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RESEARCH ARTICLE

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## Abstract

*The idea of social business is very attractive for scientists, because it enables solving both economic and social problems, it improves human life and society. Nevertheless, there is no universal definition of social entrepreneurship, social enterprise or social business, in general and in Hungary in particular. The idea is new in Hungary, but it is developing very rapidly. This paper clarifies the concept of social entrepreneurship, its legal aspects and the role it plays in society in general. Based on this theoretical foundation, it analyses the issue of social entrepreneurship in Hungary.*

## Keywords

*social entrepreneurship, non-profit enterprise, for-profit enterprise*

## 1 Introduction

The purpose of this article is, first, to analyze the concept of social entrepreneurships and, second, to identify its implications for Hungary. The concept of social entrepreneurship is new in the European Union. It is very complex and it is interpreted differently in various sources. This causes difficulties in the further evaluation of the phenomenon at the local and the international level. The idea of social entrepreneurship is very attractive to many researchers and scientists. Its importance is indicated by the fact that more than 11 million people amounting to 4.5 per cent of the economically active population in the EU are involved in social businesses. Their performance accounts for 10 per cent of the combined GDP in the EU (according to the report of the European Commission, 2014). These figures shed light to the importance of the underlying issue of social problems.

The relevance of this study is associated with the social problems of the global economy. In the European Union social problems related to such issues as unemployment, social exclusion and housing, family benefits, increasing income inequality, pensions, health care and others have been exposed (European Commission, 2016). Social entrepreneurship is one of the brightest phenomena representing a new vector of socio-economic development and promises to solve or at least lease these problems; therefore, it can be involved in some of the state's functions. Therefore, defining the term social entrepreneurship is particularly important. Nowadays there are discussions on the theoretical and methodological interpretation of social entrepreneurship as a result of which sufficient staff is available to summarise, structure and synthesize.

## 2 Defining entrepreneurships and their types

Nowadays most of the world's famous scientists, who try to clearly explain the essence of social entrepreneurship, first identify the features of entrepreneurships in general and then relate them to social ones. Nevertheless, the term entrepreneurship is not a clear concept either. Table 1 presents some approaches to the definition of entrepreneurship in economic theory in different time periods.

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In spite of the differences, the general idea of entrepreneurship is still relevant today.

**Table 1** Some points of view about the definition of entrepreneur/entrepreneurship

Authors, source	Interpretation of entrepreneurship
McConnell, Brue, "Economics" (McConnell and Campbell R., 1963)	Entrepreneurship is a kind of activity which combines the following: 1) initiative in connecting the factors of production 2) taking major decisions in the production process 3) innovation 4) riskiness.
Joseph Schumpeter, "The Theory of Economic Development" (Schumpeter, 1934)	Entrepreneur is an innovator who combines the factors of production in novel way, this person is: initiative, authoritative, foreseeing, risk-taker.
Jean-Baptiste Say, A Treatise on Political Economy (Jean-Baptiste Say, 1803)	Entrepreneur is a person who fights for some cause (for his own expense, risk and in his favor) to make some product.
Professor Howard Stevenson (Eisenmann, 2013)	"Entrepreneurship is the pursuit of opportunity beyond resources controlled".
OECD–Eurostat entrepreneurship definitions (Ahmad and Seymour, 2008)	"Entrepreneurship is the phenomena associated with entrepreneurial activity. Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets".

As it can be depicted from Table 1, the psychological characteristics of the entrepreneur play perhaps the most important role in determining entrepreneurship. These traits are as follows: being innovative, proactive, opportunity aware, value creator, showing initiative, self-motivated, hazardous. Thus, entrepreneurship is an independent, innovative, proactive, hazardous, systematic activity to achieve economic and social goals and receive profits.

The next integral part of understanding the term of entrepreneurship is to explore its classification. Peter J. Boettke (Boettke, 2004) defines two types of entrepreneurship: arbitrage (discovering the price gaps that exists and acting on that margin to close the gap: buy low – sell high) and innovative (discovering new trading opportunities (Smith, 1776), discovering lower cost or new technologies (Schumpeter, 1934). Steve Blank (Blank, 2011) included in his classification not only the aim of the enterprise's activity, but also its size. Therefore, he mentioned four types of entrepreneurships: small businesses, scalable start-ups, large companies and social entrepreneurs. Small business entrepreneurship "...is anyone who runs his/her

own business... Most are barely profitable"; scalable start-ups attract investment from equally crazy financial investors – venture capitalists; large company entrepreneurships have finite life cycles. Most grow through sustaining innovation, offering new products that are variants around their core products. Finally, social entrepreneurship includes innovators who focus on creating products and services that solve social needs and problems. But unlike scalable start-ups, their goal is to make the world a better place, not to take market share or to create wealth for the founders (Blank, 2011). Therefore, while the other types of entrepreneurship aim to venture growth maximization and economic prosperity, social entrepreneurship has primarily social objectives.

