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# **LOCAL AND REGIONAL ANALYSIS OF SUPPORT NEEDS AND NETWORKING FACILITATION FOR SOCIAL ENTERPRISES IN SLOVENIA**

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## Outline

<b>1. Executive summary</b> .....	2	
<b>2. Introduction</b> .....	5	
<b>2.1 Making the document, goals and main questions</b> .....	5	
<b>2.2 Sources</b> .....	5	
<b>2.3 Territorial focus of the document</b> .....	6	
<b>2.4 Other information</b> .....	6	
<b>3. The status of SEs in Slovenia</b> .....	6	
<b>4. Business ecosystem</b> .....	9	
<b>4.1 Policy context / Regulations</b> .....	9	
<b>4.2 Governmental/ regional strategies</b> .....	12	
<b>4.3 Financing</b> .....	12	
<b>4.4 Business support</b> .....	13	
<b>4.5 Other local/regional opportunities and information</b> .....	14	
<b>5. Synthesis of findings</b> .....	15	1
<b>5.1 The main challenges of SEs</b> .....	15	
<b>5.2 Support and capacity-building needs</b> .....	16	
<b>6. Conclusion</b> .....	20	
<b>6.1 Recommendations</b> .....	20	

## 1. Executive summary

The concept of “**social economy**” is in Slovenia relatively new, but the country does have a long history of cooperative movement (more than 150 years) and also a numerous sector of NGOs with a long history of civil action, even though the NGO sector is economically weak.

The term „**social enterprise**” describes the purpose of a business, not its legal form; it is a status that non-profit legal entity can obtain. Criteria for obtaining the status of social enterprise and preserving it, is defined by the **Social Entrepreneurship Act** from 2012, that is regulating social entrepreneurship and defining also the ways of reporting and promotion of it. Given the great criticism the novelization of the law was required, which will be completed by the end of 2017. The law is enforced through the Strategy for development of SEs and programme of measures for implementation of the Strategy (both currently under preparation).

According to the Register of social enterprises, there were **252 social enterprises** registered under Social Entrepreneurship Act in August 2017. Among them are 82 private institutes, 73 cooperatives, 67 associations, 26 private organizations with limited liability and 4 organisations with other legal form. In terms of territorial coverage, the social companies are quite evenly dispersed across all regions on NUTS3 level, and only in two regions represent larger share (together 50 %) of all social enterprises: Podravska region (29,08 %) and Central Slovenian region (19,52 %). Main activity of almost 29 % of all social enterprises is defined under Other service activities (from that 70 % implement Activities of other membership organisations, related to quality of life, sustainable development, social innovation, etc.). The second largest group of SEs is involved in Education (almost 15 %), followed by those engaged with Professional, scientific and technical activities (13,10 %).

The **contribution of social entrepreneurship** to GDB and job creation is in Slovenia 4 times less important than is the case for the EU, which means, that only about 1.5 to 2 % of all employees work in the field of social entrepreneurship, unlike the EU countries with developed social entrepreneurship, where this percentage ranges between 6 and 8 %. In Slovenia cooperatives and non-governmental organizations employed about 7,000 persons in 2010, representing 0.73 % of all employees during the year. SE sector in Slovenia consists of many diverse organisations, fragmented across different sectors and lacks visibility as a homogeneous group. There is also no proper statistical monitoring of the sector as a separate entity, therefore the size and structure of the sector can be given only on qualitative assessment.

Many SEs in Slovenia were established by/as NGOs, those enterprises often **lack skills** to shift from project based funding to income generating activities on the market. In the last two years the number of SEs have increased considerably, probably due to the specific incentives relating to public funding which required a social enterprise status. Consequently, there is a large share of SEs with the lack of entrepreneurial, business and financial skills, as well as without proper market research, viable business model and knowledge of the market.

Social enterprises should be aware of their **special role** in the society, which brings with it the responsibility for the business and for the society. It is sometimes difficult to coordinate two most exposed, sometimes contradictory values – making a profit and doing good for society. Therefore, along with their self-awareness, the support from the environment should be provided in a way not to make them dependent but to empower them for their mission.

Due to the specifics that SEs are facing, the **need** for personalized treatment was expressed during the focus group interviews. The best answer to meet this need seems to be mentoring. The preferable mentoring program should involve mixed team of mentors, covering areas of marketing, management and sustainable business models. Such support would be crucial in the start-up phase, but also a certain period during the phase of development and growth. Besides the mentoring, also the need for training is being detected, covering contents from entrepreneurship, team work, management, financing, communication, product development, marketing, HR development, digitalization, etc.

3

**Supportive environment** for SE in Slovenia can be detected on three key levels: national/state level, municipal/local level and on the level of organisations (mostly from NGO sector) working in advocacy, social inclusion and promotion of social entrepreneurship. Focus of supportive measures on the state level is on supportive projects assuring employment for people from vulnerable social groups while support for entrepreneurial development of the sector is neglected. Despite the developed network of support organisations and services (start-up phase, innovative environments, business coaching and advice), they are not specialized for social businesses. Municipalities can support SE sector with integration of projects related to the SE into local development programs and establishing concrete incentives and resources, available to support social entrepreneurship at the local level, but they don't play their role in practice. There is also relatively big number of supportive non-governmental organisations, which have started to work in SE in spontaneous way, answering to local needs. In many cases they lack human capital, especially in areas of entrepreneurship, marketing and finance, which are areas where social enterprises need most of the support.

From a **financial point of view**, are around a third of social enterprises highly dependent on public sources, presenting 80 % or more of their total income which cannot lead to financial independence necessary for long term stability of SEs. Access to loans is possible but usually presents challenges due to nature of business, and past financial results (they often signal liquidity issues). Financial network is in general not specialized for SEs and the culture of donors and sponsorships is not deeply rooted for them.

