

A MODEL OF SOCIAL ENTREPRENEURSHIP FOR ARMENIA

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ABSTRACT

This study aims to explore the key barriers to advancing social entrepreneurship and proposes a model for creating innovative solutions to public problems through purposive collaboration between public and private sectors. Using the findings from in-depth interviews with experts and government officials, as well as NGO and business representatives, the research builds upon the available scholarship on the topic, devising a social entrepreneurship model befitting Armenia and similar developing nations. The essence of the model is a design-thinking approach that integrates the role of government in the process of promoting social entrepreneurship; sharing evidence on the critical public problems that need attention; developing targeted tax incentive schemes; promoting entrepreneurial private incentives; rewarding successful initiatives to increase interest and competitiveness; and educating the public to advance social entrepreneurship more broadly.

BACKGROUND

In recent decades, social entrepreneurship has become a go-to participatory approach in development that has captured the interest of scholars and practitioners, progressively producing more and more pages in scientific journals, and filling substantial space in policy debates. Public dissatisfaction with the efforts by public and private sector entities to cope with the problems of society, such as hunger, poverty, illiteracy, disease, domestic violence, and climate change, has led to the urgency of adopting and advancing social entrepreneurship as a collaborative tool for designing innovative solutions to advance human and social development. The expansion of the scope of social needs of the population along with the increase in the number of citizens needing social support and the low efficacy of existing public policy solutions for solving social problems require different approaches that propose innovative practices in social entrepreneurship (Kachko, 2018). In that regard, the current research aims at drawing attention to a social entrepreneurship model that focuses on creating social value.

The future of social entrepreneurship lies in the potential collaborative power of government, non-profit and private sector organizations to jointly address and resolve some of society's most pressing problems and effectively produce sustainable results. By following that path, social entrepreneurship

may involve the grounding of policy reforms in a dynamic model that involves entrepreneurial practices to achieve social change. Such a model would entail a new mindset, principles, strategies, tools, and methods of entrepreneurship applied in the public sector to create and design innovative solutions to some of the more urgent problems of society: poverty, inadequate housing, hunger, unemployment and underemployment, illiteracy, environmental degradation, disease, and so on (Kickul & Lyons, 2020).

Although there is no universally accepted understanding or definition of social entrepreneurship, the prevailing perception of the term is that it aims to create public value, working across sectors. In the context of the current research, the concept of social entrepreneurship is applied to solving social problems, particularly those that are connected with improving public welfare through new collaborative approaches and innovative solutions that produce sustainable results. The adoption and implementation of such novel and inclusive approaches would assume an entrepreneurial government adopting policies that would attract or stimulate groups and institutions outside government to engage in social entrepreneurship and devote efforts and actions that are directed to creating social value (Saebi, 2019).

THE CONCEPT OF SOCIAL ENTREPRENEURSHIP

For centuries, the provision of public services and solutions to social problems was considered to be the function solely of government, whether central, regional, or local. Later, non-governmental organizations (NGOs) were created to attend to issues that the state was not able or did not want to address. In the more recent decades, the private sector has taken responsibility to provide solutions, mostly geared to alleviate, albeit on a smaller scale, some social and environmental issues through corporate social responsibility and philanthropy. The development of this trend in developed countries has been more recently manifested in the form of social entrepreneurship, which has brought together multiple organizations and government to design more sustainable and far-reaching solutions (DG EMPL, 2015).

Though no standard definition has been adopted by international social policy actors, the European Union has established the basis of social enterprise as follows:

An operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities (DG EMPL, 2015, p. 9).

Along a similar line of thought, J. Gregory Dees defines social entrepreneurs as agents of change that

have a mission to create and maintain social value (not just private value), seek, find new opportunities to serve that mission, participate in continuous innovation, adaptation, training processes, act boldly, ignoring the lack of resources available now/at that moment, and show a high sense of accountability to their beneficiaries for the results they create (USAID, 2016, p. 10).

Through such trendsetting yet broad definitions, different combinations are adopted in state policies to stimulate social entrepreneurship across sectors and involvement in the policy agenda in many countries. In particular, many emerging economies are beginning to focus on entrepreneurial initiatives that not only provide impetus to startups as potential engines of economic growth, but also attract their active participation into the public policymaking and governance processes. Thus, governments are devoting significant efforts to develop their entrepreneurial ecosystems, adopting new dynamic private sector incentives that aim to engage private companies and individual entrepreneurs in the design and implementation of innovative social programs (Kantis & García, 2020).

The current understanding shows that social entrepreneurship is particularly important with regard to creating and promoting social value, and governments could serve as catalysts in achieving that aim. However, there are several instances where governments have instead created obstacles for social entrepreneurs (Nicholls, 2006). There is no doubt that the role of governments is crucial for creating social value and promoting innovation. Along a similar but more elaborate line of thought, Wolk (2007) argues that social entrepreneurship can be advanced by governments through five policy options: by means of innovations; by advancing entrepreneurial initiatives (with or without government involvement); by means of rewarding excellence to enhance competitiveness; by supporting entrepreneurs with clever planning; and by educating communities to help improve social entrepreneurship mechanisms.

