



Pacinnno

6.3. REPORT

Social entrepreneurship and social innovation in the Adriatic Region: features, perspectives and policy recommendations



Platform for **trans-Academic Cooperation in Innovation within the Adriatic Region**



IMPRESSUM

Platform for trans-Academic Cooperation in Innovation (PACiNNO) Project

PACiNNO is a collaboration platform that connects into a single regional innovation system researchers and academic institutions, policy makers, and innovative companies of eight countries belonging to the Adriatic region (Albania, Bosnia-Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia, and Slovenia). The goal of PACiNNO is to establish a platform for cooperation in research and innovation covering the whole Adriatic region. Targeting research institutions, policy makers and business entities, the project helps develop new bridges between the research and scientific activities, carried out at academic institutions, and the economic system, with specific reference to the technological needs of SMEs. More generally, PACiNNO is aimed at overcoming the main obstacles and barriers to the economic development of the Adriatic countries, fostering the competitiveness of their minor firms (both in the high-tech fields and in the traditional industries), and promoting the creation of innovative start-ups.

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EXECUTIVE SUMMARY

The aim of this report has been to investigate the present features as well as development perspectives of social entrepreneurship and social innovation in the Adriatic Region. The main motivation for the study lies in the strategic importance of social entrepreneurship and social innovation in the European Union's 10-year growth strategy, Europe 2020 strategy for smart, sustainable and inclusive growth, and at the same time very limited attention paid so far to research on social entrepreneurship and social innovation on the territory of the Adriatic Region.

In economic terms, the largest part of this region is characterized by transition economies, which significantly lag behind the rest of the EU countries in terms of innovation performance. The Region is thus in strong need for new policy measures and instruments that will boost innovative economic activities. Putting the focus on social innovation and social entrepreneurship, or innovative ways to solve the society's social problems, represents a new approach to tackling the innovation and competitiveness challenges of the Adriatic Region economies.

The study presented in this report also considers the fact that research on social innovation and social entrepreneurship in practice is still in its early phase on the global level, with very few empirical studies deploying larger sets of data. Using the survey instrument, this study investigates the characteristics of social innovators on a sample of 841 micro, small and medium Adriatic Region enterprises, thus making an important contribution to the existing body of knowledge on social innovation and social entrepreneurship. A novel generated dataset includes companies from eight countries of the Adriatic Region, some of which have been studied for the first time in the context of social innovation. Also, based on the definition of the European Commission, a new construct for measuring social innovation in enterprises is proposed. The study shows that social innovators are more likely to be present on the international markets than non-social innovators. Moreover, companies that have introduced social innovations are more likely to exhibit better business performance compared to their competitors on the market than non-social innovators and non-innovators. These results indicate that a huge potential lies with social entrepreneurship to contribute to enhancing the innovative performance and economic growth and development of the Adriatic Region.

The quantitative survey approach has been accompanied in the report by eight new social entrepreneurship and social innovation case studies showing good practices in the Adriatic Region. The interviews with regional leaders in social innovation have provided insights into their perceptions on the current status of social entrepreneurship and social innovation policy agenda in their countries as well as their views of the future potential and key success factors in the area. The analysis of the interview data points to a range of social issues tackled in the most creative ways by social entrepreneurs in the Adriatic Region, from youth and marginalized groups unemployment to environmental problems related to energy waste and suboptimal use of materials in production. The case studies also identify common social entrepreneurship development challenges of Adriatic Region countries, as well as some specificities of each country in the Region. The cross-country environment and policy analysis has resulted in seven policy recommendations to improve the status of social innovation and social entrepreneurship in the Adriatic Region.

Overall, this report represents the first study comprising the data on social innovation and social entrepreneurship collected on the whole area of the Adriatic Region. As such, it provides an important contribution to understanding the potential and prerequisites for development of social entrepreneurship and social innovation in the Region. Its intention is to serve as a valuable source of information for decision making



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actors in the process of designing new policies that would contribute to the development of a more social entrepreneurship- and social innovation-favourable climate in the Adriatic Region.

This study has been conducted as a part of the strategic project PACINNO (Platform for trans-Academic Cooperation in Innovation), co-financed by the IPA Adriatic Cross-border Cooperation Programme and implemented in eight countries of the Adriatic Region: Greece, Italy, Montenegro, Bosnia and Herzegovina, Serbia, Albania, Slovenia and Croatia. The main project goal is to establish a platform for cooperation of academic institutions in research and innovation covering the whole Adriatic Region, by targeting three stakeholder groups - researchers, entrepreneurs and policy makers, through three key areas of action: research of innovation on micro, meso and macro level, training of human resources and knowledge and technology transfer. The PACINNO project activities have contributed to better understanding of the specificities of the Adriatic Region innovation eco-system and the identification of its drivers and inhibitors. Also, through numerous practical activities PACINNO has helped increase the innovation capacity of the Adriatic Region and enabled the transfer of best practices across particular countries of the Region.

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1. INTRODUCTION

1.1. Background: strategic importance

Social innovation and social entrepreneurship have been the central elements of the European Union's 10-year growth strategy, Europe 2020 strategy for smart, sustainable and inclusive growth (Social innovation research in the European Union, 2013; Guide to Social Innovation, 2013). Yet, research on social innovation and social entrepreneurship in practice is still in its early phase, with case studies holding a dominant position among the applied research methods (Seelos and Mair, 2005; Spear, 2006; Alvord, 2004; Evers, Ewert, and Brandsen, 2014). This is explained by the absence of consensus among authors regarding the definition and scope of these concepts and by the existence of the problem of measurement of the performance of social organizations, which has also been emphasized in literature review papers on the subject (Mort et al., 2003; Short et al., 2009; Dart et al., 2010). For example, the concept of social innovation has been used extensively along with the term of social entrepreneurship (Moulaert et al., 2013) as well as other related concepts, including social value creation, social value measure, social added value, and social responsibility (Paunescu, 2014).

The studies that attempt to conceptualize social entrepreneurship and social innovation mostly focus on characteristics of individual social entrepreneurs, their operating sector, the processes and resources they use or mission and outcomes (Dacin, Dacin, and Matear 2010). The Global Entrepreneurship Monitor study (Terjesen et al., 2010) designed the classification of four social enterprise types (non-profit, for-profit and two hybrid forms with different types of social and commercial goals) based on the percentage of social and environmental goals they are pursuing, the diversity of their income strategies and presence of innovation in these organizations. Despite the growing relevance of this concept, it remains unclear to what extent social enterprises differ from non-social enterprises with respect to their characteristics and business performance. Also, the empirical studies on social innovation and social entrepreneurship deploying larger sets of data have been scant.

In line with this, the particular setting of the Adriatic Region has so far received limited attention in the studies of social innovation, despite its increasing strategic importance, recognized through the recent adoption of the European Union's Strategy for the Adriatic and Ionian region - EUSAIR ("EU Strategy for the Adriatic and Ionian Region - Regional Policy - European Commission", 2014). In economic terms, the largest part of this region is characterized by transition economies, which significantly lag behind the rest of the EU countries in terms of innovation performance.

This Region is thus in strong need for new policy measures and instruments that will boost innovative economic activities. Putting the focus on social innovation and social entrepreneurship represents a potentially valuable approach to tackling the innovation underperformance of the Adriatic Region economies.



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1.2. PACINNO project activities targeting social entrepreneurs and social innovators

PACINNO (Platform for trans-Academic Cooperation in Innovation) is a project co-financed by the IPA Adriatic Cross-border Cooperation Programme. PACINNO has been conducted in the period from 2013-2016 through the cooperation of eight participant countries of the Adriatic Region: Greece, Italy, Montenegro, Bosnia and Herzegovina, Serbia, Albania, Slovenia and Croatia. The main project **goal** is to **establish a platform for cooperation of academic institutions in research and innovation** covering the whole Adriatic Region.

The PACINNO project targets three stakeholder groups: **researchers, entrepreneurs and policy makers**, through three key areas of action: **research of innovation on micro, meso and macro level, training of human resources and knowledge and technology transfer**. Overall, the project research and practical activities have involved **more than 1.100 SMEs, 200 start-up companies, 40 academic researchers and 250 young entrepreneurs**. These activities have contributed to better understanding of the specificities of the Adriatic Region innovation eco-system and the identification of its drivers and inhibitors. Also, through numerous practical activities PACINNO has helped increase the innovation capacity of the Adriatic Region and enabled the transfer of best practices across particular countries of the Region.

Social innovation and social entrepreneurship have received particular attention in PACINNO research activities. The report on social entrepreneurship and social innovation explores the **characteristics and business performance of small and medium enterprises (SMEs) identified as social innovators**, in the specific context of the Adriatic Region. Based on the definition of the European Commission, a new construct for measuring social innovation in enterprises is proposed by the PACINNO consortium. A survey approach is used in the study of social innovators, with a novel generated dataset that includes companies from eight countries of the Adriatic Region, some of which have been studied for the first time in the context of social innovation.

The report examines potential industry connection with the introduction of social innovations, by considering both service and manufacturing SMEs. This is in line with the Guide on Social Innovation by EU DG Regional and Urban Policy (2013), which emphasizes that there are many service activities that are social innovations. Given the lack of quantitative studies on the subject, the intention of the study is to explore this relationship in the empirical setting of the Adriatic Region.

Also, a potential connection between exporting activities and social innovation introduced by SMEs is explored. Exporting activities point to the technological superiority and capabilities of the exporting firms, as those are able to compete on more complex markets or have superior technology compared to the competition on the specific foreign market. In that sense, exploring the connection between social innovators and their export activities provides insight into whether these firms act locally and impact a closed community of national costumers or they have capabilities for performing in multiple markets with different economic conditions.

Moreover, the report examines to what extent business performance achieved by social innovators differs from the performance of those SMEs that did not introduce social innovations or did not innovate at all. A meta-analysis of the empirical studies on this relationship (Rosenbusch, Brinckmann, and Bausch, 2011) shows that the results vary due to the influence of contextual factors on the nature of the relationship (age of the firm, type of innovation, cultural context). In that sense, exploring further the relationship between innovation and performance, with additional focus on social innovation specificities, creates relevant points for future research.



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The quantitative survey approach is in this report complemented by **eight novel social entrepreneurship and social innovation case studies** showing good practices of regional leaders in social innovation. The interviews with these regional leaders also provide insights into their perceptions on the current status of social entrepreneurship and social innovation policy agenda in their countries as well as their views of the future potential and key success factors in the area.