Now we focus on the particular definitions of social entrepreneurship or enterprise, which are used by international organizations working in this direction and public initiatives aiming at encouraging social enterprises. Skoll Foundation — an international US non-profit foundation specializing in social entrepreneurship with investments in health care and education in developing countries — proposed the following definition: social entrepreneurs are the agents of society changing, creators of innovation, challenging the "status quo" and changing the world for the better (Skoll Foundation, 2015). In addition, a similar definition is proposed by Ashoka (the first international organization systemically supporting social enterprises). "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" (Ashoka, 2015). These definitions concern mostly, first, the mission and goals of this type of businesses, and, second, the psychological characteristics of the entrepreneur, such as social value creator, enthusiastic, innovative, altruistic, socially active and socially conscious, orientated for long-term changes...

In the definition of the European Commission, the social enterprise "... uses its profits to achieve its primary objective instead of distributing profits and has in place predefined procedures and rules for any circumstances in which profits are distributed to shareholders and owners" (European Parliament, 2012). Thus, another feature of the social enterprise is that it uses its profit for the company's own social goals. In addition, the social entrepreneur "delivers a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable" (Abu-Saifan, Samer, 2012).

In addition, the topic of social entrepreneurships is enlightened in the famous International Research and Academic Projects such as Social Enterprise Knowledge Network, EMES European Research Network, Harvard Business School ("Social Enterprise Initiative"), Stanford Centre for Social Innovations as well as in academic journals such as Stanford Social Innovation Review, Journal of Social Entrepreneurship (Oxford University's Skoll Centre) and others.

Moreover, the concept of social entrepreneurship is similar to that of corporate social responsibility (CSR) that is very popular nowadays. The European Commission (2015) defines CSR as “the responsibility of enterprises for their impact on society”. These companies can become socially responsible by following the law and integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations (European Commission, 2015). Therefore, CSR as well as social business involves the active role of the enterprise in solving important social problems, but at the same time “CSR programs are the philanthropic programs of companies. CSR is part of a corporation, which is a profit-maximizing company. A social business is a company by itself, which is dedicated to social impact-maximization. A common way of practicing CSR is by donating money for social causes” (Social Business Earth, 2016).

### 3 Social enterprise' boundaries

Very often social entrepreneurship is associated with other similar social activities such as philanthropy, voluntary activity, charity and other socially oriented practice, but its social activist “might only become a social entrepreneur if he or she further develops his or her activism into a sustainable solution that will allow them to address the issues at hand in a scalable and impactful manner” (Wamda, 2016). In addition, Skoll Centre also recommends not to be confused with similar types of activities: philanthropists, activists, companies with foundations, or socially responsible organizations – these are not social entrepreneurs (Skoll Foundation, 2015). The researchers Roger L. Martin and Sally Osberg also believe that distinguish social entrepreneurship must be distinguished from social service provision and social activism, because they differ significantly, first of all, by nature of action and outcome. Of course, they have many similar characteristics, but “instead of taking direct action, as the social entrepreneur would, the social activist attempts to create change through indirect action, by influencing others – governments, NGOs, consumers, workers, etc. – to take action”. Furthermore, Roger L. Martin and Sally Osberg try to distinguish social entrepreneurship from social service provision – when “a courageous and committed individual identifies an unfortunate stable equilibrium... and sets up a program to address it”. The main difference between these two types is the outcome: the social service provision is not likely to lead to a new superior equilibrium (Martin and Osberg, 2007).

The perception of and the approach to social enterprises differ slightly in the US and in Europe primarily because of the historical reasons. The American approach is divided into two schools: the first one is called “social innovation” and is related to the concept of the “Ashoka” organization), the second one is labelled as “earned income,” and refers to the venture with bright commercial activities in support of its goals. According

to the European concept, the pioneering model of the social enterprise is “social cooperative” that appeared in Italy, and later spread to the other European countries. Subsequently, the other legal forms of social enterprises have been legislated in Europe (for example, “social purpose company” in Belgium, 1995) (Defourny and Nyssens, 2010).

According to Jacques Defourny and Marthe Nyssens (2010), in the USA the concept of social entrepreneurship is 1) somewhat broader; 2) more focused on the term “entrepreneurship” and its commercial activities; 3) is the part of the market economy; 4) includes a variety of legal forms of social enterprises etc.