According to Berzin et al. (2014), in order to develop social entrepreneurship, the social purpose and business goal should be integrated such that government can facilitate the process through tax incentives. Moreover, Reiser (2011) posits that attracting corporations into the social entrepreneurship ecosystem would increase funding streams and create innovative financial schemes for entrepreneurial activity to benefit the public. As Clark and Babson (2012) claim, smart tax schemes would encourage entrepreneurs not only to do or expand existing businesses but also to get involved in social entrepreneurship endeavors.

According to Moore and Westley (2011), in order to promote social innovation, a four-stage plan could be considered. It would include identifying the problem; correlating government and entrepreneurship plans; streaming resources by regulating internal policies; and institutionalizing conceptual approaches. Another method is the three-stage approach suggested by Mulgan et al. (2007), which places emphasis on piloting and testing innovative solutions and evaluating the degree to which they are having a favorable impact, then implementing those solutions on a larger scale. If such policies and mechanisms are introduced, innovative solutions to overcome social challenges will become necessary to create new funding streams (Smiddy, 2010).

One example is the use of Social Impact Bonds (SIB) to attract investments and to foster effective collaborations. SIBs depend on private funding and are like any other pay-for-success funding approach that expands social programming arrangements and structures. Governments in different parts of the world are getting interested in SIBs and contributing to improved competition for sparse state budgetary resources and better managing the costs of social goods and services. The use of SIBs means that disbursements from state budgets are actually made after, and only in the event of, achievement of the intended results (Berzin et al., 2014).

Thus, the SIB model may be useful for enhancing social entrepreneurship to the extent that governments adopt them to attract investments into projects that address public needs and achieve social objectives. However, there are several other factors that affect the advancement of social entrepreneurship. These may include a poor understanding of the concept of a 'social enterprise' (where the key stakeholders do not fully understand the concept and only regard it as charity); a lack of supportive legislation or state-supported programs to provide access to smart financing; a shortage of specialists acting as mentors for social enterprises; and insufficient mechanisms that measure the impact of social enterprise, etc. (DG EMPL, 2015). In many developing countries, the concept of 'social enterprise' has not yet been fully understood, not only by the general public, but also by investors and customers. Thus, the poor understanding of the concept of 'social enterprise' is one of the main issues challenging stakeholders and the growth of social entrepreneurship. This has severely affected the development and institutionalization of financing alternatives for social enterprises. The absence of legislation and alternative state-support mechanisms have also hindered or limited access to new financing.

More importantly, in many European countries there is no policy framework to encourage the creation, development and sustainability of social enterprises, where the absence of a policy framework has effectively prevented the development of social enterprise. Some external stakeholders believe that the

government's unawareness of public needs and the deficiencies in the mechanisms for addressing those needs should be changed. Besides, the shortage of specialists that could act as advisors and mentors is another factor that prevents the development of social entrepreneurship, and the cause is explained by the absence of public support measures that can target social enterprises with public support. Furthermore, in order to develop social entrepreneurship, the impact of social enterprises should be monitored and measured. Many countries lack the appropriate mechanisms and systems to measure social impact. Thus, in order to start and increase social enterprise activities, it is essential to consider the importance of adopting systems and favorable environments that encourage social entrepreneurship. This is significant for realizing the social impact (DG EMPL, 2015).

Asian countries also face constraints regarding the development of social enterprises. For example, though such countries as South Korea and Singapore have well-developed ecosystems and their governments support social entrepreneurship, they have problems in terms of innovation and sustainability (The Japan Research Institute, 2016). Davies et al. (2018) have offered three suggestions that may overcome such obstacles: "values-based decision-making, leveraging social mission, and anchoring." Such essential changes in public governance mean that governments that emphasize social and democratic criteria are more likely to develop the social entrepreneurship ecosystem more successfully.

According to Denhardt and Denhardt (2001), government should act as a broker between citizen groups to create shared value. This suggests that public, private, and nonprofit agencies should work together to meet identified public needs by way of creating partnered governance -- one such model is creating collaboration among various governmental and non-governmental organizations through public-private partnerships (PPP). Strong collaboration by government with private entities creates entrepreneurial solutions, alternative policy choices, management strategies, shared responsibilities, and civic commitments for the delivery of improved public good. Thus, social entrepreneurship will combine efforts at all public and private levels with optimal policies and procedures to create public value through constructive dialogue and collaboration.

