

Social Entrepreneurship in Armenia

Submitted to

American University of Armenia

Manoogian Simone College of Business and Economics

In partial fulfillment of the requirements for the degree of MS in Strategic
Management



By: Margarita Muradyan

Supervisor: Mary-Hrachoochi Boghosian

Yerevan 2018

Executive summary

“Business must be for profit, but profit must also be for purpose”. *Mads Kjaer, co-founder MYC4, a social entrepreneur*¹

My master thesis addresses status of social entrepreneurship in Armenia, its models, history, present and prospects. It also attempts to identify which aspects define success of the social entrepreneurship, to determine the existing problems and to provide suggestions based on the cases of international and Armenian companies.

Within the scope of the current research, 30 social entrepreneurs were identified and surveyed to investigate the status of social entrepreneurship in Armenia and the key determining factors affecting on their progress including the social enterprises. Case Studies and qualitative approach have been implemented to achieve the purpose. The main findings are the following.

In my literature survey, I found Social Entrepreneurship is described by 4 main schools of thought, namely Social Innovation School and Social Enterprise School comprising American school of thought, while EMES School and UK Schools comprise European schools of thought. There are 2 units of observation, namely social entrepreneur and social enterprise, which contain 5 main characteristics, each characteristic is given a certain weight across the schools that differentiates each school of thought from the other. The five main characteristics are mission-services link, legal structure of social enterprises, profit distribution, earned income, governance, and entrepreneurial innovation.

In my study I attempted to investigate the status of these 5 main characteristics to describe the social entrepreneurship mindset in Armenia, as well as to find any affiliation with the main schools of thoughts.

In Chapter 1 I describe the main terms within social entrepreneurship in relation to social enterprise, traditional entrepreneurship, the social entrepreneurs and social enterprises (SEs) across schools of thought, innovation and creativity, social impact, and the main social entrepreneurship models in the world.

In Chapter 2 I describe the methodology to investigate the social entrepreneurship in Armenia through a set of questionnaires served upon 30 individuals who claim themselves as social entrepreneurs. The details are shown in respective section, where in Chapter 3 I show the environment of social entrepreneurship in Armenia. In first part of Chapter 3, I am providing description of purposes of enterprises, social problems they solve

¹ <http://www.schwabfound.org/content/mads-kjaer>

and funding opportunities available, whereas in the second part of this chapter I analyze the status of above mentioned 5 main characteristics of Armenian social entrepreneurship characterized within local social enterprises.

Overall, the donors' organizations and funders are generating conducive environment to foster the development of existing and new social enterprises, whereas the local legal structures put social enterprises in the same conditions as traditional businesses. My second finding is about the important role that the social entrepreneurs play in the Armenian society through carrying the vision of their enterprises and the goals they would like to achieve. The purpose of such enterprises is primarily of social nature, aiming at solving mainly problems of unemployment and additional income generation for rural community and people.

The details of my findings will be discussed in their respective chapters.

However, part of my major findings can be described as that the Local Social Entrepreneurship does not fall entirely within one or another of the above mentioned four school of thoughts as characterized in the literature.

Currently, SE in Armenia is not being promoted and developed with continuous academic research. The main concepts, believes and thoughts about SE in Armenia are of those who practice social entrepreneurship, i.e social entrepreneurs, as well as of very few trainers and SE experts.

Keywords: social entrepreneurship, social enterprise, entrepreneurship, social enterprises

Acknowledgement

I wish to thank Dr. Mary Boghosian, MBA, PhD., my academic supervisor and mentor, for developing the concept of this research, for discussions and guidance.

My deep acknowledgements to 30 participants of my survey, who are pioneers and change-agents of Armenian social entrepreneurship community, for their input and participation in my study. I gained valuable knowledge while spending hours in discussions with them. In fact, they constitute the essence of the Armenian social entrepreneurship.

Last but not least, I would like to thank my sister for proof reading and valuable inputs, as well as my family and children for their instant support.

Dedication

“The stone that the builders rejected has become the cornerstone”. MARK 12:10

Acronyms and Abbreviations

SE	Social entrepreneurship
SEs	Social enterprise
CSO	Civil Society Organization
NGO	Non- governmental Organization
WVA	World Vision Armenia
USAID	United States Agency for International Development
CIC	Community Interest Company
CDPF	Civic Development and Partnership foundation
CSR	Corporate Social Responsibility
WISE	Work Inclusion Social Enterprise
RA	Republic of Armenia