Overall, the new data collected and analysed by PACINNO researchers form the basis for specific policy recommendations targeting the Adriatic Region social entrepreneurs and social innovators, which are presented in the last section of this report.

This report represents the first study comprising the data on social innovation and social entrepreneurship collected on the whole area of the Adriatic Region. As such, it provides an important contribution to understanding the potential and prerequisites for development of social entrepreneurship and social innovation in the Region. Its intention is to serve as a valuable source of information for decision making actors in the process of designing new policies that would contribute to the development of a more social entrepreneurship- and social innovation-favourable climate in the Adriatic Region.

2. STUDY APPROACH: METHOD AND DATA

2.1. Survey of social innovators

To investigate the characteristics of social innovators in the Adriatic Region, the survey instrument was used, with in total 269 variables measured. The questionnaire was created on the basis of the Community Innovation Survey (CIS) instrument, with additional variables introduced based on the literature review on firm-level innovation. The excerpt of the questionnaire with the questions used in the analysis for this report is provided in Appendix 1. The questionnaire was distributed to a sample of micro, small and medium enterprises (SMEs) using the online LimeSurvey platform, over the telephone or handed personally to the general managers of the firms or the persons in charge of innovations. The data was collected from July 2014 till December 2014 in eight project partner countries: Albania, Serbia, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro and Slovenia.

The sample used in this research was designed using the stratified sampling method. Altogether, 841 firms, divided into three categories based on their main business activity and firm size, completed more than 70% of the survey and hence were included into analysis. The overall response rate for the sample was 16.12%. The three categories of the business activity were (1) primary products (raw materials), (2) production and (3) services. The sample was stratified on the basis of the firm size and according to the EU typology of micro, small and medium enterprises. This typology classifies as micro enterprises those companies that have less than 10 employees, small enterprises from 10-49 and medium enterprises ranging from 50 to 250 employees. Importantly, although CIS was the basis for developing the questionnaire, unlike in CIS, micro enterprises were also included into the analysis conducted by PACINNO team. Table 1 shows the distribution of social innovators, product/process innovators and the overall sample across the three identified categories of business activity and firm size.

		Social innovators	Product/process innovators	Overall sample
Sectors	Primary products (raw materials)	2.8%	3.2%	3.4%
	Production	39.1%	42.8%	36.7%
	Services	58.1%	54%	56.8%
Firm Size	Micro	31.57%	31.32%	35.96%
	Small	39.65%	43.63%	40.16%
	Medium	28.79%	25.05%	23.88%

Table 1: Distribution of the sample across the categories of business activity and firm size in percentages

Source: Own research, (Begonja et al. 2016)

As shown in Table 1, the highest percentage of SMEs with social innovations belongs to small businesses (39.7%), followed by micro enterprises (31.6%) and medium enterprises (28.8%). Furthermore, most of the social innovators (58.1%) are concentrated in the services sector, followed by high percentage of firms (39.1%) concentrated in production sector and the lowest percentage (2.8%) of firms active in the primary products sector. Product or process innovators share similar distributions. The highest share of firms that introduced product or process innovation refers to small businesses (43.6%), followed by micro businesses (31.3%) and medium enterprises (25.1%). Distributions are also similar when business sector is taken into account. Again, the highest percentage is distributed towards services sector (54%), then production sector (42.8%) and lastly, primary products sector (3.2%).

2.1.1. Measurements

Social innovation

According to the survey analysis results, more than a half of the sample (56.8%) falls into the category of social innovators. Social innovation was measured by four indicators developed based on the definition of social innovation provided by the European Commission (Caulier-Grice et al., 2012):

1. Introducing or improving products (good and/or service) with social or societal objective;
2. Introducing or improving a method of organization or ownership system that reflects firm's mission;
3. Introducing or improving products (good and/or service) in terms of environmental footprint;
4. Reinvesting part of firm's profits with a view to achieving a specific social, environmental, and/or community objective.

These indicators were used as statements to which the respondents answered "yes" or "no", indicating the presence or non-presence of each specified indicator. Later, these answers were joined together in a composite categorical variable of social innovation, which included all firms that scored positive on any of the four types of social innovation practices presented in the survey.

Business performance

The business performance variable was measured by adding together and averaging the results of five indicators: market share, revenues, profit, cash flow and decrease of costs. The respondents were asked to assess their performance in relation to their direct industry competitors using a 7-point Likert scale for each of the five indicators during the three year period, from 2011-2013. The particular variable was selected for the study considering that better performance than the competition represents one of the most important prerequisites for acquiring profit, the functional imperative of the enterprises' existence.

Exporting firms

While measuring the connection between export and social innovation, the exporting firms were regarded as such if they selected any of the non-national geographic areas where their company sold goods and/or services during the years of 2011, 2012 and 2013. Those that selected only the indicator "national [your country]" were regarded as non-exporters.

2.2. Case studies of social innovators

The respondents for the qualitative part of the study, case studies, were selected using the key informant selection method. This means that the potential respondents were selected on the basis of their specific position and knowledge on the subject. The PACINNO researchers in each country were instructed to choose an organization that introduces social innovation (i.e. tackles specific social problem in their community, and/or employs individuals that come from the vulnerable group/population). As a first step, desk research on such organizations was conducted, with the focus on the detailed description of the product(s)/service(s) they offered/provided. Through the conducted interviews this information was further expanded, as the respondents were asked to describe the problems they were solving with their organization, the motivations of the organization and the methods used to measure its performance and the impact of the product/service it provided for the community.

In the second part of the interviews, the respondents were asked to provide their perceptions on the current status of social entrepreneurship and social innovation policy agenda (system, structure, actors, policies) in their countries as well as their views of the future potential and key success factors in the area. The respondents discussed the main enablers and inhibitors of social innovators' doing business in their countries and their experiences with specific measures (policies, instruments, funding programmes) to encourage social innovators. Some respondents also expressed their views on the necessary steps to be followed by policy makers in order to improve the (social) innovation climate (environment) in the Adriatic Region.

In total eight interviews were conducted, one in each country of the Adriatic Region. The results of the interviews are presented in this report as case studies showing good practices of social innovation and social entrepreneurship.

3. RESULTS

3.1. Survey of social innovators in the Adriatic Region

Three main results were obtained following the analysis of the data collected from the survey of Adriatic Region SMEs¹.

The first part of the analysis was focused on the investigation of the relationship between service sector SMEs and the introduction of social innovation. This part of research was based on the assumption that Europe's economy is concentrated primarily in its service sector, with production being relocated to territories with lower input costs. Although the sample provides some descriptive basis for this assumption, the analysis showed that there was no statistically significant relationship between the service sector operation and the introduction of social innovations.

The aim of the second part of the analysis was to explore the relationship between socially innovative SMEs and their exporting activities. Exporting activities point to the technological superiority and capabilities of the exporting firms - those that are able to compete on more complex markets or those that have superior technology compared to the competition on the specific foreign market. Investigation of the relationship between social innovators and their export activities provides insight into whether these firms act locally and impact a closed community of national costumers or whether they have capabilities for performing in multiple markets with different economic conditions.

Based on the literature review (Wakelin (1997); Roper and Love (2002); Basile (2001); Guan and Ma (2003)), the assumption of PACINNO research team was that socially innovative firms would more frequently be exporters than firms that do not introduce social innovations. Following the testing, the assumption was confirmed by the significant value of the Chi square coefficient. A significantly higher percentage of Adriatic Region exporters were shown to be social innovators (69.60%) compared to 30.4% of exporters which were not social innovators. As to the non-exporting SMEs, 54.50% were social innovators, compared to 45.50% of those that are not social innovators (see Figure 1).

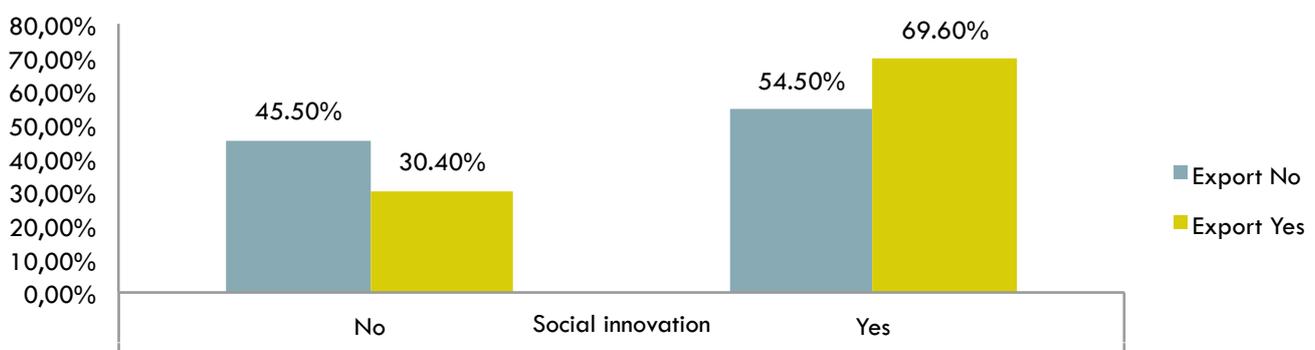


Figure 1: Relationship between export and social innovation in percentages

¹The detailed analysis of the results is presented in the research article "Innovation and business performance determinants of SMEs in the Adriatic Region that introduced social innovation" by Begonja et al. 2016, accepted for publication in the Economic Research Journal.

The third part of the analysis was based on previous studies that show positive relationship between innovation and/or social innovation and business performance (Damanpour, Walker, and Avellaneda (2009); Koellinger (2008)). The aim of the study was to explore whether there was a significant difference between innovators, social innovators and non-innovators in terms of business performance on a sample of Adriatic Region-based SMEs.

Three independent groups were compiled to perform statistical analysis:

1. Social innovators, which are also product/process innovators;
2. Product/process innovators only;
3. Non-innovators.

When comparing the results for the three groups, one-way ANOVA test was used, which showed a significant difference between groups ($F=11.079$; $df=2$; $p<0.01$). After that, Tukey's post-hoc test was used, which showed the highest significance in the difference between non-innovators and social innovators ($M=0.72$; $sd=0.15$; $p<0.01$). This test also showed a significant difference between social innovators and product/process innovators ($M=0.28$; $sd=0.11$; $p<0.05$).

As shown on Figure 2, social innovators scored the highest on a business performance scale, followed by product/process innovators and with non-innovators scoring the lowest.