To better understand how government can participate in social entrepreneurship, it is important to delineate the main functions of government in social entrepreneurship. According to Shockley and Frank (2011), there are four levels of how government plays a role in social entrepreneurship: government as originator and implementer (higher state capacity/top-down social entrepreneurship); government as bungler (lower state capacity/top-down social entrepreneurship); government as imitator and adopter (lower

state capacity/bottom-up social entrepreneurship); and government as adapter and promoter (higher state capacity/bottom-up social entrepreneurship). Each of these levels of involvement demonstrates a different approach to government intervention in social entrepreneurship, as enabler or, conversely, as inhibitor of large-scale social change.

Another potential organizational role for government is offered by Shockley and Frank.

The administrative organization of government is crucial, especially when policies calling for increased government are to be implemented. Governments that have, or can quickly assemble, their own knowledgeable administrative organizations are better able to carry through interventionist policies than are governments that must rely on extra-governmental experts and organizations.¹

The most obvious sources of social innovation to trigger the administrative organization of government, or state capacity, are mostly legislative institutions, as well as certain executive or judicial state agencies. In social entrepreneurship, government institutions are key stakeholders from the point of view of their functions. In order to change the policies, institutions should provide necessary management structures and resources (Peters et al. 2005).

Moreover, according to North (1990), creating opportunities in society depends on institutions, as opportunities are structured by the established institutional environment. The latter also is instrumental in the way society defines or perceives 'social value'. Entrepreneurship initiatives make those opportunities come true and produce results-driven projects for implementation. North points out that "organizations take advantage of those opportunities" and change the institutions that initially structure opportunities.² Thus, institutions support opportunities by catalyzing entrepreneurial ventures, and they also develop and shape them. Thus, government institutions have a crucial role in advancing social entrepreneurship as they create and support the actual environment for entrepreneurship to develop (Bruton et al. 2010).

THE CASE OF ARMENIA

Armenia is a developing country that has made slow progress in resolving most pressing social and environmental issues. Having limited natural resources and inadequate state revenue sources, the poor state of the economy was exacerbated by COVID-19 and the 2020 Artsakh War.

According to Armstat (2021) statistics, the GDP has decreased dramatically after a slight rise in 2019 over the previous year, however not resulting from sustainable reforms initiated by the new government, rather resulting from the

¹ Shockley and Frank (2011: 189)

² North (1990:7)

continuation of the growth impetus observed earlier and ensuing from the economic instruments and policies mostly adopted during 2017 and 2018, except for a sharp decline in 2020 primarily caused by the COVID-19 pandemic. Thus, the GDP growth rates are 5.20% for 2018 (a 2.3% decline from 2017); 7.60% for 2019 (a 2.4% increase from 2018); -7.40% for 2020 (a 15% decline from 2019); and 5.70% for 2021 (a 13.1% increase from 2020).³

Despite the positive signals of recovery and future forecasts, there are no visible or planned changes in social programs. With the continuing scarcity of budgetary resources and other budgetary priorities identified by the government, no sufficient attention to social programs is foreseeable in the future, leaving many public issues unresolved (RA government, 2021). Moreover, despite the Ministry of Labor and Social Affairs (2021) being the main body responsible for solving the pressing social issues of society, and considering those existing programs implemented by Social Services of Armenia (2021), there is a lack of evaluation to measure their effectiveness or corrective impact. Thus, prevailing resource and governance deficiencies have intensified the urgency for creating a social entrepreneurship model that would alleviate the existing burdens.

Also, there are no programs or initiatives by the Armenian government aimed at supporting, integrating and building the capacity of social enterprises. There is insufficient state support of the private sector to encourage involvement in the process of solving the pressing issues of society, the state being negligent, selective, or nonexistent. Social programs can be implemented more effectively by the state if they are integrated within the social entrepreneurship ecosystem, which would require the collaboration and joint efforts of public and private sector organizations. From that standpoint, social entrepreneurship does not exist in Armenia. In addition, there are no established criteria or legal provisions according to which an organization can be classified as a social enterprise. There is an issue of perception and recognition of social entrepreneurship in Armenia by both public and private sectors. (E-Draft.am, 2018)

RESEARCH DESIGN AND METHODOLOGY

The primary objective of this study is to explore options and offer a model for developing social entrepreneurship in the Republic of Armenia. The study considers policy channels that may enhance sustained public and private interest and participation in meeting unmet public needs. The main research question of the study is: What SE model would best fit the Armenian social, economic, and political environment? Though the research is directed at

³ <http://www.macrotrends.net/countries/ARM/armenia/gdp-growth-rate>.

Armenia, other developing countries would also benefit from a social entrepreneurship model that they can adjust to their local characteristics.

A qualitative research design was used to investigate the concepts and approaches to advance social entrepreneurship through the examination of potential roles of government and the private sector in collaborative initiatives of social entrepreneurship. The examination relied on in-depth interviews with individuals from various sectors to collect data on alternative policy considerations and courses of action that could support development of the social entrepreneurship ecosystem.

