enterprises legal status that can be obtained by social companies that fill specific requirements.

Across EU region and European countries there isn't a common legal form for social enterprises. More than half European countries have established special forms and statues for social enterprises, providing different incentives and attributing specific characteristics. The interesting thing is that social enterprise, as a regulated definition, in all EU differs from country to country. In most of jurisdictions, social companies usually adopt an existing legal form which is not specifically designed for social enterprises, mainly because of ambiguity of such legal forms.

According to ICF-GHK Mapping Report (2015), social enterprises forms in some EU countries, are regulated differently, as follows:

- Denmark: Law No. 711 of 25/06/2014 on Registered Social Enterprises;
- Luxembourg: Société d'impact Sociétal (SIS)(under development);
- UK: Community Interest Company (CIC);
- Belgium: Social purpose company;
- Italy: Social Co-operatives as per Law No. 381/1991 Law on social enterprises (155/2006);
- Spain: Social initiative Co-operative under National law 27/1999 and regional laws;
- Poland: Social Co-operatives as per Act of 27 April 2006 Act on Social Enterprises (under development);
- Hungary: Social Co-operatives under Act no. X of 2006 on Co-operatives, etc.
- Spain: Via cooperative adaptation (Law 27/1999 on social initiative cooperatives); Via WISE qualification (Law 44/2007 on social integration enterprise, cooperative or

corporation); Via WISE qualification (Special employment centres, Royal Legislative Decree 1/2013 on the rights of persons); Via social economy legislation (Law 5/2011).

As a result of legal mapping of social enterprises across EU countries can be concluded that some countries, such as Finland, Lithuania have special legal status for social enterprises. In countries like France, Portugal, Spain, social enterprises adopt the co-operative forms. In United Kingdom social enterprises adopt the companies form.

Beforehand, it worth to mention that across EU countries there are some specific approaches to social enterprises legislation. In different countries the approaches are similar and different in the same time. Usually, there are two main approaches:

1. Creation of new **legal form** of social enterprises by adapting existing legal forms;
2. Creation of a social enterprise **legal status** - a legal status can be obtained by select or all existing legal forms.

Across EU region there are four main legal forms that social enterprises have:

- a. Cooperatives – such forms usually have a social purpose regulated by country legal framework and cooperatives are owned by their members who distribute between themselves the profit and gains.
- b. Share companies – such institutions are owned by shareholders that may economically be active having a social purpose.
- c. Non-profit organizations that take form of associations, foundations or institutions. foundation legal form is commonly used by social enterprises in 12 countries (European Commission, 2015).
- d. Social enterprises legal form – such enterprises act under a new recognized and changes country legal framework focused only for social enterprises.

Legal enforcement of social companies are made in different ways, but following specific stages, such as:

- i. Modifications and adjustment of cooperative forms in order to permit of general interest aims;
- ii. Implication of social statuses, legally authorized, meaning that entities that comply with specific criteria and requirements are legally recognized as social enterprises;
- iii. Creation and recognition of new legal forms that are developed for concrete activities with social focus

For instance, in France and Belgium, usually social enterprises take the legal form of associations because such legal frame allow enterprises very high degree of flexibility and freedom in terms of selling goods and running economic activities. In the case of Belgium, associations permit possibility for various income sources if the organization is created with a social mission. However, in other EU countries, even entities are recognized as social enterprises they legal form of association does not permit economic activities, case of Nordic countries. In such situations, enterprises take the form of traditional consumer or worker cooperatives.

In other countries where non-profit legal forms prohibited economic activities, the regulatory framework changed for social enterprises, by allowing them to diversify their income and have different economic initiatives that would help them be more financially sustainable.

Because of the variety of legal forms, the direction of social entrepreneurship in every EU country is different. Over 30 Legal Forms are used by social enterprises in the Member States.

Legal Forms most commonly used by Social Enterprises in the Member States are:

A. Non-profit

- a. Associations: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Croatia, Hungary, Ireland, Latvia, Luxembourg, etc.
- b. Public establishment: Lithuania.
- c. Foundation – Belgium, Cyprus, Denmark, Estonia, Finland, Hungary, Malta, Netherlands, Portugal, Poland.
- d. Non-profit company – Bulgaria, Cyprus, Hungary, Ireland, Slovakia, UK.
- e. Social integration enterprises – Spain.
- f. Institute – Czech Republic, Slovenia.

B. Co-operatives

- a. Co-operative of People with Disabilities – Bulgaria.
- b. Co-operative – Croatia, Czech Republic, Luxembourg, Malta, Netherlands, Sweden, Switzerland, UK.
- c. Social Co-operative – Poland, France, Greece, Italy, Spain.

C. Share company

- a. Share company – Austria, Croatia, Denmark, Estonia, Finland, France, Ireland, Latvia, Lithuania, Luxembourg, Slovakia, Slovenia, UK.

- b. Company with social purpose – Belgium
- c. Third Legal Form not provided by Respondent – Greece.

D. Miscellaneous

- a. Specialised Enterprises For People With Disabilities – Bulgaria.
- b. Sole Proprietor – Germany, Lithuania
- c. Social Enterprise ex-Lege (Legal status that can be attached to a number of legal forms) – Italy.
- d. Special Employment Centre – Spain.

According to European Commission Report (2016), social enterprises legislations in EU members states are aligned to the general rules and definition recognized by SBI, however each country tends to have their particularities:

Table 2. Social enterprises regulations

Country	Law	Regulation
Italy	Cooperative adaptation (Law 381/1991 on social cooperatives)	Social enterprises can take legal form of cooperatives if they provide welfare activities and support work integration of people with disabilities or other categories of vulnerable people
	Social enterprise qualification (Law 155/2006 on social enterprise)	A legal category of social enterprises was introduced and the activities allowed to be organized were diversified
Belgium	Social enterprise qualification (1996 Law on the social purpose company)	Enterprises under this law must pursue their activities under a specific social goal
	Recognition of WISEs, Regional Decrees in the late 1990s	Regional legislation offers support and regulate the activities of WISEs
Poland	Cooperative adaptation (2006 Act on social cooperatives)	Recognize social cooperatives that integrated into work disadvantaged people

Spain	Cooperative adaptation (Law 27/1999 on social initiative cooperatives)	Entities who intend to employ socially excluded people. Workers, including disadvantaged people can be shareholders and partial distribution of the profit is permitted
	WISE qualification (Law 44/2007 on social integration enterprise, cooperative or corporation)	Entities can have any economic activities if they employ socially disabled people. Workers, including disadvantaged people can be shareholders and partial distribution of the profit is permitted
	WISE qualification (Special employment centres, Royal Legislative Decree 1/2013 on the rights of persons)	Entities can have any economic activities if they employ socially disabled people. Almost 80% of profit have to be reinvested into the growth of the company and into the social mission (integration as workers socially disabled people)
	Social economy legislation (Law 5/2011)	It recognizes social economy

Source: Elaborated by author on the basis of EC Report: Social Enterprises and their Eco-systems: Developments in Europe

Besides mentioned legal forms, there are also other legal statuses relevant to social companies:

- i. Social economy statuses – that is a more traditional concept and aim the specific Legal Forms which are related with the traditional social economy, such as Co-operatives, Foundations and Associations;
- ii. Public benefit statuses – such statuses provide financial incentives for social enterprises.
- iii. Integration Enterprise statuses – the main scope of the enterprises of such status is to integrate into the work disadvantaged and vulnerable people. Such status is commonly met in every EU country.

The **Belgium** case speaks that the Social Purpose Company (a status given) can combine the social scope with variety of economic activities. Each company from Belgium can adopt this status, but mostly used is the cooperative company with limited liability. After the shareholders obtain their dividends, the rest of profit must be re-allocated for the social purpose of the company.

In **Italy**, social enterprise ex leges can be attributed to any legal forms like Foundations, Co-operative, Associations. The ex lege provides clear free hand for both entrepreneurial activity and

social purpose. According to the report titled "A map of social enterprises and their eco-systems in Europe", a social enterprise *ex lege* can only be applied within specific approved sectors: social assistance; health care; education; environmental conservation; health care; cultural heritage; social tourism; and support services to social enterprises supplied by entities which are at least 70% owned by social enterprises. Moreover, this status can be obtained by the companies that integrated disabled and disadvantaged people to the workforce.

The struggle between theoreticians, policy makers and entrepreneurs remain actual when it comes about the benefits and incentives. There are two different opinions. First are stated by entrepreneurs who make business as part of their social responsibility. For such category, the statuses and legal forms do not play any role because their original value proposition is socially oriented. The second group are looking for concrete fiscal or regulatory benefits.

2.2.4. Advantages of social enterprises

In terms of advantages of gaining a legal recognition of social enterprises, across EU countries still is not clear what is better, the status or the legal form. Even in some EU countries adoption of a specific legal recognition generate economic and social results, in other EU countries, the same is not obviously applied.

Legal frameworks have imperious power for social enterprises across EU region. It shows exactly which companies can be defined as social enterprises, acting under specific laws, what are their responsibilities and scope for which they are created/operate, main goals, and even financial issues of their activity.

Social entrepreneurship legal frameworks develop in many countries facing to the requirement of community in new paths to advocate the ideas of social business.

Many enterprises aspire to become legally recognized as social enterprises because of range of tax facilities and advantages:

- Different types of corporation tax reliefs
- Tax incentives on property deals
- Fiscal reliefs from local or national authorities.

In **Finland**, the Act on Social Enterprise (1351/2003) – legal status, the Public employment services may offer support for the creation of a social businesses. This act offers the possibility to companies who employ people with disabilities or other groups of disadvantaged people, to obtain subsidies that compensate low efficiency, because of lower productivity of the mentioned

workforce. Same benefits are applied for **France**, under the Société coopérative d'intérêt collectif (SCIC) – legal form.

In **Slovakia**, Act No. 5/2004 on Employment Services – legal status, special subsidies are provided for all enterprises that employ disadvantaged and disabled people.

In **Greece**, Law 2716/99 (article 12) creating Limited Liability Social Cooperatives (Koi.S.P.E.) – legal form, various tax incentives are offered. Also social benefits provided for members of the Koi.S.P.E.s who are mental health patients, in terms of sickness benefits.

In **Poland**, Act on Social Cooperatives – legal form, offers the advantage for social cooperatives not to pay social security contributions for their members during the first two years of existence. Also this legal form allow tax reliefs for income tax.

2.2.5. Fiscal framework

In EU region, the fiscal framework is complex or fragmented, sometimes existing policies and regulations provide fiscal incentives for social enterprises, in other cases fiscal incentives are totally missing for different reasons. Fiscal incentives usually occur in following situations, which differ from country to country:

- i. Social enterprises benefit by legal framework created and designed for companies that operate into social economy. For example in Italy cooperatives are exempted from tax on non-distributed profits. The same privilege is applied for organizations with charitable status from Ireland.
- ii. Social enterprises enjoy the same fiscal incentives as traditional companies.

In the region, the incentives usually are not tailored for social enterprises but for following situations:

- For specific activities which are run by enterprises;
- For specific types of organizations operating in specific industries.

Fiscal incentives are classified in several types:

- a. Low and diminished/reduced social security contributions offered for social enterprises;
- b. Tax reliefs for social companies under certain conditions;
- c. Tax exempt for donors of social enterprises.

Tax exemptions and incentives are applied in very few European countries for social enterprises. As a general rule, social enterprises are taxed as according to their underlying legal form. However, the main forms under tax exemption and incentives category are:

- Tax reliefs can be applied in specific situations for non-profit organizations;
- In the countries where integration enterprises are recognized legally, tax breaks are applied;
- In case certain activities and operations are done, tax incentives can be offered for social enterprises;

Tax treatment applied for non-profit entities are usually made for non-profit organizations that have the status as public benefits. Some of the benefits are:

- Corporation, income and capital tax reliefs;
- Tax exempt on specific costs and investments;
- Tax deductions on donations;
- Inheritance tax relief for donors;
- Tax incentives on property transactions;
- Tax privileges on local or municipal taxes; etc.

However, in order to benefit from mentioned tax reliefs, non-profit organizations need to prove that they are eligible into this respect, which means that they have to demonstrate that their mission is for public benefit, the profit is not distributed among members and are allocated for operational activities that generate social impact, have a social scope. From country to country the rules are different. For example in Romania, non-profit organizations can benefit by tax incentives in case they do not have trading activities. Same rule is applied for Denmark.

Tax treatment for integration companies/enterprises (WISE)

According to Directorate General for Internal Policies (2016), the key objective of WISEs is to face the exclusion and marginalization of disadvantaged people in the labour market, through the employment of society's most vulnerable members. WISEs are labour-intensive enterprises providing social support and on-the job training for the people they support.

Such entities benefit from various tax reliefs, such as:

- Subsidies and partial reimbursement for wages;
- Deductions and exempt for social insurance contributions;
- Partial or complete relief from corporate tax.

Tax treatment for operational activities of the entities

Many European countries apply fiscal incentives for various activities conducted by social enterprises that are not limited to:

- Different training activities with educational purpose;
- Donations to groups of disadvantaged and marginalized people;
- Employment of persons in certain localities with high unemployment;
- Purchase of specific assets, etc.

The European Commission Report (2016) on social entrepreneurship makes a clear comparison of fiscal framework in some EU countries. From the report we can highlight that the incentives are different from country to country even some countries provide similar fiscal advantages.

Table 3. Fiscal framework in EU countries

Country	Fiscal incentives for social enterprises
France	<p>Social enterprises are exempted from social security taxes for particular employers under specific conditions and frames. That rule is applied for associations and WISEs. In cases any association operates into the sport or cultural industry, than the enterprises are exempted from corporation tax and VAT tax on the services delivered to their members. The mentioned incentives are not applied for foundations.</p> <p>In case an individual is going to donate to associations of public interest than those funds are tax deductible to a level of 60% from the total income tax.</p>
Italy	<p>WISEs are relieved from the social insurance contributions for the disadvantaged workers they employed. In case of social cooperatives, they benefit by total exemption from paying the corporate tax. Moreover, for social cooperatives are applied a favorable rule on VAT payment.</p> <p>In case the social enterprises are qualified as ONLUS that the donations which are provided to them are tax-exempted.</p>

Poland	In case of Poland the fiscal incentives take form of subsidies. Local government may address by themselves specific expenses related to health, retirement, disability or accident insurances. Such incentives are time limited, for a specific period of time. This rule is applied not only for social enterprises but for all type of private companies, under certain and specific conditions.
Belgium	Social security contribution deductions are applied for the employment of particular workers, mainly disabled and disadvantaged people. Moreover, some incentives regarding social security taxes are applied in the health care and social service sector. In case of WISEs, they can benefit from a reduced AVAT tax and in case of their profits that are allocated/put into an asset lock schemes, they are tax exempted.
Slovakia	Social enterprises may claim reduced social insurance contributions for disadvantaged workers. This rule is applied for all enterprises around the country. Donations do not have any tax incentives. In terms of fiscal incentives, Slovakia do not particularly have created a fiscal framework for social entities.
Spain	Diminished social security contributions allowed to all companies for integrating young people with age up to 30 years old and adult workers of over 45 years. They amount is from EUR 500 to EUR 5 300. Moreover, lower tax rates are applied for social initiative coops.

Source: Elaborated by author on the basis of EC Report: Social Enterprises and their Eco-systems: Developments in Europe

2.2.6. Public support measures for social enterprises

In order to stimulate social enterprises, governments of EU member states offer different financial and non-financial supporting measures for social entities. Sometimes those measures are applied for all entities, others are applied for enterprises under specific circumstances.

