

COMPETITIVENESS OF SOCIAL ENTREPRENEURSHIP IN LATVIA

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ABSTRACT

Social entrepreneurship is an important component of the European social market economy that is based on the principles of solidarity and responsibility and the priorities regarding the individual and social goals; it promotes social responsibility and social inclusion. However, in practice, social enterprises face various problems that negatively affect their competitiveness. The present research has set an aim to examine the competitiveness of social entrepreneurship in Latvia. To achieve the aim, a case study was carried out to identify the factors affecting the competitiveness of social entrepreneurship and its competitive advantages and disadvantages in comparison with conventional enterprises. The research found that the key competitive advantages of social entrepreneurship were the story told by social enterprises and their employee motivation, while the negative effects regarding competitiveness were as follows: the lack of government support for social entrepreneurship, insufficient information in society about social entrepreneurship and the social value created by it, as well as various other factors in the internal environment of an enterprise.

KEYWORDS: *social entrepreneurship, social enterprise, competitiveness.*

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Introduction

Social entrepreneurship has gained recognition in scientific research, national policies, education, and the commercial sector. It is stated in the opinion of the European Economic and Social Committee on “Social entrepreneurship and social enterprise” that social enterprises are one of the key elements in the European social model. More and more social enterprises of various kinds emerge in the world. An opinion exists that social enterprises are the future of any economy; yet, the development of social entrepreneurship is affected by various exogenous and endogenous factors that determine the competitiveness of social enterprises in the market.

Research problem. In his research studies, G. Mulgan proved that social entrepreneurship and its competitiveness depend on exogenous factors: the regulatory framework and financial assistance. Namely, if no appropriate conditions are created for social entrepreneurship, the competitiveness of social enterprises is lower than that of conventional ones (Mulgan, 2006: 82). It arises from the fact that social enterprises operate based on the same principles as conventional ones; yet, their operation is less efficient, which is affected by their lower productivity and high costs due to employing socially vulnerable groups (Hynes, 2005: 121). As a result, a lot social enterprises fail (Scott, Teasdale, 2012: 26) because of financial or social reasons (Rykaszewski et al., 2013: 7). For this reason, the European Commission has set a goal of creating a favour-

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able development environment for social enterprises, stressing that it is necessary to create specific support instruments and a regulatory framework, so that they can operate under equal competition.

The competitiveness of social enterprises is also affected by various factors in the internal environment of an enterprise. In most cases there is a serious lack of skills of product or service design as well as of branding, marketing, sales, and related financial management (Diochon, 2010: 101; Shaw, Carter, 2007: 423). The main reasons are the non-business background of social enterprise leaders and their inability to bring in respective expertise. The low level of entrepreneurial capacity of social enterprises is among the crucial factors that prevent them from fulfilling their potential in creating positive change individually and becoming a strong sector collectively. The research studies show that similar problems exist in Latvia and in other countries.

In Latvia, there is no single understanding regarding defining the concept of social entrepreneurship, as well as there are no legal and institutional frameworks and special support instruments for social entrepreneurship. Social enterprises operate in the market based on the same conditions just as conventional ones do, which considerably affects their competitiveness and economic sustainability.

The research object is the competitiveness of social entrepreneurship. The aim of the research paper is to examine the competitiveness of social entrepreneurship in Latvia. Research tasks are as follows:

- to identify the exogenous and endogenous factors affecting the competitiveness of social entrepreneurship;
- to analyse the competitiveness of social entrepreneurship in Latvia, identifying the competitive advantages and disadvantages of social entrepreneurship.