Given the relatively young phenomenon of social entrepreneurship in Slovenia and low awareness of its importance among institutions and wider public, a strong and comprehensive **promotional and awareness raising** campaign is needed to encourage support to SEs and the market.

## 2. Introduction

### 2.1 Making the document, goals and main questions

The aim of this document is to communicate the information which has been compiled as a result of research and analysis of data and of issues related to the support and capacity building needs of SEs operating in Slovenia, as a less developed region of CE, with a focus on Podravska region.

The research was guided by the following main questions:

- the general features of SEs: sectors, products, services, financing, ecosystem, development stage, etc.;
- the main challenges of SEs, in the themes of support system, human resources, management, financing, networks, market and development;
- the needs of SEs concerning support and development services.

The research report is for presentation of information using pre-defined structured format, shared with the partners of the SENTINEL project. This will ease the compilation of comparable results that will be then presented in the Joint report on support demand of SEs operating in less developed regions of Central Europe.

5

The result of the research on support and capacity building needs of SEs will serve as a baseline for Handbook for the creation and operation of “managed networks” of SEs, and Toolbox for social business mentoring services to be set up in less developed regions of CE.

### 2.2 Sources

During the research these two research tools were used:

- desk research: information from the following sources was gathered, analysed and summarized: recent reports on social entrepreneurship in Slovenia (researches, country briefs, conference papers, from 2014 – 2017), various laws related to the SE, the register of SEs in Slovenia, web pages of SEs and support organisations, Eurostat statistics.
- field research: information, perceptions, opinions and experiences towards the theme of the research were gathered during the focus group interviews (4 focus groups: social enterprises, ecosystem, experts, mixed group of stakeholders), and from the online questionnaires for SEs (24 responses). These was then analysed and summarised.

### **2.3 Territorial focus of the document**

The information presented covers the whole Slovenia as the less developed region (only Central Slovenian region does not belong to less developed - under the EU average GDP 75 %), with a focus on Podravska region which is also one of the regions with the highest unemployment rate and has on the other hand, the largest share of SEs.

### **2.4 Other information**

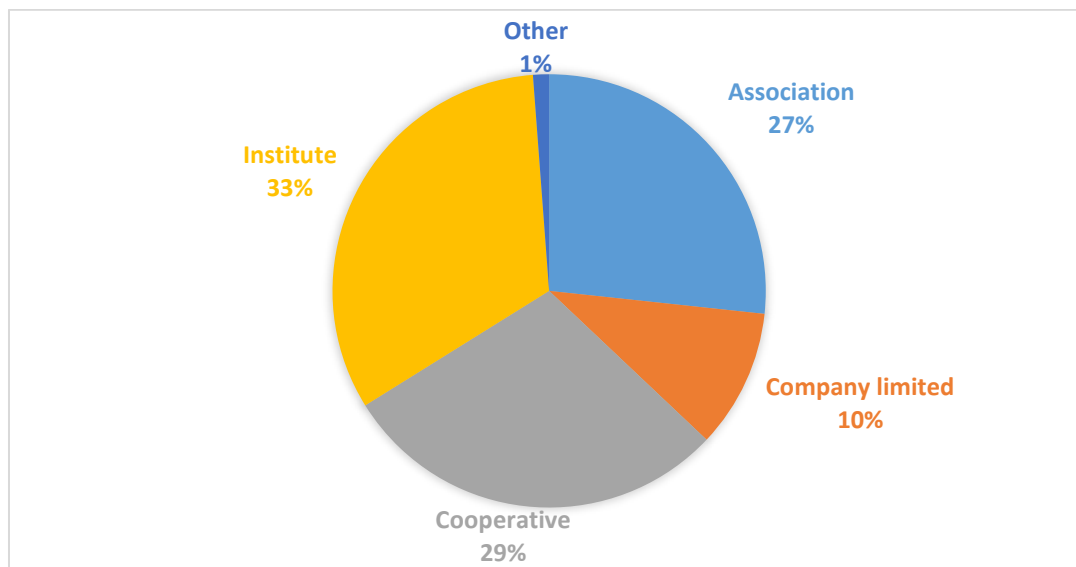
Since there is no proper statistical monitoring of the sector in place yet, most of information bases on various assessments and researches.

## **3. The status of SEs in Slovenia**

The concept of “social economy” was not used in Slovenia before 2000. But Slovenia does have a long history of cooperative movement (more than 150 years) and also a numerous sector of NGOs with a long history of civil action, even though the NGO sector is economically weak. There are also two facts that give strong basis for development of social economy in Slovenia: one is a strong community and solidarity inclination of inhabitants. And the other is strongly present left or middle left political parties that are in one way supportive to the idea of social economy and are on the other hand using social economy as a political object. However, even if social economy is not strongly set into the historical roots in Slovenia, it does have quite good basis set in last decade in political and civil sectors. The 2011 Social Entrepreneurship Act was the first form of legal definition and structure given to social enterprise in Slovenia. However, registration is voluntary, comes with no financial advantage and the Act has been criticised for being too strict and restrictive.