Across Europe, public support schemes can be considered from different angles:

- Knowledge sharing and skills improvement in the field of social entrepreneurship;

- Investment support – in UK for instance can be mentioned the Social Incubator Fund and the Investment and Contract Readiness Fund;
- Financial and physical tools and infrastructure – in case of physical infrastructure co-working spaces created by national authorities or by other institutions are a relevant example. In Slovenia can be found Social Incubator dedicated especially for students who intend to develop social enterprises. This incubator helps them at different stages of their start-up life cycles;
- Access to market and demand – specialized public procurement for social enterprises is a relevant scheme that support social entrepreneurs benefit by public tenders. For example in Czech Republic many municipalities, under the guidance of Agency for Social Inclusion, planned into their strategic documents specific social criteria. Also an additional thing is that companies have to employ at least 10% workers with disabilities.

Table 4. Public support measures for social enterprises

Country	Fiscal incentives for social enterprises
France	There are different support measures at the regional level for social enterprises that promote innovation and use new approaches/services/resources to deliver value
Ireland	There are two main programs that indirectly target social enterprises. First is National Social Economy Program which main goal is to offer assistance for community regeneration. The second is Community Services Program that focus on those companies that are community responsible and create necessary services for their communities and into the same time help people with disabilities integrate as a working force
Poland	National Programme for Social Economy Development (KPRES) focus on social enterprises around the country, having specific requirements and directions for them

Source: Elaborated by author on the basis of EC Report: Social Enterprises and their Eco-systems: Developments in Europe

2.2.7. Financial instruments for social enterprises

Given the fact that social enterprise comparing with traditional companies face bigger challenges, the need for additional financial support is imminent. Many times, before becoming self-sustainable, social enterprises have necessity for external funding. In different countries financial schemes varies. Some relevant examples are described in the table below:

Table 5. Financial schemes and supporting mechanisms for social enterprises in Member States

Country	Scheme	Description
Poland	Social Economy Fund: ESFund/ TISE pilot 2013-2015	Main goal is to provide concessional loans for social enterprises. The funds are used for extension of existing operations or for new products or services
France	Caisse des Dépôts	This is the fund investing in other funds focusing on social enterprises
Denmark	The social enterprise network	The network is created for social enterprises and offer the platform for entrepreneurs looking to increase their qualification and guidance for their businesses
Finland	Social enterprise coalition	This network is used as a discussion platform for social enterprises on different issues concerning the social economy sector
UK	SEUK	It represents the main representative body for social economy sector into the country. This coalition design social enterprise agenda and is a voice of this sector.

Source: Elaborated by author

At the EU level, there are different intermediaries working with and for social enterprises. Most common intermediaries are mentioned into the table below.

Table 6. Financial intermediaries working with social enterprises

Financial intermediary	Contribution and implication to social entrepreneurship
Banks	Some banking institutions provide assistance and loans to enterprises that fit under their mission. Other banks have a philanthropical agenda and CSR strategies aiming to foster social economy.
Charities	Some charities invest in bonds and the gained profits/dividends are distributed to social mission directions.
Social venture capitalists	These institutions are providing grants, equity and other form of funds for social enterprises

Source: Elaborated by author

2.2.8. European level supporting schemes

First short-term action plan supporting the development of social enterprises in EU was introduced by social business initiative (SBI) in 2011. According to European Commission, There are 11 priority measures, organized around 3 themes:

Theme 1: Making it easier for social enterprises to obtain funding

Action 1: Put forward a European regulatory framework for **social investment funds**.

Action 2: Encourage the development of **microcredit** in Europe, specifically by improving the related legal and institutional framework.

Action 3: Set up an **EU financial instrument** to provide easier access to funding.

Action 4: Make social enterprises an **investment priority** of the European Regional Development Fund and European Social Fund.

Theme 2: Increasing the visibility of social entrepreneurship

Action 5: Identify best practices by establishing an **exhaustive register of social enterprises** in Europe.

Action 6: Create a **public database of labels and certifications** applicable to social enterprises in Europe.

Action 7: Help **national and regional governments** introduce measures to support, promote and finance social enterprises.

Action 8: Create a **multilingual information and exchange platform** for social entrepreneurs, business incubators and clusters, as well as social investors. Increase the visibility of EU programmes to support social entrepreneurs and make it easier to obtain funding.

Theme 3: Making the legal environment friendlier for social enterprises

Action 9: Simplify the rules regarding legal recognition as a **European Cooperative Society**; put forward a regulation creating a legal status for **European foundations**. Conduct a study on the situation of **mutual societies**.

Action 10: Make **quality and working conditions** more important criteria for the awarding of **public procurement contracts**, particularly for social and health services.

Action 11: Simplify the rules for awarding **public aid** to social and local services (which would benefit many social enterprises).

Lack of finances are one the most common problems faced by social enterprises at the EU level. In this respect (EPRS, 2017), in 2013 was adopted the regulation on European Social Entrepreneurship Fund. This regulation facilitates investment in European social businesses.

In advance, an EU-level financial instrument was created under the Programme for Employment and Social Innovation (EaSI) – with a total budget of approximately €171 million for the 2014 to 2020 period. It offers assistance to the development of the European market for social enterprise by providing microcredit providers with risk-sharing guarantees in order to allow them to increase their lending.

European Regional Development Fund (ERDF) and European Social Fund (ESF) prioritized social entrepreneurship with a special axis/priority, that is part of EU Cohesion Policy. Supporting funding can be obtained through public tenders/calls. However, social companies can apply for funding under different H202 calls, such as InnovFin and COSME are.

Main policy makers are following institutions:

- European Commission,
- European Parliament,
- European Economic and Social Committee,
- The Organisation for Economic Co-operation and Development (OECD)

Some of the organizations that provide financial support are:

- European Venture Philanthropy Association (EVPA). EVPA is a community of organizations interested in or practicing venture philanthropy (VP) and social investment (SI) across Europe.
- European Investment Fund (EIF). According to the mission of the institution, it has two main goals: a) fostering EU objectives, notably in the field of entrepreneurship, growth, innovation, research and development, employment and regional development; b) generating an appropriate return for our shareholders, through a commercial pricing policy and a balance of fee and risk-based income.
- Erasmus for Social Entrepreneurs. This is a part of the program Erasmus for Young Entrepreneurs, providing flagship programme **Social Entrepreneur Exchange and Development** (SEEDplus). The scope of the program is to offer possibility to social entrepreneurs to learn from other social business across members states.

Besides financial instruments, at the EU level there are organizations supporting social enterprises and social economy development. Into the European Commission Report (2016) on social enterprises, those organizations are classified as umbrella organizations and most important are:

Table 7. Umbrella organizations

Name	Description and background
NESsT https://www.nesst.org/	It is focusing on Central and Eastern Europe, also Latin America Regions, providing specialized consulting services and training for social entrepreneurship. Besides that, it offers financial support.
Ashoka https://www.ashoka.org/en-AT/home	Founded in 1981, Ashoka's mission is to identify and supports the world's leading social entrepreneurs, learns from the patterns in their innovations, and mobilizes a global community that embraces these new frameworks to build an "everyone a changemaker world." The organization operates in over 70 countries across the globe

Oksigen http://www.oksigen.eu/	The organization is offering financial support, specialist support, qualification training for social entrepreneurs and social enterprises. It is ecosystem, composed of independent organizations, aiming to stimulate social entrepreneurship and maximize social impact.
ImpactHub https://impacthub.net/	It is a network organizations with 61 impact hubs around the world, including 8 in member states. T provides physical facilities and infrastructure, organize events, workshops, sessions training for its members
Social Impact Lab https://socialimpact.eu/lab/	It offers physical facilities and space for start-ups, including social enterprises.

Source: Elaborated by author

2.3. Social entrepreneurship’s principles of circular economy

2.3.1. Circular economy approaches

Switching from the model of linear economy to a circular economic approach will improve not only the cost efficiency and in the same time the competitive advantage of the companies but also will reduce negative impact on the environment and on the society. Nowadays, different local, national and international stakeholders fight for saving natural environment from humans and companies’ irresponsible interventions.

A special attention is given by large corporations and medium sized enterprises for social and environmental problems. However, many authors and practitioners claim that this approach is part of the internal marketing strategy or a good tool for motivating staff and clients, or a strategic intervention for building the company’s brand (Knowledge and Wharton, 2012).

In case of business operations and strategies of for-profit making organizations, there are only several authors underlining the circular business framework. Some recent researchers develop new components of circular business model on the basis of Business Canvas Model: value propositions, channels, customer relations, revenue streams, key resources, key activities, key partnerships, cost structure (Lewandowski, 2015). Other researchers cover the circular business model only under the four pillars: value proposition, infrastructure management, customer interface, financial management (Frank Boons & Lüdeke-Freund, 2012). The need for new business model is widely expressed by other researchers (Sempels, 2014).

Some researchers give specific strategic tools or/and phases on how to change the existing business models. For example, Frankenberg (2013) have developed the *4I-framework*, which consists of four generic phases, from design to realization. Others redesign existing strategic planning tools, as Balanced Scorecard is, in a more sustainable way (Johansson, 2015). Some researchers highlight that for circular business models must be attributed ideation and out of box creative thinking (Frankenberg, 2013; Chesbrough, 2010). Relevant methods of circular business innovation can be found in different academic literature (Heikkilä and Heikkilä, 2013).

A special attention of social and environmental problems is given by social enterprises which are new players into the open markets. Social enterprises are considered to be the most efficient organizations that can solve social and environmental problems in a sustainable way. Plenty of evidences on environmental related social enterprises are provided by different authors (Vickers, 2010).

The mentioned types of organization, which is subject of this thesis, must review the existing policies and models of businesses, because of of limited resources and potential. This is the reason circular economy attracted attention as a powerful tool towards sustainability (Lewandowski, 2015).

Some authors stress that social enterprises play one of the most relevant role into the process of transition from linear to circular economy. Such companies use innovative strategic thinking in order to reduce environmental impact and create higher added value to the society, because the core business mission is a social one; a special attention for the sustainability is given by the stakeholders who must be involved into the transition process, such as policy makers, technology and innovation centers, researchers, etc. (Culcasi, 2014). Moreover, practitioners suggest that in the developing economies where green and social problems are on the Government agendas, the start-ups which use circular economy must be given incentives and support to have a strong sense of social aim (Perella, 2015). There are recommendations that a sustainable strategic approach must be used by the organizations that want to be sustainable and responsible into the same time (Johansson, Larsson, 2015).

The answer that author intends to provide is how social entrepreneurship operations can be modelled within existing business methods using circular economy principles. None of the reviewed studies have provided an appropriate answer. The author recommends a framework of a circular business model that can be considered by social enterprises (considered the pioneers of solving social and environmental problems).

The main scope of the circular economy is to protect the natural environment and natural resources (Wu, 2014). From this perspective, generally, the theoretical aspect of circular economy

is described by economic theories and the theories of natural sciences. Specific literature is identified and conceptualized in respect to natural sciences theories, stating that circular economy mainly targets environmental problems. The economic theories stress on the circular business models and its components (Lewandowski, 2015). Lewandowski (2015) categorize the literature devoted to circular economy into the following sub-components, for each of them presenting the literature of different researchers: definitions, components, taxonomies, conceptual models, design methods and tools, adoption factors, evaluation models, change methodologies.

The earliest representation of circular economy is the development of the spaceship theory (Xie, 2004). Another earlier issue that argues for a circular production system necessary to optimize the resources is the report *Limits to growth* published in 1972 (Li, 2010). With time, the two categories of factors are concentrates around the circular economy theory, economic and social-environmental factors. McDonough (2002) states that eco-effectiveness must be part of the process that develop products that have a positive environmental impact.

The theories of earliest streams are presently used to design approach and tools of circular economic system. For example, *Industrial Ecology* stream suggests the approach of creating products by having as inputs the waste. Even more, the promoters of this school underline the importance of social responsibility for waste recycling (Poppellars, 2014). Another current, *Regenerative Design*, argues that system can be arranged in a regenerative fashion (Lyle, 1994). Performance economy stream emphasizes the importance of selling services instead of goods. The promoters of *Performance Economy* underlines that the performance economy takes the principles of the circular economy to the extreme, where we no longer buy goods but simply services (EMG, 2013). *Cradle to Cradle's* promoters, Braungart and McDonough, underlines that materials implemented in industrial and commercial processes should be considered as biological or technical nutrients (Poppellars, 2014). This stream stress more on effectiveness rather efficiency. Principles of cradle to cradle include 'waste is food', 'use solar income' and 'celebrate diversity' (Braungart and McDonough, 2012). On another side, *Biomimicry* underlines the importance of applying concepts from nature into human made products and system. Design and Nature are here on the foreground leaving business models a bit aside in comparison to circular economy (Reap, Guild and Bras, 2005). Some other streams that describe the way of circular economy principles are *Blue economy*, *Permaculture* and others. The mentioned last approaches concentrate more on biological side of circular economy.

Concluding the main focuses of the mentioned streams can be stated that described schools are divided into two categories: those who concentrate on business and microeconomic system and those who concentrate on macro level and environment. Therefore, the need for a theoretical

and practical compromise is important. It is important the development of a ‘socially and environmentally responsible’ business model that could emphasize the principles and values provided by all the schools. That is why the author of this research creates a correlation between circular economy principles and social enterprises. Beside social enterprises are other forms and strategic organizational directions, like corporate social responsibilities, but the added value of a social enterprise is net superior that the existing business models, in terms of organizational purpose/mission and results.

2.3.2. Theories and concepts of circular economy

According to European Parliamentary Research Service (EPRS), circular economy is an ‘economic model based inter alia on sharing, leasing, reuse, repair, refurbishment and recycling, in an (almost) closed loop, which aims to retain the highest utility and value of products, components and materials at all times’ (EPRS, 2016). The authors of the EPRS (Bourguignon, 2016) underlines that circular economy is described as an approach wherein products and the products components are highly value comparing with a linear economic approach. One of the goals of circular economy is to reduce the waste at the minimum level: when the products’ life cycle and their materials must be kept and reused, creating further value. The same authors give statistical data of waste generation from manufacturing and services sectors in the EU-28 and Norway, showing that since 2004 and 2015 waste generation from the mentioned sectors declined about 25%.

European Commission (2014) underlines that circular economy is a twofold concept:

- a) Cradle to cradle, which contain following principles:
 - product design for durability, disassembly and refurbishment. The main idea behind this principle is that business must apply eco-design and renewable resources to all the products
 - modern circular and regenerative forms of consumption. The meaning of this principle is to change model of consumption from buyers to users
- b) industrial symbiosis, which stress the importance of cooperation between different actors, even those who are not eager to cooperate. The cooperation must undertake within the integral value chain and cycle of products. The same ideas about circular economy can be found in Preston (2012) work, who describes the importance of collaboration between different actors through product value chains.

Ellen McArthur Foundation, being the first which defined circular economy, gives following definition: “an industrial system that is restorative or regenerative by intention and design”. Linder and Williander (2015) define a circular business model as “a business model in which the conceptual logic for value creation is based on utilizing the economic value retained in products after use in the production of new offerings”. Scott (2015) underlines “a concept used to describe a zero-waste industrial economy that profits from two types of material inputs: (1) biological materials are those that can be reintroduced back into the biosphere in a restorative manner without harm or waste (i.e.: they breakdown naturally); and, (2) technical materials, which can be continuously re-used without harm or waste”. Arcadis (2015) considers that ‘circular economy is a concept in which growth and prosperity are decoupled from natural resource consumption and ecosystem degradation. By refraining from throwing away used products, components and materials, instead re-routing them into the right value chains, we can create a society with a healthy economy, inspired on and in balance with nature.’