Methods. Studies and statistical data on social enterprises in Latvia are limited; therefore, a case study was carried out. For the case study, four social enterprises were selected: Wooly World Ltd, MAMMU Production Ltd, DIZZ Ltd and Z2B Ltd, which provide a comprehensive notion of social entrepreneurship in Latvia. To obtain information on the analysed social enterprises, first, an analysis of secondary data – information from the public environment of Latvia (printed mass media, the Internet etc.) and the data company Lursoft etc. – was performed. Second, the authors took structured interviews with the following owners of social enterprises: Madara More (the founder and manager of Wooly World), Zane Bojare (Z2B co-founder), Madara Makare (DIZZ co-founder), Andris Rubins (MAMMU Production co-founder). The interviews were made also with social entrepreneurship experts in Latvia – Agnese Lesinska, a researcher of the association Latvian Civil Alliance, a co-author and researcher of the study „Latvia on the Way towards Social Entrepreneurship” published in 2012; Renate Lukjanska, chairperson of the board of the association “Social Innovation Centre”. An analysis and interpretation of the data and a comparison of indicators of the social enterprises were performed by using the descriptive method, analysis and synthesis, induction and deduction methods. To examine the competitiveness of social entrepreneurship, the present research employed PEST analysis and M. Porter’s Five Force Model.

1. Characteristics of social enterprises and the justification of their choice

In Latvia there is no single understanding regarding defining the concept of social entrepreneurship. Within the present research, social entrepreneurship is defined as a kind of entrepreneurship, the priority of which is to create social values and form economic protection for socially vulnerable groups (Dobele, 2013: 70). Given the fact that Latvia lacks research studies on social entrepreneurship, it is appropriate to start the research with a case study analysis that provides a detailed view on the situation in social entrepreneurship in Latvia. To more completely reveal the situation and problems regarding the competitiveness of social enterprises in Latvia, the approach of multiple case studies was chosen (Eisenhardt, 1989: 541; Eisenhardt, Graebner, 2007: 27). The research selected four social enterprises that differed in their kind of activity, social purpose and way of engaging a socially vulnerable group.

WoolyWorld Ltd is one of the social enterprises that employ a socially vulnerable workforce – members of the Liepaja Association of the Blind – in their production process. Since 2011 the enterprise has been pro-

ducing bio-cotton toys in the form of bears, rabbits and deer that are available in various colours; their price is EUR 28. In 2011, in a contest held by the embassy of Sweden and aimed at contributing to social equality, WoolyWorld Ltd won first place, while in 2013 the enterprise participated in the international exhibition Spielwarenmesse 2013 in Nurnberg, Germany, owing to an agreement made with the Investment and Development Agency of Latvia and co-funding from the European Regional Development Fund.

MAMMU production Ltd was founded by Fionn Dobbin and Andris Rubins. Producing scarves of high-quality design, the enterprise, the operation of which is based on the seven principles of social enterprise defined by professor Muhammad Yunus, primarily aims at providing new mothers with income and social guarantees. The designs of scarves are developed in cooperation with several Latvian designers as well as a designer from the USA, Ernest Alexander. Along with scarves, the social enterprise also produces gloves, caps and shirts.

DIZZ Ltd is a social enterprise established in 2010; it produces bicycles that are adapted for people with reduced mobility. The social enterprise actively participates in various social entrepreneurship-related seminars as well as in such activities as the Healthy Lifestyle Day in Mezaparks and the Paralympic Sports Day in Riga and, in cooperation with the association Latvian Children with Reduced Mobility, organises an annual project that requests entrepreneurs to support the production of 10 tricycles for children and youths with reduced mobility. The tricycles produced within this project are granted free of charge to children and youths who acutely need such a vehicle.

Z2B Ltd is a social enterprise, founded in 2013, that produces woven rugs, employing old people. Textile leftovers that are supplied by such Latvian enterprises as ZIB tekstils Ltd, New Rosme Ltd and MAMMU Production Ltd, as well as the social enterprise "Otra elpa" are used to produce the rugs. The products of Z2B Ltd can be bought in the Internet store www.etsy.com, the store RIIJA, the store LOOK AT RIGA, the green studio Pienene and the store M50. In 2013, Z2B Ltd was awarded a prize of the Finnish Quality Association – Quality Innovation of The Year 2013. The characteristics of the selected social enterprises are summarised in Table 1.