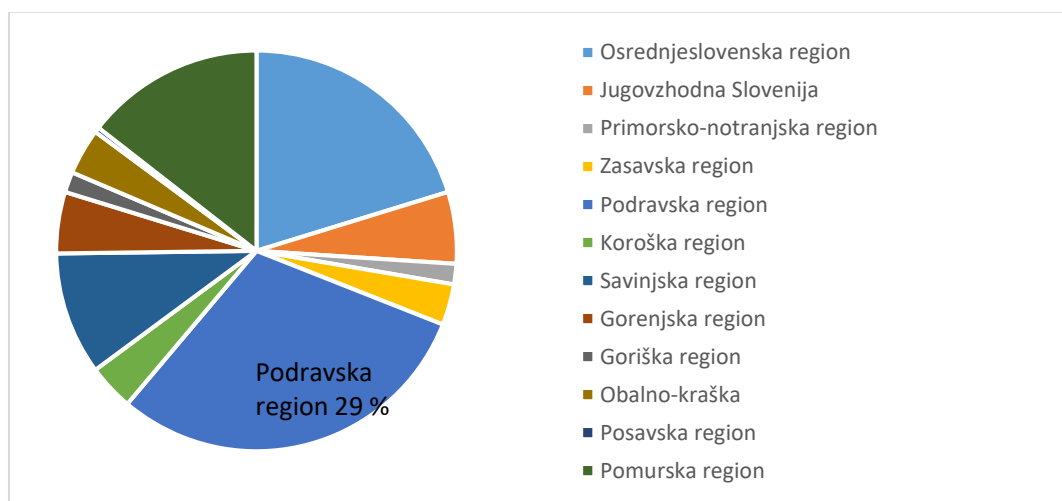
The term „**social enterprise**” describes the purpose of a business, not its legal form; it is a status that non-profit legal entity can obtain. In August 2017 there were 252 social enterprises registered under Social Entrepreneurship Act. Among them are 82 private institutes, 73 cooperatives, 67 associations, 26 private organizations with limited liability and 4 organisations with other legal form (Register of social enterprises, 11.8.2017). From the end of 2014, when only 56 entities with this status were registered, significant growth was recorded, mostly due to the specific incentives related to public funding which require social enterprise status (Incentive scheme for Social Enterprise Start-ups, Micro crediting for Social Enterprise).

Graph 1: Legal organisational form of entities with social entrepreneurship status, Slovenia, August 2017



In terms of territorial coverage, the social companies are quite evenly dispersed across all regions on NUTS3 level, and only in two regions represent larger share (together 50 %) of all social enterprises: Podravska region (29,08 %) and Central Slovenian region (19,52 %).

Graph 2: Region of location of entities with social entrepreneurship status, Slovenia, August 2017



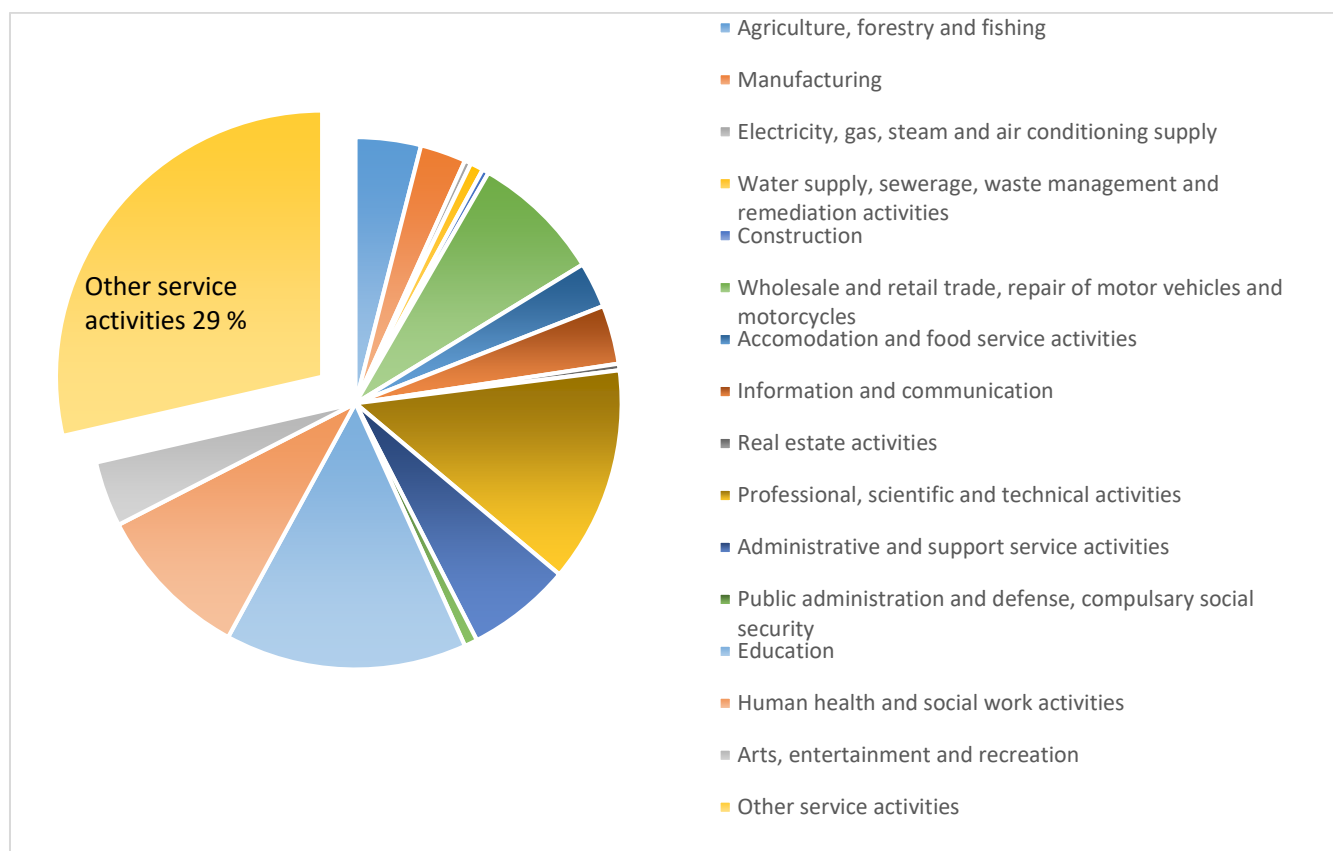
The contribution of social entrepreneurship to GDB and job creation is in Slovenia 4 times less important than is the case for the EU, which means, that only about 1.5 to 2 % of all employees work in the field of social entrepreneurship, unlike the EU countries with developed social



entrepreneurship, where this percentage ranges between 6 and 8 %.<sup>1</sup> In Slovenia cooperatives and non-governmental organizations employed about 7,000 persons in 2010, representing 0.73 % of all employees during the year.<sup>2</sup>