Data was collected using 15 structured interviews conducted during March-April 2021 with experts in the field of social entrepreneurship, members of NGOs⁴, representatives of several government ministries, and corporation leaders. The sampling of interviewees was purposive to ensure maximum variation of opinions and propositions by individuals from different academic and professional backgrounds and experiences. The interviews were transcribed and analyzed using thematic coding derived from the concepts found in the literature on social entrepreneurship. Additionally, new ideas and issues presented by the interviewees were captured through *In Vivo* coding. In the final stage of the study, using the findings from the analysis of interviews, a quick refresher poll was conducted in April 2022 to ensure there were no significant changes in the data collected a year earlier. Subsequently, a social entrepreneurship model that we think would best work for Armenia was created.

DATA ANALYSIS AND DISCUSSION

Analysis of structured interviews

As stated above, 15 structured interviews were conducted and thematically analyzed in the first round. The five dominant themes reflected in the interview questions were derived from the literature on social entrepreneurship and incorporated the main components that a social entrepreneurship model could entail. The interviews served to identify and understand the relevant circumstances to consider in modeling the social entrepreneurship ecosystem in Armenia, including the role of government in the development process of social entrepreneurship, state policies that may serve as catalysts in the development of social entrepreneurship, including incentives that the government may consider offering, as well as the significance of collaboration between public and private sector organizations in the overall process.

⁴ NGO activities are regulated by an improved law adopted on 4 December 2001, which states that *Armenia recognizes the crucial role of NGOs in the development of civil society and aims to promote the establishment of NGOs as legal entities.* (Asian Development Bank, 2011)

One expert interviewed asserted that social entrepreneurship contributes to two main functions of the government: creating both “*positive economic impact and positive social impact*” (#1).⁵ Depending on what social issue is targeted, social entrepreneurship helps to resolve social problems that the government has not been able to alleviate or completely eradicate, whether because of lack of resources, both expertise and financial resources, or because of other priorities that may have captured the government’s prime attention (which may be modified from time to time due to changing circumstances). The expert also stressed that it is particularly important for government to recognize the significance of social entrepreneurship for state development and to understand its important role especially for a developing country. Along this line of thought, another interviewee emphasized that “*Entrepreneurship is an interdisciplinary concept that is causally linked to innovation as one of its core elements. Successful entrepreneurship can be portrayed as the blended outcome realized from business profits and creative collaboration*” (#2).

According to the majority of the interviewees (10/15), the very first step government should consider is to map out the main barriers to the development of social entrepreneurship in Armenia. In that regard, most respondents posited that one of the key constraining factors is the poor understanding of the concept itself, in Armenia. As one interviewee explained “*The very first thing is defining the concept of social entrepreneurship and recognizing its need in our society*” (#4). In Armenia, there is a misunderstanding or lack of understanding of the concept of social entrepreneurship, whether among policy makers in the legislature or policy implementers in the executive branch, including experts and practitioners, argued another interviewee, and this gap would need primary attention.

Another barrier articulated by a business leader (#10) refers to the legal and regulatory framework in the country. The interviewee explained that for social value creation, for ideas to turn into results-driven projects and programs in social entrepreneurship, the legal provisions should be amended to tackle the particular circumstances and support activities that promote establishing an entrepreneurial ecosystem in Armenia. The legal framework must also clarify, at the national level, what is to be considered a social entrepreneurial activity, together with the specific objectives and goals that differentiate a social entrepreneurial activity or project from other types of sponsored projects or philanthropy. In this context, an appropriate set of rules and regulations should be developed that touch upon several aspects of social entrepreneurship, including financing structures, access to public management

⁵ Interviewee names are kept anonymous with references to their input through a sequential numbering system.

instruments, such as procurement, identification of target groups and beneficiaries, as well as selection of the activity strategically and in concert with established public priority needs, as validated by supporting evidence. For social entrepreneurial programs adopted by a public or private organization to have a measurable social impact on society, all legal and operational requirements must be spelled out, and subsequently adhered to.

Regarding the importance of legal reforms that would amend the existing laws, including those pertaining to non-profit organizations and foundations, one interviewee remarked: *“The laws that are currently used in Armenia do not mirror the explanations or official statements made publicly by government. Thus, the very first step before adopting certain strategies that would help develop social entrepreneurship in Armenia is changing those laws and rules that are creating barriers to the concept itself”* (#8). Upon identifying the main factors constraining or preventing the development of social entrepreneurship, it is necessary to focus on the most dominant problems in Armenian society, such as poverty, environmental protection, education, and health, as specified by most interviewees (13/15).