Table 1. Characteristics of social enterprises for a case study

Social enterprise	Year of foundation and the legal form	Kind of activity	Number of employees who represent a socially sensitive group, 2014	Social element of the business
Wooly World	2011, Ltd	Production of toys	4 individuals with special needs (weak eyed)	To employ weak eyed people
MAMMU Production	2012, Ltd	Production of exclusive accessories (mainly scarves)	2–10 young mothers	To employ new mothers
DIZZ	2010, Ltd	Production of bicycles adapted for people with reduced mobility	Don't have; produce bicycles for disabled people	To produce bicycles adapted for people with reduced mobility
Z2B	2013, Ltd	Create rugs out of textile production leftovers and recycled garments	5 senior citizens	To employ senior citizens and utilizes potential textile waste

Source: authors' construction

One can find that the priority of all the examined social enterprises is social. Most of them employ individuals from socially vulnerable groups, while DIZZ Ltd produces bicycles for a socially vulnerable group (people with reduced mobility). The social enterprises mostly match the status of micro-enterprise, employing, on average, five people (Lesinska et al., 2012: 83), which may be explained by the fact that the period of operation of the social enterprises is relatively short as well as their expansion is affected by exogenous and endogenous factors, including competition in the market.

2. Factors affecting the competitiveness of social entrepreneurship

Competition among enterprises is one of the most essential drivers of competitiveness and development, as it stimulates the wish and capability of enterprises to create new products and optimises production costs, using new technologies and innovation (Kantane, 2010: 232; Kassalis, 2010: 9). The World Economic Forum defines competitiveness as the set of institutions, policies, and factors that determine the level of productivity (The Global Competitiveness..., 2009: 4). G. Bella et al. define competitiveness as the ability to produce goods and services of international quality standards more cost effective than others. This is hence a broad-based definition of competitiveness that implicitly includes a number of macro and micro factors (Bella et al., 2007: 4). One can conclude that various factors influence the competitiveness of social entrepreneurship. A. Auzina-Emsina, V. Ozolina and R. Pocs classify the factors into macro- and micro-level factors (Auzina-Emsina et al., 2015: 1), while A. Glebova, L. Vasiljeva and S. Lise suggest classifying them into endogenous and exogenous factors (Glebova, Vasiljeva, 2010: 52; Lise, 2013: 10). The present research divides the factors affecting the competitiveness of social entrepreneurship into two groups: endogenous and exogenous factors (exogenous factors are those that cannot be significantly affected by a social enterprise, whereas endogenous factors can be influenced by it). The exogenous factors affecting the competitiveness of social entrepreneurship were examined by PEST analysis.

Exogenous factors affecting competitiveness. In Latvia, the external environment is comprised of government policies whose effects are present almost in all spheres, which allows identifying the most significant factors that maintain a competitive environment: tax policies, credit policies etc. At the moment Latvia has not yet designed a legal framework for social entrepreneurship, social enterprises are not entitled to specific support mechanisms. Social enterprises use the same kinds of support that are available to conventional enterprises. For example, assistance programmes of the state joint stock company Latvian Development Financial Institution ALTUM for young and experienced businessmen, the grant programme "Atsperiens", participation in business incubators, etc. However, the conception On Social Entrepreneurship Introduction Opportunities in Latvia declares that a support system will be created for social enterprises in 2018. Initially, assistance will be provided for social enterprises that will employ the long-term unemployed and other groups of people able to work that at present are not involved in the labour market. It is envisaged to introduce such support mechanisms for social enterprises as employee wage subsidies, subsidies for purchasing equipment and devices, mentoring, advisory services, courses, seminars and training. It is also envisaged to design specific programmes that ensure access to assistance and funding for social enterprises as well as support structures that provide communication between social enterprises and stakeholders. There are also planned enterprise income tax relief and advantages in public procurement. Yet, at present, no specific support instruments for social enterprises are available in Latvia. Therefore social entrepreneurs mostly use their own private finances to found and develop an enterprise, which are not always sufficient (Martin, Osberg, 2007: 35; Brown, 2002: 16); in the result, social enterprises are not as competitive as conventional ones.

Competition in the market also influences the competitiveness of social entrepreneurship. As pointed by the cofounder of MAMMU Production A. Rubins, his enterprise is not competitive in Latvia due to the relatively high price of its products. For this reason, the enterprise focuses on developing its brand, choosing partners and creating new products and on the quality of its products in order to stabilise its financial situation and gradually acquire popularity internationally.