Mentink (2014) analyze in his research the concepts of circular economy of different authors and schools, summarizing key terms of circular economy that can be attributed to different schools, some of them are described into this article. Mentink underlines following findings:

- ‘Permaculture (Mollison & Holmgren, 1978): Diversity, stability & resilience
- Performance Economy (Stahel & Reday-Mulvey, 1981): Performance-based, functional service (from ownership to use); Product-service systems
- Industrial Ecology (Frosch & Gallopoulos, 1989): Systems perspective, thinking in systems; Minimize energy use, consumption of scarce materials, and environmental impacts including waste generation; Industrial Symbiosis; Life cycle assessment and material flow analysis (LCA and MFA)
- Regenerative design (Lyle, 1996): Regeneration, regenerative process (process that renews its sources of energy and material
- Biomimicry (Benyus, 1997): Nature as a model (imitation, learning); Nature as a measure (norms); Nature as a mentor (valuing)
- Cradle to Cradle (McDonough & Braungart, 2005): Waste equals food; Celebrate diversity; Use current solar income; Distinguish bio- and technocycle; Eco-effectiveness over eco-efficiency.’

The Ellen MacArthur Foundation gives several characteristics for circular economic system:

- Out of waste – human made products are developed to be reused
- Use of alternative energy renewable sources – the system must work on alternative sources of energy than alternative one. The authors give examples of agricultural productions system and the way food and farming system can capture more energy value from using products and manures
- System approach – the Foundation recommends that those who use circular economy to understand the whole system and how different components are inter linked each other
- Synergy or ‘think in cascade’ – the reason behind this characteristic is that stakeholders who use circular economy must extract more value from the same product

In Design for a circular economy, Flora Poppelaars (2014) summarizes diverse comprehensive characteristics of circular economic system during developing circular products, as follows: ‘Design for Product Life Extension, Design for Maintenance, Design for Re-use, Design for Remanufacturing, Design for Recycling, Design for Disassembly and Design for Reliability’. The common components of the mentioned characteristics are sustainability and environmental protection.

The meaning of business models is to describe factors leading organizations in processes of value creation; that is the financial and organizational architecture of a business (Teece, 2010). Nowadays, the business models are designed in the way to optimize resource usage, in a more efficient way. Such operational and strategic approaches are mainly used by big corporations with strong financial health.

Companies use different strategies and business models in respect of resource efficiency with differentiated approaches to innovation and change (Henriksen, Bjerre, Almasi, & Damgaard-Grann, 2012). Morris (2005) noted in his work several elements of business models, which were summarized from other different authors. The business model construct builds on ideas from business strategy (e.g. Porter 1985; 1999), resource-based view of the firm (Barney, 1999), 6 transaction costs economics (Williamson, 1981), strategic network theory (Jaramillo 2005), and cooperative strategies (Dyer and Singh, 1998).

In most of the cases, the type of business model is created in direct correlation with the value the organization is aiming to bring for the customers or/and users of their products. Additionally every company is managing individually its activities and can reach desirable results

only itself. The methods used to manage operations under the business models are specific for each business (Vasa & Mukanovna, 2016).

In business literature can be identified several functions of business models. In general, the functions contains and cascade the elements of structure and the ADN of the company, those particularities that influence supply and value chain interactions, exchange relationships between different sources and stakeholders. In general, the functions of the organizational business model are:

- Creates and brings the value proposition. The value proposition is one of the most important elements for the business itself, especially when it is used circular economic approach;
- Identify key partners, key resources and activities to reach the market segment;
- Define the structure and components of the value chains;
- Creates revenue and cost structural possibilities;
- Identify possibilities for a competitive advantage and market position.

Many authors agree that design and operationalization of business models for resource efficiency could be perceives as a systemic process of change. The sustainability and the use of resources in a more efficient way starts from the company itself, from the business model of the company.

2.4. Strategic planning methods and models

2.4.1. Circular economy models

By now, researchers and practitioners found out and described different business methods, adapting them to circular economy principles. In his work, Mentink (2015) summarizes different methods already developed and which have been put in practice. Each of the methods has its specifics and characteristics, but none of them is adapted for social enterprises. Some of the most common methods are:

- *Business Model Generation*. The Business Model Canvas, the most discussed in all relevant literature, consists of nine basic building blocks covering the four main components: strategic component, resources and network; the customers and market; value creation; revenue structure. For many practitioners and authors seems difficult to underline where the changes must occur in order to support resource efficiency and business sustainability. In the *New business models that support resource efficiency*, it is described the elements where changes are necessary in order to use

more efficiently the resources, through a circular economy principle. Changes to the value proposition aim to bring new offerings to customers. The second step to be made is the changes within operational processes, activities, resources and partners who can ensure a sustainable value chain. The third category of transformations must occur in the customer relationship-based management that will change the interface of customers and the synergy of provided values. Last but not least changes of the financial model can modify the cost and revenue structure of the whole business.

- *The STOF method.* This business method is important because it describes and takes into the consideration the networks and value chains in which innovation has an important role. The STOF method describes how organizations offer innovative services in an economically viable way. The STOF method describes a business model in terms of four interrelated domains, i.e. the service domain, technology domain, organization domain and finance domain (Menko et al, 2013).
- *New Framework on Circular design.* The method is designed in the way to valorize the waste and other unused materials along a supply chain (Mentink, 2014). Circular design is possible especially when the improvement in material selection and product design occurs.
- *Circular economy toolkit.* For this method is created a special platform (<http://www.circulareconomytoolkit.org/Toolkit.html>) which describes different activities and help companies identify benefits and opportunities. The tool provides seven circular economy activities: (i) products as a service – suggesting about the opportunities of providing same value by using services instead of products; (ii) design, manufacture and distribute – the idea is focusing on the reducing materials usage; (iii) usage - reduce the replacement frequency and improve the product efficiency for resource consumption; (iv) maintain/repair – prolong as much as possible the life cycle of the products; (v) reuse/redistribution – us the products or their components for designing and creating new outcomes; (vi) refurbish/remanufacture; (vii) product recycling;

All existing methods have advantages and disadvantages and nor of them are 100% using circular economy principles. Moreover, even the existing methods highlight the importance of sustainability and use the sustainability as a core element of the business, they do not describe or give any details if the methods can be used in an appropriate way by social mission organizations. In addition, the practitioners agree that one of the lacks of these methods is practical usage. Thus,

there isn't any standardize methods to be applied no matter by the situation and environment of business activity. A gap of the existing methods is related to performance evaluation that can give a conclusion on how much material loops are actually being closed (Kok, 2013).

2.4.2. Strategic planning tools

Each circular economy itself has the functions and components. The author opinion is that one of the most important and responsible components is the strategic planning function. Certainly, the practical usage of the circular economy business models is the hardest part of the process, however if a systemic thinking and a rigorous strategic planning is done, the sustainability and efficient use of resources can be provided.

Into this chapter, the author will briefly describe some of the most relevant strategic planning tools that are applied by organizations around the world. The scope is to use some elements of described tools within existing circular economy business models in order to cascade it social enterprises.

One of the top management consulting companies, Bain & Company, each year is publishing the report titled *Management tools. An executive's guide*. The report provides the most common used management tools, applied especially by successful companies.

For several years consecutively, following tools are mostly used to solve organizational problems:

- a) Balanced Scorecard – this tool defines an organization's performance and measures whether management is achieving desired results. The Division of Continuing Education and Professional Development of Harvard University underlines the importance of Balanced Scorecard as a tool to analyze and strategically plan company's performance (2016). One of the common uses of the Balanced Scorecard is to facilitate organizational changes.
- b) Benchmarking – this tool help replicate best practices of operations and sales from stronger competitors from the market. The internal processes and products are compared with the competitors and the superior performances are replicated into the company.
- c) Business process reengineering - undertake the total redesign of core business processes to improve the productivity, cycle times and quality. Companies reduce organizational layers and eliminate unproductive activities in two key areas. First, they redesign functional organizations into cross-functional teams. Second, they use technology to improve data dissemination and decision-making. (Rigby, 2015).

- d) Other tools: Change Management Processes, Core competencies, Porter's Five Forces, the GE-McKinsey Nine-Box Matrix, the BCG Matrix, etc.

The author's vision is that in order to implement circular economy principles, a social entity must carefully select specific elements from each of the strategic tools, in order to make them sustainable and ensure efficient use of resources. Particularly, there are three basic elements that allow a social enterprise to use circular economy principles: *business strategy, design innovation and stakeholders' engagement*.

One of the most recommended strategic planning tool that can be applied by social enterprises is Balanced Scorecard, already mentioned above. Why Balanced Scorecard is a relevant tool to be considered for strategic planning is because of its relevance to the business complexity. Social Enterprise Balanced Scorecard (BSC) is important because it supports an enterprise to keep its activities in the way that allows it meet its most important objectives. According to Social Enterprise London (2017), in order to create the BSC for social enterprises, managers have to address following questions that allow the organization reach its objectives:

- What are the financial goals for how the enterprise gains and uses resources?
- What are the organisation's key stakeholder groups? What does each stakeholder want the organisation to be? This part is linked to value proposition block from Business Model Canvas.
- What internal processes does the organization need to improve and develop at in order to deliver what stakeholders want? These are usually activities that take place across teams or across the organization. Also, the processes are built in a sustainable way in order to ensure the circularity.
- What skill sets, information technology, or access to networks/information/sectors does the organization need in order to complete the internal processes?

I developed the strategic framework of a social enterprises using circular economy principles. This strategic map can be used by social entrepreneurs who are eager to become efficient and have a social and environmental impact.



Figure 1. Social enterprise strategic framework

To have a clear understanding on how to incorporate the strategy tool within the Business Model Canvas, the Social Business Model Canvas example have been developed by the author. This is an adapted example from a traditional enterprise.

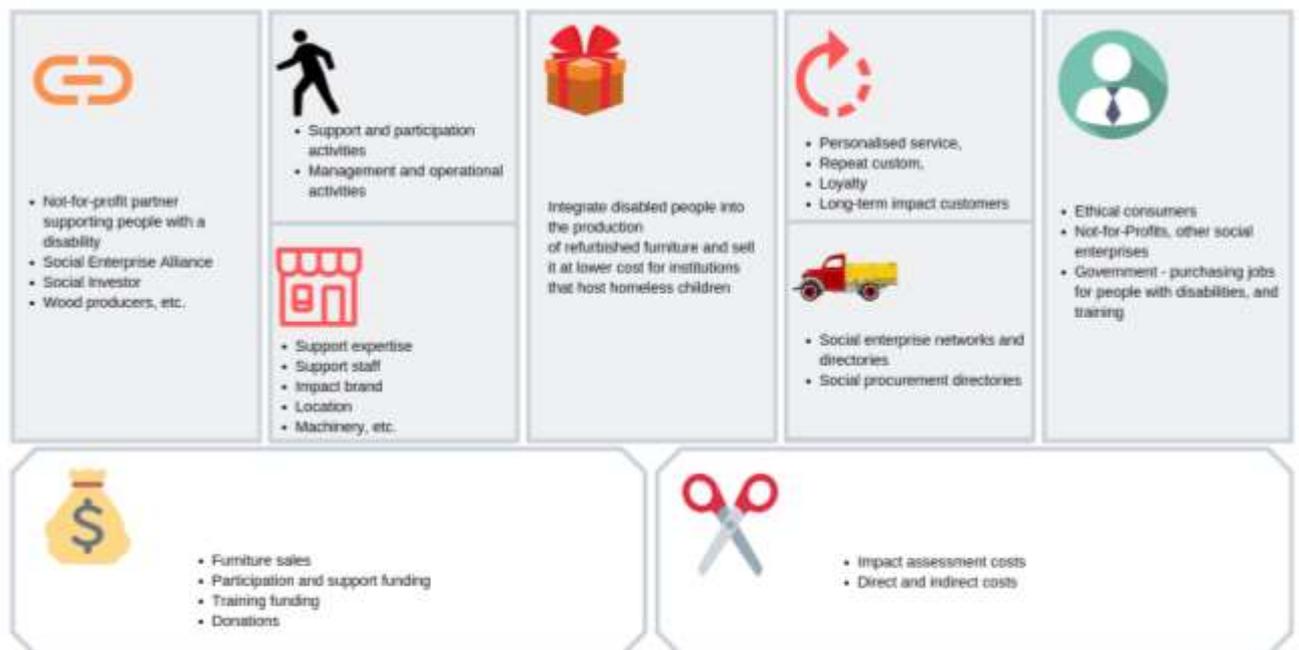


Figure 2. Example of Social Business Model Canvas using circularity

This example shows that that commercial products of the organization is made from circular inputs and resources. The value proposition is: Integrate disabled people into the

production of refurbished furniture and sell it at lower cost for institutions that host homeless children.

2.4.3. Conceptual framework of social enterprises using circular economy principles

The organizations must create a visual representation of the critical elements of its strategy for the social mission (social norms, environmental, and economic objectives) as well as the financial perspective. For the beginning, the author seeks to determine all the components of the model that are generally applied by enterprises that use circular economy principles and by social enterprises. The accent is put especially on the factors that were identified within organized interviews.

- Strategic design of the business with relevance on environment and social issues: key activities, resources, competences. The strategy will be conceptualize based on principles of resources efficiency
- Capacity building and growing engaged and committed management board on social and environment issues
- Value proposition – what value is creating and what impact will be generated
- Internal and external beneficiaries
- Value chain: customers, partners, channels
- Trade
- Revenue stream
- Cost optimization
- Continuous adaptation and improvement
- Social and environmental impact

The new model concept must consider the social impact of the business activities. The strategic approach of the organization must first of all focus on a value proposition which mainly embed the combination between social and environmental needs and components. The customer perspective, according to balanced scorecard does not anymore comprise a limited number of customers but must cover a large number of stakeholders and the majority of them must participate actively and responsible for the social mission achievement with limited resources. The financial perspective is not any more the main target, which is social perspective, but it is an important resource which ensures the social mission of the business to be accomplished.

The author suggests following business model elements to be considered by social enterprises aiming to implement circular economy principles:

- a) Desired social and environment vision
- b) Value proposition: comprises the social impact and benefits offered to the customers for bringing back used products
- c) Align organization to the strategy and accelerate change through executive leadership implication
- d) Financial sustainable perspective: a) increase financial resources and b) manage costs
- e) Stakeholders perspective: a) customers segments – people who pay for goods and services, being acknowledged about the circular use of value proposition and about the impact they have on environment and other people; b) users – people who use products or services; c) employees – mainly are people involved into the operations of the business; d) community beneficiaries; e) channels; f) customer relationships - relationships with community partners when recycling is implemented, with high social and environment impact; g) Key partnerships— based on choosing and cooperating with partners, along the value chain, which support the circular economy with a high social and environment impact
- f) Internal process perspective: a) processes necessary to use circular economy principles; b) impact measurement and key activities; c) internal and external communication
- g) Resources perspective: a) networks; b) skills on circular principles and social impact; c) information and technologies.

Each of the described perspectives and components must show how circular economy principles are translated into the business and the milestone of each of the activity must be a social or environment impact. The simplest way to understand the business model is to answer following questions: i) which ways of applying circularity to each component of the business model are considered? ii) does the anticipated results respond to a community social or environmental problem?

2.4.4. Remarks

Currently there is a lack of framework and findings on the framework supporting business model of social enterprises in the context of circular economy. The importance of delivering social impact through business models using principles of circular economy is a need for those enterprises which are responsible in respect with societal and environmental problems. Even there are different visions, intension and approaches related to responsibility, the most accepted business forms are those who still to maximize shareholders value. When re-designing a new business model is important to change the accents. The value proposition must be developed in the way of responding to social and environmental problems but the adopted business strategy must be framed through circular economy principles. Enterprises must be aware of the range of impact on society and environment each operation has.

The practitioners and researchers must be aware about the accountability to be changed in order to solve negative value and spur positive sustainable value. Social entrepreneurs, when designing the value proposition of their social enterprises, have to integrate sustainability into the core purpose of the firm through business model.

A sustainable business model framework of social enterprises must deliver value and generate impact, not any more for shareholders, but for internal and external stakeholders and customers. The value proposition is designed in respect to environment and social problems. Afterwards, the value is created by entrepreneurs with key partners, using key activities and key resources recommended by circular economy approach. The value is delivered through customer relations and channels to the customer segments (for social enterprises customers are almost all the time direct beneficiaries of social purpose of the enterprise). The value is captured through cost structures and revenue streams.