According to the European approach, social entrepreneurship is essential element of the social economy; it is more focused on achieving the social objectives of the society. It depends to a large extent on the individual countries (with their social security systems), thus the list of the comprehensive activities of these enterprises (mainly services) is clearly defined. In addition, the democratic management of social enterprises, too, is in the focus (Defourny and Nyssens, 2010).

Furthermore, American social entrepreneurs are actively supported and promoted by appropriate private funds, whereas European ones are maintained by the national governments or the institutions of the European Union. In general, the legal framework of social entrepreneurship in both the US and Europe is poor; active debates are under way on its interpretation. These approaches are studied by scientists of the “EMES” Research Project, under which the following attributes of social enterprise “of an ideal type” were derived (Defourny and Nyssens, 2010):

1. a continuous activity producing goods and/or selling services;
2. a high degree of autonomy;
3. a significant level of economic risk;
4. a minimum amount of paid work.
5. an explicit aim to benefit the community;
6. an initiative launched by a group of citizens;
7. a decision-making power not based on capital ownership;
8. a participatory nature, which involves various parties affected by the activity;
9. a limited profit distribution.

According to this project, other “non-ideal social enterprises” can also fit this category.

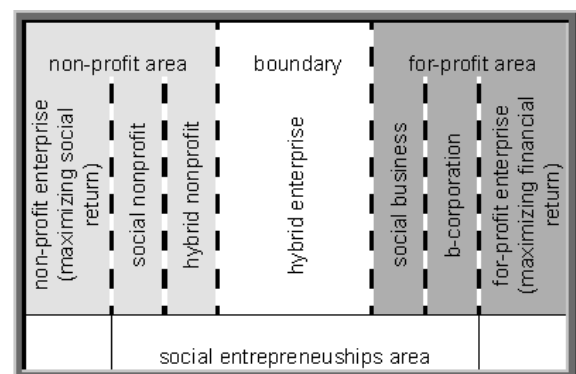
There are many disagreements on the boundaries of social entrepreneurs' notion among the scientists. For example, according to Jill R. Kickul and Thomas S. Lyons (2012) many scientists simply avoid the issue of boundaries, whereas others consider the social enterprise as a traditional business with social mission (when the return is used “in the interests of customers”, but not by company leaders (Mair and Lanuza, 2005), and others accept only a non-profit nature of social entrepreneurs.

**Table 2** Some Approaches to the classification models of social entrepreneurship

Author	Approaches	
	Non-profit direction	For-profit direction
John Elkington and Pamela Hartigan (Elkington and Hartigan, 2013)	The Hybrid Non-Profit differs from The Leveraged Non- Profit by using its return for supporting its own financial stability, to cover its own expenses, support operations, while Leveraged Non- Profit spends its available funds for social needs.	The Social Business Venture - for-profit ventures, they work as traditional businesses with social goals. Profit is reinvested into the business.
The Schwab Foundation	Leveraged non-profit ventures: include private and public organizations, "...drive innovation through a multiplier effect, ...depend on outside philanthropic funding, but their longer term sustainability is often enhanced given that the partners have a vested interest in the continuation of the venture". Hybrid non-profit ventures: "...the entrepreneur sets up several legal entities to accommodate the earning of an income and the charitable expenditures in an optimal structure...clients are often poor or marginalized from society; the entrepreneur must mobilize other sources of funding from the public and/ or philanthropic sectors. Such funds can be in the form of grants or loans, and even quasi-equity" (Schwab Foundation, 2015).	Social business ventures "...While profits are ideally generated, the main aim is not to maximize financial returns for shareholders but to grow the social venture and reach more people in need. Wealth accumulation is not a priority and profits are reinvested in the enterprise to fund expansion. The entrepreneur of a social business venture seeks investors who are interested in combining financial and social returns on their investments" (Schwab Foundation, 2015).
(Abu-Saifan, Samer, 2012)	Non-profit with earned income strategies: "performing hybrid social and commercial entrepreneurial activity to achieve self-sufficiency. Organization is both social and commercial; revenues and profits generated are used only to further improve the delivery of social values."	For-profit with mission-driven strategies: "performing social and commercial entrepreneurial activities simultaneously to achieve sustainability. Organization is both social and commercial; the organization is financially independent and the founders and investors can benefit from personal monetary gain".
Kathy O. Brozek (Brozek, 2009)	Social enterprise is a "nonprofit organization with a sustainable, scalable revenue stream generated from activities related to its social mission; it has an entrepreneurial operating model and leadership team."	Isn't social enterprise according to Kathy O. Brozek.
Issie Lapowsky	Nonprofits With Earned Income "... generate earned income and has nonprofit's mission." Nonprofits: "... the mission matters more than the money." Hybrid model: "a nonprofit and a for-profit are linked. In some cases, one is a subsidiary of the other; in others, the two entities are bound by long-term contracts in which one entity fulfils a basic need for the other and vice versa" (Lapowsky, 2011).	B Corporations: "care as much about society and the environment as they do about profits." For-Profit With a Social Mission: "For entrepreneurs seeking to make a social impact, an organization cannot be separated from its social mission." Hybrid model: "a non-profit and a for-profit are linked" (Lapowsky, 2011).
NESsT	"Some social enterprises are created, operated and/or owned by non-profit, charitable organizations as a means of generating income and/or to otherwise further their social mission" (NESsT, 2015).	"Other social enterprises are incorporated as a for-profit entity but the business strategy is designed to achieve a social objective" (NESsT, 2015).