A significant factor hindering the competitiveness of social entrepreneurship is also the insufficiency of information and knowledge on the effects of social entrepreneurship on social and economic development. The cofounder of MAMMU Production A. Rubins emphasises that the competitiveness of social entrepreneurship is also influenced by the facts that there is no trust in the role of social enterprises and the efficiency of their performance and that at present the public is not aware of social enterprises in Latvia. An association for social entrepreneurship is necessary in Latvia in order social enterprises can unite into a single movement, as well as the mass media have to more focus on this industry. The cofounder of DIZZ Ltd, M. Makare,

points that the level of awareness is relatively low; yet, due to the project Goodwill Entrepreneur carried out by MTG TV Latvia, social enterprises have become more interesting to the mass media.

The main exogenous factors affecting the competitiveness of social entrepreneurship are summarised in Table 2.

Table 2. Exogenous factors affecting the competitiveness of social entrepreneurship in Latvia, based on PEST analysis

Factors		Characteristics of impacts on the competitiveness of social entrepreneurship
Political factors	Lack of legal support	Negative effects on the competitiveness of social entrepreneurship, as any social enterprise is not recognised as an economic entity and the term is not integrated in the legislation
	Lack of tax reliefs, subsidies and grants	No tax relief for social enterprises
Economic factors	Lack of external funding	Social enterprises use the same kinds of support that are available to conventional enterprises
	Market competition	The production cost of products of social enterprises is usually high (and their respective price in the market), which is due to employing socially vulnerable groups; consequently, it is difficult to compete with the goods produced by conventional enterprises
Social factors	Information about social entrepreneurship	There is a lack of knowledge and information on the nature of and the social value created by social entrepreneurship in society and in the economy
Technological factors	Development of ICT	Internet availability and communication development positively affect the exchange of ideas and contributes to the expansion of social entrepreneurship. Networks of social enterprises emerge, which increase the competitiveness of social entrepreneurship

Source: authors' construction

One can find that the competitiveness of social entrepreneurship is affected by various exogenous factors, which mostly negatively influence it in Latvia.

Endogenous factors affecting competitiveness. Many social enterprises struggle to sustain themselves in the competitive business environment. Their founders may have significant social consciousness but lack business acumen. The founders of the social enterprises examined in the case study also had no experience in business.

The self-sustaining and competitiveness of social enterprises are also affected by a number of specific factors that are characteristic of only social enterprises. One of the most significant ones is the low labour productivity of individuals from a socially vulnerable group, compared with that of employees of conventional enterprises. "Before Christmas we were asked to produce as many as 1000 bear toys a week. We cannot do it so fast. And it is costly to keep large inventories", points M. More. A. Rubins, too, emphasises that problems often relate to the term of production of products, as new mothers are not able to finish an order until the deadline, which considerably affects the turnover and cash flow of the social enterprise.

Any social enterprise needs to invest greater time resources in training individuals of a socially vulnerable group, as employees have no appropriate work experience and qualification. M. More notes that at least three months are necessary for training people with special needs. Besides, training does not guarantee that the quality of products produced will be high. The cofounder of MAMMU Production points that they had to deal with poor quality scarves being impossible to sell. It involves additional costs for the social enterprise, as time and financial resources are consumed to purchase raw materials.

One of the most significant problems for social enterprises relates to product sales. The products produced by people with disability, in terms of price, are not competitive; therefore it is important to correctly

position the products in the market in order to influence the way of thinking of people – it is necessary to highlight the value added of products produced. Private contacts are mostly used by the examined organisations to sell their products. “The visible part of sales involves souvenir and gift stores, which are needed to become noticed. But mostly they are corporate customers – those that want to demonstrate their social responsibility by means of their gift”, notes M. More. Given the fact that the price of products is relatively high, they are mostly exported. WoolyWorld exports 40 % of its products to Japan. The most important arguments are the high purchasing power of residents of this country and their way of thinking – hand work and the integration of the disabled in the market are appreciated there. The price of products of MAMMU Production is high, i.e. within a range from EUR 31 to 130. “In order that a social enterprise can be competitive, quality products have to be offered in the market”, notes A. Rubins.