Main activity of almost 29 % of all social enterprises is defined under Other service activities (from that 70 % implement Activities of other membership organisations, related to quality of life, sustainable development, social innovation, etc.). The second largest group of SEs is involved in Education (almost 15 %), followed by those engaged with Professional, scientific and technical activities (13,10 %).

Graph 3: Social enterprises by main activities, Slovenia, August 2017



SE sector in Slovenia consists of many diverse organisations, fragmented across different sectors and lacks visibility as a homogeneous group. There is also no proper statistical monitoring of the sector as a separate entity, therefore the size and structure of the sector can be given only on qualitative assessment.<sup>3</sup>

<sup>1</sup> Assessment of the OECD Expert Group, presented in the document »Improving social inclusion at the local level through the social economy: report on Slovenia« (December 2010)

<sup>2</sup> Findings of the report »Social Economy in the European Union«, prepared by CIRIEC in 2012

<sup>3</sup> The Challenges of Social Entrepreneurship in Slovenia, EMES conference paper

## 4. Business ecosystem

### 4.1 Policy context / Regulations

Until 2011 Slovenia did not have a law that would regulate comprehensively the position of non-governmental sector. Nevertheless, social entrepreneurship already existed or better to say, subjects existed that carried out social entrepreneurship which were cooperatives, associations, companies employing disabled people, etc. The **Social Entrepreneurship Act** (Zakon o socialnem podjetništvu, 2012) is the first law that precisely defines social entrepreneurship, criteria for obtaining the status of social enterprise and preserving it, and the ways of reporting and promotion of social entrepreneurship. The law uses a model of open formal forms, which means that the social enterprise is not defined as a mandatory legal organizational form, essential is the purpose of the organisation wishing to obtain the status of SE. Social entrepreneurship legislation is thus secondary legislation for enterprises that must first be registered under different legal forms.

The Act is setting:

- two types of SEs (type A according to the economic activity area, type B according to employment of disadvantaged groups),
- economic activities, limited by sub-acts,
- basic principles (non-for profit, participatory governance, membership, social good etc.),
- minimum no. of employees in SE (experts note: employment appears to be a prime concern behind the institution of the social enterprise status in Slovenia),
- register at the ministry and reporting system,
- the Social Entrepreneurship Council.

9

In addition to the umbrella law, Slovenia also has secondary legislation (by-laws) that regulates the area in more detail (like Rules on monitoring business activity of SEs, Regulation on determining the activity of SEs, and SRS 40 – accounting solutions in SEs).

Other laws relevant for SEs are:

- **Law on Cooperatives** (Zakon o zadrukah, 1992): cooperatives are the oldest types of social economy organizations in Slovenia (the first law on cooperatives is from 1937, the first cooperative in Slovenia in 1856). General cooperative principles are applied in the law (not perfectly but still are; on the long run it is necessary to improve the law

in the provisions that must contain the international 7 principles and values and definition of cooperatives);

- **Law on Ownership Transformation of Companies** (Zakon o lastninskem preoblikovanju podjetij, 1992); the law is historically important because of the change of type of ownership: from common/public ownership to private ownership or to public/state ownership – this goes for all companies except cooperatives and for all assets;
- **Law on Denationalization** (Zakon o denacionalizaciji, 1991): the law is historically important. Many private owners of companies from former common state and economical-political system lost most of their assets in nationalization in 1960s and now (in 1990s) got it back, so many public companies and many cooperatives lost a lot of assets to private owners. This law had a lot of shock-effects in many aspects;
- **Worker Participation in Management Law** (Zakon o participaciji delavcev pri upravljanju, 1993); the law goes for all the companies, including social enterprises and cooperatives. It is an important legislative basis for improvement of economic democracy and to bring participatory economy to a higher level in Slovenia. But this is only formal side of economic democracy that is still not taken seriously in most of the companies. It is a quest of social economy to bring this subject to light and to bigger importance in public and private sector;
- **Companies Law** (Zakon o gospodarskih družba, 1993 / 2006): gives legal basis for companies as “personal companies”: an unlimited company, a limited partnership Gives legal basis for companies as “companies with share capital”: a limited liability company, a public limited company, a limited partnership with share capital and a European public limited company;
- **The law on measures of the Republic of Slovenia for strengthening the stability of banks – ZUKSB (*bad-bank-law*)** (Zakon o ukrepih Republike Slovenije za krepitev stabilnosti bank - ZUKSB): by this laws o called “bad-bank” (DUTB - Bank Assets Management Company d.d.) is funded. There is a big potential for development of worker cooperatives through worker-buy-outs because DUTB is selling out bank assets from companies in bankruptcy or restructuration;
- **Social Security Act; since 2004** (Zakon o socialni varnosti) & **The law on work rehabilitation and employment of people with disabilities** (Zakon o zaposlitveni

rehabilitaciji in zaposlovanju invalidov (ZZRZI): by this law so called Invalidska podjetja - IP (company for people with disabilities) are co-funded by the state: they get the percent of the wage for the people with some degree of disability (for instance 30 % if a person has an official status of having 30 % less work abilities because of physical or psychological reasons) and for every 8 employed persons with disability a company gets fully covered wage for a professional coach/mentor to work with these employees. So, such companies are seriously co-financed by the state. At the moment there is 144 such companies in Slovenia. But social enterprises (SO.P.) and cooperatives don't have any such regular financial support from the state, only opened calls for some subsidies and loans. Most of these public calls are opened for all the companies and so.p. and coop can also apply. We had only 2 special calls for so.p. in last 5 years (1 for subsidies, 1 for credit), both in last year. So, the conditions are very different when we have IP or SO.P./COOP if we consider the access to state support. Otherwise we can say, that all this type of companies is part of social economy sector and do have similar goals in society.