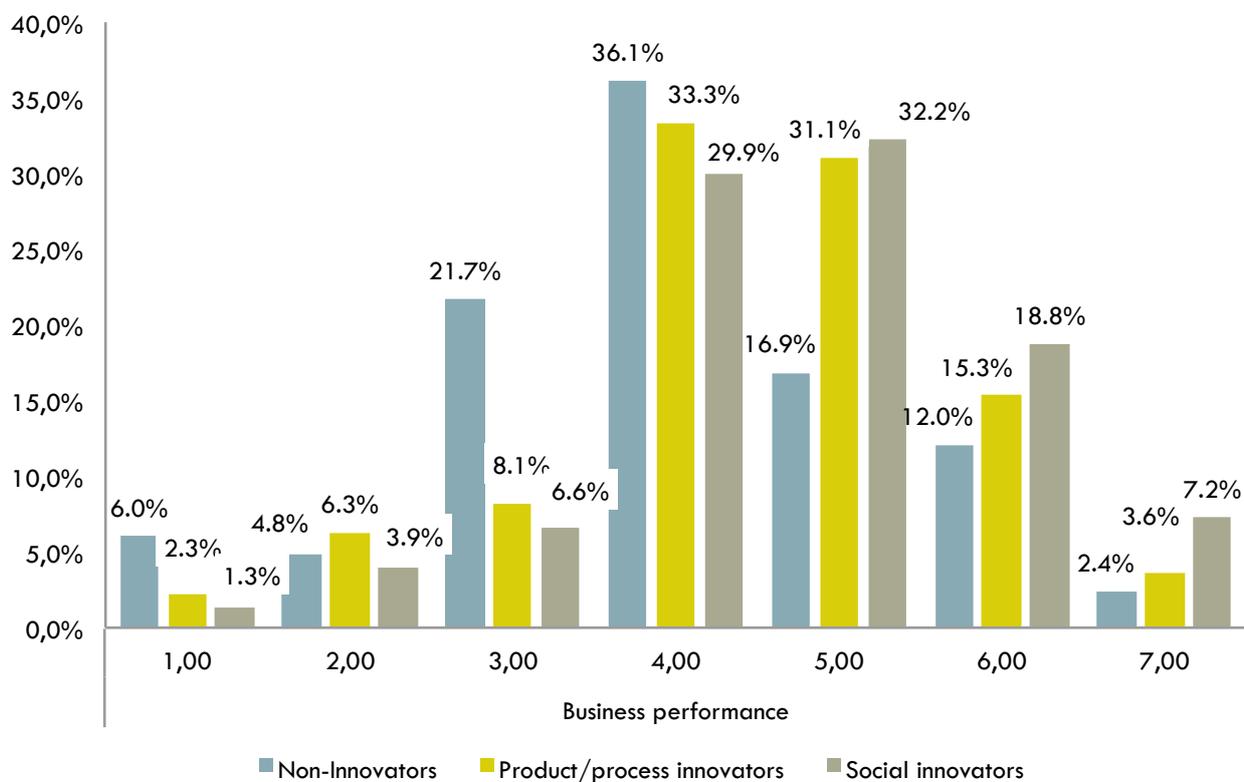


Figure 2: Business performance/innovation cross tabulation in percentages
Source: Own research, Begonja et al. 2016

3.2. Case studies: good practices of social innovation in the Adriatic Region

In this section, eight Adriatic Region-based cases of good practice in social innovation and social entrepreneurship are presented, based on desk research and interviews with key informants conducted by PACINNO researchers. The cases also provide some insights into the current status of social entrepreneurship and social innovation policy agenda in eight countries of the Adriatic Region

3.2.1. **Albania:** Design by Pana

General information about the case

Design by Pana is an innovative social business operating since 2013 as an upcycle company with a social and environmental impact. The company produces uniquely designed furniture and decorative items, using primarily wood.

Design by Pana was founded by Pezana Rexha, a young and talented female entrepreneur, following a market research analysis which revealed that the market of furniture is dominated by quite standard, low quality imported furniture. Instead of wood, imported furniture in the local market is produced with low quality alternative materials that make them last less, and lacking a unique design. On-demand furniture with high quality materials, such as wood, is produced mainly by carpenters, although they lack innovative design.

Building on her professional background as an architect, Pezana established Design by Pana which offers interior design services and ready-to-sell products, such as all kind of wood furniture (chairs and stools, shelves, sofas, tables, etc.) for home and garden, accessories, toys, paintings, and even jewellery. Design by Pana has been financially sustainable since the second year of creation and now employs 12 persons directly and at least 3 others are indirectly involved as collectors.



Photo: Pezana Rexha, Founder and CEO presenting her company at the PACINNO Startup Investment Conference, DemoDay

Source: Pacinno Project – University of Tirana

Social issues addressed

The company is founded on and transmits social values. The actual business is already offering the clients high quality products from reclaimed wood by up cycling them and protecting the nature. This lower cost of resources enables a strategy of low prices as well. Design by Pana business model offers to the society a new way of thinking and doing business by protecting nature and people. Its social impact is extended to employees as well since it offers employment to people from marginalized groups. The company vision and approach has been shared in many social and innovation national forums. Design by Pana has been awarded with the second place in Social Innovation Tournament 2015.

Design by Pana is situated in Tirana, where the workshop and the studio is. Local market is dominant although the company has experimented to export in certain cases. The main customer segment is currently represented by businesses such as bars, restaurants, offices, etc., which have represented almost 2/3 of the revenues so far. The rest of revenues is created by individual buyers. The company considers government institutions, mainly education organisations, as a promising target group. In the near future, government and institutions that want to create landscape solutions and interiors as a big possibility to create ecological solutions in a community where the respect for nature is minimal, are seen as a potential target group.

The company is rentable and there are possibilities for expansion. In this regard, Design by Pana is developing its growth plan. Currently the workshop capacity is lower than the demand. On the other hand, spaces used for the workshop are quite limited and there is no room to place all the machines. There is no possibility for expanding there because the workshop occupies the second floor of a building and is not a detached site. In these conditions, the CEO is seeking for new location alternatives and is developing a business plan also to make this plan operational and financially viable. There are already established connections with the Municipality of Tirana to create a long-term partnership. The Municipality will offer one of the buildings not in use and the company intends to invest in a new workshop. The entrepreneur is opting for a preferential loan of 300,000-500,000 Euros to finance this project. The space could be used for a show room. Design by Pana also offers the possibility of expanding its social mission by opening its workshop to the public and offer the young students the opportunity to gain experience, creating brand new and on-demand wood products upscaling. It is expected that this open and recreational and learning oriented space will have a certain impact on a more responsible and environment-friendly behaviour of citizens.



Photo: Interior designed and manufactured by the Company

Source: Design by Pana

Views on the local/national (social) innovation and entrepreneurship environment and policy agenda

Despite the founders' passion and believing in the cause, being a social entrepreneur is evaluated as quite challenging in Albania. The concept is quite new and only the pioneers have embraced it. Responsible state-owned structures are quite young and the civil society has filled this gap only in the last years.

Promoting Social Business is the state agency incorporated at the Ministry of Social Welfare and Youth and is the government institution responsible to feed the policy making and integrate national and international actors in this regard. A Social Enterprise Movement has been created to serve as a business incubator for counselling, orientation and building social business networks, targeting marginalised groups of population and facilitating their better access to the labour market.

The Social Business fund has been created to financially support social businesses ideas. Nevertheless, this agency funds are limited and international actors have been strongly playing a promotion and supporting role for social enterprises. Among others, Yunus Social Business (YSB), UN agencies, mainly UN Women and USAID have been promoting social enterprises and providing with accelerators programs and initial funding or co-funding opportunities. YSB is currently supporting innovative social business ideas by facilitating activities of idea generation, supporting technically the entrepreneurs and financially contributing to their ideas.

Only recently, in June 2016, a new Law on Social Enterprises was approved by the Parliament², regulating the organising and functioning of social enterprises and defining the conditions and criteria that a subject should fulfill to benefit from the social enterprise status. From this law perspective, a social enterprise is the one which is mostly contributing to employment of vulnerable groups, reinvesting their profits while aiming the promotion of social objectives in a certain field of activity. According to this law, being a social enterprise offers the opportunity to benefit from the promotion programs supported by the government but a favoured fiscal regime is not foreseen for this category, which is considered by the social entrepreneurs as a big gap in terms of motivating the creation of this typology of enterprises.

Design by Pana founder finds Albanian business environment to be non-supportive in general and this is mainly due to the fiscal regime applied. According to her perspective, each social business is innovative because it represents new solutions to existing social problems. Social business founders are strongly motivated persons who believe in the cause and are naturally innovation-driven. What they face in running a sustainable business is a double challenge, first to address a social issue with deeper roots, and then creating value for the consumers.

For a better future of social enterprises in terms of the number of newly established organisations and informed citizens, education and familiarity with the social business model is crucial. Design by Pana is a pioneer in this regard and opts to create long-term relationship with the local government and/or other prominent actors that could help in contributing to better informed, skilled, responsible and environment-friendly youngsters.

²Law no. 65/2016 dated 9.6.2016 for social enterprises in the Republic of Albania

Social innovation and entrepreneurship policy framework and selected initiatives in Albania

- Law on Social Enterprises, 2016
- Promoting Social Business, affiliated to the Ministry of Social Welfare and Youth
- Social Enterprise Movement
- Yunus Social Business (YSB)

Key identified challenges in the (social) innovation environment of Albania

- Still a new concept in the country, with only a few followers
- Young and inexperienced state-support structures
- Limited available support funds
- Unfavoured fiscal regime

Opportunities and suggestions for improved social innovation climate in Albania

- Adopted new improved legislative framework defining the concept of social innovation
- Access to EU and international grant funding schemes
- Partnerships with local authorities (municipalities, etc.)
- Public procurement for innovation
- Increasing public awareness through education of citizens and especially young population

3.2.2. **Bosnia and Herzegovina: MUNJA**

General information about the case

MUNJA - Incubator of Social Innovation, is an NGO that has been trying to empower young people from 14-30 by providing skills that will enable them to get an employment and let them be proactive actors of the society. Their main activities are projects related to social innovation, which is in the center of their interest. Their core team consists of 5 people, while the expanded team consists of 30 people who are engaged in different projects. Their annual budget varies depending on the projects, but has ranged from EUR 300,000 to 500,000 in the last 14 years. The organization has been present on the market for 14 years. Earlier, it operated under the name "Youth Information Agency". They created a program to encourage social innovation in Bosnia and Herzegovina (B&H) in 2012. Based on this program, they made organization rebranding and changed the name to "MUNJA - Incubator of Social Innovation" in 2016.