The next dominant theme discussed dealt with the role government should or could assume in the development of the social entrepreneurship ecosystem in Armenia. According to one interviewee (#1), the government should be the architect of the social entrepreneurship ecosystem in Armenia. In a similar vein, other interviewees mentioned that the main role of government is to first create the appropriate environment that would stimulate interest in the advancement of social entrepreneurship in Armenia. Another interviewee (#12) also asserted that the Armenian government should be the engine of social entrepreneurship by offering incentives, adopting commensurate policies, and allocating resources (not meant as financial resources only) that would encourage and enhance social innovation.

In this context, one interviewee brought the example of other countries in the former Soviet space that could offer a useful background for Armenia. *“In countries like Romania and Moldova the government decided to set up a separate register for monitoring social enterprises being created in their respective countries. These can be NGOs, private businesses, or individuals, but they should be officially registered as social enterprises and should obtain the appropriate certificate to be able to operate. ... Such a status naturally comes with certain advantages, but also obligations on the part of social entrepreneurs”* (#2). Most other interviewees perceived the role of government as supporting social entrepreneurship by way of encouraging provincial governments to network local organizations in their jurisdictions and foster the initiation or adoption of entrepreneurial projects. Synthesizing the dominant theme expressed by almost all the interviewees, government should function as

the principal advocate in support of social entrepreneurship, including encouragement of social innovation, creation of an enabling environment, and rewarding worthy performance results, thereby showcasing working models and disseminating relevant knowledge in the field.

Moreover, as one interviewee mentioned, a good way to support social entrepreneurial initiatives is by rewarding tangible performance results and the creation of social value. This, the interviewee explained, also means allocating financial support to successful social entrepreneurial activities. *“After a successful innovation starts developing, the government rewards the entrepreneurs by allocating state funding for the goods and services produced by social entrepreneurs”* (#1). Importantly, asserted another interviewee (#4), government plays a particularly essential role in encouraging innovation for solving pressing social problems, institutionalizing participatory processes to collectively draw up innovative solutions to help vulnerable segments of the population, other than engaging in traditional social assistance programs.

Summing up the role of government in advancing social entrepreneurship in Armenia, one interviewee stated, *“as a resource and partner, the government plays a critical role for providing evidence on prevalent social issues and sharing crucial data on existing social problems, documenting potential solutions and approaches to measuring the success of resulting entrepreneurial interventions based on established standards and success indicators”* (#15). This interviewee also added that the role of government should include conducting research and providing data on findings, as well as leading evaluation efforts that produce critical information for perusal before potentially expanding those successful projects more broadly, using a *design thinking* approach. Such an approach, confirmed another interviewee (#5), would identify any gaps and missing components to make further improvements to the project, enabling a social entrepreneurship environment to take shape, progressively removing barriers, and increasing collaboration among government, business, and other organizations. This approach would increase the credibility of project participants, as well as that of government. As also elaborated, the environment should be *“conducive to social enterprise”* (#1) so as to advance social entrepreneurship as a collective tool for designing innovative solutions to advance human and social development.

The next two dominant themes discussed by the interviewees were the policies and incentives government should consider in order to enable social entrepreneurship, to actively engage companies and non-profit or non-governmental organizations, as well as experts in the design, implementation, and evaluation of social programs. In this context, one interviewee stated: *“In order to develop an entrepreneurial ecosystem, it is necessary for the Armenian government to make every effort to get the private sector involved in the*

process of designing innovative social programs by offering new types of incentives” (#12).

Similarly, another interviewee emphasized, *“the government should provide incentives to organizations that are proposing to solve social problems. Basically, social entrepreneurship should be advocated and encouraged by the government, and there should be strong collaboration between government and the private sector in that process” (#9).* One such incentive, elaborated the same interviewee, could be tax exemption schemes only available to implementers of a specific social entrepreneurial activity or type of project. The lack of tax incentives works against the creation of interest in social entrepreneurship and even acts as a barrier to its development, pressed the interviewee. In contrast, tax incentives may serve as encouragement for businesses to think about making investments into undertakings that would create social value on a broad scale.

Another theme dominant in discussions with the interviewees was the relevance of PPPs in social entrepreneurship. This is a leading antecedent model of collaboration between government and private business and, as one interviewee (#10) noted, PPPs still are considered to be a dominant trend in economic development. The potential expansion of the PPP mechanism into various types of social interventions would necessitate understanding the exact needs of the population in the social sphere and providing partnered solutions. Similarly, another interviewee attested: *“The use of PPPs will allow the government of Armenia, on the one hand, to solve the pressing problems ensuing from the rational functioning of infrastructure facilities and, on the other hand, enable entrepreneurial arrangements between private and public organizations to invest in and reap profits from their entrepreneurial activities” (#4).*

It can be synthesized from several ideas revealed in the interviews that variations of the original PPP concept are in use in various countries for solving a number of long-term issues. In fact, the PPP concept was created primarily to attract private investments in order to develop programs for the good of society. *“It is not a secret that in the context of the financial crisis and limited budgetary resources, PPPs are the best solutions.”* This interviewee also mentioned that PPPs may serve as an important precedent to the development of social entrepreneurship. *“In many developing countries, collaboration of the private sector and the state helps to solve the most pressing social and economic problems more effectively by joining forces and resources respectively available in the public and private sectors” (#7).*