Table of Contents

Executive summary.....	2
Acknowledgement.....	4
Acronyms and Abbreviations.....	6
Introduction	9
Chapter 1. Literature review.....	11
1.1 Key factors of entrepreneurship vs SE.....	11
1.1.1 Aspect of Social entrepreneurship.....	12
1.1.2 Social entrepreneurs and social enterprises across schools of thought.....	14
1.1.3 Creativity and innovation in SE context	17
1.1.4 Social impact and relation with local economic development concept within the research.....	18
1.1.5 Main social entrepreneurship models in the world	19
Chapter 2. Methodology.....	22
Chapter 3. Findings and data analysis	25
3.1 The environment of SE development in Armenia	25
3.2 The factors of SE in Armenia and their status: analysis and discussion	29
3.2.1 General analyses of 30 Armenian SE participants.....	29
3.2.2 Sectors of operation	30
3.2.3 How the founders come up with establishing a SE	31
3.2.4 Social problems addressed by SEs.....	34
3.2.5 Funding for SEs	35
3.3 Analyses of Social entrepreneurship determinant factors.....	39
3.3.1 Social entrepreneur's role as one of the SE factors	39
3.3.2 Social Enterprise (SEs) role as one of the SE factors.....	40
3.3.2.1 Mission-service link as one of SEs factors.....	40
3.3.2.2 The legal status as one of SEs factors	41
3.3.2.3 Income generation as one of SEs factors	43
3.3.2.4 Profit distribution as one of SEs factors	47
3.3.2.5 Operational models of SEs.....	48
3.3.2.6 Participatory governance as one of SEs factors	52
Chapter 4. Discussions and conclusion.....	54
References.....	58
Appendix A: Questionnaire for Social Entrepreneurs/hereby SE/- founders of social enterprises	60
Appendix B: List of research participants.....	62
Appendix C: Individual profiles of research participants social enterprises	64

List of figures.....78

Introduction

Social entrepreneurship is a widely researched concept all around the world and appears in the focus of social science studies, behavioral science and entrepreneurship research. It is aimed at solving social problems through entrepreneurial practices.

The concept is being developed across the globe for solving pressing social issues, such as hunger, poverty, health, education, sustainable energy and other issues. Social entrepreneurship is not aimed at generating profit for the owners, but primarily to reach the social mission. Earned income through entrepreneurial activities is more viewed as a measure for sustaining the enterprise to continue to serve the social mission.

The concept has recently emerged in Armenia as first enterprises were officially established in 2005. Since then, many enterprises practicing social mission with entrepreneurship have emerged.

Although Social Entrepreneurship is very actual for today's Armenia, it is rather not very well understood among a wider public in the country.

Having a personal work experience in international charitable organization, I have frequently been in rural and less developed communities and aware of the problems people face. The projects I was involved were fostering entrepreneurship of local people through assets provision, business knowledge and mentorship. However, over a period of years, community development and transformation were not as visible as desired. Sustainability and long-lasting changes for communities brought by such charitable donations was among the main concerns of mine and my colleagues.

I come up with a thought, that the only missing part of the chain is an entrepreneurial approach to a problem solution that communities confront, which will ensure sustainability and replicability of the means invested in the development of communities. It is also obvious, that communities should rely on themselves rather than on charities for a constant growth and development.

Rural community and regional development issues were always my areas of interests, including the period of during my studies at the AUA. While having a pleasure to know Mary Boghosian, MBA, PhD and a lecturer at the AUA, I was suggested to launch a joint research with her concerning social entrepreneurship as one of the poorly researched topics in Armenia. Prof. Boghosian have already started to analyze innovativeness and

creativity of enterprises in Armenia, and status of SE is an integral part of it. I have been searching for the concept as the one for the rural development.

On the course of working on my research, I convinced to myself that the development of Social entrepreneurship can foster regional development of Armenia in a sustainable and long-lasting manner.

In our joint research with prof. Boghosian, we didn't come across academic works that consider the status of the SE within the concept in the country. That is why our efforts are primary focused on providing seminal analyses of the topic and solid ground for the future research.

This research is aimed at understanding the status of SE in Armenia, models of operation, present and prospects, as well as describing the environment in which the concept is developing. To reach our goal, several key concepts and features were identified in the academic literature. The main method is primary and secondary data comparison, which was conducted with data collected among social enterprises currently operating in Armenia. The units of observation in this research are social entrepreneurs, people who practice social entrepreneurship and the legal entities established by them- the social enterprises. The research also discusses relationship between the key actors of the field, such as international development organizations and donors as funders of social enterprises, social entrepreneurs in the communities and beneficiaries targeted by the social mission of these enterprises.

The goal of my thesis work is to provide deep and contextual analyses of social entrepreneurship as a phenomenon for academics, field practitioners, as well as to strengthen valuable insights to the society.