Photo: Jan Zlatan Kulenović, Executive Manager of MUNJA
Source: Personal photo of Mr. Kulenović

Social issues addressed

The interview with the Executive Manager, Jan Zlatan Kulenović, provided information about two projects that are implemented by MUNJA, and that can be considered as a very significant social innovation in B&H:

Project #1: Development of the methodology for fostering entrepreneurial skills among high school students (supported by UNICEF)

Problem addressed. An innovative methodology has been linked to secondary school students to enable them to develop leadership and entrepreneurial skills. Some recent research found that 63% of young people in B&H are unemployed. The vast majority of young people do not possess employability characteristics and a very small percentage of them dare to think entrepreneurially. This methodology is innovative because in addition to lectures, camps and mentoring, these young people got some initial funds and they could use it for organization of fundraising events. In this way they were able to develop a variety of entrepreneurial, leadership and organizational skills. The whole process was led by the concept “learning by doing”.

Motivation. The main goal and motivation of the organization was to develop skills in young people which will enable them to find employment more easily and become active members of society; in other words, to strengthen the young population of B&H. At the very beginning, it was necessary to change their mindset of those young people, and then provide skills.

Methods used to measure the organizational performance and the impact on the community. The success is measured through the number of successful projects. In total 3,500 high school students have passed through the project, 272 ideas have been implemented in 40 cities in B&H. The projects can be divided into three groups depending on their focus: i) projects related to the improvement of community, ii) projects that promote work with vulnerable groups of the population and iii) projects that have been linked to the development of environmental awareness and culture. Also, the important output of the project is the methodology that is printed in the form of a manual which can be used in practice.

Project #2: Hoću.ba

Problem addressed. HOĆU.BA is a special service web platform for informing young people and those who work with them, which offers more than 3,000 useful information annually with the aim of empowering, motivating and activating young people in the B&H society. The info platform consists of a set of communication tools - from a modern web portal www.hocu.ba, social networks, online magazine for teachers, NGOs and parents and video materials, to the announcement in the electronic media, info workshops in schools, regional presentations and dialogue with key stakeholders and the promotion of participation in other events for young people.

Motivation. The info platform is the continuation of a 10-year practice of informing young people in B&H implemented by MUNJA. Support for the launch of Info platform is provided by the Embassy of Switzerland in Bosnia and Herzegovina under the auspices of the Ministry of Human Rights and Refugees and a number of partners.

Methods used to measure the organizational performance and the impact on the community. The success of the project is measured through the number of young people that are informed with this portal and the number of users and site visitors (in this moment they have 40,000 site visitors and the site has more than one million views per month).



Photo: Press conference
Source: Personal photo of MUNJA

Views on the local/national (social) innovation and entrepreneurship environment and policy agenda

Environment in B&H is evaluated as not very innovation-friendly, especially when it comes to social innovation. Social innovation is not recognized as such by the state laws. There are no special funds or legal regulation on these issues. There are no measures that directly promote social innovation in B&H. In December 2015, the Employment Association of FB&H had social enterprises (but not innovation) on their agenda for the first time. So far no state government institution has addressed this issue; there is no document/regulation or law that would be determined to social innovation.

Operating within environment that is not social innovation-friendly is viewed by the respondent as very difficult, especially considering that B&H has many social problems and issues and cries out for changes and social well-being. This is perceived as challenging even for those that like challenges. It is possible to operate only with a lot of effort, work and struggle. The three key identified success factors in innovation-averse environment are: commitment to result; constant education, training and development, and creativeness and flexibility, as the projects must be continuously adapted to changes in their implementation.

When it comes to public funding experience, MUNJA has used funds of some international organizations (such as UNICEF), as well as embassies in B&H. In terms of state public funds, they have got some funds, but it was not directly intended for social innovation.

Non-governmental organizations (NGOs) are the main actors and perceived as the main enablers in the field of social innovation in B&H. They are creative and they have a good network of donors and institutions, and their main goal is to make social outcome. Social business and entrepreneurship and social innovation are top issues in the region nowadays. There is a trend that NGOs are turning to the new business model of social companies, where they do not rely only on the financiers any more, but also on social innovation in their business. Also, B&H has a lot of social problems and these companies have many challenges to address.

On the other hand, companies currently deal with this issue very little or not at all - the business sector also does not perceive social innovation in the correct way. In the business sector, the funding of social innovation is perceived in three ways: as a donation (with the problem of very limited amount of money) or sponsorship (with the problem of organized marketing network). Also, the companies themselves do not invest in social innovation except in very few cases, where company organizes events that can be considered as socially useful (example: Coca cola company with "Coke Summership").

According to the interview respondent, innovation-friendly, and especially social innovation-friendly environment should recognize organizations that work on generating social innovation, i.e. offer social products and services, and through various regulations give them advantage in relation to those companies whose products are purely commercial. In other words, through various incentives and subsidies, loan funds, fiscal regulations, the state should encourage social innovation. A good example is Romania, which has a regulation that a company can invest 1% of tax in socially useful products. In that way companies can choose between paying it to the state and investing it in social innovation projects. Secondly, the costs given to the state are too high when it comes to labor and salary of employees in B&H. For example, 73% of employees' salary is allocated to taxes and contributions. Through the associated legislation the state should define the incentives for organizations and companies that provide socially useful products or services. Finally, existing initiatives described in the case study point to the need for adjusting the education system to the creation of mindset and increasing awareness of social benefits and social innovation. This should be reflected also in the media, as their impact to promote social innovation, i.e. to make social innovation cool among young people, is of utmost importance.

Social innovation and entrepreneurship policy framework and selected initiatives in B&H

- Legislation dedicated to social entrepreneurship and social innovation as well as associated incentives do not exist
- Primarily international funding (UNICEF, embassies) of social innovation initiatives
- Non-governmental organizations (NGOs) at the forefront of social innovation projects

Key identified challenges in the (social) innovation environment of B&H

- Lack of policy framework, measures, funds and responsible actors
- Unfavoured fiscal regime
- Narrow perception of social entrepreneurship and social innovation by private sector (merely as donations, sponsorships or socially useful events)

Opportunities and suggestions for improved social innovation climate in B&H

- Need for a legislative framework defining the concept of social innovation
- Tax and other incentives - active labor market measures
- Grants and financing funds - directly or indirectly encouraging companies to invest in social innovation
- Incorporating social innovation and entrepreneurship in the education system
- Increasing public awareness through media campaigns targeting especially young population

3.2.3. **Croatia:** Storybox

General information about the case

Storybox is a project aimed at exploring and tackling the issues that parents encounter with their children in the developmental phase (3-6 years of age) in terms of spending quality time with them as well as trying to educate and understand their psychological and sociological development needs. As reported by Alen Halilović, the interview respondent: “Storybox started in 2012 and it was an effort of an enthusiastic team that wanted to institutionalize their volunteer work, bring it to another level and add the entrepreneurial part, which happened after I joined their team“. The Storybox team comprises four young women psychologists and Mr. Halilović, with the background in economics. Mr. Halilović’s previous encounters with social entrepreneurship and civil initiatives included his project of building a hostel and a youth center by renovating an old building in public ownership, employing people from vulnerable groups and tackling a variety of social issues in the local community in the Istria Region in Croatia.



Photo: Alen Halilović, member of the Storybox team

Source: Personal photographs of the Storybox team

“The whole story started from volunteer work with cancer patients, children from the Oncology Department at one of the hospitals in Zagreb. Their need for emotional support in their difficult situation, a need for better comprehension of the feelings they have, helped develop the stories used in Storybox.” The choice of strategic direction and other important decisions are made by the whole team, which is a division of power and responsibility that characterizes social enterprises.

The Storybox idea gained its true form from conversations in focus groups, with parents from the Storybox’s target group. The parents belong to lower, middle and higher income class, live in urban areas and want to enrich and make the best of the limited amount of time they get to spend with their children.

The prototype of the idea has already been developed and presented at startup competitions, winning over 10.000 EUR in financial awards from the IMPACT HUB, a social entrepreneurship incubator in Zagreb and Unicredit sponsors. The team aims to develop further the product and offer it to its first customers in Zagreb, after the initial exploration of the market.



Photo: Team members accepting the Unicredit award for best social entrepreneurship idea with Hermes Arriaga, CEO of IMPACT HUB in Zagreb
Source: Personal photographs of the Storybox team

The Storybox team is also in the process of implementing a crowdfunding campaign, in the frame of the Crowdfunding Academy at the ZIP Startup Incubator in Zagreb. One of their goals is to develop valuable resources on their website that would help parents in better communication with their children as well as providing professional support in their child's development, forming a community of users. *"We want to create a sustainable story"*, says Mr. Halilović, explaining that they are not interested in quick growth and external resources: *"We want to develop step by step, using our internal resources. We have already refused a lot of offers from potential partners as we want to be careful and keep the focus on our core business"*.

Social issues addressed

In the developmental phase it is important for the parents to understand their child's emotions and reactions to the environment in order to raise a healthy child that is able to understand and react with the environment in a healthy manner. Storybox is a therapeutic toy with the ability to more easily detect and alter negative behavior such as repressed anger, which is identified as aggression with the way the child handles the toys and tells the story's ending. This Storybox team members are trained psychologists that give additional online support and advice for parents. Storybox is designed as an experience, a developmental tool and a support community. In addition, the Storybox contains elements and design that is eco-friendly (the box transfers to shelves and the toys in the box are of ecological origin and material, also made from recycled material). In that way, Storybox ticks all the boxes of a true social entrepreneurship project: tackling economic, social and environmental goals.



Photo: Storybox team showing the first prototype of their product

Source: Personal photographs of the Storybox team

The performance of the Storybox project is measured by the feedback obtained, both from the community, other social entrepreneurs and the competition, which they met when they presented the project to investors and where they received awards and first capital. The fact that the team is willing to invest their own funds in the project is evaluated as positive as it shows how much they believe in the idea and its potential.

Views on the local/national (social) innovation and entrepreneurship environment and policy agenda

The general assessment of the interview respondent is that there is a great potential for the improvement of the environment and support for social innovation in Croatia as well as for implementing specific associated policy measures and financial instruments. In Croatia, unlike in Italy which is also a part of the Adriatic Region, the social enterprise and its activities are currently not defined or regulated by a specific law. According to the Social Innovation Europe report by the European Commission (2016), the concept was for the first time widely promoted in the country in 2011, after the establishment of the Social Innovation Laboratory in the Western Balkans countries.