One can conclude that the commercial performance of social enterprises is affected by a number of factors that negatively influence the competitiveness of an enterprise as well as can cause serious threats to the self-sustaining of enterprises in a long-term. According to the case study, the social enterprises perform with losses. In order for the bicycles of DIZZ Ltd to be available to their potential buyers, their price only slightly exceeds their cost. The prices of tricycles for children and youths are EUR 490 or 530, while a tricycle for adults costs, on average, EUR 570. As a result, the social enterprise incurred losses (EUR 241 in 2013, EUR 1514 in 2014). DIZZ Ltd also suffered losses (EUR 671 in 2013, EUR 3178 in 2014). The price of rugs, depending on their size, ranges from EUR 60 to 350, and a third is paid in wages, the remaining revenue goes for rent, utilities, equipment, packaging, marketing and enterprise expansion. MAMMU Production, regardless of the high price of its products, suffered losses (the loss after taxes in 2013 totalled EUR 25878, in 2014 – EUR 11766). The only social enterprise analysed by the case study that made profit was WoolyWorld. Although its profit margins were low (in 2014 the profit margin on sales was 16.8 %, while the gross profit margin was 10.7%), nevertheless its performance generated some profit in 2013 and 2014 (EUR 3955 and 2231, respectively).

The key factors affecting the financially inefficient performance of social enterprises are the lower labour productivity of socially vulnerable groups, time consumption for training employees as well as the small experience of founders of social enterprises in business. To survive in competition with conventional enterprises, social enterprises use various support instruments. DIZZ Ltd acquired its initial capital from the Soros Foundation – Latvia, which changed its name for the Foundation for Open Society DOTs, and from the project competition Brigade held by the Latvian Centre for Contemporary Art. However, in 2011 the enterprise acquired extra funding from a grant programme “Atsperiens”. MAMMU Production also used financial support from the Soros Foundation – Latvia. The social enterprise Z2B gained funding from the programme Brigade of the Soros Foundation – Latvia and from the public foundation State Cultural Capital Fund. The funds acquired were used to establish a production unit, purchase equipment and materials as well as carry out marketing activities. In contrast, WoolyWorld spent its first years in a business incubator, which promoted the startup of its activity. The economic performance of the social enterprises is presented in Table 3.

One can conclude that the performance of social enterprises is affected by various exogenous and endogenous factors. The most significant exogenous factor that reduces the competitiveness of social entrepreneurship is the lack of government support for social entrepreneurship. Social enterprises mostly use assistance provided by foundations, which is not sufficient enough. The competitiveness of social enterprises is considerably influenced by the employment of socially vulnerable groups; in the result, an enterprise incurs additional costs (employee training, raw materials to replace defective products, wages for additional employees who control work), which leads to higher production cost. These factors decrease the competitiveness of social enterprises in comparison with conventional ones. To get a comprehensive notion on the competitiveness of social entrepreneurship, it is important to analyse its competitiveness by examining the competitive advantages and disadvantages of social enterprises in comparison with conventional enterprises.

Table 3. Characteristics of the economic activity of social enterprises

Social enterprise	Support instruments for developing an enterprise	Product prices, EUR	Profit or loss, EUR		Profitability, %	
			2013	2014	2013	2014
Woolly World	Kurzeme Business Incubator; Micro-enterprise taxpayer	28	+3955	+2231	Sales profitability 13.6 %; Gross profit margin 10.6%	Sales profitability 16.8 %; Gross profit margin 10.7 %
MAMMU Production	Funds of the Soros Foundation – Latvia programme „Brigade”	31–130	-25878	-11766	Sales profitability -66.7%; Gross profit margin 2.7%	Sales profitability -98.1%; Gross profit margin -5.4%
DIZZ	Business incubator; funds of the Soros Foundation – Latvia programme “Brigade” and the grant programme “Atsperiens”	490–570	-241	-1514	Sales profitability – 0.2 %; Gross profit margin 2.3 %	Sales profitability – 1.5 %; Gross profit margin – 6.7 %
Z2B	Funds of the Soros Foundation – Latvia programme “Brigade” and the public foundation State Cultural Capital Fund	60–350	-671	-3178	Sales profitability – 6.4 %, Gross profit margin 51.3 %	Sales profitability – 43.2 %, Gross profit margin 50.7 %