Chapter 1. Literature review

1.1 Key factors of entrepreneurship vs SE

Economists Jean-Baptiste Say and Joseph A. Schumpeter left their footprint in understanding what entrepreneurship is (David Bornstein, 2010). They discuss that entrepreneurs improve the productive capacity of society and bring “creative destruction” for economic change. Destruction is being made through destroying the old economic structure and creating a new one with an innovative view on the use of resources and opportunities given. Entrepreneur’s mission is profit generation and personal wealth (David Bornstein, 2010) (Drucker, 1985).

The same approach is applicable to social entrepreneurs (David Bornstein, 2010), who utilize the opportunities to create social value as opposed to personal gain. The opportunities of social entrepreneur arise from recognition of social problems, which are solved with combination of resources available, as well as employing resources such as volunteerism by caring people to achieve its social mission (Haugh, 2007) . Social value creation can be described as fulfillment of basic needs of people, such as food and shelter, as well as socialization and other needs (for instance, the disadvantaged women and the physically challenged people) (David Bornstein, 2010). Social entrepreneurship (from now on denoted as SE) is analogously aimed at provision of goods and services, it is an income-generating venture, operating in accordance with economy rules, and sells products and services in traditional markets. However, the domain of income distributed is creating a social value for a targeted group of people, in contrary to business owner’s private wealth. **Achieving a social mission is the primary objective of social entrepreneur, while income-generation is considered as supportive function to its primary objective, and contributes to continuation of the mission, with very little or no profit expectation** (Braunerhjelm, 2009).

With involvement into economic activities, SE becomes different from charitable operations. People involved into charity does not pursue economic gain of any type and are driven by emotions of doing good. (David Bornstein, 2010) described how such donors become concerned with measurable results of their charitable contributions, especially when seeing parallel to the development of SE. Another term that often is being confused with SE, is Corporate Social Responsibility (from now on denoted as CSR). For-profit businesses and companies practicing CSR often create positive social impact to get

engaged with their stakeholders ² however, their motives are financially-driven. They are engaged in creating public good with primary purpose of the company concentrated on the positive public image and profit maximization. And this primary purpose is the dominant factor above the social value creation, whereas for the SE the social value creation is the primary purpose.

The terms “Social enterprise”, “Social entrepreneurship”/SE/, “Social entrepreneur”, and “Social initiative” are important to discuss in accordance with academic definitions so to reflect interrelations and our understanding of each as well. Definitions of Social entrepreneurship in generally refer to a process or behavior; while social entrepreneur is discussed as the founder of the social initiative; the social enterprise (from now on denoted as SEs) is the outcome of the process of the social entrepreneurship. Within the current research, “social entrepreneur” and “founder of social enterprise” will be used interchangeably, while referring to the social enterprise we will understand the legal entity/entities/ established by the founder. Within the scope of this research the term “SEs” and “entity” will be used exchangeable.

The purpose of my research is to study the status of SE, its models, present and prospects. It also attempts to identify what aspects define the status of social entrepreneurship, to determine the existing problems and to provide suggestions based on analyses of the examples of Armenian companies in comparison to international practice.

In the following sections I will expand on most important aspects of social entrepreneurship. They are taken as ground terms of my research work. Based on the analyses of these aspects, a questionnaire was developed to survey some 30 Armenian SEs as my research sample.

1.1.1 Aspect of Social entrepreneurship

Mair and Marti (Marti, 2006) definition states that “Social entrepreneurship is as innovative, social value creating activity that can occur within or across the non-profit, business or government sector”. The authors describe the innovative features of the process of SE and the social value creation, which does not limit the social entrepreneurs

² Typology of SEs by K. Alter, accessible at: <http://www.4lenses.org/Setypology/csr>

to act within one economic sector, but to pursue social mission as well, therefore, blurring boundaries with the non-profit and the governmental sectors.

SE is discussed within the so called “third sector” of economy after governmental and business sectors (Pestoff, 2008). According to Pestoff, “Third sector” includes non-governmental/NGO/ and not-for-profit organizations, associations, co-operatives etc. Not-for-profit organizations, regardless of doing income generation activities, have primary purpose of advocating for a shared point of view and social gains. The definition of not-for-profit organizations vary from one country to another and follow the country’s local law.