- **Law on public procurement** (Zakon o javnem naročanju): there is a high limit for regulating public procurements in the »social and special services« (this section is not actually used for personal and household services in general, but mostly for social care services specifically). Important also: not only the low price but also the quality is important Reserved public procurement: for social enterprises and enterprises with social component is possible (in accordance with the Law of social entrepreneurship).
- **Physical Assets of the State and Local Government Act** (Zakon o stvarnem premoženju države in samoupravnih lokalnih skupnosti): the law is important because it gives possibly of renting out public offices or other spaces to social enterprises (for 3 years) and associations/NGOs in public interest (for 5 years) free of charge;
- **Volunteering Act** (Zakon o prostovoljstvu, 2011 / 2015): by adopting the Volunteering Act in February 2011, the field of volunteering was normative arranged for the first time: minimum requirements have been determined for volunteers and voluntary organisation, and for organising and carrying out organised voluntary service (training of volunteers, ensuring their safety, reimbursement of costs, monitoring and supporting their work and appropriate insurance).
- **different Laws for different legal entities that are social enterprises and NGOs: Law on associations** (Zakon o društvih), **Law on Institutes** (Zakon o zavodih), **Law**

**on Foundations** (Zakon o ustanovah): all these laws are important because they give legal basis for different type of organizations that are social enterprise and/or NGOs. The status of social enterprise is only an additional status of a legal entity and not a primary legal form.

## **4.2 Governmental/ regional strategies**

According to the Social Entrepreneurship Act the Strategy for development of SE is to be prepared by Council for SE as a base for preparation of Program of measures for implementation of the Strategy for specific planning period. The first strategy was prepared for the period 2013 – 2016, defining following priority strategic development goals:

- increasing the visibility of sector, and the knowledge of the principles of social entrepreneurship (more information and promotional campaigns on social entrepreneurship),
- upgrading the existing support environment for entrepreneurship (adaptation of legislation on support environment and supplementing existing business support ecosystem),
- promoting the employment of vulnerable groups in the leabour market (incentives for employment, especially for starting new SE).

12

The competent ministry then prepared the programme of measures for 2014 – 2015 whit which the goals would be achieved.

Due to the novelization of the Act (to be confirmed in parliament by the end of 2017), the Strategy for the next period was not prepared yet, but is planned to be in 2018 together with the programme and measures.

On the regional level no strategies on SE are prepared.

## **4.3 Financing**

Around a third of social enterprises are highly dependent on public sources, presenting 80 % or more of their total income.

Access to loans is possible but usually presents challenges due to nature of business, and past financial results (they often signal liquidity issues). Because of the reasons presented a financial mediary is trying to negotiate better conditions for acquiring loans, considering the nature and

difficulties known for social enterprises. Unfortunately, there's currently only one such intermediary in Slovenia, who is working with just 2 banks.

In Slovenia's financial network, several initiatives offering seed money exist but are not specialized for SEs. Requirement for accessing funds is fast growth and rapid development, prerequisites SE cannot achieve.

EU funds are widely available and present high percentage of financing for SEs. Unfortunately, depending on public (national or EU) sources cannot lead to financial independence necessary for long term stability of SEs.

Even though Slovenia is experiencing rapid economic growth, the culture of donors and sponsorships is not deeply rooted for NGOs. Culturally, funds are devoted to local NGOs where SEs are not among them. Sponsorship support is often given to local organizations from areas of sport and youth support.

#### **4.4 Business support**

Supportive environment for SE in Slovenia can be detected on three key levels: national/state level, municipal/local level and on the level of organisations (mostly from NGO sector) working in advocacy, social inclusion and promotion of social entrepreneurship.

13

Focus of supportive measures on the state level is on supportive projects assuring employment for people from vulnerable social groups while support for entrepreneurial development of the sector is neglected. During the *start-up phase* the network of entrepreneurial (one-stop-shop VEM points) and innovative environments & support systems (technological parks, incubators, start-up initiatives) is available, but not seriously specialised for social entrepreneurship. There are only few organisations offering incubation and co-working space as well as related services to social enterprises as the main target group. *Business coaching and advise* is provided from the state level through the SPIRIT Business portal and network of one-stop-shop points, again not specialized for social businesses. Consequence of that are problems concerning economic sustainability of new social enterprises.

Municipalities are playing an important role in development of SE and can support sector with integration of projects related to the SE into local development programs and establishing concrete incentives and resources, available to support social entrepreneurship at the local level; by activating untapped local resources (land, buildings, equipment) held by the local community to support the functioning of the SE; offering financial support to employment

programs of SE, etc. Since the municipalities don't play their role in practice, they must be smoothly convinced to become stronger partner in the development of social enterprises and social economy in general.