The Report on the State of Social Entrepreneurship in Croatia (Simlesa, 2015) indicates that there are only 90 actors that can be classified as social entrepreneurship ventures, and these are mostly civic initiatives (Croatian: "udruge") as well as private initiatives with profit and social orientation (Croatian: "zadruga"). Both of these forms of legal entities have advantages and disadvantages. Udruga employ more people and zadruga generate more profit, which is in opinion of the interviewee in relation with their legal eligibility to absorb EU funds designed to support social innovation, grants within the European Social Fund and other national funds.

As of April 2015, Croatia implemented the framework Strategy for Social Entrepreneurship Development 2015-2020 led by the Ministry of Labour and Pension System. The Strategy contains some concrete measures related to each of the objectives for social entrepreneurship advancement in Croatia, including the precise definition of the concept, steps for improvement of the legislative framework, formation of a database of social entrepreneurs, establishment of the social entrepreneurship support structures and actors, set up of funding mechanisms from EU funds, national funds as well as innovative financing instruments, incorporation of the concept of social entrepreneurship into the national educational programmes and population-wide promotion of the concept. In addition, in summer 2016, the first call for grant proposals based on the strategy action plan has been published in frame of the European Social Fund, with the budget of approximately 1.100.000 euro for social entrepreneurs, organizations that want to develop and promote social entrepreneurship and as a basis for the identification of needs of social entrepreneurs for future grant calls. These initiatives have been evaluated by the respondent as a good first step, although the necessary changes also lie elsewhere.

Namely, the Storybox team sees the current situation in the country both as an advantage and a disadvantage: *"There are certain projects that wait and depend on that public funding. These are not entrepreneurial projects. What we lack is an entrepreneurial spirit: that someone goes and finds opportunities and avenues to realize his ideas, being aware of his weaknesses, but at the same time using the strengths to develop and go further"*. This corresponds with the individualism in social entrepreneurship theory, putting a lot of emphasis on the social entrepreneur persona as being the core driver of such projects, blending both economic and social goals into one vision. According to the interview respondent, social entrepreneurs and actors in Croatia have a certain attitude of *"let's just survive"*, instead of striving to be pioneers. That is the reason why the current profits are not significant enough - according to the latest report (Simlesa 2015), the income generated by social entrepreneurs in Croatia amounted to 23 million euro in 2014.

In addition, the interview pointed to a general lack of professionals in economic and other fields in these ventures, as well as a lack of true scientific skills: *“It is easier to blame the government or to blame the market for not recognizing your product. The fact is that you have to adapt. Certainly, there are better regulations and better conditions in some other European countries, however, we have here everything we need to create our own best practices, just not the mindset. The solution to the problem could be in educating the people that work in these projects and offering them true support also after they form a company and start generating some profit, because at that point they need help the most. If we just receive financial support, without knowing how to manage it and where to invest it, that makes no sense. We need mentoring as well. Mentoring people generates people with know-how which then they can further communicate to other people, thus creating a chain effect, like in the movie³”.*

Thus, an important identified obstacle or challenge in the Croatian environment is the general lack of new human resources in the field of social entrepreneurship, who would be spreading the circle of people involved in these kinds of projects, as well as the lack of support of the community in their path. These attitudes reflect the cultural and historical influences on this territory which shape the way people communicate, the amount of social cohesion and stability and the general attitudes towards success and failure, which is a prerequisite in the innovation arena. *“I recommend to start thinking about entrepreneurship, and what it means to be an entrepreneur. No one has ever built something meaningful without failing and successful people are not liked by everyone, that's a rule. The sooner we realize that, the quicker success comes”.* Networking and development of people in terms of their skills and abilities are also seen as one of the core strategies for social entrepreneurship advancement. Constant desire for better achievement and continuous learning and improving towards the vision are evaluated as key success factors in the innovation-averse society.

Social innovation and entrepreneurship policy framework and selected initiatives in Croatia

- Strategy for Social Entrepreneurship Development, 2015-2020
- Social Innovation Laboratory
- Impact Hub

Key identified challenges in the (social) innovation environment of Croatia

- A very limited number of enterprises classified as social, with mostly insignificant generated income
- Lack of entrepreneurial spirit in social enterprises and frequent pure reliance on public funding – focus on survival instead of on growth
- Access to public incentives for social entrepreneurs does not necessarily lead to improved innovation and business performance due to deficient management and business skills
- Lack of skilled human resources in social enterprises able to generate a chain effect

Opportunities and suggestions for improved social innovation climate in Croatia

- Adopted new policy framework defining the concept of social entrepreneurship, responsible actors and measures to support and promote the concept
- Access to EU structural funds (European Social Fund)
- Access to startup support infrastructures, such as incubators, and competitions
- Introduction of mentoring schemes for young social entrepreneurs is needed
- Increasing public awareness through education of citizens and especially young population

³Pay It Forward – movie about a young boy who wants to make the world a better place after his teacher gives him that chance.

3.2.4. Greece: Wapo.io

General information about the case

Wapo.io is an engagement platform for smart building users and its driving force is the wapoBOT. WapoBOT is a chatbot that lives inside popular corporate social networks (Slack, Yammer, Facebook and more) and it continuously learns from both sensor readings and human interaction. It has the ability to combine opportunities from the performance of energy systems with known user behaviour and create communications and campaigns that achieve measurable results. WapoBOT reaches the right employees at the right time, listens to their requests, while encouraging and rewarding activity towards environmental sustainability. The current number of Wapo.io employees is 5, and annual turnover around 40.000 Euro, since the company has been incorporated only recently; it previously operated on the market for two years inside Delphis.

The mission of Wapo.io is to create friendly, easy and purposeful Human-IoT interaction in the modern workspace. Its vision are environmentally sustainable companies that wish to engage their people in the optimal use of their smart buildings.

Social issues addressed

The main challenge addressed by this organization is that even in smart commercial buildings, up to 20% of energy is wasted due to behavioural mismatch. Most end users, as well as technical personnel, prefer to see their organisations save energy but they do not feel that they can or know how to personally influence energy use. In other words, although more and more data are being produced, the employees, both end-users and technical, are unaware and uneducated in this regard. Because of this, organisations are not as green as they could be. Wapo.io enables people to influence the energy use of their building, both individually and as a team. This increases employee engagement, contributes to the organisation's environmental sustainability strategy and maximises the return on investment in energy savings.

The main opportunity of the company is seen in environmental sustainability, which keeps rising on the agendas of organizations, and has become of essential importance to keep costs down and retain customers and employees. Also, companies increasingly try to engage employees in company values. Both trends combine to create an opportunity to connect energy systems and social apps, so people can actively work together on energy savings and sustainability goals.

The company evaluates its performance and the impact that they provide for the community by measuring energy and the level of engagement of employees towards the goals that Wapo.io sets.

Views on the local/national (social) innovation and entrepreneurship environment and policy agenda

The general assessment of the interview respondent is that there is a great potential for the improvement of the environment and support for social innovation in Greece as well as for implementing specific associated policy measures and financial instruments. The concepts of “social innovation” and “social economy” in Greece are relatively new. While in other European countries discussions related to social innovation have taken place for more than 20 years, in Greece, organised forms of social ventures are apparent for much less and usually in an experimental stage. The main reason that led to social innovation becoming a necessity was the economic crisis that heavily hit Greece. More specifically and according to the Social Innovation Europe report by the European Commission (2016)⁴, in September 2011, a law for Social Economy and Social Entrepreneurship was passed by the parliament and the distinct legal form of Co-operative Social Enterprises was created. Thus, as of January 2015 over 700 Social Cooperative Enterprises have been established.

Still, according to the interview respondent, in order to be innovation-friendly, the environment has to be motivational in all aspects. Motivation comes from practical support in the axes of financing, infrastructure and networking or collaboration. All three are needed for an innovation to grow and became a sustainable idea. Motivation comes also when ideas are being heard from the correct audience and on that note, an innovation-friendly environment has to group accordingly the vertical sectors, creating the correct clusters of innovation. The right choices of partners and investors who value their offering are key to success in innovation-averse environment.

On the basis of this framewrok, wapo.io is currently incorporated in the Netherlands where the level of social innovation is very high and Greece could paradigmaticize from. There are many funds, both private and from the government, that focus on new technology and social impact. One example is the DOEN foundation, which includes the social aspect of the innovation into its criteria for choosing where to invest. As a result, wapo.io's innovation has been supported by the Smart Energy Accelerator of the Rockstart in Amsterdam and is at the stage of further fundraising. Provided that the right framework is developed in Greece, wapo.io would be happy to return and invest there.

⁴<https://webgate.ec.europa.eu/socialinnovationeurope/en/social-innovation-greece>

3.2.5. **Italy:** La Città Verde (The green town)

General information about the case

La Città Verde (The green town) is a social cooperative focused on creating jobs for disabled persons (Italian type-B social cooperative). The organization is focused on two main service activities:

1. Waste recycling, that consists of:
 - Street cleaning
 - Waste collection
2. Green maintenance activities, that are focused on:
 - Green maintenance of public areas

Recently, the cooperative has developed a composting plant that will allow to produce high-quality compost and 'green' energy directly from organic waste.

The company has been present on the market since 1991 (for 25 years). The number of employees is 101, of which 36 are disabled. Its 2015 annual turnover was 4.6 million euro.



Photo: Food waste composting plant

Social issues addressed

In general, the aim of the company has been to provide jobs for the disadvantaged people and in particular people affected with mental diseases. Alongside the social aspect, in the long run the company wishes to become stronger and in this way provide an overall impact in the society.

The real social issue particularly in Italy but also in other countries is the lack of jobs for people with mental or physical “weaknesses”. However, their aim has been not only to provide these people with jobs but also to empower them with required skills which can have a huge impact on the quality of their lives.

To evaluate the impact it produces on the community, La Città Verde uses various social indicators such as the total number of people that are employed in the company. However, this kind of measuring needs to be changed and indeed has been changed, by starting to target the problems of the community. The high unemployment rate in the recent years has affected people with disabilities even more, as they are hardly considered for jobs and indeed are last in a long queue of people searching for jobs. Therefore, creation of jobs for disadvantaged people and its impact on the community, in terms of savings for local welfare, is regarded as the new social indicator.

The company is a special type of company, a private company that is a cooperative. This means that the leading of the enterprise is done by workers themselves; therefore, there is a freedom in choosing the direction of the company. There are various assemblies and the relations with the workers are very open and interactive. There is no real discrimination if the employee has any disadvantages or not. All employees have equal rights and duties.