Another example mentioned by a different interviewee touched upon the concept of Social Impact Bonds (SIBs), which *“provide a collaboration platform that brings together different stakeholders. ... Here, the main role of*

government is outsourcing or delegating to the private sector responsibility for conceiving potential solutions to social problems” (#2). According to another interviewee (#15), SIBs provide a mechanism for financing projects or programs to address the most pressing social problems in society. Bonds are a reliable win-win source for funding social programs, whereby investors receive their cash back, most often on the basis of a shared financing arrangement with government when the established performance targets are achieved. Thus, this provides an opportunity to channel significant investments into promising solutions that address the root causes of deep-seated social problems and create a new way of working between government and socially motivated investors.

Moreover, an interviewee (#1) emphasized the importance of creating state policies and mechanisms that tackle the issue of corruption in Armenia, stressing the importance for social enterprises to function in a fair and healthy environment. Here, the interviewee underscored the accountability of all participants throughout the implementation of a collaborated undertaking. In the same vein, another interviewee (#8) spoke about establishing checks and balances within the system to best advance the social entrepreneurship ecosystem.

Another mechanism also proposed during the interviews is the performance-based payment system, which one interviewee portrayed as “... *financing mechanisms that are based on the achievement of measurable targets and results that are established by the respective parties to a contract*” (#11). These forms of compensation strengthen the implementers’ incentive to perform in an effective manner so as to receive payment installments proportionate to the attained results. Thus, in the context of social entrepreneurship, these serve as motivators of high performance for value creation.

The last method mentioned by an interviewee is the social impact reporting system: “*In order to develop the field of social entrepreneurship in Armenia, a social impact reporting system needs to be created*” (#5). This is a communication strategy used to report the exact changes realized by an organization or specific project. Sharing information on the organization’s impact with other stakeholders is more than simply reporting inputs and outputs. The actual method of collecting, analyzing, and reporting information should be precise and clearly articulated to help keep track of the organization’s progress toward planned results and intended social impact.

The last dominant theme discussed during the interviews is related to the element of collaboration among government, private business, NGOs, and community service organizations (CSOs), as well as service providers and investors within a social entrepreneurship model. Based on the majority

opinion, inclusive management is the most important factor for the success of social entrepreneurship endeavors in Armenia. By participative management or inclusiveness, most interviewees meant the collaborative engagement of different players and, most importantly, with government as the lead administrator of the social entrepreneurship ecosystem. One of the interviewees underscored: *“Social entrepreneurship is all about collaboration or inclusion of different actors from different sectors. It is not about individuals, NGOs, private investors, and others that have a goal to maximize their respective profits and advantages, and function as independent entities implementing small projects or programs with grant funding”* (#4).

Also, as elaborated by another interviewee (#9), many projects and small programs that target social problems are implemented; however, from the perspective of social entrepreneurship these cannot be considered as integral policy solutions because of the absence of underlying principles and regulations that govern their implementation and the sustainability of the social values they deliver. *“Each social enterprise can play a huge role in the process of growing the social entrepreneurship ecosystem through active collaboration”* (#2).

Essentially, social entrepreneurship provides answers to the question of how to invest to make an optimal social impact. From the perspective of impact investment, two factors must be considered creatively: investing for impact (achieving specific social outcomes) and investing with impact (maximizing profit while achieving intended social outcomes). Engaging both private and public sectors in this process is very crucial because it is through their collaboration that profits can be maximized while attaining sustainable economic and social value.

In that regard, several interviewees drew parallels with the UN sustainable development goals (SDGs) by stating that those, too, emphasize collaborative action among sectors to effectively reach established goals related to sustainable development. In this regard, the government has the incentive to engage and motivate the private sector to join efforts in solving social problems in order to achieve established targets. One interviewee elaborated:

Here, the government should serve as an umbrella, the private sector as the service provider, and NGOs or other organizations should serve as independent outcome verification agents” (#5).

Thus, each of these actors has a clearly established role in a well-designed collaborative system. Social entrepreneurship will provide grounds to combine efforts at public and private levels with policies and regulations that are bound to create public value through sustained dialogue, transparent work, and strong results-driven collaboration.

Key findings and inferences

From the main findings it can be concluded that the evidence found in the interviews validates some of the fundamental prime concepts and approaches existing in the literature on social entrepreneurship. As was mentioned, the interviews were analyzed based on the five main themes considered before creating strategies that would promote or advance social entrepreneurship in Armenia, including the role of government in the development process of social entrepreneurship, state policies and mechanisms that may serve as catalysts in the development of social entrepreneurship in Armenia, incentives provided by the government, and the significance of collaboration between public and private sector organizations in the overall process.