The scientists Jill Kickul and Thomas S. Lyons note that social enterprise permanently evolves and develops and in its development it takes up commercial, non-profit, public and hybrid types (Kickul and Lyons, 2012). Nevertheless, how do they differ from each other and from traditional enterprises? At the beginning, we consider several approaches to the classification models of social entrepreneurship in Table 2.

Thus, summarizing the abovementioned approaches, we sketch the classification of forms of social enterprises and picture their boundaries (Fig. 1).



**Fig. 1** Defining the boundaries of social enterprises

Social enterprises are somewhere between non-profit and for-profit ones, and both forms can be financed by a public body (wholly or mainly) (Anthony Collins Solicitors, 2015). Depending on whether it is a non-profit or for-profit enterprise, its financial stability goes up or down, but it is sustainable. In the transition from non-profit to for-profit enterprises, the philanthropic (social) component can change proportionally, and according to the nature of for-profit enterprise, the level of commercial return is increasing.

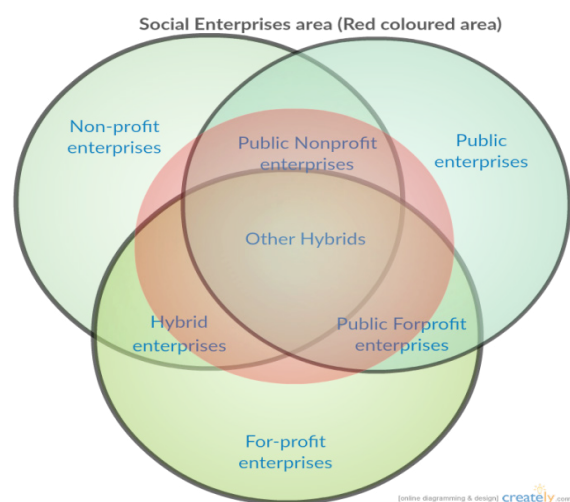
1. As shown on Fig. 1, the social enterprise's "starting point" is the non-profit enterprise, which works to maximize social impact, but does not include "intermediate" non-profit enterprises with social goals such as venture philanthropy, often called high-engagement philanthropy (engagement between the recipient and the founder), non-profit loan funds (provides below-market-rate financing to non-profits, often those with fee revenue streams but that are not necessarily social enterprises) and social entrepreneur funds that focus on finding and financially supporting social entrepreneurs" (Brozek, 2009). The main core of social non-profit enterprise is spending available funds for reaching social needs.
2. *Hybrid non-profit* enterprise uses its available funds to support the operations of its own business, not for its social aims (Lapowsky, 2011).
3. *Hybrid enterprise* is the enterprise "where non-profit and for-profit models are linked", it is more self-sufficient compared with the previous one, its available funds are spent on social goals, but from time to time it uses its return for the support of the enterprise
4. *Hybrid and commercial* social enterprises are more inherent in the American model (Defourny and Nyssens, 2010).
5. *Social business* (or socially responsible business) is performing social and commercial entrepreneurial activities at the same time; it is sustainable and more independent financially. In other words, it is "for-profit company that operates with dual objectives-making profit for its shareholders and contributing to a broader social good" (Virtue Ventures LLC, 2015).
6. "*B-corporation*" (or Benefit Corporation): it's owners are interested in maximizing financial return, but the enterprise proofs its essential social function. It is a "new legal tool to create a solid foundation for long term mission alignment and value creation. It protects mission through capital raises and leadership changes, creates more flexibility when evaluating potential sale and liquidity options, and prepares businesses to lead a mission-driven life post-IPO". It is for-profit company that wants to consider additional stakeholders, morals or missions in addition to making profit for their shareholders. Non-profits cannot be benefit corporations, but they could create one. Because of the public benefit purpose

provisions, expanded fiduciary duties of directors, and additional shareholder rights created within the model benefit corporation legislation, this structure could be useful to operate and scale the earned-income activities of a non-profit (B Lab, 2015). Therefore, this type of enterprise differs from the previous socially responsible business in terms of its mission – it is financially driven.