Source: authors’ construction based on Lursoft data and interviews with representatives of social enterprises

3. Analysis of the competitiveness of social entrepreneurship

The present research analysed the competitive advantages and disadvantages of social enterprises in comparison with conventional enterprises, employing M. Porter’s Five Force Model, because this way allows identifying the strengths, weaknesses, opportunities and threats of the industry, integrating the competitiveness environment, which is present in the industry, in the analysis. The research did not assess competitiveness among the social enterprises, as social enterprises, in accordance with the nature of social entrepreneurship, do not compete among one another; on the contrary, they cooperate, thus tackling a social problem at greater intensity. For this reason, social enterprise networks are established, so that social enterprises can acquire funding as well as cooperate with some other social enterprise, having a common goal.

Competition intensity. In Latvia, social enterprises have a lot of competitors that operate in accordance with the principles of conventional enterprises, except for cases where a social enterprise produces a specific good or service, for example, in the case of DIZZ Ltd, as the only competitors for this enterprise’s bicycles that are adapted for people with reduced mobility are foreign companies whose bicycles are imported and sold in Latvia. However, the cofounder of DIZZ Ltd, M. Makare, points that the quality of the enterprise’s products is higher than that of available foreign products in the respective price category. That is why one can assure that the intensity of competition between social enterprises and companies that operate in accordance with the principles of conventional enterprises is high. The key advantage of social enterprises with regard to their competitors is their story that includes the operational principles and nature of a social enterprise; therefore consumers are informed about how the enterprise’s profit is used up, as well as consumers are given an opportunity to help in tackling their social problem. The cofounder of MAMMU Production Ltd, A. Rubins, stresses that the story told by the enterprise is worth nothing if the enterprise’s good or service is of poor quality; therefore, in order a social enterprise can use its key advantage with regard to its competitiveness, the enterprise has to produce a high-quality good or service.

A researcher of the association Public Policy Centre PROVIDUS, A. Lesinska, points that the employees of social enterprises have one more advantage with regard to competitors, as studies in Great Britain have

proved that the sustainability of a social enterprise was greater than that of a conventional one due to the fact that social enterprises offered their employees both emotional and financial motivators. This is because social enterprises employ people belonging to socially vulnerable groups as well as individuals who do not receive sufficient satisfaction from their wage, health insurance and other financial motivators. One can conclude that the diversity of motivators provided by social enterprises positively affects their staff turnover.

However, the main disadvantage of social enterprises with regard to their competitors is their small opportunity to attract funds. Despite the fact that more studies on social entrepreneurship were carried out and the mass media more often focused on social enterprises in recent years, Latvia's society is still insufficiently informed about social entrepreneurship and its role; accordingly, it is difficult for social enterprises to attract funds from investors, business angels or philanthropists. To acquire finances from banks and other financial institutions, enterprises have to submit a business plan; yet, it is difficult for social enterprises to elaborate and justify a business plan's financial section because, owing to the nature of social entrepreneurship, the effects created by a social enterprise are difficult to measure numerically; consequently, this kind of source of finance is relatively unavailable for social enterprises. However, the mentioned financial opportunities are much more available for conventional enterprises; therefore such enterprises can start up their operation as well as expand it much faster. The researcher of the association Public Policy Centre PROVIDUS, A. Lesinska, points out that social entrepreneurs' poor knowledge of entrepreneurship is one more disadvantage with regard to their competitors, which directly affects the competitiveness of their enterprise. At present, a course in social entrepreneurship can be taken only at a few higher schools of Latvia, while training is provided by associations that render consultation services regarding social entrepreneurship.

Enterprises whose products are substitutes. Social enterprises compete with a large number of companies that can offer substitutes for their goods and services, except for cases where social enterprises produce a specific good or service.