There is also relatively big number of supportive non-governmental organisations, which have started to work in SE in spontaneous way, answering to local needs. They are strongly connected with local initiatives and in this way able to recognize their needs in effective way. In many cases they lack human capital, especially in areas of entrepreneurship, marketing and finance, which are areas where social enterprises need most of the support.<sup>4</sup>

#### **4.5 Other local/regional opportunities and information**

In December 2017 a new initiative began to form - a brand named Buying responsibly. Social enterprises are now having a possibility to join this initiative in order to gain more attention from potential buyers. The initiative started in Podravje, region that's a part of our pilot study. Main goal of the initiative is to offer social enterprises to sell their products under one recognizable brand. Thus, anyone that would like to become a responsible consumer, will have a chance to find such brands in one place (web page/catalogue).

14

With this initiative, social enterprises will easier gain recognition needed for boosting sales. Consumers will gain the idea that products and services of social enterprises are not of low quality. Through time trust towards social enterprises will improve in general.

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<sup>4</sup> The Challenges of Social Entrepreneurship in Slovenia, EMES conference paper

## 5. Synthesis of findings

With the focus group interviews and the questionnaires, the main challenges and needs of SEs were collected regarding the regulation and role of the government; market, products and doing business; financing and supporting; networks and cooperation; know-how transfer; human resources; management issues; development opportunities, and future vision.

### 5.1 The main challenges of SEs

Many SEs in Slovenia were established by/as NGOs, those enterprises often lack skills to shift from project based funding to income generating activities on the market. In the last two years the number of SEs have increased considerably, probably due to the specific incentives relating to public funding which required a social enterprise status. Consequently, there is a large share of SEs with the lack of entrepreneurial, business and financial skills, as well as without proper market research, viable business model and knowledge of the market.

The emergence of new SEs and the growth of the successful ones is largely dependent from the infrastructure in the form of business and innovation support environment, and financial mechanisms and investors. The existing business support environment is well established, but it rarely offers services that respond to the specific needs of the SE sector, which applies also to networking and knowledge transfer. Within the banking system there is not enough favourable resources for SEs and personalized treatment of their projects, and the bank loans for SEs are difficult to access at the same conditions as for the traditional businesses.

In the provision of access to public procurement markets are SEs handicapped, if the only criterion for selection is the price. Although the national legislation enables reserved public procurement (public procurement intended for SEs), is their use in practice quite rare, most likely due to the ignorance of these option.

For the purpose of promotion of SEs, the statistical data can poorly support the sector, since there are no indicators supporting the justification of social impact, that SEs could use when proving their social value.



## 5.2 Support and capacity-building needs

Support and capacity building needs, expressed by SEs and stakeholders of supportive environment are presented below within different thematic dimensions.

### Regulation, laws and the role of the government

Majority of subjects, involved in the survey, shared the opinion that specific support related to regulation of the sector and the role of government. Starting very general, SEs would like to be better informed about the existing legislation and what measures are available in favor of SEs. Regarding the novelization of the Social Entrepreneurship Act the information about innovation it brings, as well as instructions on the implementation of the law are especially important. Along with the SEs also support providers should be informed about the legislation in order to be able to provide appropriate support to SEs, as well as different public organizations like municipalities, who are implementing certain measures and should be aware of possibilities offered by the legislation.

If we look more closely, following changes are required in policy context:

- Social Entrepreneurship Act is already in the process of novelization (basic changes proposed are introduction of the term “social economy”, elimination of A and B types of SEs, no more possibility of sharing profits up to 20 %, more strict definition of SE (three principles from EU documents basis), no more “fixed economic activities for SEs” but opened to all economic activities);
- Law on Cooperatives - no changes are needed ASAP, but, on the long run is necessary to improve the law in the provisions that must contain the international 7 principles and values and definition of cooperatives from ICA statement on cooperative identity;
- potential for transformation of NGOs and public enterprises into cooperatives - the potential for starting new cooperatives is also in associations (by Law on Associations), institutes (by Law on institutes) and public companies and public institutes (by public bodies legislation) but this requires the change of all laws mentioned in this point – so this organizations could make status transformations into cooperatives. Status transformation of/from/into/with cooperatives (merger, division or change of organizational status) is now possible in cases of/from/into/with companies (by Companies Law) and Economic Interest Associations (G.I.Z.), but not for other types of organizations.
- Law on Worker-buy-out is being unsuccessfully prepared and processed, second version is now in process prepared by Ministry of economic development and technology;

- NGO Act - it is at the point of Act proposal called The Law on non-governmental organizations - ZNVO and is supposed to be confirmed in parliament in this year or in 2018.

Apart from the various laws regulating the field of social entrepreneurship, SEs are mainly missing the strategy and the appropriate measures that would provide comprehensive support to SE sector.

### **Market, products and doing business**

Among the most commonly mentioned knowledge and skills, lack of which hinders the representatives of social enterprises the most, are the ones from the field of marketing and sales. But not only the skills, majority of social entrepreneurs are looking for the support in form of counselling to joint activities on the market. SEs, taking part in the questionnaire survey, highlighted the following support needs:

- Training programs and workshops on marketing and sales (free of charge)
- Counselling to prepare market analysis and marketing plan
- Support in sales and advertising
- Joint promotion activities
- The possibility of using additional communication channels
- Joint online platform for marketing and sales
- Financial support for marketing activities
- Professional support in branding, e-marketing
- Support in establishing contacts abroad and entering foreign markets
- Financial incentives to enter foreign markets
- Presentation of good practices of marketing and sales by SEs (but also other enterprises)

17

On the contrary from marketing assistance, SEs need much less help in developing products, that is mainly limited to financial incentives, legal advising, knowledge and skills offered through free of charge training programs, premises and equipment, and accessible market analysis.

### **Financing and supporting**

According to expectations due to perceived general situation in the SE sector, most of the needs were expressed in the area of financial support:

- Grants: calls related to circular economy, calls reserved for SEs, support at application phase,
- Return funds: loans on favorable terms,
- Tax reliefs: loan interest rate subsidy, tax relief for employment, other tax reliefs,
- Other: guarantees for bridging loans, pre-financing, premises without rent, etc.