The performance and impact of the company are measured through:

- number of assemblies;
- number of workers;
- number of years the employees have worked for the cooperative;
- what has been learned: the company has many professional trainings for all employees as well as social training for the leaders of the groups who are in charge of smaller groups. The idea is that the leaders need to learn how to be effective in improving the lives of the workers.
- economic indicator: while La Città Verde is a cooperative working on social issues, as with any other enterprise there is a need for a good economic performance. In other words, there is a need to balance the social and economic impact of overall activities. This is indeed an issue for the company, as economic success is sometimes associated with the exploitation of the employees. However, this can be surpassed by working on common goals.

Views on the local/national (social) innovation and entrepreneurship environment and policy agenda

The identified general weakness of the Italian legislation is the existence of too many laws, many are which are conflicting. More precisely, there can be very good social laws such as those related to families and people with disadvantages, but at the same time laws that are relating to fiscal issues that can be against the social enterprise or would not help it. In other words, the laws are in general not coordinated.

For example, the law from 1991 is evaluated as a very good legislation. This law (266/91, also known as the “framework law for volunteering”), was the first step taken by the government in order to regulate the third sector in Italy. On the basis of this law, the third sector in Italy includes the following legal entities:

- Associations, non-profit entities originating from a contract (constitutional act) and within which a majority of subjects decides to assemble in order to pursue an ideal and, at the same time, by the founding associates and the association's members;
- Social cooperatives, as cooperatives aimed at promoting the general interests of the community and citizens' “social integration” with two different types of cooperatives: a) managing social, health and education services; and, b) facilitating the integration in the labour market of socially disadvantaged citizens;
- Foundations, as non-lucrative entities characterised by the allocation of a private legacy to a determined public utility purpose.

However, according to the interview respondent, recent laws have been trying to regulate a world that is too particular to be normative. For example, many times the same opportunities in terms of participation in public tenders is given to an association, a cooperative and a foundation, which means that they have the same rights and they can do the same things. However, this cannot be possible due to their different organizational structures and specializations. As an answer to such regulations, La Città Verde tries simply not to do many things and just specialize in one or two fields of business. They are active in a couple of fields, including the green economy, dealing with waste and work on green maintenance. Further, they also make a choice for the social worker and make work for the disadvantage people. Otherwise, enlargement of the field of action would make it difficult dealing with various laws in Italy.

Additional legislation concerning social enterprises in Italy includes:

- Law 383/2000, which established the basis for a close cooperation between public authorities and voluntary organisations, dictating not only the rules for public funding of voluntary organisations, but also defining the necessity for both bodies to collaborate towards policy making as well as the programming and implementation of projects for the benefit of their communities. The collaboration between third sector's organizations and local authorities can be seen as a “circular subsidiarity” system whereby voluntary organisations share their local knowledge with local authorities in order to influence policy making, whilst local authorities provide the funds to support voluntary organisations in their delivery of these needs oriented programmes.
- Law 155/2006, which widened the range of activities and services that the third sector organisations were able to deliver. These activities must engender positive ‘social utility’ to the benefit of the general public in some measure. Any profits generated must either be reinvested in the social purpose of the organisation or contribute towards effective governance systems, such as co-production. Finally, to qualify for this status, organisations must ‘deliver a social account and implement participation mechanisms that favour the involvement of users and workers when not members’. Thus, this law established and introduced a legal definition and status for social enterprises. Provided it meets a number of conditions stipulated through the ‘Law on Social Enterprise’, almost any organisational structure is able to acquire the status of ‘impresa sociale’. These organisations must be private legal entities and obtain at least 70

per cent of their income through entrepreneurial activities. By contrast, there were relatively few social enterprises (ex lege) in Italy. In 2011, there were an estimated 1,348 registered with the Italian Chambers of Commerce. There are of course a much greater number of de facto social enterprises engaged in activities contributing towards social innovation, such as social cooperatives (introduced in 1991).

- Smart Cities and Communities and Social Innovation (2012), under the responsibility of the Italian Ministry of Education, Research, University, with the goal to promote social projects involving the development of technologically innovative ideas for the solution of local problems in some specific southern regions of Italy (Puglia, Sicily, Calabria and Campania). The target group are young people (not older than 30 years), organized in specific entities (associations or companies) and residents in one of the 4 eligible territories. The funded projects must concern issues such as smart mobility, smart health, smart education, smart cultures and tourism, cloud computing technologies for smart government, energy efficiency, sustainable natural resources, etc. For the realization of these projects 40 million euro has been made available and 56 projects were funded for a total commitment of 39.39 million euro.
- Law 221/2012, which introduced a definition of innovative startup with social goal into the Italian legal system. Circular 3677/C issued by the Ministry of Economic Development in 2015 introduced a new procedure for the recognition of innovative startups with a social goal. At the same time, to better lead the users of the new procedure, the Ministry published the “Guide to drafting the Document for the Description of Social Impact”, as an outcome of the collaboration with the Ministry for Education, University and Research, as well as other players within the social business community. Socially oriented startups can take advantage of some specific benefits, such as tax concessions, which are greater if the investment concerns startups with a social goal or those operating in the energy sector (25% tax credit for people or 27% fiscal deduction for legal entities).

An important concern raised by the interview respondent refers to the questionable direct impact of the new legislation (‘nuova legge sul terzo settore’) on the growth and development of the third sector. Namely, on one hand, the third sector has to cope with complicated existing laws. On the other hand, there are purely for-profit companies such as IKEA and Coca-Cola, which are doing a good job of selling their social values, and in that way seem to have more social impact in comparison to a very structured and wide concept of social enterprise that is tied to a local territory in Italy. This has been regarded as a real damage, which will not allow the value of social enterprise to become clearer and visible.

In addition to complex legislation, the public procurement system in Italy has been identified as an important performance inhibiting factor of social enterprises. In La Città Verde, 70% of the turnover is made with other public companies and bodies and the other 30% with private enterprises. On one hand, there are a lot of public procurement requirements for quality, political and economic factors, which means that if the enterprise is not “big”, it can hardly compete with other enterprises. On the other hand, procurement laws promote the individuals, local aspects and small scale operations. In order to solve such complex issues, social cooperatives usually create consortia, a group of small entities that together become a big entity. In this way, the company is effective and can compete on the market with big private and for-profit companies and at the same time the target is kept on the community and on individual’s wellbeing.

Even though lobbying has been identified as very important when working with the public sector, La Città Verde has chosen not to be active in lobbying, as they do not believe that they are strong enough to influence political choices. Therefore, they have tried to study technical and economic trends, which can make them ready for the upcoming challenges. This is regarded as the main enabler for the company as they have always been a couple of years ahead. According to the respondent, “the energy that could have been used for influencing a political process, has been used for detecting where the environment and political choices are leading into”. As an example, fifteen years ago the company saw an opportunity in environmental and green economy as a field of development and invested in that area. As another example, the respondent refers to the raising importance of the community instead of a focus on the region and province as political entities, and therefore, their efforts have been targeted to the local community. In sum, investigating what is going to be next is regarded as a key to their success, alongside of having desirable relations with other enterprises and actors in the territory. Moreover, in the respondent’s view, it is always important to carefully study the benefits of becoming a type B-cooperation or do business with them before embarking on such venture.

Social innovation and entrepreneurship policy framework and selected initiatives in Italy

- Law 266/91, the “framework law for volunteering”
- Law 383/2000, on cooperation between public authorities and voluntary organisations
- Law 155/2006, defining the range of services delivered by the third sector organisations
- Smart Cities and Communities and Social Innovation (2012)
- Law 221/2012, introducing a definition of innovative startup with social goal

Key identified challenges in the (social) innovation environment of Italy

- Lack of coordination between numerous laws covering social enterprises leading to overly complicated and often contradictory procedures
- A small number of enterprises formally classified as social

Opportunities and suggestions for improved social innovation climate in Italy

- Existing policy framework defining the concepts of social entrepreneurship and innovation and developed measures and incentives, including fiscal, to support and promote the concepts
- More coordination between various legal and policy documents is needed to eliminate contradictory interpretations
- Re-examining and simplification of public procurement requirements for SMEs
- Promoting the active employee participation in social enterprises’ management structures, by supporting the training of employees in organization and leadership
- Promoting the collaboration and clustering of social enterprises to jointly tackle the market challenges

3.2.6. **Montenegro:** Initiatives of the Ministry of Science

General information about the case

Considering the lack of social entrepreneurship and social innovation initiatives in the country, the Ministry of Science of Montenegro was selected for the case study, as a public authority which implements R&D&I policy (through national and international programmes of public interest), negotiates and implements bilateral S&T cooperation agreements, concludes memorandum, protocols and programmes of collaboration with ministries and foreign organizations. The Ministry is in a position to act as a potential initiator of changes, concerning the adoption of specific policy measures targeting social enterprises.

Formed as a separate Ministry responsible for science (from December 2010), the Ministry has implemented a demanding program of activities related to the implementation of both national and international R&D programmes. The Ministry currently has 23 employees and the annual budget for 2016 is 2.6 million euro.

Social issues addressed

The Ministry of Science provides a significant contribution through the legislative framework and through the established mechanisms of cooperation in order to improve the national scientific system and broader engagement of the scientific community both through programs and projects at the national level and in terms of approaching the European Research Area.

The impact and results achieved are measured through established system of monitoring and detailed reporting for each segment (activity).

Views on the local/national (social) innovation and entrepreneurship environment and policy agenda

Awareness about the concept of innovation and knowledge on possibilities offered by innovation in everyday life are identified as very important for development of innovation-friendly environment. In order to support innovation-friendly environment in Montenegro, a single legislation framework for innovation activity was developed: Law on innovation activity and Strategy for innovation activity with Action plan (2016-2020).

In recent years, Montenegro has undertaken a series of activities aimed at establishing a new institutional framework for innovation, as well as to strengthen existing innovative potential in Montenegro, through the implementation of various support programs, which indicated the need to establish a legal and policy framework in the field of innovative activity. However, no policy framework specifically targeting social entrepreneurship and social innovation has been developed yet.

In relation with the infrastructure support to innovation as well as technology absorption, Montenegro has made a significant step, which on the one hand implies incitement of scientific excellence in those areas in which the scientific and economic potential of Montenegro is the largest (by establishing the first Centre of Excellence), while on the other side it encourages entrepreneurial potential founded on innovation, which can directly affect the competitiveness of the economy (through the establishment of the first Science and Technology Park). Also, collaborative grants allow the purchase of equipment, which is used for the development of research projects of which the main result are innovations.