The European approach to defining social entrepreneurship is closely linked to the concept of cooperative: businesses "owned and run by and for their members. Whether the members are the customers, employees or residents, they have an equal say in what the business does and a share in the profits" (International Co-operative alliance, 2016), therefore, by their nature cooperatives presume at least a partial distribution of profits among their members.

Public enterprise is "a corporation established, or a group of individuals appointed to act together, for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character, and (i) financed wholly or mainly by another contracting authority; (ii) subject to management supervision by another contracting authority; or (iii) more than half of the board of directors or members of which, or, in the case of a group of individuals, more than half of those individuals, are appointed by another contracting authority" (Anthony Collins Solicitors, 2015).

In addition, the interpretation of the concept of social enterprise can be represented via Euler and Venn diagrams, and in this case, the social enterprise in the broadest interpretation will be located somewhere in the red zone (the darkest area) according to the following picture.



**Fig. 2** Illustrating the meaning of social entrepreneurship with Euler and Venn diagram.

As we can depict from the diagram above, the spectrum of social enterprises includes different types of businesses and their combinations. They can function as non-profit or for-profit

enterprises. Sometimes social enterprise (both for-profit and non-profit) can be public or financed by a public body (“wholly or mainly”) or combine all the abovementioned forms.

#### 4 The Survey of the Hungarian Literature

Hungary, there is no legal definition of social entrepreneurship and its non-profit or for-profit form. It is absent among business organizations and in legal documents, but the most powerful international NGO in Hungary in the field of promotion and start-ups of social enterprises “NESsT” defines social entrepreneurship as “a business that is created to address or solve a critical social problem in a financially sustainable (and potentially profitable) way” (NESsT, 2015). Furthermore, the international research project SEFORIS aiming “to better understand the role of social enterprises” in European Union and particularly Hungary explains social entrepreneurs as a “force for more inclusive and innovative societies” (Seforıs, 2014).

The representative of the main research institution of social entrepreneurship in Hungary Petheő Attila of Budapest Corvinus University mentioned that social enterprise is, “on the one hand the highly developed organisational form in which the enterprise is walking the thin line between profit maximisation and the often irritable realisation of lessening societal stress, on the other hand it is the tool which may bridge the gap between the lack of emotion in the economy and the wish for the welfare of the public.” According to the research of Petheő Attila, the social enterprise in Hungary is a not-for-profit organization that narrows the spectrum of social enterprises. He used the definition of the CONSCISE Project throughout his thesis: social enterprises are 1) not-for-profit organizations; 2) seek to meet social aims by engaging in economic and trading activities; 3) have legal structures, which ensure that all assets and accumulated wealth are not in the ownership of individuals but are held in trust and for the benefit of those persons who are or areas that are the intended beneficiaries of the enterprise’s social aims; 3) have organizational structures in which full participation of members is encouraged on a co-operative basis with equal rights accorded to all members; 4) often have another interesting, but contended, characteristic; to encourage mutual cooperation with other organizations in the “sector” (Petheő, 2009).

In addition, there are some recent works concerning social economy in Hungary, which are accomplished by Éva G. Fekete, Mária Frey and Anikó Soltész (Petheő, 2009). For instance, Dr. Éva G. Fekete, defines six spheres of social business in Hungary: a) social land programmes; b) social agricultural co-operatives c) non-profit employment projects; d) production and sale of local goods, products; e) special local circles offering cashless services; f) micro-credit circles (Fekete, 2011). The term “social enterprise” is in Hungary “very often directly connected to the provision of traditionally defined social services” (Jaksa and Eros, 2015). However, there is still insufficient research on the concept and boundaries of

the social entrepreneurs phenomena in Hungary because of the lack tools and resources.

Furthermore, there is a need in legal strengthening of social entrepreneurship in Hungary, but it is quite a challenge, because these businesses can be atypical, hybrid, combining private and public functions. In addition, since this concept is quite new to the community, businesses and the public (social policy makers) are not well informed in this area, so they cannot take an active part in a legislative activity (Ketsetzopoulou and Chiaf, 2012). In this context I set up two hypotheses.

**Hypothesis 1:** The non-profit sector is a core determinant of social entrepreneurship in Hungary.

**Hypothesis 2:** Social entrepreneurship in Hungary reflects only a small spectrum of the general social entrepreneurs phenomena.