Mentioned financial support is needed in the (social)business start-up phase, as well as during the development phase, but should not lead to SE dependence on financial support, but to strengthening them in order to be able to manage themselves.

### **Networks, cooperation and knowledge sharing**

Regarding the representation and advocacy, SEs can rely on the Center for information service, co-operation and development of NGOs, Cooperative association of Slovenia, and Association of the social economy of Slovenia, that should strengthen its role. For the future the Chamber of SEs as the strong national representative body could be established.

Highlighted is also the need for networking and mutual exchange of knowledge and experiences. The networking is needed especially in the field of marketing: joint promotion and support in selling, joint internet platform, common appearance on the market. Important support should be given to networking, exchange and transfer of knowledge and development of innovative forms of business cooperation between social enterprise to produce synergies on their ways of solving social problems. In addition, the need to identify and share good practice – what works well, together with the proposal not to limit this sharing and networking only to SEs, but involve also successful business cases from “traditional” economy to inspire entrepreneurial behavior, and in connections with high-tech companies start to occupy market niches in the context of the green (circular) economy, re-use and industrial symbiosis.

18

### **Human resources development**

During the questionnaire research only a half of respondents expressed the need for support in human resources development, that included:

- Support and information regarding employment procedures
- Support in selection and recruitment of suitable employees
- Simplification of recruitment procedures, especially for disabled people
- Joint education and training for new employees on SE topics, e-business, blockchains, marketing, team work, communication, etc. organized by the ecosystem

- Organization of joint services (like HRM, accounting, etc.)
- Grants for employment of people from vulnerable groups

### **Management issues**

Only few respondents need specific support in management issues, like:

- Support in monitoring and compliance with business legislation
- Management training, including innovative business models
- support in human resources for management, like retired or volunteering professional with experiences in management, preferably from abroad

### **Development opportunities and future vision of the SE sector**

The development opportunities of the SE sector are seen by participants in all areas, but mostly with the ones connected with the ecologic issues (like green tourism, organic production of food, eco-tourism, green construction, green economy, environment protection), demographic issues (social care for the elderly, services for elderly) and employment of job seekers with disabilities (WISE).

19

Thinking that “development of social economy depends on business success of each SE” was very much present among the respondents, along with the belief that SE is in all aspects the same as the classical economy. Sector should also contribute to the reduction of unemployment, use of local resources to raise the quality of life, promote equal opportunities for all, and similar.

### **Suggestions and others**

Due to the specifics that SEs are facing, the need for personalized treatment was expressed during the focus group interviews. The best answer to meet this need seems to be mentoring. The preferable mentoring program should involve mixed team of mentors, covering areas of marketing, management and sustainable business models. Such support would be crucial in the start-up phase, but also a certain period during the phase of development and growth.

## 6. Conclusion

### 6.1 Recommendations

Given the relatively young phenomenon of social entrepreneurship in Slovenia and low awareness of its importance among institutions and wider public, a strong and comprehensive promotional and awareness raising campaign is needed to encourage support and the market.

Also social enterprises should be aware of their special role in the society, which brings with it the responsibility for the business and for the society. It is sometimes difficult to coordinate two most exposed, sometimes contradictory values – making a profit and doing good for society. Therefore, along with their self-awareness, the support from the environment should be provided in a way not to make them dependent but to empower them for their mission. As the most suitable tools for achieving this seems to be the mentoring programs as personalized support in developing weak points (competencies), and networking activities to enable mutual learning, cross-fertilization and joint market presence. On the financial side this requires the access to calls and tenders open for businesses under the same terms (the SE status is now in this case sometimes an obstacle and not an advantage) and use of possibilities already regulated by legislation (like reserved public tenders, non-profit rent of municipal premises). One of the solutions would also be the provision of guarantees for bank loans from public funds thereby reducing credit risk in relation to SEs. 20

To demonstrate the importance of SEs operations to the wider environment and society SEs should intensify (or start to) measuring their social impact. Precondition for this activity is setting up appropriate measuring tool on national level, accompanied with the training on how to use it, and a promotional campaign for SEs and wider public, to raise awareness on importance of impact that SEs are making in the society.

## **Annex**

### **The summary of the short surveys' result with the involved SEs**

In cooperation with the Associated Strategic Partner, Ministry of economic development and technology, Sector for SE, the online questionnaire was sent to the SEs by the ministries list. By the end date 24 responses were received from SEs, working in different regions and in different sectors. Quite diverse is also their legal status and “age” (how long they operate). Diversity of sample’s composition has also enabled a variety of responses and opinions collected by the questionnaire and have been summarized in the chapter 5. *Synthesis of Findings*.

### **Information of the focus group interviews**

#### **1. Focus group meeting with Social Enterprises**

FG meeting was organised by Foundation Prizma on October 13, 2017 in Maribor with 20 participants.

The purpose of the meeting was to identify/asses the needs of social enterprises concerning support and development services.

The discussion started with the knowledge and skills, the lack of which hinders the representatives of social enterprises the most. Often mentioned were entrepreneurial knowledge, marketing, communication and cooperation, teamwork, management, financial management, personal growth and ensuring sustainability.

Participants shared the opinion that a mixed team of mentors should be in place to equip SE with knowledge and skills before starting the business and then be available for a certain period (e.g. 3 months) to support SE in doing business. Such mentoring programs should put emphasis on marketing, management and sustainable business models.

Participants highlighted the importance of networking and mutual exchange of knowledge and experiences. The need to identify and share good practice – what works well, was often mentioned, together with the proposal not to limit this sharing and networking only to SEs, but involve also successful business cases from “traditional” economy in order to inspire entrepreneurial behavior, that is requested also from SEs.