The analysis of findings relative to the first theme infer that the very first step that government should consider is to define the concept of social entrepreneurship and institutionalize its use or application in our society. Next, the government should identify the main constraints to the development of social entrepreneurship in Armenia. The barriers mentioned by the majority of the interviewees include poor understanding of the concept of social entrepreneurship and the lack of an appropriate legal and regulatory framework. Thus, another important step that needs to be considered by the government beforehand is the establishment of certain rules and regulations that deal with several aspects of social entrepreneurship, including procedural schemes related to procurement, financing, accounting, and reporting.

From the findings under the second theme of mapping the role of government in social entrepreneurship development, it can be synthesized that the government should function as a chief organizational sponsor. The main role of the government is advocating social entrepreneurship throughout the country and promoting the concept among private and public sector organizations. Thus, the government should create an environment that is “conducive to social enterprise” by establishing various incentives, mechanisms, instruments, and related policies that would serve as drivers for organizations to get involved in solving the social problems facing society.

The main highlights from the next two themes related to state policies and mechanisms as drivers of social entrepreneurship development include public-private partnerships, social-impact bonds, and performance-based mechanisms. The findings show that social impact reporting requirements and the tax code should have exclusive provisions and obligations applicable to social entrepreneurial activities or projects.

The last theme that stands out in the analysis involves collaboration between the private and public sector. Synthesizing the key points derived from this part, it can be concluded that social entrepreneurship cannot exist without planned and organized collaboration between the public and private sectors.

Social entrepreneurship is not about isolated endeavors related to social enterprise, nor is it about maximizing business profits, it is rather a product of deliberate collaboration between public and private sectors aimed at producing sustainable social value through the application of a design-thinking approach.⁶

CONCLUSION: A SOCIAL ENTREPRENEURSHIP MODEL

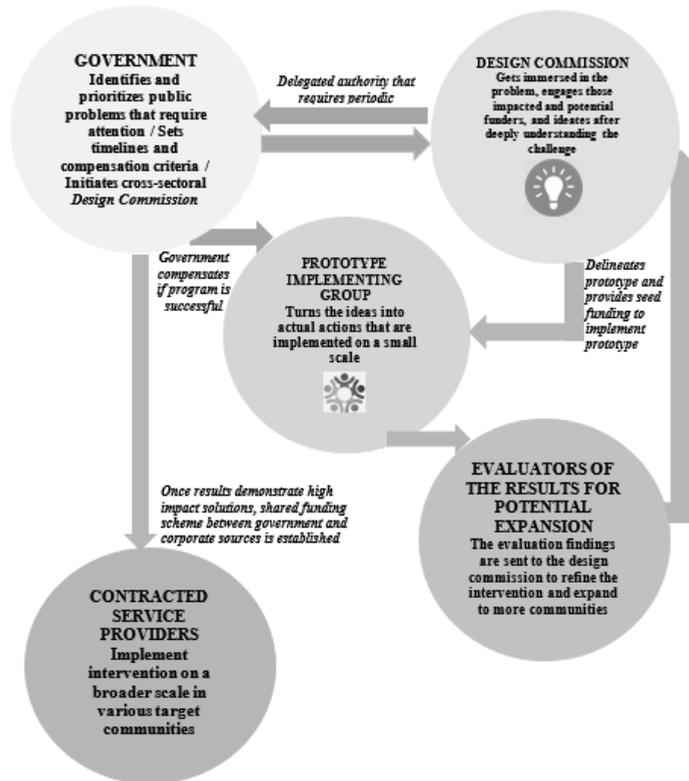


Exhibit 1: Social Entrepreneurship Model

What results from the synthesis of the key findings of the research is the social entrepreneurship model, Exhibit 1, which portrays the main functions of each of the major players/groups in a highly participatory arrangement for the creation of social entrepreneurship in Armenia. In an arrangement that integrates the key features of design thinking, the proposed players in the

⁶ Design thinking is a human-centered approach to problem-solving based on creative and innovative ideas. It helps teams to understand the needs, challenge assumptions, redefine problems and create innovative solutions to prototype and test.

model are the government; the cross-sectoral design commission;⁷ the prototyping and implementing group; service providers; and evaluators.

As shown in the model, the government plays the role of champion in creating the ecosystem with the primary responsibility as initiator and promoter of social entrepreneurship. The main functions of the government are the identification and prioritization of critical public problems that need attention and organizing and/or creating a design commission with participants from all sectors, business, NGOs, CSOs, as well as experts and specialists. The commission is charged with first developing a full understanding of the public problem and the extent of its public impact, and subsequently generating innovative ideas for solving it, including potential recommendations to government on alternative funding schemes, performance rewards, and policy incentives. Working in a very participatory and open arrangement, the design commission gets immersed in the issue through direct engagement with those impacted by the problem and exploring alternative ideas for solutions.