#### 5 The boundaries of social entrepreneurship in Hungary

Therefore, one of the reason of the conflicting approaches and discussions on the definition of social enterprise context is the fact that it differs in every particular case, every enterprise, country and the region, because it is called for solving the major local social problems of the specific society. Returning to the determination the boundaries of social entrepreneurship in Hungary, first of all we should note that there is a problem to define this concept, because of the absence of a common point of view about the criteria of social entrepreneurship. However, Hungarian social enterprises have some bright and specific features, such as innovative activity (comparatively higher than in traditional Hungarian enterprises) (Szabó and Petheő, 2010) and the social direction (to address major social problems), such as poverty and social exclusion, the exclusion of disadvantaged groups from the labour market, aging population, labour market (youth unemployment and too early exit of +55 year olds), discrimination against Roma, homelessness (Etchart et al., 2014). For instance, according to the survey, Hungarian social ventures include the following eight social sectors: social services; “other” education; environment; employment and training; recreation and social clubs; business and professional associations/unions; nursing homes; and other health services. The rest is predominantly active in economic, social, and community development; research; and, hospitals and rehabilitation (Huysentruyt et al., 2010).

It makes sense to determine the types of social enterprises (depending on financial return) in Hungary and try to place this information on previously defined spectrum of social enterprises. According to the report on social enterprises, published by the international organization SEFORIS (Seforıs, 2015), social enterprises in Hungary can choose their legal form of functioning such as non-profit (association, non-profit business association etc.) or for-profit (social cooperative) form, but in the first case they cannot carry out business activities

**Table 3** Spectrum of social enterprises in Hungary

Organization's legal form (HCSO, 2015)	Explanation	Core characteristics of social enterprise
<b>Non-Profit Sector</b>		
Foundation	“Foundations are organisations with endowments established to pursue durable public purposes...Unlike associations, foundations do not have members” (Nagy and Sebestény). A foundation is a legal person established by a founder or founders for the continuous realization of a long-term purpose, as determined in the founding statute (Act V/2013 Section 3:378). The founder must provide sufficient assets to achieve the foundation's purposes (Council on Foundations, 2015).	Financial return cannot be distributed; it is used for social goals.
Association	It is a legal entity established for the continuous realization of the common, permanent aim of the members as stated in the articles of association, and having a registered membership (Act V/2013 Section 3:63(1)). At least ten natural persons, legal persons, and/or organizations without legal personality are required to form an association (Act V/2013 Section 3:64). An association cannot be formed for the purpose of economic activity, though it may conduct economic activity that is directly related to the realization of the organization's purpose (Act V/2013 Section 3:63(2)-(3)) (Council on Foundations, 2015)..	Financial return cannot be distributed, it is used for social goals, not for members.
Other non-profits	Public Law Association, Public foundation, Trade union, Professional, employer organization, Non-profit enterprise, Professional associations.	
<b>For-Profit Sector</b>		
Cooperatives (HCSO, 2015)	It is an organization with legal entity which is established with the members' share-note equity predetermined by the founding document and operating according the principles of open membership and variable capital; the objective of the organization is to promote meeting the economic and other societal (cultural, educational, social and health care) needs of the members” (Directive 2003/72/EC). Cooperatives includes (HCSO, 2015): Social cooperative, School cooperative, Agricultural cooperative, Savings and loan association savings and credit cooperative, Employment cooperative, Other cooperative. Social cooperatives offer their underprivileged members employment and other solutions improving their social conditions. Employment can also include work-serving public interest. Unemployed persons and students can be members, as long as they personally contribute to the cooperative's activities and comply with conditions contained in various employment-related laws (unemployed persons and students) in finding job decisions and employment (MESSE PROJECT, 2015).	Financial return cannot be distributed; it is used for its own activity.

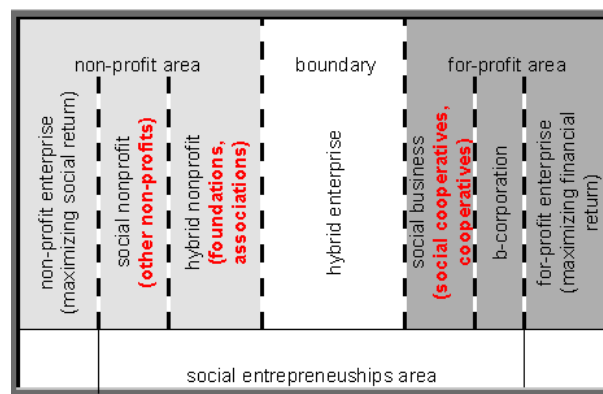
fully, while getting some discounts or exemptions from taxes or customs, and business activities are regulated by various legal norms that are unclear sometimes. Therefore, most social enterprises in Hungary are non-profit ones, although the most visible and bright companies in the field of social entrepreneurship are social cooperatives that mostly offer employment opportunities (Etchart et al., 2014).

In Table 3 some types of social enterprises (non-profit) are presented to identify the social enterprise spectrum in Hungary.