When discussing the role of the government, participants praised the efforts of the responsible ministry to improve the law on social entrepreneurship taking into account the proposals of SEs. Nevertheless, they pointed out the issue of different measures supporting

SEs, that are either not in place or do not coincide with each other and thus cannot achieve desired effects.

Regardless of the fact that the attendants agreed with the necessity of the measures taken by the state, they pointed out that SEs should not rely too heavily on them but should be capable to take care for their sustainable existence on the market. For that, adequate sustainable and successful business models for SEs should be developed and/or presented and shared.

The participants pointed out a number of problems, obstacles and lack of support they encounter, but they also identified the opportunities for the SE sector that are still under-exploit, mentioning general social orientation of Slovene society (to be used in business models), easier personal level communication (to be used in marketing) and legislative option (to be explored and used by supporting environment and SEs).

The conclusion of the FG was that social enterprises should be aware of their special role in the society, which brings with it the responsibility for the business and for the society. It is sometimes difficult to coordinate two most exposed, sometimes contradictory values – making a profit and doing good for society. Therefore, along with their self-awareness the support from the environment should be provided in a way not to make them dependent but to empower them for their mission. As the most suitable tools for achieving this the mentoring programs and networking/cooperating were exposed.

22

## 2. Focus group meeting with mixed group of stakeholders (SEs, ecosystem, experts)

FG meeting was organised by Foundation Prizma on November 11, 2017 in Ljubljana with 5 participants.

The purpose of the meeting was to discuss possible solutions in terms of programs and measures, that will address identified needs of social enterprises concerning support and development services.

The discussion started with the presentation of needs expressed by the social enterprises at the previous focus group. While going through the number of needs and challenges the group was discussing potential solutions in term of programs, measures and activities addressing the needs. The topics discussed were: legislation, measuring social impact, SE development strategy with measures, active employment policy, grants and loans, other financial support, exemption from taxation, training and competencies, networking and cooperation, employment, and management (presented in the attached table).

Mixed group of stakeholders established that there are some opportunities for SE development already in place, but they are not fully exploited. Therefore, one of the activities necessary is the promotion of support measures, that can already be used by local governments and public organisations (like reserved public procurement, free public space rental, etc.). On the other hand, the campaign on national level about the social impact which SEs achieve should be launched and supported by relevant data, obtained through impact measuring and statistical indicators, not available at the moment. The participants agree that support in the form of financial products as well as development of competences and exchange of experiences and knowledge is necessary for SE sector development and growth.

### 3. Focus group meeting with ecosystem

FG meeting with ecosystem was organized by Fund05 on November 8, 2017 in Ljubljana. We invited over 15 participants of which we had last minute cancellations so only 3 attended at the end. Nonetheless, the discussion was quite interesting, and some interesting conclusions arose.

23

### 4. Focus group meeting with experts

FG meeting with ecosystem was organized by Fund05 on November 13, 2017 in Ljubljana. We invited 7 potential representatives of which 5 of them attended.

Main conclusions of both meetings (focus group 3. and 4.) were:

- Current definition is not sufficient - definition should be more holistic and shouldn't focus only on two criteria. By making it more holistic, companies will easily identify with the status of social enterprise.
- Problem: market unaware of social enterprises. Even responsible consumers do not know where to find products and what are their features.
- The problem above is mainly originating from human resources. In the status quo social enterprises are mostly run by individuals, previously involved in NGOs. This means they do not possess proper knowledge for running a company so social enterprises are run as non-profits.
- Financial perspective: subventions shouldn't be as a lump sum but should be distributed in the process of creating and growing a social enterprise. Different stages of development require different financial support which would be provided to



entrepreneurs who have proven their ability to achieve previous goals (and to those employing vulnerable people since they cannot operate at their full potential). In the status quo subventions are given away too easily and social entrepreneurs have started to gain feeling that they are entitled to them. This is discouraging them to behave like other companies and to strive towards non-profit sector. Example: it's said that the next subvention will be towards the end of 2019. This has led to general panic in the sector, because entrepreneurs are not sure about their survival.

- Program for social entrepreneurs should be holistic and long term - they should have more support and guidance in a greater time frame than just a month/week

**List of resources:**

- Strategija razvoja socialnega podjetništva za obdobje 2013 – 2016, Svet za socialno podjetništvo, Slovenija
- Rajko Macura, PhD, Iva Konda, PhD: Social Entrepreneurship; an Instrument of Social and Development Policy, Revija za ekonomske in poslovne vede (2, 2016)
- Barbara Bradač Hojnik: Approach to Social Entrepreneurship in Slovenia, CBU International Conference on Innovations in Science and Education, conference paper, 2017
- Podmenik D., Adam F., Milošević G.: The Challenges of Social Entrepreneurship in Slovenia; EMES conference paper, 2017
- SERIO, Plymouth University: Social Enterprise in a Global Context: The Role of Higher Education Institutions, Country Brief: Slovenia; British Council, 2016
- Lamut Jančič A.: Social entrepreneurship in Slovenia and European union; master's thesis, 2016
- Merkač Skok M., Letonja M, Gartner M.: Social Entrepreneurship in Slovenia: State of the Art Report; GeaCollege, 2015
- Kadunc M., Bohinc R. in Kovačič B.: A Map of Social Enterprises and their Eco-Systems in Europe, Country Report: Slovenia; European Commission, 2014
- Focus group interviews: social enterprises, experts, ecosystem and mixed group
- Survey with SEs: responses to the questionnaire
- The Register of Social Enterprises in Slovenia, Ministry of economic development and technology, August 2017