Last but not least, social enterprises which use circular economy principles are benefiting in different ways, mainly on: cost savings, New forms of revenues, Driver of change and transition, Long term competitiveness, Resource conservation, driver for sustainable development, Customer interest and new customer attraction, Raw material security, etc.

3. RESEARCH METHODS

3.1. Research approach

Social entrepreneurship as a new concept for Republic of Moldova requires a gradual research approach that would allow conceptualization of a recommendation framework for booming social economy sector in the country.

The research is based on an extensive qualitative and quantitative methods that ensure a more precise underlining of research results. Also, the research focuses on correlation and significance concerning different social and economic variables that permits to have the evidence regarding the sectorial development. The SPSS statistical tool was used in order to determine the correlation between some important variables.

However, it is important to mention that this research is based preponderantly on qualitative rather than quantitative methods because of the specific of this issue as well as because of the novelty of social entrepreneurship in Republic of Moldova.

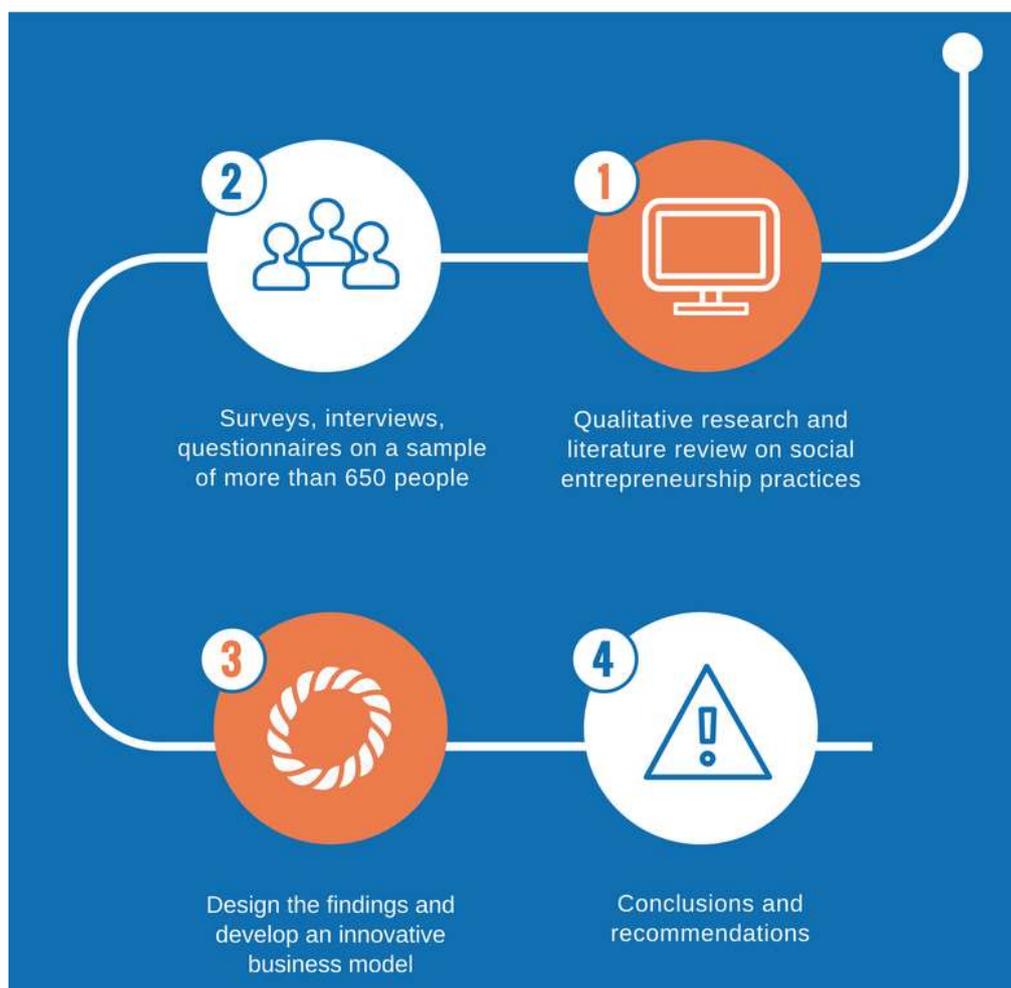


Figure 3. Research roadmap

Related to this concept, an extensive literature review is carried out by the researcher reaching the conclusion that there aren't common vision regarding the concept and the types of social entrepreneurship. Moreover, the basic preconditions for developing social entrepreneurship is not the legal framework or any relevant policy threat but are leadership skills, attitudes and social capital pillars.

It is also worth noting that in order to have an understanding of social entrepreneurship, a comprehensive research on traditional theories and definitions of entrepreneurship and social enterprises, have been undertaken. In details have been analyzed definitions of social entrepreneurship and social economy used in member states.

Moreover, the benchmarking was used in order to compare the strategic top-down approach to social enterprises in EU member states. Based on this comparative tool was possible to draw a conclusion regarding the ways and recommendations social enterprises can succeed in the countries of reference.

Generally, in the last years there is a huge interest on social entrepreneurship from scholars and practitioners. Some countries succeeded to create their own models according to their actual problems, others didn't yet achieve any progress in the field of social entrepreneurship, which is also the case of Republic of Moldova, except the Law No. 223 from 02.11.2017 regarding the modification and supplementation of existing laws (it makes only some clarifications of social entrepreneurship and social enterprise)

Taking into account these findings and because of its nature, risks associated to the concepts should be also explored. The opinions that appeared near these beliefs share the idea that social enterprises need a special approach, facilities and "attention". Social business is that kind of commercial activity that are managed by the best social change makers from every community, the innovators. Moreover, social enterprises must be treated and shall have the same privileges as any traditional enterprise.

3.2. Research methods

Research methods are the strategies, processes or techniques utilized in the collection of data or evidence for analysis in order to uncover new information or create better understanding of a topic. Author used mixed methods research that integrates both **Qualitative** and **Quantitative Research**. It provides a holistic approach combining and analyzing the statistical data with deeper contextualized insights. Using Mixed Methods also enables **Triangulation**, or verification, of the data from two or more sources.

In methodological terms, this concept is explored using comparative techniques coupled with benchmarking analysis of best practices around the world as well as the large body of literature review using methods of interpretation.

in this thesis the following reserch methods were used: deduction and induction, logical method, comparative analysis, monographic, synthesis, economic analysis, sociological methods – questioning and interviewing, econometric modelling, etc.

3.2.1. Data collection methods

The author used different data collection methods for the purpose of the research. Following table emphasizes and described used methods and relation between used methods and thesis hypothesis.

Table 8. Data collection methods

Research methods	Description	Methods for analyzing data	Related dissertation hypothesis
<i>Research methods for second experiment</i>			
Interviews and focus groups	<p>Interviews: 593 respondents from all three regions of Moldova (South, Center and North).</p> <p>Various focus groups and interviews with respondents that lasted almost 4 months. During interviews and focus groups, questionnaires have been used in order to collect data for specific questions. From the total number of respondents, 215 are young entrepreneurs and the rest of 378 are individuals.</p> <p>Limitations:</p> <ul style="list-style-type: none"> - Respondents didn't answer all the questions and for this reason author couldn't count 593 answers, after cleaning the database; - Some of the questions were difficult to perceive by the respondents because of the novelty of 	<p><u>Qualitative analysis methods</u>: research literature is the main qualitative analysis method used in order to understand the social business environment in Republic of Moldova.</p> <p>The informational base for the research includes:</p> <ul style="list-style-type: none"> - the legislative and normative acts concerning this problem; - the scientific publications of foreign and domestic researchers dedicated given problem; - the reports of scientific projects; the analytical materials, - statistical databases of the National Bureau of Statistic of the Republic of Moldova; - statistical databases of the international organizations; 	<p>H1: In countries where social enterprises have limited appearances and the general perception is vague and unclear, Governments have to create necessary preconditions that will stimulate development of social enterprises.</p> <p>H2: Development of social entrepreneurship can be reached only by changing psychological status and stereotypes of traditional entrepreneur, using adequate policies and learning mechanisms.</p>

	<p>the social entrepreneurship concept.</p> <p>The research is innovative, because the findings of are unique for Republic of Moldova academic and professional environment.</p> <p>Another important approach to this research is related not only to the perception, attitude and readiness of entrepreneurs and individuals from the country to start a social enterprise. I was looking for a second unique appearance to bring into this thesis. That is related to developing a business model and some relevant factors that should be considered by social enterprises or individuals/companies who intend to develop a social business. The relevance of the business model is related to risk factors associated with social businesses – limited resources and huge effort. In this sense, I used ‘circular economy’ model, that can help social enterprises be cost efficient and sustainable.</p>	<p>- EU Commission databases on social entrepreneurship</p> <p><u>Quantitative analysis:</u> the main quantitative analysis tool used is statistical analysis.</p> <p>An important research factor was to find the correlation between the variables, especially the variables of gender and the variables characterizing the social entrepreneurship acknowledgement and perception. Into this respect, the researcher used the Pearson product-moment correlation coefficient (Pearson’s correlation, for short) which is a measure of the strength and direction of association that exists between two variables measured.</p>	
<i>Research methods for first experiment</i>			
Interviews and survey	<p>Primary research method for data collection: interviews with 50 managers of different social mission organizations, from which 86% are social enterprises, in order to find out the critical factors that determine the sustainability and performances of the organizations. Social entrepreneurs were asked not only from Moldova, but also entrepreneurs from EU countries as well as from ‘social ambassadors’ (Ashoka representatives). This segmentation allowed to have a more pragmatic</p>	<p><u>Qualitative analysis methods:</u> narrative research literature is the main qualitative analysis method used in order to answer the question how social entrepreneurship operations can be modelled within existing business methods using circular economy principles.</p>	<p>H3: Sustainable social entrepreneurship is ensured by strong leadership and management commitment.</p> <p>H4: Social enterprises can independently survive if the economic activities are governed by ‘social entrepreneurs’ and the revenue stream is mainly based on money gained from traded products or/and services;</p> <p>H5: At the start-up level, social enterprises can apply circular economy principles in order to optimize the</p>

	<p>and realistic dashboard of this problem. 35 of 50 targeted companies are international (online surveys and individual interviews).</p>		<p>operations and be financially sustainable; H6: There is only one specific business model that can be replicated for all social enterprises.</p>
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4. RESULTS AND DISCUSSIONS

Social enterprises are the mechanisms that ensure an economic and social impact into the same time. Because Moldova is a country where people face economic, social, political challenges, the author considered to start this chapter with a short retrospective about general economy of the country

4.1. Economic overview

4.1.1. Economic profile of Moldova

From 1990, the main economic indicator of the Republic of Moldova - GDP began to decline, due to lost a significant part of its main sales markets. During this period, the country experienced one of the most profound and protracted transformation crises, which was accompanied by a dramatic drop in the standard of living of the population. Since 2000 the country has witnessed economic growth, which was expressed in subsequent years in positive results.

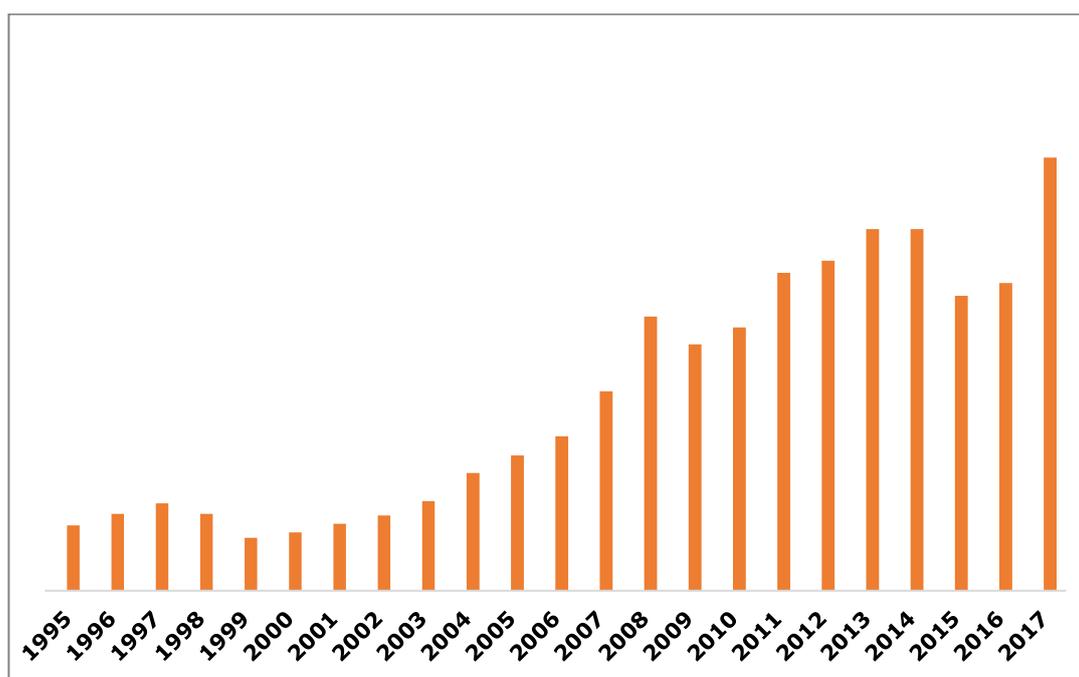


Figure 4. Trend of Moldovan GDP, thousand \$ USA

Source: elaborated by the author according the data from NBS RM

However, these results were expressed only in the tendency to restore the living standard, which the population had before Republic of Moldova gained state sovereignty. In this period, since second half of the 90s. and especially after the financial and economic crisis of 1998, labor emigration is becoming widespread in the country (Table 9.). Mass migration was a response to the extreme poverty in the country and to the positive opportunities offered by foreign labor markets.

Table 9. Natural movement of Moldovan population in 2005-2017

	Number of live-births (pers.)	Number of deceased (pers.)	Natural increase (per 1000 pers.)
2005	37695	44689	-1.9
2006	37587	43137	-1.5
2007	37973	43050	-1.4
2008	39018	41948	-0.9
2009	40803	42139	-0.4
2010	40474	43631	-0.9
2011	39162	39234	0.0
2012	39435	39560	0.0
2013	37871	38060	-0.1
2014	38616	39494	-0.2
2015	38610	39906	-0.3
2016	37394	38489	-0.3
2017	34059	36764	-0.8

Source: elaborated by the author according the data from NBS RM

Table 10. Dynamic of population aged 15 years and over, working or looking for work abroad by sex, thousand persons

	Total	Men	Women
2000	138.3	93.1	45.2
2001	172.0	120.1	51.9
2002	231.3	160.9	70.3
2003	291.0	199.1	91.8
2004	345.3	230.8	114.4
2005	394.5	262.8	131.7
2006	310.1	197.8	112.3
2007	335.6	219.3	116.3
2008	309.7	201.5	108.3
2009	294.9	185.8	109.1
2010	311.0	198.0	113.0
2011	316.9	204.4	112.5
2012	328.3	218.6	109.7
2013	332.5	216.9	115.6
2014	341.9	219.0	122.8
2015	325.4	210.8	114.6
2016	319.0	212.3	106.8
2017	318.4	211.3	107.2

Source: elaborated by the author according the data from NBS RM, Labour Force Survey

The dynamic of population aged 15 years and over, working or looking for work abroad by sex is presented in Table 10.

Youth represents an important asset for socio-economic development of the country. According to data of the National Bureau of Statistics of the Republic of Moldova on the structure of the stable population by age and gender on January 1, 2017, young people aged 18-35 constituted 1082.23 thousand people, decreasing by 34.5 thousand persons or 3.1% compared to 2015, representing, of which $\approx 44.3\%$ live in the urban area and $\approx 55.7\%$ live in rural areas. The decrease is characterized by migration process and job seeking outside the country. Dramatic statistics about youth unemployment shows that in 2017, almost 30% of young people are not employed (those are people registered at the evidence of the resort agencies). De facto this number is much bigger.