Potential competitors. It is quite easy for new enterprises that operate in accordance with the principles of a conventional enterprise and can become competitors to social enterprises to enter the market, as social enterprises have to deal with the same enterprise foundation process as well as operation startup challenges as other ones. A. Rubins notes that new competitors can easily enter the market, but it is difficult for them to achieve financial stability. The cofounder of DIZZ Ltd, M. Makare, also points that the fact that it is difficult to make money in this industry prevents social enterprises from entering the market. She has observed that an enterprise, which also planned to produce bicycles adapted for people with reduced mobility, wished to start operating in Latvia, initially understanding that this product will not bring desired profits over a certain period, but stopped the launch of its operation. The cofounder of Z2B Ltd, Z. Bojare, emphasises that with their activity serving as an example, social enterprises often stimulate the foundation of other enterprises that want to produce a similar good or service. Social enterprises, such as Z2B Ltd and MAMMU Production Ltd, have provided consultation services to people who were interested in starting up social entrepreneurship, thereby contributing to the establishment of social enterprises. The cofounder of Z2B Ltd, Z. Bojare, points out that it is slightly more difficult for a new social enterprise which enters the market and whose kind of economic activity is similar to that of an existing social enterprise that has carefully developed its brand to acquire popularity among consumers because if the very first social enterprise produces some particular good or service, they associate later products produced by other social enterprises with the very first one.

Buyers. Goods or services produced by social enterprises are purchased by both intermediaries and final consumers. There are social enterprises whose buyers are currently only final consumers, for example, Z2B Ltd, and there are ones whose products are mostly purchased by their partners rather than final consumers, for example, MAMMU Production Ltd. The capability of social enterprises to attract potential buyers is considerably affected by Latvia's society's awareness of social entrepreneurship and the population's purchasing power. Although social entrepreneurship is increasingly discussed in the public arena, Latvia's society is still insufficiently informed about social entrepreneurship and its role.

Suppliers. Since mostly all social enterprises in Latvia match the status of micro- or small enterprise, they cooperate with suppliers that also belong to the status of micro-, small or medium enterprise, as the quantities of raw materials necessary for Latvia's social enterprises are currently too small to cooperate with suppliers that match the status of large enterprise. Consequently, the production cost of goods or services produced by social enterprises is relatively high, which also affects the final price of such products. In the result, the prices of goods or services produced by social enterprises are higher than those set by companies functioning in accordance with the principles of a conventional enterprise. In such a situation, a social enterprise has to offer a high-quality good or service in order to be able to compete with its competitors. Social enterprises buy raw materials from several suppliers for the purpose of not becoming dependent on a single supplier.

An assessment of the competitiveness of social entrepreneurship, based on M. Porter's Five Force Model, is presented in Figure 1.

