Ph.D. Dissertation

DRIVERS FOR DEVELOPMENT SOCIAL ENTREPRENEURSHIP IN MOLDOVA

By

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1. INTRODUCTION

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.

The study analyses and identifies main drivers that contribute to development of social economy sector in Republic of Moldova and necessary conditions that would promote social mission approach among existing entrepreneurs. **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.

There are several specific objectives achieved by the author:

i. Analysis of theories, definitions, meanings and characteristics of social entrepreneurship in general and situation in Republic of Moldova in particular.

ii. Review and analysis of EU practices regarding social enterprises forms, legal structures and operational, functional and strategic approaches.

iii. Analysis of business models and incentives that support social enterprises across EU countries.

iv. Comparative analysis of various strategic planning tools and business models.

v. Analysis of general perception and readiness for social entrepreneurship in Republic of Moldova.

vi. Identify critical drivers and success factors of social driven organizations.

The author undertook a comprehensive literature review and extended field discussions with multi—stakeholders in order to achieve the described specific objectives.

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.

2. RESEARCH METHODS

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.

In this research, 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 research methods were used: deduction and induction, logical method, comparative analysis, monographic, synthesis, economic analysis, sociological methods – questioning and interviewing, econometric modelling, etc.

Different data collection methods were used for the purpose of the research. Table 1. emphasizes and described used methods and relation between used methods and thesis hypothesis.
<table>
<thead>
<tr>
<th>Research methods for collecting data</th>
<th>Description</th>
<th>Methods for analyzing data</th>
<th>Related dissertation hypothesis</th>
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<tbody>
<tr>
<td>Interviews and focus groups</td>
<td>Interviews: <strong>593 respondents</strong> from all three regions of Moldova (South, Center and North). 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. Limitations: - 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 the social entrepreneurship concept. The research is <strong>innovative</strong>, because the findings of are unique for Republic of Moldova academic and professional environment. 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 <strong>unique appearance</strong> to</td>
<td>Qualitative analysis methods: research literature is the main qualitative analysis method used in order to understand the social business environment in Republic of Moldova. The informational base for the research includes: - 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; - EU Commission databases on social entrepreneurship</td>
<td>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. H2: Development of social entrepreneurship can be reached only by changing psychological status and stereotypes of traditional entrepreneur, using adequate policies and learning mechanisms.</td>
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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.

<table>
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<th>Research methods for first experiment</th>
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<tr>
<td><strong>Interviews and survey</strong></td>
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<td><strong>Qualitative analysis methods</strong></td>
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<td><strong>H3</strong>: Sustainable social entrepreneurship is ensured by strong leadership and management commitment.</td>
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<td><strong>H4</strong>: 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;</td>
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<tr>
<td><strong>H5</strong>: At the start-up level, social enterprises can apply circular economy principles in order to optimize the operations and be financially sustainable;</td>
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<td><strong>H6</strong>: There is only one specific business model that can be replicated for all social enterprises.</td>
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3. RESULTS AND DISCUSSIONS

1) The majority of entrepreneurs who participated into the study consider that social enterprises have to re-invest their profit into social missions.

2) Regarding the types of organizations that are considered to be social enterprises, 69% of the respondents believe 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.

3) 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.

4) 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, they have to survive independently. 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.

5) Some of the main critical success factors (identified during the experiments) that allow social enterprises act socially and be financially sustainable are: 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.

- 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);

- The next success factor for which the most of the respondents gave 5 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 an 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 one of 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 rely on circular economy principles.

6) 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 business to become a social mission business 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.

7) For the second experiment, the author used statistical methods in order to define correlations between gender and general perception and familiarization with social entrepreneurship concept. The correlation test was made on 215 young entrepreneurs. Pearson correlation coefficient is -0.023, which means that there isn’t 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% (a=0.786) not being wrong asserting that between gender variable and basic knowledge regarding social entrepreneurship doesn’t exist a significant correlation.
8) In case of correlation between gender from group of individuals and basic knowledge regarding social entrepreneurship, the correlation test was made on 378 individuals. The Pearson correlation coefficient is 0.005 which means that there isn’t 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% (a=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.

9) In Republic of Moldova, 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.

10) 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. Different categories of people have a different level of perception on who is responsible for community problems solving. Representatives of family businesses, especially from rural areas, predominantly think that problems from the community must be solved only by municipalities and local public authorities. Such situation underlines a very limited level of social capital existing in rural areas of Moldova. Contrary, young 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.

11) 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.

12) 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.

13) 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. 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.

New scientific findings

As a result of a complex research, the author achieved with confidence the general and specific goals of the dissertation. As Table 2. shows, I was able to prove 5 of 6 thesis hypothesis.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Level of achievement</th>
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<tbody>
<tr>
<td>H1: 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</td>
<td>The hypothesis was proved by interviews realized on entrepreneurs from Moldova who provided answers on what are the incentives for developing social enterprises</td>
</tr>
<tr>
<td>H2: Development of social entrepreneurship can be reached only by changing psychological status and stereotypes of traditional entrepreneur, using adequate policies and learning mechanisms</td>
<td>This hypothesis was proved by interviews realized on existing social entrepreneurs (target group of 50 enterprises)</td>
</tr>
<tr>
<td>H3: Sustainable social entrepreneurship is ensured by strong leadership and management commitment</td>
<td>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</td>
</tr>
<tr>
<td>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/services</td>
<td>This hypothesis was proved by a comprehensive literature review and by the experiment one</td>
</tr>
<tr>
<td>H5: At the start-up level, social enterprises can apply circular economy principles in order to optimize the operations and be financially sustainable</td>
<td></td>
</tr>
<tr>
<td>H6: There is only one specific business model that can be replicated for all social enterprises</td>
<td>This hypothesis was not confirmed by the research</td>
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Table 2. Results of hypothesis testing

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

1. 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;
2. 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;

3. 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;

4. 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;

5. 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.

6. 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. CONCLUSIONS AND SUGGESTIONS

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.
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.

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.

c) To educate on the large scale different stakeholders around the country about social entrepreneurship.

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, in 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 cope. 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.

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. Additional 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) created 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.

5. 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. In addition, 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. 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 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.

List of Publications

Publications in journals (peer reviewed)


Publications in conference proceedings (peer and not peer reviewed)


Co-author of books


Co-authors in projects supported by donors