Another characteristic of the unemployment of young people are their highest rate of inactivity, over 66%, comparing with 28% in EU.

Youth entrepreneurship is another important subject on the Agenda of Government. Officially, there aren't any evidence for this, however there are some national programs that focus on youth business, in order to keep them home.

Table 11. Dynamic of poverty indicators in RM in 2006-2015

	<i>Absolute poverty line (MDL)</i>	Absolute poverty rate (%)	Depth of absolute poverty (%)	Absolute poverty severity (%)	<i>Extreme poverty line (MDL)</i>	Extreme poverty rate (%)	Depth of extreme poverty (%)	Extreme poverty severity (%)
2006	<i>747.4</i>	30.2	7.9	3.0	<i>404.2</i>	4.5	1.0	0.4
2007	<i>839.3</i>	25.8	5.9	2.1	<i>453.9</i>	2.8	0.5	0.2
2008	<i>945.9</i>	26.4	6.4	2.3	<i>511.5</i>	3.2	0.5	0.1
2009	<i>945.9</i>	26.3	5.9	2.0	<i>511.5</i>	2.1	0.4	0.1
2010	<i>1015.9</i>	21.9	4.5	1.4	<i>549.4</i>	1.4	0.3	0.1
2011	<i>1093.1</i>	17.5	3.2	1.0	<i>591.2</i>	0.9	0.1	0
2012	<i>1143.4</i>	16.6	2.9	0.8	<i>618.4</i>	0.6	0.1	0
2013	<i>1196</i>	12.7	2.0	0.5	<i>646.8</i>	0.3	0	0
2014	<i>1257</i>	11.4	1.5	0.3	<i>679.8</i>	0.1	0	0
2015	<i>1378.9</i>	9.6	1.5	0.4	<i>745.7</i>	0.2	0	0

Source: Informative note: Poverty in the Republic of Moldova 2015 [13, p.3]

Table 12. Evolution of monthly average earnings in RM

	MDL	USD	Euro
2000	407.9	32.82	35.50
2001	543.7	42.25	47.20
2002	691.5	50.96	53.86
2003	890.8	63.90	56.59
2004	1103.1	89.46	71.96
2005	1318.7	103.92	83.99
2006	1697.1	129.25	102.92
2007	2065	170.10	124.40
2008	2529.7	243.47	165.45
2009	2747.6	247.31	176.92
2010	2971.7	240.23	181.20
2011	3193.9	272.05	195.58
2012	3477.7	287.18	223.50
2013	3765.1	299.05	225.05
2014	4172	297.15	223.94
2015	4610.9	245.13	220.62
2016	5084	255.22	230.57
2017	5697.1	308.12	273.50

Source: data in MDL from NBS RM; data in USD and Euro – author's calculations using the official average exchange rate from National Bank of Moldova

4.1.2. Small and Medium Sized Enterprises sector

SME have an important role in economic and social development of the country contributing to economic growth, job creation, poverty alleviation, etc. in Republic of Moldova SMEs are the most used form of enterprises. By law, SMEs are characterized by following:

- Average annual number of employees are below 250;
- Annual turnover are up to 50 mln. MDL, almost 2.5 mln. EUR.

Depending by their revenue and number of employees, in Moldova can be distinguished three forms of SMEs:

- Micro enterprises;
- Small enterprises;
- Medium enterprises.

During the last years, SMEs represent 98.7% from all enterprises, according to official data of National Bureau of Statistics.

Big discrepancies in terms of enterprises density is a major problem into the country, because it does not allow a proportional development of the regions. The figure below shows the density of SMEs per 1000 in habitats.

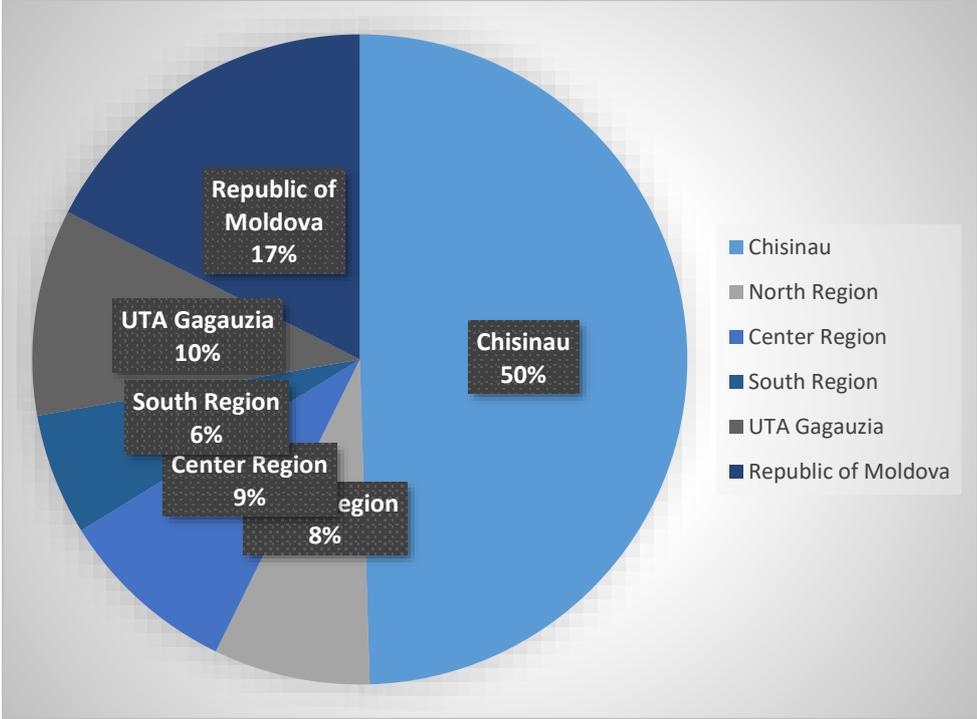


Figure 5. SMEs density, 2016

Source: elaborated by the author according the data from NBS RM

Most SMEs in the Republic of Moldova have the main activity the retail and wholesale trade, accounting for 39.3% of total SMEs in 2016.

4.2. Social entrepreneurship in Moldova

4.2.1. Social entrepreneurship country context

In Republic of Moldova, social entrepreneurship is a totally new concept that raised many disputed between various actors, local and national authorities, business sector, civil society organizations, etc. For couple of years the "struggle" for the meaning and definition of social entrepreneurship took place and different interested stakeholders had various visions. For instance, civil society organizations members opted for financial incentives and other privileges. In respect to that, representatives of Ministry of Finances didn't share the same vision because such thing would have less contributions to the national budget. Such "ping-pong" game was facilitated by Ministry of Economy who was responsible for this process.

The activity of Small and Medium Sized Entrepreneurship sector in Republic of Moldova is regulated by the main law governing entrepreneurship activity, including social entrepreneurship, which is the Law of the Republic of Moldova on Entrepreneurship and Enterprises.

The mentioned law mentions that, "entrepreneurial activity" is the activity of operation of manufacturing, execution of works and provision of services, carried out by citizens and their associations independently, on their own initiative, on their behalf, at their own risk and under their patrimonial responsibility in order to ensure a permanent source of income.

In Republic of Moldova, the legal framework that regulates entrepreneurial activity is composed from various laws and regulations:

- Law on Entrepreneurship and Enterprises, 1992;
- Law on licensing of entrepreneurial activity, 2001;
- Law on entrepreneur cooperatives, 2001;
- Law on the regulation of entrepreneurial activity through authorization, 2011;
- Law on Small and Medium-Sized Enterprises, 2016;
- Law on Small and Medium-Sized Enterprises, 2016.

Social entrepreneurship activity is a very new concept for Republic of Moldova, and policy makers decided to incorporate into the actual Law on Entrepreneurship and Enterprise a specific chapter dedicated to social enterprises. In 2018 the mentioned modifications entered into force. According to the law, social entrepreneurship represent entrepreneurial activity which goal is to solve social problems for community needs.

According to the Law, social entrepreneurship activity can be conducted by social enterprises and social insertion enterprises, focusing on improving living conditions and providing opportunities for people in disadvantaged categories of the population by strengthening economic and social cohesion, including at the level of local communities, by employment, by developing social services in the community's interest, by enhancing social inclusion. Government established a set of activities that represent activities of social entrepreneurship, as follows:

- creating jobs and employment, as a priority, of people from disadvantaged categories of the population
- protecting and promoting the rights of people with disabilities and their families for the purpose of their social inclusion;

- promoting the possibilities of employing people from the disadvantaged categories of the population through the provision of labor mediation services, information and professional counseling, guidance and training, counseling and assistance in starting an entrepreneurial activity;
- carrying out activities that contribute to the implementation of public regional development policies, including reducing imbalances between the levels of socio-economic development in and within regions, strengthening financial, institutional and human opportunities for the socio-economic development of the regions, supporting the work of local public administration authorities and local authorities, oriented towards the socio-economic development of localities and coordination of their interaction with national, sectoral and regional development strategies and programs;
- the provision and development of social services as well as financial sustainability for the development and expansion of social services;
- promoting environmental protection activities;
- waste management in order to reduce them and maximally re-introduce them into the economic circuit, as well as to prevent environmental pollution; • promotion of national heritage protection activities;
- realization of tourism and sports activities for recreation and socialization;
- carrying out extracurricular activities;

carrying out activities in the fields of education, culture, health care, protection and social assistance, welfare and community development, if these activities are directed solely towards the strengthening of economic and social cohesion and increasing social inclusion.

Similar with some Member States, in Republic of Moldova enterprises that gain the status of social enterprises can be considered social enterprises. In order to obtain the status, companies have to fill and submit the dossier to new created National Commission for Social Entrepreneurship. The status is awarded for three years under certain conditions. In case companies prove that they filled all necessary requirements in this period than the status is prolonged. The status somehow offer the sintagma of "social enterprise" or "social insertion company".

Based on the new law, social enterprise can take legal form of following entities:

- Foundations;
- Associations;

- Religious cults;
- Private institutions;
- Physical person.

4.2.2. Incentives offered for enterprises that have the status of social company

According to the Fiscal Code and the Law, in order to support social enterprises, the Government offers some financial incentives. In case of insertion social enterprise, they can benefit of free counseling from authorities; the right to participate at the procedures for awarding public procurement/tenders contracts. The law also mentions about national programs that offer financial support for social enterprise. At the moment, at the national level there are only a few programs that offer financial support and they are created for all types of companies.

Additionally, the companies that obtained the status of insertion social enterprises can benefit by infrastructure offered by local public authorities in order to operate; support in promotion their products and services as well as support in identification new distribution markets; other local fiscal incentives.

Taken into the consideration that local public authorities from Republic of Moldova are budgetary limited and have only few administrative leverages, such support is insignificant.

According to the author, the legal framework lacks many important elements that do really matter for those companies that intends to achieve social goals and be self-sustainable from their basic business activity.

4.2.3. Study cases of social entrepreneurial activities in Republic of Moldova

Before approval of the mentioned above law, which is ambiguous and unclear at this point (from the author's point of view), social entrepreneurial activities are very limited. Such activities were able to evolve because of several donors' program, such as: East European Foundation Program for Social Entrepreneurship (Phase I and II), USAID FHI 360 Project, The Association of Keystone Human Services International Moldova, the Government of Sweden and ADA Austria. All supported projects are implemented by non-profit organizations that at that stage, created a clear crack and differentiation between non-profit-organizations and other types of organizations. We believe that such practices, even they focus on social problems, does not ensure sustainability of economic activities.

At the moment in Republic of Moldova operate about 17 entities practicing social entrepreneurial activities. At some points those entities indirectly touch the social entrepreneurial

elements, however from managerial point of view they need a different business model that could ensure financial sustainability.

Table 13. Entities practicing social entrepreneurship activities

Entity	Description
Mara Women	Textile, fashion
Aburas Catering	Food delivery
AREAP	Laundry
ArtDedal	Building and public works
Concordia Development	Agriculture, environment, green spaces
Children's Center for Early Development "Golden Key"	Training services
Dezdna	Textile, furniture, arts and crafts
Dorinta	Recreation, culture, sport
Keystone Moldova	Provision of staff, temporary work
The Best Move	Transport, logistics
OSORC	Recreation, sport, culture

Source: Elaborated by author on the basis of the catalogue from <http://antrenoriatsocial.md>

The table above does not comprise the comprehensive list, just some of the organizations. Almost all entities are non-profit organizations and CSO. However, the activities under their operations do not generate financial sustainability.

4.2.4. Case studies of practicing social entrepreneurship in Republic of Moldova

The case studies are based on a recent study (2018) developed by National Association of Young Managers (ANTiM), "Situation of social entrepreneurship and entrepreneurship possibilities for young people in Republic of Moldova". Direct discussions with managers were organized and below are highlighted some of the results.

Table 14. Study cases of social entrepreneurship practices in Republic of Moldova

Organization	Description
Keystone Moldova	<p><i>Mission</i> Keystone Human Services International Moldova Association promotes and create opportunities that are provided as consultant services, technical support, best-practice training, financially and administrative supports to further the independence and social inclusion of people who are in need of service due to disabling conditions, situations of poverty, abandonment, institutionalization, and other adverse societal conditions throughout Moldova.</p> <p><i>Social business</i> In order to be sustainable, Keystone initiated two commercial activities: Keystone Training Center and the Eco Vox workshop. The Training Center offers necessary infrastructure and facilities for organizing training activities. The Eco Vox employ people with disabilities in order to produce eco bags.</p> <p><i>Problem</i> Because the business is on early phase, the organization cannot survive from commercial activity and that is why some donors were mobilized.</p> <p><i>Conclusions</i> Developing a growing a social business is a challenging issues which requires more effort and resources than a traditional activity. Managerial skills for social entrepreneurship is different from management skills of an organization that survive from external money, not money gained from own economic activities</p>
Floare de Cireș, LLC	<p><i>Mission</i> Floare de cires LTD is a social enterprise created by Eco-Razeni Association in December 2012 in Razeni, Moldova. Floare de cires offers an extensive training program empowering women and men to undertake what is often their first "real job" in the catering services.</p>
San Tao	<p><i>Mission</i> Providing new opportunities for training and employing persons with visual disabilities from Balti municipality and neighboring districts.</p> <p><i>Business model</i> Within the Massage Center, there are 3 masseurs, and 5 masseurs provide massage services at home. The annual revenue of the center is above 35.000 EUR.</p>

Source: Elaborated by author based on ANTiM Report, 2018

4.2.5. CSO sector in Republic of Moldova

The role of CSO sector in Republic of Moldova is very important, however there are many gaps and fragmented legal framework that hinders the activity of the sector. Because of dysfunctional public, there aren't any concrete evidence regarding the number of civil society organization in Republic of Moldova and the impact they generate. According to recent studies (European Commission Report), the official number of non-commercial organizations registered as of 18/04/2018 was 11,562, from which, 8,570 are CSOs, including 8,023 associations, 146 private institutions and 401 foundations. The efficiency and sustainability of these CSO can be seen by the number of organizations that submitted their reports to National Bureau of Statistics – 13%. From this number, over 60% are located into the Chisinau city, the capital. That being said, it can be highlighted the social discrepancies between regions, taking into the consideration the impact CSO sector has on the whole country. Same EC Report states that about 59% of CSOs undertake their activity in the area of education, culture and youth and about a quarter deals with social work, 19% with human rights, etc.

From the Government pillar, only very few achievements have been made in order to ensure financial sustainability of associative sector, which is a key for survival of CSOs in Republic of Moldova. The conclusion to this is that social enterprises from Moldova do not have to rely on state support in order to be financially sustainable. However, very small progress was reached. For example, in 2016 have been adopted **2% Law** and entered in force in 2017. The law allows people to offer 2% from their income tax to CSO sector (the list of NGOs are approved by the Government). There are a lot of challenges because first of all the law is poor promoted among people. Second, even people are aware about this law, they do not speed to apply it. Third, in order to benefit as a CSO by this law, entities have to meet certain conditions, which burdensome this process. Such law is absolutely insufficient to have an active CSO sector that brings impact to the community. Moreover, only several CSOs are really active into the country and they are far for being social enterprises.