According to organizational forms, private foundations as well as associations and federations are among the classical non-governmental organizations, non-profit business companies are called non-profit enterprises as well as the government and local government founded public foundations, which have negligible economic weight compared to the former ones and mostly specialized to perform and promote public duties are grouped under this heading. The third group of non-profit organizations is made

up of advocacy groups (public bodies, employer, employee and professional organizations) (HCSO, 2015).

In Fig. 3 the spectrum of social enterprises in Hungary is illustrated according to the previously defined boundaries.



**Fig. 3** Hungarian social enterprises and their boundaries.

Therefore, the boundaries of social enterprises spectrum in Hungary depend mostly on the type of profit's distribution and the social goals of the particular enterprise. If we look at social entrepreneurship in Hungary only through its legal form, then the spectrum of social enterprises appears quite narrow and precise: it includes various non-profit organizations on one hand (with clearly visible social mission), and for profit (social) cooperatives from the other one.

However, the definition of social enterprise in Hungary is much more complicated than that, due to its history of development (including cooperatives), the participation of the state, changes in legislation, peculiarities of the functioning of the non-profit organizations etc. In addition, social enterprises in Hungary are closely related to the social economy, thus they should be considered in conjunction with other "actors" such as the government, the promoting and supporting organisations, the target groups etc.

For instance, social economy in Hungary consists of two types of organisations: 1) non-profit ones providing social and other services and employment to anybody; 2) non-profit ones such as cooperatives and enterprises providing employment to socially or otherwise disadvantaged groups and organising related activities. In addition, there are two main features of the social economy in Hungary: 1) a strong role of municipal governments or authorities in organising social employment; 2) the tradition of 'social cooperatives' in agriculture (Ruszkai and Mike, 2012). Therefore, social enterprises in Hungary are closely related to the social economy: they are its important subjects, but most of them are state-owned (established by the local government or the state, or they are significantly supported by the state to exist) (Horvath, 2010).

Besides, according to Zsolt Ruszkai and Karoly Mike (2012), municipal governments are very important subjects of social entrepreneurs in Hungary, as in the remote and less developed regions they sometimes constitute the only effective solution of social problems (social enterprises are most needed in those regions). In practice, many social enterprises need additional financing, grants, foundations, government grants and so on. In general, these enterprises are "between the state and the market, in order to fulfil their social mission, they perform business activity, and they are self-financing" (Ketsetzopoulou and Chiaf, 2012).

The important private promoting organisation of social enterprises in Hungary is "NESsT". Among the others the Norwegian Civic Fund and the Swiss Fund can be mentioned. No government agency is responsible for the social economy, but, for example, social cooperative is the well-known form supported by state. In 2011 the Hungary's government accepted the Hungarian Employment Plan that involved the recognition of the social economy by the government (Cibor, 2014). In addition, the National Employment Public Foundation (OFA) was established by the Ministry of Labour (currently National

Employment Foundation) to help to reduce unemployment and to raise employment (Horvath, 2010).

Therefore, among the other targets, which social entrepreneurship aimed at (mitigating poverty and social exclusion, dealing with aging population, discrimination against Romas, homelessness etc. (Etchart, et al., 2014)), unemployment and other labour market problems assume a key role.

In Table 4 some characteristics of social entrepreneurship in Hungarian and international literature are compared.

Therefore, in Hungary the notion of social entrepreneurship is newer and narrower than that inherent in the international literature; and it is associated with providing social services and the non-profit sector of the economy, whereas in the international literature it includes various sectors and forms of activity.

## 6 Conclusion

Social entrepreneurship is a new and promising notion: it is called for solving the major social problems of the society; therefore, many scientists investigate this sphere: its development, nature, concept, boundaries, classification, and characteristics. It is obvious that social entrepreneurship is inseparably related with entrepreneurship and its principles, psychological characteristics with the entrepreneur. Moreover, social entrepreneurship can be defined as a form of entrepreneurship: while the other types of entrepreneurship aim to venture growth maximization and economic prosperity, social entrepreneurship has primarily social objectives.

But, there is no single approach to the definition of social enterprise/entrepreneurship among academics and in society, on the contrary – there are even contradictory notions. The common features of most definitions are the philanthropic-social (or environmental) orientation, financial stability and innovation component.

Furthermore, the scientists from the "EMES" Research Project analyse the different approaches to social enterprises in the US and in Europe. In this research, social entrepreneurs are divided into two main schools, such as American and European. The American approach is more focused on the term "entrepreneurship" as commercial activities and examines the social enterprise as a part of a market economy. According to the European approach, social entrepreneurship is essential element of the social economy; it is more focused on achieving the social objectives of the society. In general, the legal framework of social entrepreneurship in both the US and Europe is poor; active debates are under way on its interpretation.