However, it is necessary to continue to work on improving infrastructure in order to achieve a satisfactory level of technology which will in the scientific as well as in the private sector enable implementation of innovation activity. Also, through new institutional mechanisms and grants program, a special attention is focused on supporting connections between scientific research institutions and the business sector. Since this is the first systematic progress in this regard, it is necessary to set up mechanisms, to create sustainable partnerships complemented with new programmes in order to enable the transfer of knowledge and technology and the commercialization of scientific research.

Since the establishment, the Ministry of Science has invested a lot of efforts in order to bring the science closer to the community in Montenegro, and especially to young people. The dedication and commitment of the employees have significantly contributed to the improvement of the scientific system at the national level: recognizing the importance of science by the state and then by citizens and target groups. The key to success lies in motivation and desire for the realization of the planned objectives. Moreover, one out of three main goals defined in the Strategy for Scientific-Research Activity 2012-2016 is strengthening the link between scientific community and industry.

Bearing in mind the above mentioned, the identified key to success is reaching of this goal by the commercialisation of innovation which will result in new products, services, innovation processes, opening of new jobs and development of economy/increased living standard for all population. Reaching two other goals, strengthening bilateral and multilateral cooperation and strengthening scientific community, also contributes to the mentioned mission of the Ministry.

3.2.7. **Serbia:** Smart kolektiv

General information about the case

Smart kolektiv is an association established in 2003, with the goal of promoting cooperation between companies and non-governmental organizations and helping micro entrepreneurs with ideas for innovation. The innovation is defined considering the specific context and situation in Serbia. The goal is also to turn a social initiative to be profitable.

The support for young entrepreneurs to develop their business idea and business skills for social innovations is in the context of two programs: (1) Youth Business Serbia and (2) Social innovation. The important implemented projects include: Forum for Responsible Business <http://odgovornoposlovanje.rs/>, Youth Business Serbia <http://biznismladihsrbije.org/>, Good Bag <http://dobratorba.rs/>, SENS Network <http://www.sens.rs/>⁵.

The organization currently employs less than 10 people and its annual turnover is 300-500,000 EUR, with 60% coming from public grants. It is a non-profit organization, with the primary goal to provide sustainability.

Social issues addressed

Smart kolektiv is focused on the issues of widespread poverty, rising unemployment (acutely among the youth), regional disparities and social exclusion of vulnerable groups. The primary motivation is the fact that the situation in Serbia is further hampered by high rates of corruption and inefficient public administration, which is why the tackling of these issues by traditional approaches seems to be largely ineffective and unsustainable. Based on the information provided by interview respondents, Gojko Tošević and Neven Marinković, the association measures its performance and the impact on the community by focusing on the number of social enterprises, examples of good practice like volunteering and successful social actions as well as the growth of interest in their seminars.

⁵Further information is available at <https://webgate.ec.europa.eu/socialinnovationeurope/en/social-innovation-serbia>.



Photo: Forum of Social Innovation, April 22, 2016, Belgrade

Source: Forum of Social Innovation⁶ is the largest annual event dedicated to social entrepreneurship and sustainability of civil society, which was attended by more than 200 leaders from civil, private and public sector in Serbia and the region. The Forum was organized for 3rd time by Smart kolektiv and Forum za odgovorno poslovanje⁷, and it was financially supported by USAID.

Views on the local/national (social) innovation and entrepreneurship environment and policy agenda

According to the interview respondents, Serbia is characterized by a lack of an enabling innovation environment. Social enterprises still struggle to be treated as a distinct type of business since both the legal framework and the banking system are not stimulating enough for the creation and expansion of start-up SMEs in this area. In the absence of supportive policy framework, social enterprises need to ignore the obstacles and work hard to produce the desired results.

The area of social entrepreneurship and social innovation is still not regulated in Serbia. The draft Law on Social Entrepreneurship is planned to be discussed and accepted in 2016. However, the opinion of the respondents is that the current draft of the Law includes regulations that can slow down the development of social innovation and entrepreneurship in Serbia, which is why an active public debate is needed.

On the other hand, the respondents point to several programmes of the Ministry of Economy which can be considered as a good practice: Start-up non-refundable credits, Beginners in business, Company in the early years of its operations, Woman entrepreneurship. Moreover, the Delegation of the EU to Serbia is assessed as a positive contributor to the introduction of aspects of social innovation through its workgroups with stakeholders from the public and third sector, addressing issues such as social development and community-based social services (welfare, healthcare, employment, education and labor), economy and private sector (competitiveness increase and regional development) and anti-discrimination.

In order to improve the overall (social) innovation climate in Serbia, the following key changes need to be introduced, some of which are not possible to achieve on the short run: it is necessary to create stable and favourable political preconditions for economic growth; improve the legal framework to support entrepreneurship; adopt and implement national policies and strategies to promote social innovation and social entrepreneurship. Moreover, there is a need for a wider mindset change in favour of sustainable entrepreneurship. The suggestion is to adapt here the approaches that were successful in other countries in the surrounding.

⁶ <http://www.sens.rs/aktuelnosti/342-odrzan-treci-forum-socijalnih-inovacija>

⁷ <http://odgovornoposlovanje.rs/>

⁸ http://www.parlament.gov.rs/upload/archive/files/lat/pdf/predlozi_zakona/1688-13Lat.pdf

Social innovation and entrepreneurship policy framework and selected initiatives in Serbia

- Legislation dedicated to social entrepreneurship and social innovation as well as associated incentives do not exist
- Entrepreneurship and innovation programmes of the Ministry of Economy address some social entrepreneurship target groups

Key identified challenges in the (social) innovation environment of Serbia

- Lack of policy framework, measures, funds and responsible actors
- Lack of entrepreneurial mindset

Opportunities and suggestions for improved social innovation climate in Serbia

- New Law on Social Entrepreneurship in preparation
- Access to EU funds
- Inclusion of all stakeholders in the social entrepreneurship policy design process
- Training and mentoring of micro-entrepreneurs, especially young population
- Increasing public awareness through education of citizens

3.2.8. **Slovenia:** Cooperative Soglasnik

General information about the case

Soglasnik is formally organized as a cooperative and offers the services of translation, proofreading and interpretation. The languages they offer are: English, German, Croatian, Italian, Russian and French. For other language combinations they have outside fellows so they can cover a wide range of language service inquiries.

The cooperative Soglasnik was established two years ago. Annual turnover in 2015 was just over 20,000 euro. There is nobody formally employed at the cooperative as all members are freelancers. There is twelve members and seven of them are highly active in the cooperative. On the top of that, there are about twenty fellows who cooperate with Soglasnik on demand.

Members of the cooperative have common branding on the market. The majority of income goes to the person who did the work, a part is used to cover common expenses (work premises, marketing, accounting services...). The members still do not derive their full income from the cooperative, but this percentage is steadily rising. Furthermore, the members are trying to increasingly channel business from their personal contacts through the cooperative.

Social issues addressed

The organization is trying to solve the problem of the unemployment and precarious work conditions of young graduates in creative professions. They are usually paid very little, have no steady income, no sick leave and no paid vacation. The market for language services is completely atomized. Especially young translators and language teachers are completely dependent and powerless towards translating agencies and language schools.

They have no influence on the work of the agency and the workflow of the translation. The prices are very low and the freelance translators do not have the access to final customers and are being confronted with dumping prices by the agencies. So the members decided to unite in a cooperative to stop the further lowering of conditions and cooperate in a democratic and equitable manner.

The cooperative does not have a specific way of measuring social performance. They do, however, spend a certain amount of revenues towards helping primary and high school students from disadvantaged social backgrounds. And here the measurement is very easy: whether the students successfully pass the school exams or not.

Views on the local/national (social) innovation and entrepreneurship environment and policy agenda

One of the main challenges for the cooperative Soglasnik is the application for subventions on government tenders. Usually there is a condition for all applicants to have at least one employee. Since all members of the cooperative are freelancers and nobody is employed at the cooperative, they cannot apply for government funds and without the funds they have difficulty further developing the cooperative and employ at least one person. So this is in essence a Catch-22 for the cooperative.

The second main challenge of the environment is that social enterprises and cooperatives are not really perceived as viable commercial entities by some potential clients. They are often perceived as something 'voluntary' and 'charitable', and not as a business. So they face stigma and an uphill battle to convince these clients that they

still work on sound economic grounds and that they will produce professional work that is done on time. Some of the clients understand this but some do not and would rather buy a service from a 'normal' company than from a cooperative or a social enterprise. This perception needs to improve, but they think it is a matter of few years that this would change.

The third main challenge identified by the interview respondents is that when they founded the cooperative, they had basically no business and marketing education and no experience with running their own business. They are still struggling with acquiring enough knowledge to properly bring their service to the market and effectively promote it.

One of the problems is also the specific formal organization of cooperative. Government bureaucracy is used to dealing with limited liability companies and sole proprietorships, but they usually do not know what to do with cooperatives. The same problem is with accountants and notaries, who usually do not know the specifics of dealing with cooperatives.

There is not much of a support in the environment and there should be more, according to the interview respondent. However, things are moving to the better and the environment improved a lot in the last five years, but the rate of progress is still too slow. Some support measures that were announced more than a year ago are still not implemented in practice.

In the respondent's view, it would be better if the Ministry of Economic Development and Technology handled social entrepreneurship and not the Ministry of Labour, Family, Social Affairs and Equal Opportunities. That would probably improve the perception a bit. (op. aut.: this change was indeed recently implemented by the government: social entrepreneurship was transferred to the Ministry of Economic Development and Technology). It would probably also help if social enterprises were handled as a special sector of the economy.

Still, in spite of numerous challenges, the respondents do not have really bad experiences. Their model was in general well received and praised. They are optimistic about the future as the environment is changing for the better, albeit slowly.

Social innovation and entrepreneurship policy framework and selected initiatives in Slovenia

- Policy framework dedicated to social entrepreneurship and social innovation under the responsibility of the Ministry of Economic Development and Technology

Key identified challenges in the (social) innovation environment of Slovenia

- Alternative forms of legal entities (e.g. cooperatives) still not sufficiently recognized or perceived as commercially viable by customers
- Alternative forms of legal entities often not formally recognized by government bureaucracies, notaries and accountants
- The application eligibility criteria of public competitive grant funding schemes often not suitable for social enterprises established as alternative forms of legal entities
- Insufficient business skills of social entrepreneurs

Opportunities and suggestions for improved social innovation climate in Slovenia

- Improvement of the legislative, policy and support framework to recognize that social enterprises often do not have traditional legal forms
- Tailor-made training and mentoring programmes of social entrepreneurs
- Increasing public awareness through education of citizens

4. DISCUSSION, IMPLICATIONS AND POLICY RECOMMENDATIONS

The quantitative part of the research of social entrepreneurship and social innovation in the Adriatic Region has sought to investigate innovation and business performance determinants of micro, small and medium enterprises (SMEs) located in the Adriatic Region that introduced social innovation and compare them with SMEs that did not introduce social innovation or did not innovate at all. The study has yielded several important findings.