Alongside of this law, Government provides very small amount for CSOs and Youth organizations. Moreover, CSO entities that survive is because of donors funding. Some of the largest donors that support CSO sector are:

- European Union;
- Swedish Agency for International Development and Cooperation;
- USAID;
- Swiss Cooperation Office;

- UN Agencies;
- Good Governance Fund of UK;
- HEKS;
- Soros Moldova, etc.

One of the main challenge in respect to international funding is first of all strict requirements of donors and second limited offered amounts. That is why, only few organizations can meet the requirements and almost 60% of funding are offered to up to 15 CSOs from the country.

4.3. Success factors of sustainable social business. First experiment

As described in the research methods chapter, the first experiment have been applied on a target audience of 50 entrepreneurs in order to define success factors for sustainable social enterprises. Also this experiment allows to understand if social enterprises that use circular economy principles can be sustainable. The participants are both women and men, in proportion of 67% to 33%.

The targeted audience are managers of national and international organizations as well as international practitioners of social entrepreneurship.

During the experiment, have been selected only social enterprises that are already sustainable and which have learnt during their economic activity.

As mentioned in the literature review and proved by the results of the interviews, the social organizations are the entities that must first of all solve social and environmental problems, including poverty. 72% of the respondents from the first experiment a social mission and the gained money are re-invested into the social goals.

One of the first conclusion of this experiment is that social enterprises have to re-invest their profit into social mission, which the respondents did so far.

Regarding the types of organizations that are considered to be social enterprises the opinions of the respondents are different, depending especially by their membership. However, 69% of respondents consider that both not for profit and profit organizations can be social business driven organizations. 21% consider that not for profit organizations can better succeed with a social enterprise mission. The second conclusion is that a social enterprise must have a separate strategic design, in case of NGOs. Moreover, there are different factors to be considered when deciding on

a legal structure or legal statuses for a social enterprise, like personal liability, governance, funding issues, profit distribution, etc.

First experiment permitted to capture the idea that those organizations that practice social entrepreneurship have to be conceptualized in a self-financial way, which means that even they are non-profit organizations, such entities must survive independently from their commercial activities and in the same time is recommended to have sufficient ethics to re-invest in social goal. In case of some respondents, they used their profit in order to re-invest in new working places for disadvantaged people. Periodically they employ disadvantaged people into their operational lines. The experiment also allows to conclude that success and sustainability of social enterprises depends on the business model they use.

One of the own contributions of the author is a new refined business model that can be used by social enterprises in order to become financially sustainable. The author recommended the concept for a new business model based on the Business Model Canvas of Osterwalder:



Figure 6. Experimental Business Model Canvas

The author slightly changed initial Business Model Canvas and adapted it to circular economic approach, especially the blocks of necessary resources to operate as a business and customer relations block was changed to processes.

In the same time, the value proposition block was changed to a value proposition block for social enterprises that focus on two main goals: social impact (related to social mission of a social business) and environmental impact (related to circular economy approach). That combination allows to adapt the business model of a social enterprise to a circular economy perspective.

Besides the theoretical model, the author identified those critical success factors that allow social enterprises act socially and be financially sustainable in the same time. According to the answers of the respondents, following critical success factors have been identified:

- strong leadership
- motivation and commitment of management
- motivation and commitment of partners
- legal and regulatory environment
- business model of organization
- management expertise
- expertise of key people into the organization
- local community involvement
- financial sustainability
- ability to innovate
- rational use of resources

For each of the mentioned factors was attributed a scale of importance from 1 to 5, where 5 means strongest impact and 1 weakest impact of the factor.

As a result of the discussions and interviews with the respondents have been identified following:

- Motivation and commitment of management represents the most important success factor of a social business (74% of respondents allocated 5 points for this factor and 26% 4 points). Within the Business Model Canvas, the motivation and commitment of managers are those factors that do allow to create the value proposition and the general strategy of the organization;
- The next success factor for which the most of the respondents gave 4 points is strong leadership (68% - 5 points, 26% - 4 points and 6% - 3 points). Strong leadership have two folds role within the business model. First it is important for realization and implementation

of the organizational strategy that conduct to the value proposition achievement. Also strong leadership is important to develop strong partnership relations with different stakeholders, internal and external of the organization;

- Financial sustainability represents as well a high valued success factor through the respondents (69% - 5 points, 28% - 4 points and 3% - 3 points). The respondents indicated that financial sustainability is important factor for social organizations because own resources and strategies must be committed in a optimized and strategic way. Within Business Model Canvas, financial sustainability is part of revenue stream and cost circularity blocks. The cost circularity block refers to optimizing all costs related to economic activity of the organization and increase the revenues from commercial activities;
- Other important factors that are considered important for social enterprises are: expertise and qualification of management (68% - 5 points), ability to innovate (65% - 5 points) and business model (60% - 5 points).
- However, more than half of the respondents consider that the qualification of key people is not the most important success factor; nevertheless, it still remains an important factor (48% - 5 points, 29% - 4 points, so on).
- In the context of circular economy, we tried to find out the perception of the respondents in respect to rational use of resources (internal and external one). We found out that only half of the respondents strongly agree that efficiency in resources usage is a success factor, which means that only limited number of social organizations experienced the implementation of circular economy principles.
- The principles of circular economy are somehow known between social organizations, 53% of respondents are familiar with circular economy concept and principles, but they do not consider circular economy between the most important success factors of a social enterprise. About half of the respondents experienced usage and re-usage of internal resources and even so, principles of circular economy are not considered so important for the sustainability of a social business. One of the explanations is that the principles are not well known between and much applied within businesses. The second reason is that existing models of social economy do not imply and stress on circular economy principles. The planning stage of the business model is an important step to be considered.
- In order to develop a model of social economy, consisting of circular economy principles, the author looked to find what are the factors that, first, determine a traditional for profit

mission business to become a social mission business organization and second, in case of social enterprises, which are the most important factors that allow a social enterprise to be sustainable by using circular economy principles.

- In case of the first question, 81% of the respondents strongly agree that changes of strategic relevance of environment and social aspects are the success factor the traditional for profit business must imply in order to become a social business entity. 48% of the respondents consider that changes in value proposition are important variables that a traditional business must consider in order to become social organization. Other important success factors that must be implied by a traditional for profit business in order to become a social organization are: changes of financial model (39% of the respondents), changes of organizational capacities (35%), changes of internal processes (29%), changes of stakeholder's components (26%), etc. An important conclusion that can be inferred is that while developing the model of social enterprise, one of the first aspects to be considered and redesigned is the strategic direction of the organization in respect to social and environmental problems. Other factors considered very relevant to be rethought and redesigned are internal processes, competences, capacities, revenue and cost models etc. The best strategic tool that can be applied to change the perspectives of the traditional business is **balanced scorecard**. This tool must be applied within an existing or redesigned business model of social enterprises. The author considers that the best business model used by social enterprises and described by literature review is **Social Business Model Canvas**.
- Within the realized interviews the author finds out that a well-designed strategic plan with required processes, activities resources and capabilities is the most important factor which ensures the sustainability of social enterprises that implement circular economy principles (81% of the respondents). Another important factors considered by the respondents are stakeholders engagement (35%) and innovation (32%).

4.4. Social entrepreneurship readiness in Republic of Moldova

4.4.1. Correlation between gender and knowledge of social entrepreneurship

Author used statistical methods in order to define correlations between gender and general perception and familiarization with social entrepreneurship concept. Table below shows the correlation between gender of young entrepreneurs and basic knowledge regarding social entrepreneurship. The correlation test was made on 215 young entrepreneurs. As can be noted in the table, Pearson correlation coefficient is -0.023, which means that there is not any correlation between gender and basic knowledge on social entrepreneurship, the coefficient value being far from value.

The significance of correlation coefficient is realized by t test. The corresponding Sig. value is 0.786, which underlines that correlation coefficient is significant and there are chances more than 79% ($\alpha=0.786$) not being wrong asserting that between gender variable and basic knowledge regarding social entrepreneurship doesn't exist a significant correlation.

Table 15. Correlation between gender and basic knowledge regarding social entrepreneurship (young entrepreneurs under 35 years old)

		Gender	Concept of SE
Gender	Pearson correlation	1	-.023
	sig.(2-tailed)		.786
	N	215	137
Concept of SE	Pearson correlation	-.023	1
	sig.(2-tailed)	.786	
	N	137	137

Source: Owned calculation by SPSS

In case of correlation between gender from group of individuals and basic knowledge regarding social entrepreneurship, the correlation test was made on 378 individuals. As can be

seen in the Table 16, the Pearson correlation coefficient is 0.005 which means that there is not any correlation between gender and basic knowledge on social entrepreneurship, the coefficient value being far from value 1. The significance of correlation coefficient is realized by t test. The corresponding Sig. value is 0.928, which underlines that correlation coefficient is significant and there are chances more than 92% ($\alpha=0.928$) not being wrong asserting that between gender variable of individual group and basic knowledge regarding social entrepreneurship doesn't exist a significant correlation.

Table 16. Correlation between gender and basic knowledge regarding social entrepreneurship (individuals)

		Gender	Concept of SE
Gender	Pearson correlation	1	.005
	sig.(2-tailed)		.928
	N	378	375
Concept of SE	Pearson correlation	.005	1
	sig.(2-tailed)	.928	
	N	375	375

Source: Owned calculation by SPSS

The results of the correlation analysis imply that regardless the gender, the general concept of social entrepreneurship is perceived in the same way, by both men and women. That is caused mostly because of the novelty of this subject among people from Moldova and second because of very limited dissemination of the concept and awareness.

4.4.2. General acknowledgement regarding social entrepreneurship

The field research started from the very beginning, by identifying the perception of small enterprises and family enterprises regarding social entrepreneurship. The findings show that, from 375 respondents representing individuals, almost 2/3 never heard about social enterprises, which means that the concept is still very ambiguous through the whole country.

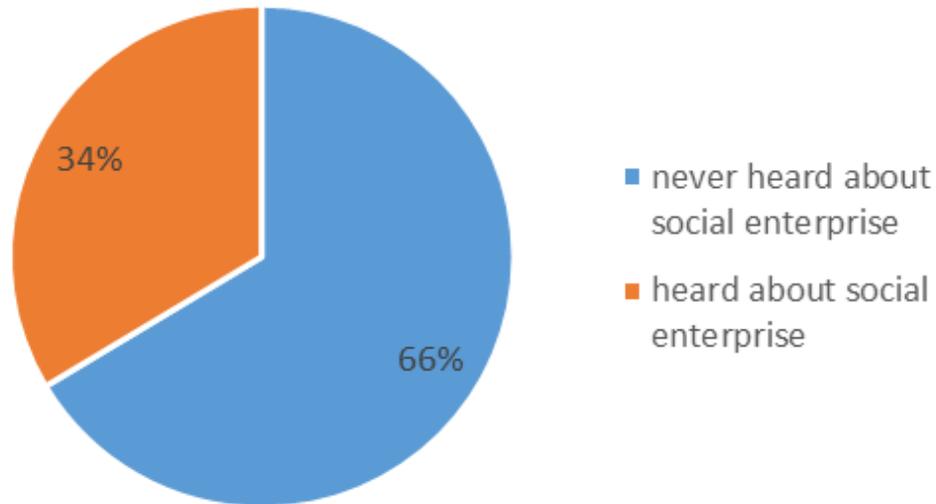


Figure 7. The level of information of family enterprises about social entrepreneurship

In order to deepen the understanding regarding level of information, the author interviewed 215 young entrepreneurs. In this specific case, the situation has the same tendency but the figures are different, as follow:

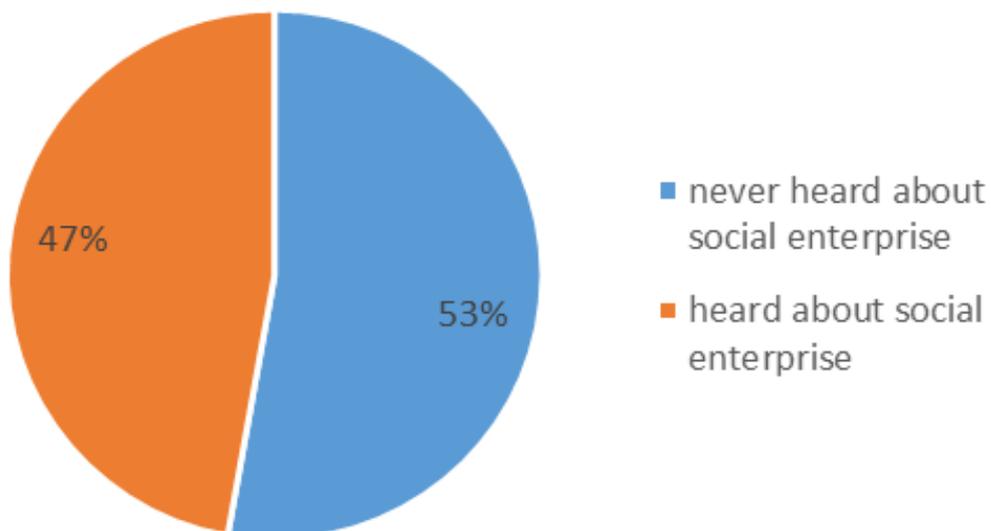


Figure 8. The level of information of young entrepreneurs about social entrepreneurship

The findings show that young people are acknowledged more about the concept of social entrepreneurship than older people. However, the facts show that the level of information is very low and vague in both cases.

4.4.3. General perception on community social problems

As noted, the concept of social entrepreneurship is poorly understood by the society of Moldova. As known, social entrepreneurship is related to social mission oriented businesses. Into this respect, the author realized the interview on 593 respondents, in order to find out the general perception on who is responsible mostly for solving social problems. However, the findings were separated between young entrepreneurs and individuals in order to understand if the perception differs from one group to another.

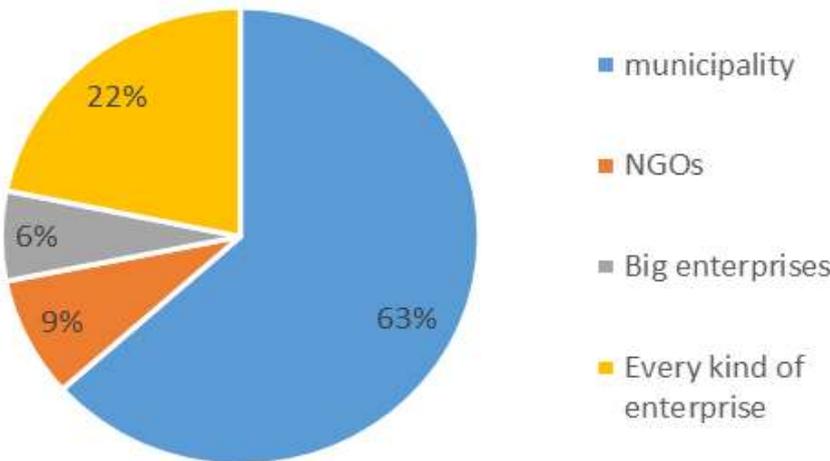


Figure 9. General perception on the responsible stakeholders for community social problems

As it was expected, about 63% of the respondents perceive that community problems must be solved by municipalities, 9% agree that NGOs are responsible for community problems solving and 22% think that enterprises are those who must solve community problems. Such kind of perception is caused because of community stereotypes from Soviet Regime

Nevertheless, benchmarking the results between two groups (young entrepreneurs and individuals), the findings are interesting.