The term of social entrepreneurship is actively used in a little different way by international organizations working in this direction, such as Skoll Foundation, Ashoka, Schwab Foundation, Skoll Centre for Social Entrepreneurship, Social Business Earth, "Seforis", "NESsT" and others. Typically, they try to choose the US or the European approach to their working definition.



**Table 4** Comparison of the Social Entrepreneurship in Hungarian and International Literature

Organization's legal form (HCSO, 2015)	Explanation	Core characteristics of social enterprise
Social enterprises' characteristics	In Hungarian Literature	In the International literature
Definition	Social enterprise is the "highly developed organisational form in which the enterprise is walking the thin line between profit maximisation and the often irritable realisation of lessening societal stress, on the other hand it is the tool, which may bridge the gap between the lack of emotion in the economy and the wish for the welfare of the public" (Petheő, 2009).	"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" (Ashoka, 2015).
Legal form	Non-profit sector includes foundations and associations, other non-profits, for-profit sector: social cooperatives. Most Hungarian social enterprises are non-profit organizations (Etchart, et al., 2014).	Social enterprises can exist in different legal forms, but except non-sustainable philanthropy, voluntary activity, charity and other socially oriented practice.
Size	Half of the social enterprises in Hungary are small (1-10 employees) and only 12% has revenues above €1 million (Etchart, et al., 2014).	It includes small, medium and large enterprises.
Sector of activity	Core spheres of its activity are: poverty and social exclusion, the exclusion of disadvantaged groups from the labour market, aging population, labour market (youth unemployment and too early exit of +55 year olds), discrimination against Romas, homelessness (Etchart, et al., 2014).	Core spheres of its activity are: "education, health, welfare reform, human rights, workers' rights, environment, economic development, agriculture, etc." (Schwab Foundation, 2015).
Sources of funding	Main sources are: 1) Fees for services or sales of products; 2) Investors' capital (equity); 3) Loans; 4) Grants; 5) Private donations; 6) Microfinance; or 7) Others (Huysentruyt, et al., 2010).	It includes: sale, economic activities, social investors, grants, loans, donations, awards, government agencies, friends, micro-financing and others.
Type of profit's distribution	Financial return cannot be distributed; it is used for social goals or to support its own activity.	Mostly financial return cannot be distributed; it is used for social goals or to support its own activity. Sometimes this enterprise can be financially driven.

The corporate social responsibility (CSR) is a very important subject nowadays, as almost every big corporation tries to declare that it is socially responsible. The concept of social entrepreneurship is similar to that of corporate social responsibility (CSR) that is very popular, but nevertheless the profit is the main goal of a business organization's activity.

At the same time according to some international organizations, social entrepreneurship should not be strayed with other similar social activities such as philanthropy, voluntary activity, charity and other socially oriented practice, because its social activism should develop sustainable solution on a long-term basis.

Another problem is that according to some scientists, the social enterprise reflects only non-profit social initiative, and others treat it as an ordinary for-profit business that additionally performs social mission. This causes difficulty in further research and evaluation of social entrepreneurships. However, in order to determine the boundaries between for-profit and non-profit social enterprises it is also possible to use an alternative approach that is based on the characteristics of social

enterprises regardless of their financial independence, philanthropist level and focus on financial return.

Therefore, the spectrum of social enterprises includes different types of businesses and their combinations. They can function as non-profit or for-profit enterprises. Sometimes social enterprise (both for-profit and non-profit) can be public or financed by a public body ("wholly or mainly") or combine all the abovementioned forms.

In Hungary there is no legal definition of this concept, but the notion of corporate social responsibility is quite well-known, and the operational definition used by NESsT is a "starting point" of its further evaluation in Hungary: "a business that is created to address or solve a critical social problem in a financially sustainable (and potentially profitable) way". The representative of the main research institution of social entrepreneurship in Hungary Petheő Attila of Budapest Corvinus University mentions that social enterprise is a not-for-profit organization that narrows the spectrum of social enterprises. However, the definition of social enterprise in Hungary is very complicated, due to its history of development, the participation of the state,

changes in legislation, peculiarities of the functioning of the non-profit organizations etc. In addition, social enterprises in Hungary are closely related to the social economy, thus they should be considered in conjunction with other “actors” such as the government, the promoting and supporting organisations, the target groups etc.

Most social enterprises in Hungary are non-profit and state-owned ones. The non-profit sector includes foundations and associations, other non-profits, while the for-profit sector mostly consists of social cooperatives: the most visible and bright companies in the field of social entrepreneurship.

It is also important to mention that social entrepreneurship in Hungary is in the early stage of its development and is designed to solve the most pressing social issues of society, mainly related to the low level of employment.

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