As the model indicates, a strong working relationship is established between government and the design commission that follows a *modus operandi* agreed to between both parties, including transparency, accountability, and task completion/reporting timelines. The next major player is the prototype implementing group whose main function is turning the ideas received from the design commission into action by prototyping the solution and designing the specific implementation requirements and steps for implementation on a small scale, in one or two communities, to test the degree to which the expected results can be achieved before full scale expansion or implementation in additional communities. Here, aside from the potential for business advantage by the service provider, the focus is on the social or public value created or added. The interrelationship between the government and prototype implementing group involves actual compensation by government for the delivered public goods or services after the prototype implementation produces the expected results, as duly validated by the evaluating group.

There is also an established relationship between the design commission and the prototype implementing group which, aside from the transfer of solution ideas and fitting alternatives, also involves the provision of seed funding for testing the prototype project/program on a small scale. The contracted service providers are responsible for the actual production or provision of the public good/service as specified by the prototype implementing group. As shown in the model, the relationship between the government and

⁷ The model does not assume that there will be a single commission for all types of social problems to be addressed. Rather, commissions could be created for every major problem depending on its magnitude, or per field where the problem belongs.

contracted service providers follows an established funding scheme, which includes partnered financing between government and the service provider.

Embedded in the proposed model is the necessary element of independently evaluating results and sharing the findings with all parties involved through the design commission. The design-thinking approach is applied throughout the phases of the model – identifying the problem, understanding it, prototyping the solution, evaluating the outputs and outcomes, making changes to improve results, and ultimately expanding it more broadly. Cross-sector collaboration extends beyond the concept of public-private partnerships.

The model appropriately integrates expert opinions by policy makers, social program practitioners, business entrepreneurs, NGOs and other topic experts, suggesting that it has become imperative for the government to consider initiating collaborated solutions in order to solve critical public problems in the Republic of Armenia. The information gathered from these sources has helped develop a model of social entrepreneurship that would best fit local conditions and culture, for consideration by government as a starting point.

The model is based on the concept of collaboration between public and private sectors, including government at the national and local levels, private businesses, non-governmental and community service organizations, as well as expert and philanthropic entities, with a strong emphasis on design thinking, as used in many corporate enterprises. The government plays a crucial role in the development of a social entrepreneurship ecosystem, demonstrating strong commitment to its application and success. Though the government acts as the initiator and chief promoter in this process, the actual delineation of innovative solutions to priority public problems is designed by a cross-sectoral body that is able to perceive a problem from different perspectives and synthesize ideas into the most workable solutions. Participating service providers, potentially businesses, are involved in the implementation primarily to create social value, aside from their interest in achieving business objectives.

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**ԸՆԿԵՐԱՅԻՆ ԶԵՆՆԱՐԿԱՏԻՐՈՒԹԵԱՆ MODEL ՄԸ ՀԱՅԱՍՏԱՆԻ ՀԱՄԱՐ
(ԱՄՓՈՓՈՒՄ)**

ՔՆԱՐԻԿ ՈՍԿԱՆԵԱՆ

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Հետազոտությունը նպատակ ունի ոչ միայն բացայայտելու ըսկերային ձեռնարկատիրության առաջխաղացման հիմնական խոչընդոտները, այլև առաջարկում է հանրային խնդիրների նորարարական լուծումներ, դրանց համապատասխան մոդել՝ պետական եւ մասնատոր ու միջեւ նպատակային գործակցության շնորհիւ: Հետազոտության ընթացքում հիմնուելով թեմայի վերաբերեալ առկայ գիտական տեսությունների վրայ եւ օգտագործելով փորձագետների, պետական պաշտօնեաների, հասարակական կազմակերպությունների, ինչպէս նաև գործատիրության ներկայացուցիչների հետ վարած հանգամանայից եւ բազմակողմանի հարցազրոյցների արդիւնքները՝ մշակել ենք Հայաստանին եւ նմանատիպ զարգացող երկրներին յարիր ընկերային ձեռնարկատիրության մոդել: Մոդելի հիմքում ընկած է դիզայն-մտածողութեան մօտեցումը, որն արժեւորում է կառավարութեան դերը ընկերային ձեռնարկատիրութեան խթանման գործընթացում (հանրային ճգնաժամային խնդիրների վերաբերեալ փաստերի վերհանում, թիրախատրուած հարկային գործիքակազմերի խթանում, մասնատոր ձեռնարկատիրական գործունէութեան խթանում, շահագրգռածութեան եւ մրցունակութեան բարձրացման համար յաջողուած նախաձեռնութիւնների պարգեատրում եւ հանրութեանը կրթելու գործընթաց՝ ընկերային ձեռնարկատիրութիւնն լայնօրէն առաջ մղելու համար):