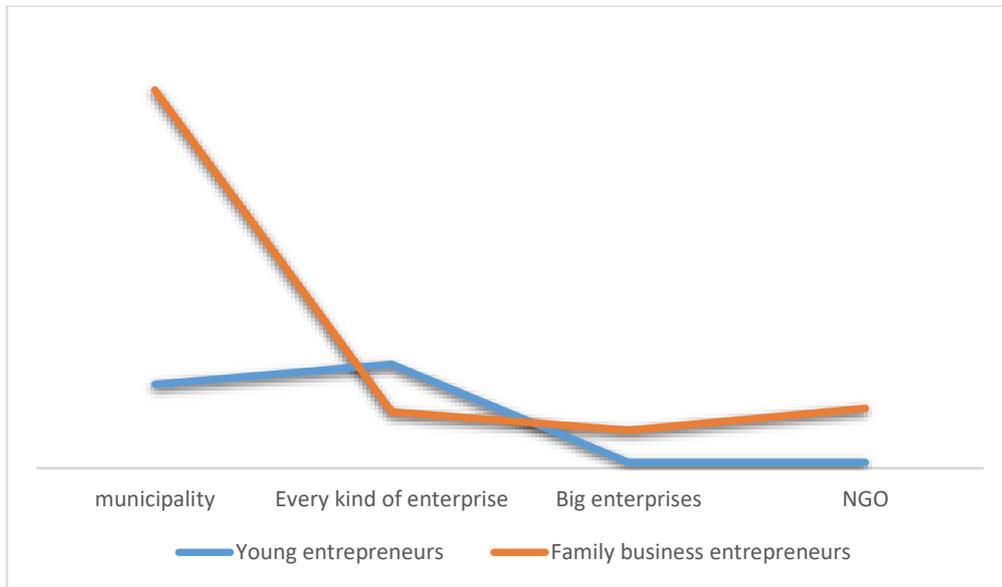


Figure 10. Decomposition of perception on who is responsible for community problems

As can be concluded, different categories of people have a different level of perception on the responsible for community problems solving. Representatives of family businesses, especially from rural areas, predominantly think that problems into the community must be solved only by municipalities and local public authorities are responsible for community development. Such situation underlines a very limited level of social capital existing in rural areas of Moldova. Contrary, young people, already entrepreneurs, understand the role of companies, especially the role of small and medium sized enterprises in the community. The opinions that enterprises are responsible for community problems solving prevail the opinions that municipalities have to solve the problems. In both cases (young entrepreneurs and family business entrepreneurs), the NGOs implication is seen to be very low, which shows the actual impact of NGO sector on the communities.

In conclusion, there are big differences between different categories of people regarding the role of different stakeholders into the society and the role enterprises must have in solving the community problems. Moreover, the general perception in Moldova, that NGOs must be mainly the promoters of social entrepreneurship seems to be in contradiction with public vision regarding responsible institutions for solving community problems.

4.4.4. Readiness for developing social enterprises in Moldova

In the case of Republic of Moldova, it is still very early to align the leadership attribution to “social entrepreneurs”, once there are only several social missions classified as social businesses.

According to the findings 64% of the respondents would reinvest the profit in social mission, in case they would have a sustainable organization. However, such kind of figures are confusing once already existing entrepreneurs mainly wouldn't allocate their profit for remediation of social problems.

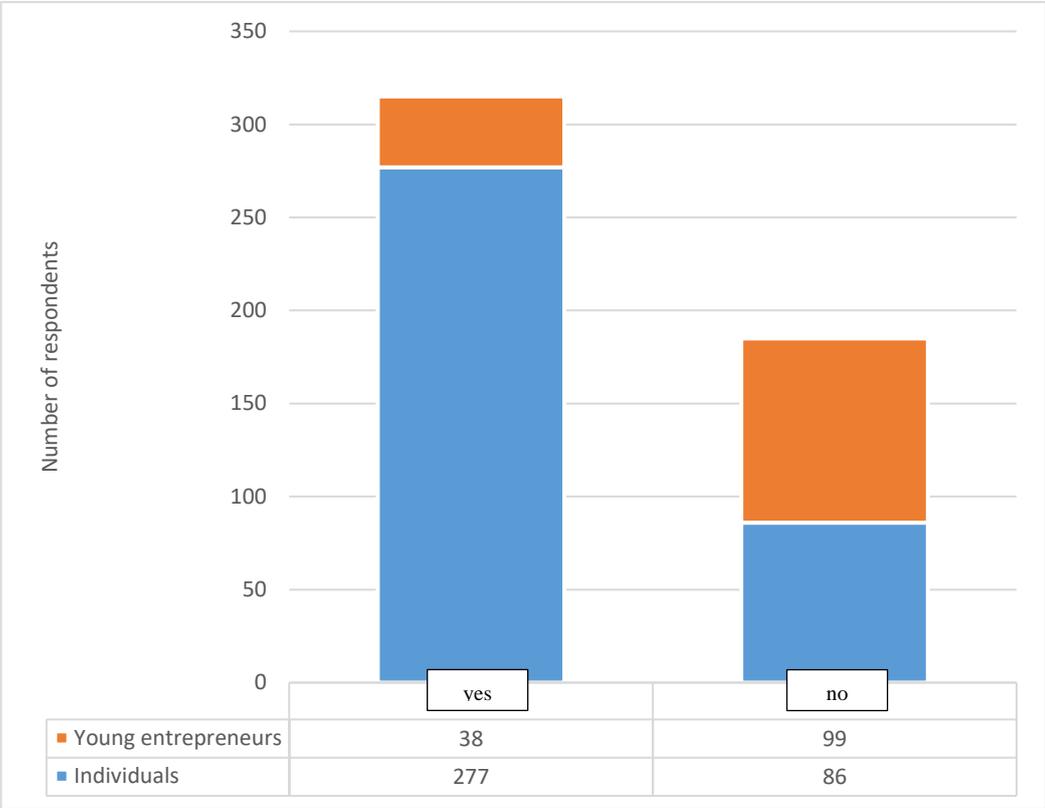


Figure 11. Level of perception on reinvesting the profit on social mission of the business

As can be noted, the perception of individuals differs totally from the perception of already existing entrepreneurs related to the social mission of the organizations they manage or would manage. The facts suggest that there is a lack of common understanding of social enterprises mission and the real life of market-oriented approach shows that enterprises aren't ready to reinvest the profit in social problems, only 27% of young entrepreneurs would reinvest the profit in social problems remediation.

Another research question was related to the types of social problems already existing enterprises must solve. Can be concluded that opinion vary from individuals to already existing entrepreneurs.

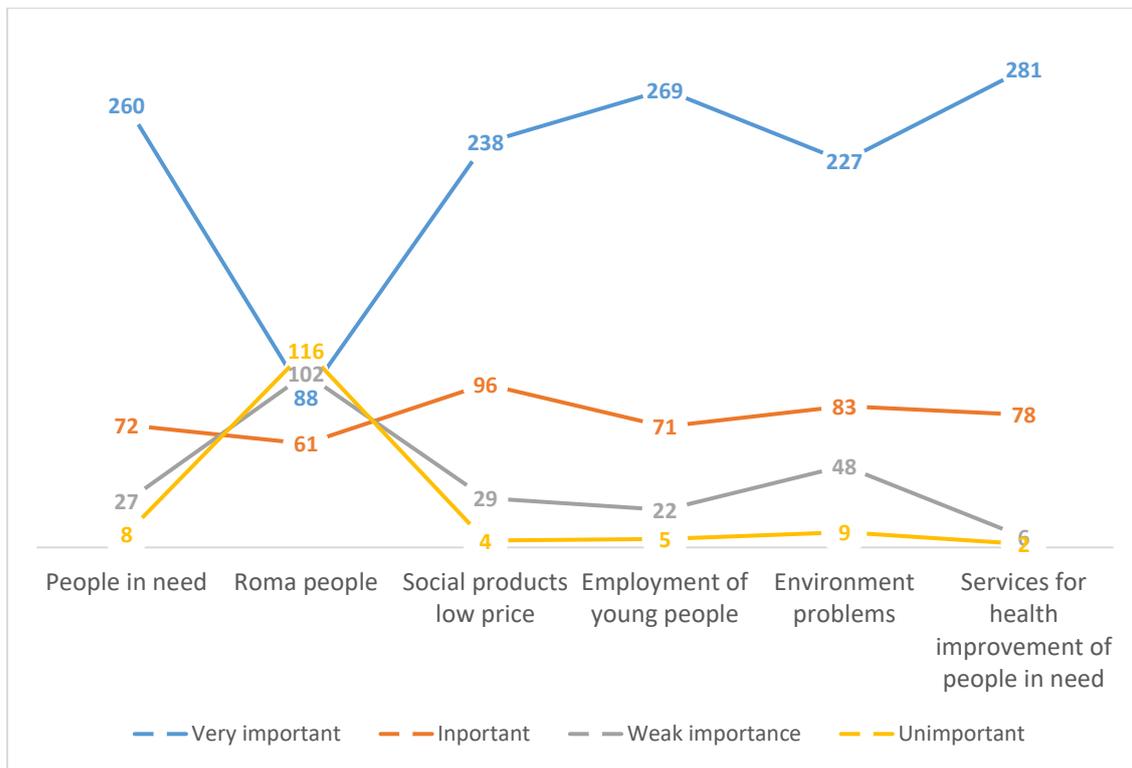


Figure 12. Community problems that must be solved by social enterprises – individuals’ perception

The highest importance is given to the services provided by social enterprises for health improvement of people in need (281 respondents), followed by social solutions regarding employment of young people and solutions related to problems of different people in need. Unfortunately, in Republic of Moldova, Roma people are segregated by the society and the problems they have are unimportant for rest of the people (218 respondents consider that the problems of Roma people are unimportant and have weak importance to be solved).

4.4.5. Incentives for social enterprises in Moldova

Still there are a lot of discussions regarding which type of public policies should support social entrepreneurship development. Once social enterprises play an important role in addressing social, economic and environmental challenges, in fostering inclusive growth and in increasing social inclusion, the public policies in supporting them must be well balanced. The benefits of social enterprises are increased while they are supported by adequately public policies.

Besides different facilities and recommendations for developing social entrepreneurship, an important element is the perception of traditional enterprises on what type of facilities they need. Into this respect, the author interviewed a considerable number of entrepreneurs in order to find out what are the preconditions for them in order to develop social enterprises.

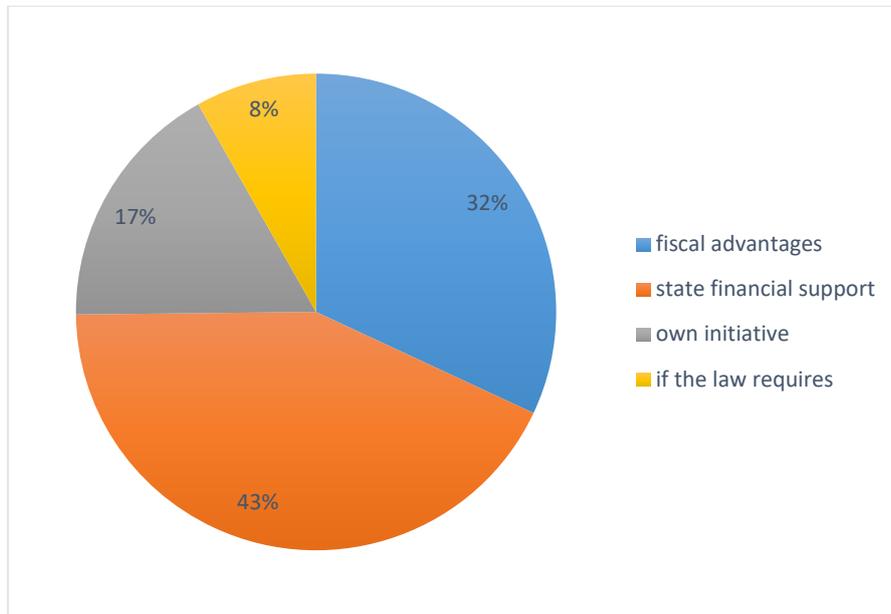


Figure 13. Incentives for developing social enterprises in Moldova

Financial support and fiscal advantages are the main factors that would stimulate existing enterprises to develop social businesses or social missions. Only 17% from all respondents would develop social enterprises by their own initiative. This phenomenon speaks about low level of sensitivity of existing entrepreneurs to social business missions.

Conclusions: one of the key role of public policy is to stimulate the emergence of a strong financial marketplace for social enterprises.

4.5. Scientific results

As a result of a complex research, the author achieved with confidence the general and specific goals of the dissertation. Author was able to prove 5 of 6 thesis hypothesis.

Table 17. Hypothesis level of achievement

Hypothesis	Level of achievement
Hypothesis 1: In countries wherein, social enterprises have limited appearances and the general perception is vague and unclear, Governments have to create necessary preconditions that will stimulate development of social enterprises	The hypothesis was proved by interviews realized on entrepreneurs from Moldova who provided answers on what are the incentives for developing social enterprises
Hypothesis 2: Development of social entrepreneurship can be reached only by changing psychological status	This hypothesis was proved by interviews realized on existing

and stereotypes of traditional entrepreneur, using adequate policies and learning mechanisms	social entrepreneurs (target group of 50 enterprises)
Hypothesis 3: Sustainable social entrepreneurship is ensured by strong leadership and management commitment	This hypothesis was proved by interviews realized on existing social entrepreneurs (target group of 50 enterprises) and by interviews realized on those young entrepreneurs (experiment 2) who do not have high intentions to change the traditional businesses to social mission organizations
Hypothesis 4: Social enterprises can independently survive if the economic activities are governed by ‘social entrepreneurs’ and the revenue stream is mainly based on money gained from traded products or/and services	This hypothesis was proved by a comprehensive literature review and by the experiment one
Hypothesis 5: At the start-up level, social enterprises can apply circular economy principles in order to optimize the operations and be financially sustainable	
Hypothesis 6: There is only one specific business model that can be replicated for all social enterprises	This hypothesis was not confirmed by the research

As a result of the research methods used, following scientific results have been achieved:

- The correlation among the variables shows that there is no difference in gender gap when we speak about developing a social enterprise in Republic of Moldova. That also means that in order to promote social economy sector, national stakeholders do not have to rely more or less on gender;
- The results show that the approach to social entrepreneurship have to be made by correlating the readiness of entrepreneurs with the supporting measures for them. In this respect it worth to mention that sustainability of a social enterprise in post-soviet countries is possible in case of a gradual therapy and focused supporting national programs;

- Success of social enterprise depends not only by legal form or legal statuses, including financial and fiscal incentives, but also by well designed business model that can be applied by entrepreneurs;
- Start-ups and entrepreneurs who intend to develop social businesses and meanwhile have limited resources can succeed in case they design a business model that use circular economy principles. Circular resources help social enterprises optimize high costs and have a positive impact on environment and full ecosystem;
- In developing countries like Republic of Moldova is, social economy can thrive if different types of incentives are provided for social enterprises. Nevertheless, the rate of successful enterprises, in terms of business sustainability, is very limited. Author believes that such incentives have to be provided at the start-up phase, otherwise the risk to have inefficient social enterprises is high. In order to ensure longevity and impact of social enterprises, besides mentioned incentives, is necessary to assist, coach and consult those enterprises for a certain period of time, until they become economically independent and financially sustainable.
- In Moldova, most of the entrepreneurs and individuals have a fragmented understanding of social entrepreneurship. To guarantee a prosperous social economy sector, is necessary to transform existing traditional business stereotypes and approaches to a more innovative and creative thinking.

4.6. Discussions

The findings of the research are unique for Republic of Moldova, both for academic and professional environment. While social entrepreneurship is unvalued concept in the country, this research shows concrete drivers that would ensure success of the sector.

An unexplored method that has the potential for this research is quantitative research, mentioned as well by Lepoutre in 2011.