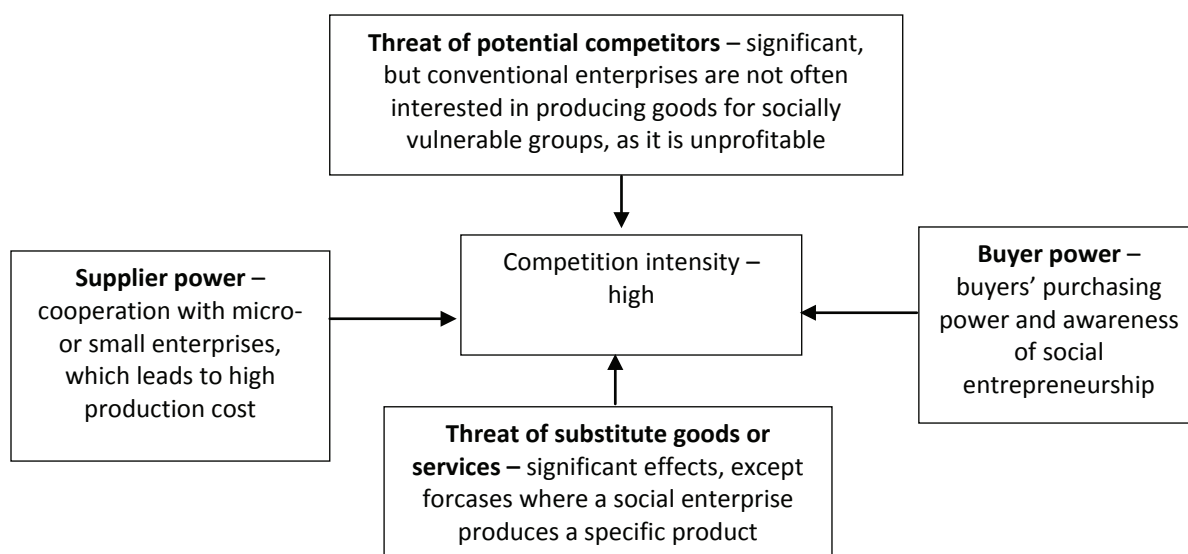


Figure 1. M. Porter's Five Force Model for social entrepreneurship

Source: authors' construction

One can find that the competitiveness of social enterprises is relatively low in Latvia, which is due to the facts that there are no regulatory framework for social entrepreneurship and no specific support mechanisms and opportunities for social enterprises to acquire funds, as well as the public is not aware enough of social entrepreneurship. It is quite easy to start up a social business; yet, it is difficult to ensure its financial self-sustaining in a long-term.

Conclusion

The competitiveness of social entrepreneurship is low in Latvia, as social enterprises operate in the market in accordance with the same principles as conventional ones. In Latvia, no regulatory framework has been developed as well as no specific support mechanisms are available for social entrepreneurship. Social enterprises are not more competitive as conventional ones, as they employ individuals from socially vulnerable groups whose labour productivity is lower and some time is needed for their training; consequently, their production cost is high. It negatively affects the financial performance of social enterprises, as well as their competitiveness. To raise the competitiveness of social entrepreneurship, it is necessary to elaborate a regulatory framework for social entrepreneurship, introduce specific support instruments particularly for

social entrepreneurship as well as to contribute to the public's understanding of the social value created by social entrepreneurship in society and in the economy.

The competitive advantages of social entrepreneurship are employee motivation as well as the enterprise's story (any social enterprise tackles a social problem being important for society). Yet, given the public's insufficient awareness and knowledge of social entrepreneurship, the competitive advantage with regard to the social enterprise's story (the problem to be tackled, the social goal) is not fully exploited.

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SOCIALINIO VERSLUMO KONKURENCINGUMAS LATVIJOJE

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Santrauka

Socialinis verslumas yra svarbus veiksnys Europos socialinės rinkos ekonomikoje. Socialinis verslumas grindžiamas solidarumo ir atsakomybės principais bei prioritetų seka, įgyvendinami tiek individų, tiek socialiniai tikslai, tai skatina socialinę atsakomybę ir socialinį įtraukimą. Tačiau praktiškai socialiniam verslumui kyla įvairių problemų, o tai neigiamai veikia konkurencingumą. Šiame straipsnyje išsikeltas tyrimo tikslas – ištirti socialinio verslumo Latvijos organizacijose konkurencingumą. Siekiant įgyvendinti tikslą taikytas atvejo analizės metodas. Išskirti teoriniai veiksniai, darantys įtaką socialiniam verslumui, vėliau jie analizuoti pasirinktose organizacijose, pateikiami jų įtakos konkurencingumui privalumai ir trūkumai. Atlikus tyrimą nustatyta, kad pagrindinis socialinio verslumo konkurencinis privalumas yra istorijų, kaip organizacijos dalyvauja socialiniame verslume, pasakojimai ir darbuotojų motyvavimo sistemos. Neigiami konkurencingumą veikiantys veiksniai buvo vyriausybės paramos stoka plėtojant socialinį verslumą, nepakankamas visuomenės informavimas apie socialinį verslumą ir jo vertę bei tam tikri vidiniai organizacijų aplinkos veiksniai.

PAGRINDINIAI ŽODŽIAI: *socialinis verslumas, socialus verslas, konkurencingumas.*

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