First, the results of the survey of Adriatic Region-based SMEs indicate a significant relationship between social innovation and export. This implies that social innovators are more likely to export than the other two surveyed groups of business entities, non-social innovators and non-innovators. Likewise, the results can be interpreted so as to imply that exporters are more likely to introduce social innovation than the rest of the sample. This reasoning draws from the very definition of social innovation, which implies that the nature of social innovation is to expand one's horizons in terms of intensifying and/or expanding social relations. Expanding social relations with different subjects over the borders of the mother country can be considered natural and logical positive consequence of social innovation. It can also be viewed as a step further in the direction of adapting to the ever changing environment of the global market.

Second, the analysis of the relationship between social innovation and business performance has shown that social innovators perform best on a business performance scale, followed by product/process innovators and finally, non-innovators. Although these results do not imply a causal relationship, they can serve as a solid ground for arguing that social innovators are able to achieve higher business performance results than traditional innovators and non-innovators. The finding showing that introducing product or process innovation and especially social innovation is significantly related to better business performance score and vice versa emphasizes the reciprocity of the relationship between improvement of business performance and introduction of innovation. On the firm level, this requires constant evolution in terms of searching for new solutions and systems of doing business, which in turn should have a positive effect on business performance. It can also be argued that the market knowledge accumulated by doing business in foreign markets, together with the achievement of positive performance, could lead the companies to better identification of the customers' needs that their solutions and processes should be able to fulfill.

There are several important implications of the obtained results. First, the study contributes to the existing theory on the relationship between innovation, social innovation, export and business performance. It shows that social innovation is significantly related with the probability to internationalize and perception of company business performance. As such, social innovation should be considered as an explanatory variable in the future empirical models aiming to assess the business performance determinants of innovative enterprises. Moreover, by introducing a specific composite measure of social innovation, the study contributes to the mitigation of the problem of ambiguous definitions, scope and measurement of this concept in the future studies.

Second, a novel database generated within the PACINNO project covers the whole territory of the Adriatic Region, a geographic area which has been characterized by significant lagging behind the EU average with respect to levels of innovative activities and innovation performance. Moreover, the generated database covers not only small and medium, but also micro enterprises, which represents an added value compared to the methodology deployed in the standard Community Innovation Survey. These results indicate that a huge potential lies with social entrepreneurship to contribute to enhancing the innovative performance and economic growth and development of the Adriatic Region. The obtained empirical results can serve as a basis for development of specific guidelines for business entities, policy makers and other relevant stakeholders located in the Adriatic Region.

Therefore, **the first and general policy recommendation resulting from this study is that the future investments in policy measures and instruments should recognize social enterprises and particularly social innovators as important contributors to economic performance of Adriatic Region countries.** Grants, subsidies and tax incentives, including labour market measures targeting social innovators, should positively affect the catching-up of the Adriatic Region economies.

Furthermore, the cross-country analysis of eight case studies of social entrepreneurship and social innovation in the Adriatic Region points to a range of social issues tackled in the most creative ways by social entrepreneurs in Adriatic Region, from youth and marginalized groups unemployment to environmental problems related to energy waste and suboptimal use of materials in production.

Relying on desk research and interviews with regional leaders in social innovation, the case studies indicate several common business environment and policy challenges in the Adriatic Region as well as some country-specific problems in this area. Whereas in some countries, such as Italy, Slovenia, Albania and Croatia, the legislative and policy framework targeting specifically social enterprises has been established, along with associated support measures, instruments and responsible actors, in other countries of the Adriatic Region this process is only in the developing stage. Yet, even in the countries with existing policy framework, social entrepreneurs face various administrative obstacles, such as overly complicated and often contradictory legislation (Italy), insufficient recognition of alternative forms of legal entities (e.g. social cooperatives) by customers, government bureaucracy and grant funding programmes (Slovenia) or unfavoured fiscal regime (Albania).

Thus, the second policy recommendation resulting from the study refers to the need for better coordination or harmonisation of all policy documents, instruments and actors responsible for social entrepreneurship and social innovation in the national innovation systems of the Adriatic Region. The Adriatic Region countries without established policy framework promoting social entrepreneurship and social innovation should adopt the best practices of the countries in the Region, but take into account the described challenges and obstacles that have so far led to the sub-optimal efficiency of the implemented measures. Moreover, **as a third policy recommendation, all stakeholders, and not just policy makers, should be included in the social entrepreneurship policy design process.**

Moreover, availability of EU pre-accession and structural funds has been identified as an important opportunity or enabler of social innovative performance of Adriatic Region economies of Serbia, Albania and Croatia. Yet, access to public incentives for social entrepreneurs does not necessarily lead to their improved innovation and business performance due to deficient management and business skills and focus on pure survival instead of on growth. Actually, in all countries of the Adriatic Region, insufficient business skills of social entrepreneurs have been identified as an important performance inhibitor. **The fourth policy recommendation resulting from the study refers to the need for creation and support of specific tailor-made training and mentoring programmes for social entrepreneurs,** including the access to startup incubators and entrepreneurship competitions. This is also related to the need for promoting the active employee participation in social enterprises' management structures, by supporting the training of employees in organization and leadership.

The fifth policy recommendation calls for the adoption of **innovative measures** to tackle the challenges of social entrepreneurship in the Region, **including the partnerships with local authorities (municipalities, etc.), supporting collaboration and clustering of social enterprises to jointly tackle the market challenges and public procurement for innovation, with simplified procedures.**

In addition, in most countries of the Adriatic Region a very small number of enterprises have been formally classified or registered as social, due to the lack of such registers or undefined concept of social innovation in the first place. **The sixth policy recommendation refers to the need for adoption of the clear definition of the criteria for classification as social entrepreneur and social innovator in the national policy documents** as a prerequisite for the implementation of specific measures. Also, alternative performance criteria of social enterprises should be considered, such as the total number of employed people from disadvantaged groups, the number of trained human resources in such groups, the number of successful social actions and implemented projects or the number of users in the local community.

Finally, the concepts of social entrepreneurship and social innovation are still poorly recognized in the wide Adriatic Region population. **The seventh policy recommendation promotes tools (media campaigns, public events) aimed to increase public awareness about the importance of social entrepreneurship and social innovation, and stimulating the entrepreneurial mindset in general, through education of citizens and especially young population.** Here, it is also necessary to consider incorporating social innovation and entrepreneurship in the formal educational system.

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Appendices

Questionnaire: SURVEY OF INNOVATIVE COMPANIES IN THE ADRIATIC REGION

Excerpt from the original questionnaire, with the questions used in this exploratory study.

1. General information about the enterprise

Name of enterprise _____ ID _____

City _____ NUTS _____

Please briefly describe your enterprise's main products? (only one option should be allowed)

Primary Products MP1

Manufacturing MP2

Services MP3

Main Activity _____ NACE _____

1.2 In which geographic markets did your enterprise sell goods and/or services during the three years: 2011, 2012, and 2013?

	Yes / 1	No / 0	If Yes, %
A. National [your country]			
B. Adriatic countries *			
C. Western and Central Europe**			
D. Eastern Europe***			
E. North America			
F. South and Central America			
G. East Asia****			
H. Middle East****			
I. North Africa			
J. All other countries			
			100%

2. Product (good or service) innovation

A product innovation is the market introduction of a new or significantly improved good or service with respect to its capabilities, user friendliness, components or sub-systems.

- Product innovations (new or improved) must be new to your enterprise, but they do not need to be new to your market.
- Product innovations could have been originally developed by your enterprise or by other enterprises or institutions.

A good is usually a tangible object such as a smartphone, furniture, or packaged software, but downloadable software, music and film are also goods. A service is usually intangible, such as retailing, insurance, educational courses, air travel, consulting, etc.

2.1 During the three years: 2011, 2012 and 2013, did your enterprise introduce:

	Yes 1	No 0	
Product innovations: New or significantly improved goods or services (exclude the simple resale of new goods and changes of the solely aesthetic nature)			INPDGD

3. Process innovation

A process innovation is the implementation of a new or significantly improved production process, distribution method, or supporting activity.

- Process innovations must be new to your enterprise, but they do not need to be new to your market.
- The innovation could have been originally developed by your enterprise or by other enterprises or institutions.
- Exclude purely organisational innovations – these are covered in section 8.

3.1 During 2011, 2012 and 2013, did your enterprise introduce?

	Yes 1	No 0	
New or significantly improved methods of manufacturing or producing goods or services			INPSPD
New or significantly improved logistics, delivery or distribution methods for your inputs, goods or services			INPSLG
New or significantly improved supporting activities for your processes, such as maintenance systems or operations for purchasing, accounting, or computing			INPSSU

9. Performances

9.1 Taking into account last three years (from 2011 to 2013), rate your overall business performance compared to your most direct competitor (1 = much worse, 4 = equal 7= much better)

		1	2	3	4	5	6	7
FMS	Market share							
FR	Revenues							
FP	Profit							
FCF	Cash flow							
DC	Decrease costs							

10.4. What was your enterprise's average number of

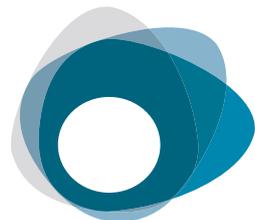
Total employees

2013 TE

11. Social innovation

The term 'social innovation' is used for those new ideas - products, services and models - that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations (i.e. providing a social services and/or goods and services to vulnerable persons; giving access to employment for people disadvantaged, etc.).

	Yes 1	No 0
Introduce or improve products (good and/or service) with social or societal objective (e.g. access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, products addressed to disabled, etc.)		
Introduce or improve products (good and/or service) in terms of environmental footprint (e.g. product/service with low environmental footprint, eco-design products, etc.)		
Introduce or improve a method of organization or ownership system that reflects their mission (e.g. access to employment and training for elderly or disables, dependency management, environmental technologies, use of clean energy, green procurement, etc.)		
Reinvest part of its profits with a view to achieving a specific social, environmental, and/or community objective		



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REPORT 6.3.



Platform for **trans-Academic
Cooperation in Innovation
within the Adriatic Region**