The author agrees with Hoogendorn that social entrepreneurship needs rigorous empirical assessments to evolve, while this necessity suggests an abundance of research opportunities. Moreover, we stress on the necessity for qualitative research in order to develop the national legal frame and supporting mechanisms for social entrepreneurship.

Moreover, Ryszard Praszkiar, Andrzej Nowak, Agata Zabocka-Bursa share same opinion like the author, that social entrepreneurs differ significantly from the rest of traditional entrepreneurs, especially in terms of personal optimism and creative thinking.

The investigation of Bornstein and Davis reflects the same conclusion of the author's research that individuals who are eager to make a community impact must understand what they care about, what their strengths and weaknesses are, what are their values, in what environments they work best, and what are their motivations.

The author totally agrees with Davidsson investigation from 2006, asserting the importance of social entrepreneurship for community development.

The author disagrees with other researchers like Salamon, stating that development of social enterprise follows along lines similar to those for the development of nonprofit sectors. The author believes that nonprofits are not the best options for social enterprises.

It is important to have a clear picture of types of organizations that can run social entrepreneurship activities in the developing countries, like Moldova is. Moreover, have to be made a clear evidence between limited interests of lobbying groups on social entrepreneurship and the interest of social economy industry as a whole.

Another area of interest is the need for legal preconditions and fiscal incentives, in case they are important to build social enterprises. In this respect, the opinions are different, some of the practitioners and researchers underline the importance for incentives others contend these ideas.

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusions

International experience on social entrepreneurship initiatives poses more challenges to definition and impact assessment than on the business entrepreneurship. Moreover, the role of social enterprises is different than the role of business enterprises, as well as their missions. Because of the different definitions and characteristics of social entrepreneurship around the world, in Moldova there are misunderstandings regarding this concept. As well, public perception collates behind the social entrepreneurship framework.

The absence of consistent frameworks and rigorous empirical research makes it difficult to promote critical perspectives and debates on the specific phenomenon categorized as entrepreneurship, social entrepreneurship, social movement, or social enterprise.

In Republic of Moldova, the findings show first of all big difference in perception between people who are already involved in economic activities and those who are not, as well as people from rural and urban areas.

Lack of school/university entrepreneurial education and vocational education constrains the aptitudes of people to “think out of the box”.

Moreover, policymakers and promoters of social business must understand very well and undertake a deep research, not only consultations with limited group of stakeholders, on types of social enterprises and incentives needed to stimulate each type of institution to promote social missions within economic activities.

5.2. Recommendations

At the national level, it is necessary to undertake several major steps to develop the social entrepreneurship sector:

- a) To find a common definition of what social enterprise is, who is a social entrepreneur and how he can develop the social economy sector. However the definition must be realized not only based on limited public consultations, but it must be undertaken a deep research on the different problems from economic and social sector, involving different stakeholders.
- b) At the first stage, it is irrelevant to adopt a specific law on social entrepreneurship once Moldova have very limited access to financial support from Government and from donors, once the country is in deep economic and political crisis.

- c) To educate on the large scale different stakeholders around the country about social entrepreneurship. Additionally, piloting school and university curricula and vocational trainings in order to build, more or less, a common understanding on what is social entrepreneurship and who must be a social entrepreneur.
- d) At the micro level, “economic revolutionaries” who are overwhelmed by the concept of social business have to:
- Identify the problem in respect of which the entrepreneurs/individuals really want to find a solution to and for which you are willing to bring a change.
 - After the identification of the problem, social entrepreneurs need to find innovative solutions to the particular problem. Probably this is one of the most crucial and important phase, even some entrepreneurs do not realize it. Being original brings to success of the business.
 - Concrete research on business structures and knowledge on how the market works.
 - Branding the social business model.

Sustainability of social enterprises depends not only on Government initiatives but also depends on managerial used approach for growth. It is clear that skills necessary by traditional entrepreneurs and skills required by social entrepreneurs are similar and in the same time, in case of social entrepreneur, his/her qualification and managerial feeling must be stronger developed comparing with traditional managers.

1. In this respect, social entrepreneurs, at the initial stage have to develop viable and sustainable business models that takes care not only on achieving social mission, but also the way social values are delivered. That is why, the author recommends that at the planning stage, social entrepreneurs must use a customized business model. Moreover, we recommend that the business model must clearly integrate circular economy principles and directives. That being said, business model must emphasize some of the following elements:
 - Diminishing the amount of inputs/resources to create final products. This approach allows to minimize time and resources. For example, instead physical products must be used digital products. Operational procedures have to be designed in that way which would allow to make the products only when is needed and when an order has been made.
2. Social enterprises must operate, having as a main scope, social mission. That means that entrepreneurs must exclude the rush after state incentives. It is understandable that

entrepreneurs face a lot of challenges, especially incapacity to return investments, cover costs and gain profit to be re-invested in social copes. That is why, circularity can help such enterprises gain more effect with less results. That is why, into this formula, the national Government has an important role. The Government together with resort institutions have to make aware social entrepreneurs of social circular economy and its benefits. According to some studies (Robinson, 2016) the economic benefit of the circular economy is \$4.5 trillion by 2030.

3. Government together with resort institutions must encourage and support circular social enterprises. For example, social enterprises must be encouraged to use circularity by offering them knowledge transfer possibilities as well as direct access to infrastructure and technology that will help them.
4. State has to create necessary national and international networking platform where it allows cooperation between social enterprises, research institutions, innovation enters, etc.
5. Government has to improve consumer's knowledge and awareness on social circular economy products by creating direct access between demand and offer.
6. Government has to create and improve procurement system in order to help social enterprises producing circular products.
7. Government have to focus on schools, universities, training centers and other stakeholders to develop an educational platform and program to ensure circular economy and social enterprise models are pushed at a young age in order to support foster practitioners for a full transition.
8. Social entrepreneurs and circular economy responsible actors have to collaborate each other in order to generate new concepts and ideas and create new value chains that would allow a sustainable business model that can ensure financial viability of the business and achievement of social and circular scopes.
9. In Moldova, because social entrepreneurship is at initial phase and existing companies can't ensure their financial sustainability from the commercial niche, it is premature to speak about circular social enterprise. However, it is imperious to create a national program that would develop a social circular enterprises/enterprises, by offering financial and expertise support. That would be a piloted project that have to be promoted among the communities and make people aware about it.
10. Gathering stronger evidence on impact and benefits of social enterprises as well as key success factors that ensure the sustainability of social businesses. That can be made by:

- Undertake a national and regional research providing examples about successes that social enterprises reached and the way they did so;
- Share and disseminate know-how and strategic management tools, including business models that reached the impact and in the same time economic results;
- Create and develop managerial capacities to report about the social impact and communicate clearly the social mission enterprises have.

11. In Republic of Moldova the regulatory framework for social enterprises have many gaps and because of that, it has to focus on readiness of organizations and individuals across the country to develop social businesses. Additionally to that, existing definitions regarding social enterprises has to be revised and the new definition have to be based on a more efficient consultation process, that takes into account various entities, including young entrepreneurs from rural areas (which actually missed during previous consultations of the working group for social entrepreneurship development). Moreover, the legislation has to take into consideration the social economy definition which is missing in actual law. Moreover, it has to regulate the activities of circular social enterprises, by taking into the consideration existing Environmental, Economic and Social policies and strategies.
12. Because social entrepreneurship is quit little known among individuals and organizations, it is imperiously important to raise the level of awareness regarding social economy and also it is important to organize various meetings and create reliable networks between local and international stakeholders that will help to generate new ideas and project of social entrepreneurship.
13. Social enterprises are less competitive and have difficulties with market access, penetration and integration. That is national stakeholders have to be mobilized in order to facilitate and support social enterprises sell their products and become more popular.
14. In Moldova a popular trend is to promote at the national level, local production. That is why, resort ministries, together with international donors (USAID) crated a national brand called “Din inima”. The scope of the brand, with a clear message, is to stimulate local consumers buy products from local producers. Moldova citizens are emphatic to such situations. That is why the author recommend that at the national level must be created the brand for social enterprises that will help them become more economically in depend and sustainable.

15. Social economy as a separate sector have to be mainstreamed by Government and local authorities in different local and national programs and policies. That have to take into account circular economy approach and pillars.
16. Promote partnerships and relations between social enterprises and traditional businesses.
17. In the country funding opportunities for developing and promoting social enterprises are very limited and even they exist, somehow existing programs do not make a clear distinction and clear criteria for participation of social enterprises.
18. Create social enterprises infrastructure such as hubs, accelerators and incubators that would help social entrepreneurs develop and each social missions through commercial activity.

6. SUMMARY

Social entrepreneurship in Republic of Moldova is at a very beginning stage and a new created legal form does not obviously represent a strong pillar of a reliable social economy sector. Moreover, the importance of this research is directly related to the lack of national studies regarding social entrepreneurship, readiness of individuals and companies to have/revise their missions to a social one. Moreover, lack of knowledge and skills on what is social entrepreneurship and what are key success factors of this business into a country as Republic of Moldova is, represent the uniqueness of this thesis. The author believes that social entrepreneurship can be sustainable in case strong managerial skills and a well-developed business models is created. It is also necessary a more stable governance of the innovation system at the national and organizational levels (Vasa, 2010). Moreover, for social start-ups and enterprises that face financial challenges, circular social entrepreneurship business model have to be applied in order to optimize the operational costs and become more competitive. Last but not least, in order to have a sustainable social enterprise, managers need to apply strong business models and don't have to rely on legal framework and financial incentives. However, in order to have a developed social economy sector, a functional triangle of partnership between Government - Donors - Civil Society - Business Sector - Research institutions have to be created.

The originality of this scientific work in the using of the new information sources – own social research and analysis of the data from questioning and interviewing.

The theoretical significance includes: The different approaches, which exist, regarding the developing of social entrepreneurship, were synthesized. The methodology for the analysis of social entrepreneurship in the Republic of Moldova was elaborated. The basic directions for the developing social entrepreneurship in the Republic of Moldova were elaborated.

The applied value includes the elaborated recommendations for improving the social entrepreneurship across the country.

The work's structure includes: introduction, literature review, research methods, results and discussions, conclusions and suggestions, references, annexes, 00 tables, 00 figures and 0 formulas.

The results of the research are generalized and summarized in the main conclusions and suggestions. Recommendations are also presented in this work. By the author's opinion all these will allow improving the situation with social entrepreneurship in the Republic of Moldova.

Keywords: social entrepreneurship, circular economy, business model, sustainability, young entrepreneurs, donors funding

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APPENDIX

Annexes 1. Survey for developing the business canas using cicular economy approach

Sex of the Manager



Is your organization a social enterprise or/and have a social mission status?

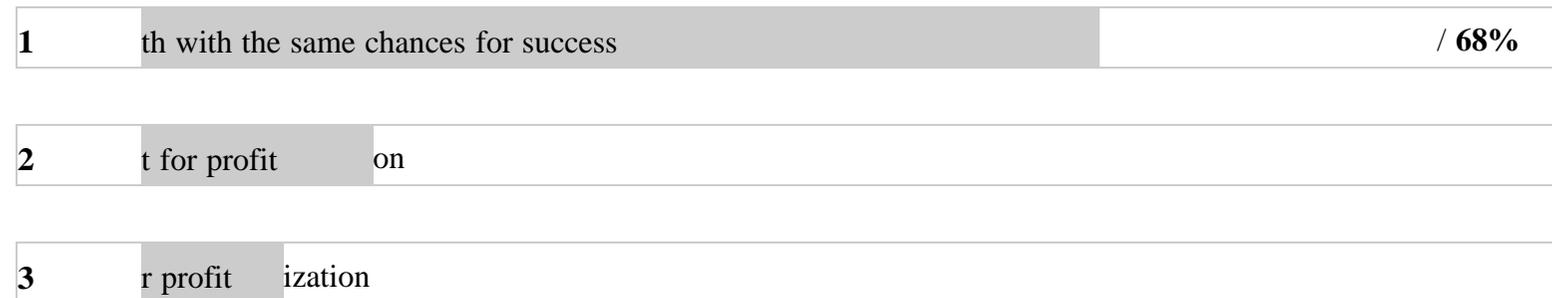


In your opinion, what are the most important problems a social enterprise must solve

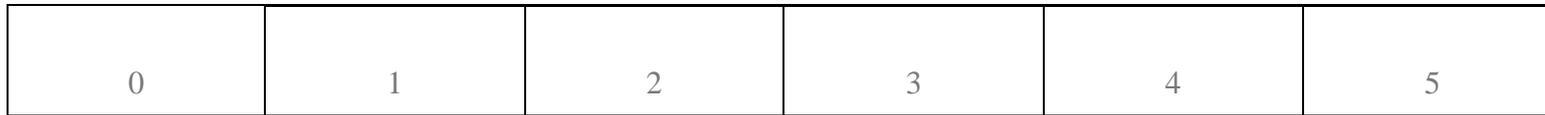




In your opinion, which form of organization can better accomplish social mission



On a scale from 0 to 5 please rate the importance of strong leadership as a success factor



On a scale from 0 to 5 please rate the importance of motivation and commitment of employers as a success



On a scale from 0 to 5 please rate the importance of motivation and commitment of partners as a success factor



On a scale from 0 to 5 please rate the importance of legal and regulatory environment as a success factor



1 / 3%

2 / 3%

On a scale from 0 to 5 please rate the importance of business and social model of organization as a success factor



2 / 3%

On a scale from 0 to 5 please rate the importance of management expertise as a success factor

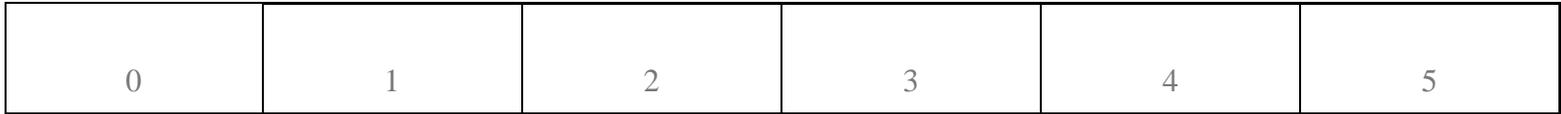


On a scale from 0 to 5 please rate the importance of expertise of key staff as a success factor





On a scale from 0 to 5 please rate the importance of **local community involvement** as a success factor



On a scale from 0 to 5 please rate the importance of **financial sustainability** as a success factor

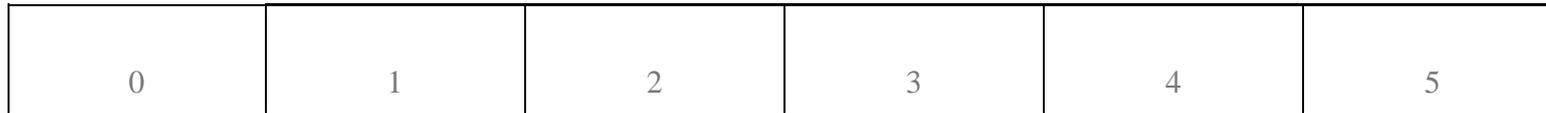


On a scale from 0 to 5 please rate the importance of ability to innovate as a success factor





On a scale from 0 to 5 please rate the importance of rational use of resources as a success factor



Are you familiar with circular economy concept or principles of reusing/refurbishing/ efficient usage of resources



is your social enterprise using or re-using resources and provide added value in a circular economy principles



In your opinion, what are the most important changes a traditional business must undertake in order to become a social enterprise



5	anges of internal processes	
6	anges of stakeholders (owners investors, internal team)	
7	Changes of supply chains	/ 6%
8	Changes of customer interface	/ 4%
9	Changes in business units	/ 0%

In case a social enterprise applies circular economy principles, which of the factors are the most important for success

1	having a credible plan with required processes, activities, resources and capabilities to create the value	/ 42%
2	Business strategy	/ 22%
3	Stakeholder engagement	/ 19%
4	Design innovation	/ 17%