In many countries, the NGOs, non-for-profit organizations, associations and other third sector organizations constitute large section in local economy. They earn increasing recognition of government and public as successfully coping with social problems. (Pestoff, 2008)

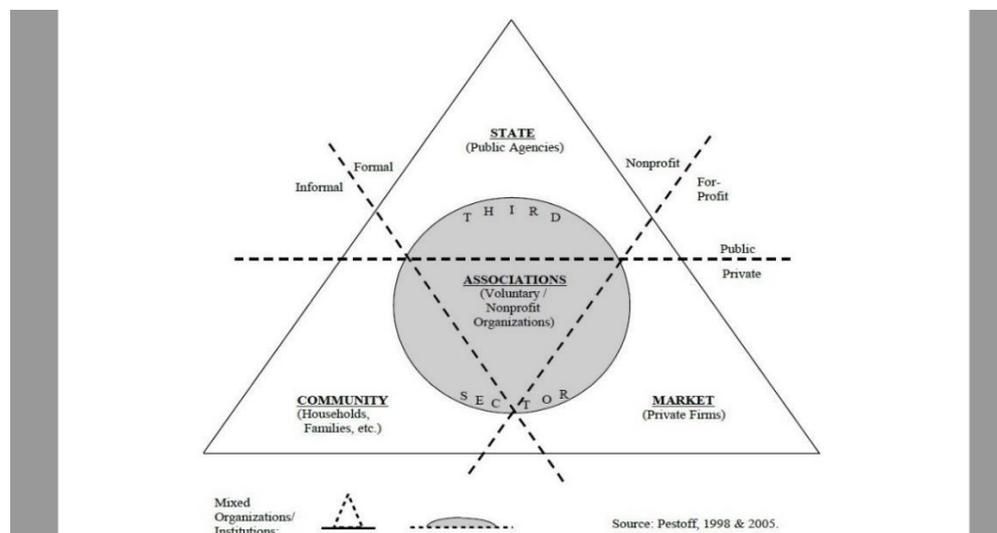


Figure 1 Welfare mix by Pestoff, 2005

Pestoff and co-authors also first introduced the concept of “welfare mix”. They analyzed how people find new ways and channels to participate in welfare system of Sweden (Pestoff, 2008). The paper discussed the third sector as the intersection of private firms, state agencies and community. The boundaries of these distinct sectors are blurred, which creates solid base for new type of entities. For example, a third sector organization residing on State sector borderline, can share government functions and accelerate change wherever the government has lack of resources or otherwise cannot perform its functions fully.

The paper also describes that the associations, co-operatives of different kinds, self-help and mutual aid groups reside on the borders between community and non-profit sectors.

Social enterprises that aim at dual value creation, such as social value and economic value, lie at the boundaries of non-profit and private sectors. This model will be used in following chapters of this thesis work in analysis of Armenian SEs. I will also show some examples of local entities falling under the same description.

1.1.2 Social entrepreneurs and social enterprises across schools of thought

While discussing social entrepreneur's persona and its role, academicians and practitioners provide different features and characteristics that distinguish them from business entrepreneurs. Social innovation school of thought assign an important role to social entrepreneur. For the rest of approaches, social enterprise is the central unit of observation.

Dees (Dees, 1998) proposed the best known and most inclusive definition of the social entrepreneur as "playing the role of change agents in the social sector by adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation and learning, acting boldly without being limited by resources currently in hand, and finally exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created".

Within the definition, several important characteristics are to be discussed, which are common among other authors.

The purpose of serving is defined as a social mission, which is being the dominant over other incentives and motives to work.

Another characteristic of social entrepreneur is exploitation and utilization of new resources or finding a new way of doing so through continuous learning and understanding. While pursuing social mission, social entrepreneur very often involves stakeholders, such as government, local people, volunteers, local non-profit organizations and beneficiaries themselves into processes of mission achievement to ensure all-inclusive approach to problem solution. Then, resource mobilization gives profound effect. David Bornstein describes in his book how SE is different from activism. "The simplest distinction is that activists generally seek to elicit change by influencing the decision making of large institutions or by changing public attitudes, while social entrepreneurs pursue a wider range

of options, including building institutions that directly implement solutions themselves. (David Bornstein, 2010).

Other researchers also reflect that social entrepreneurs can become advocates and change agents. (Sengupta, 2017)

For better analyses of other factors of social entrepreneurship that Dees provide in the definition, there is a need to look deeper into the 4 existing schools of thought. The compilation of different factors in the chart, that summarizes the distinctions of these 4 schools of thought, are taken from the following working paper (Braunerhjelm, 2009).

TABLE 3.1 DISTINCTIONS BETWEEN SCHOOLS OF THOUGHT ON SOCIAL ENTREPRENEURSHIP. AMERICAN TRADITION

Distinctions	Social Innovation School	Social Enterprise School	European Tradition	
			EMES approach	UK Approach
Unit of observation	Individual	Enterprise	Enterprise	Enterprise
Link mission – services	Direct	Direct / indirect	Direct	Direct / indirect
Legal structure	No constraints	Non-profit	Some constraints	No constraints
Innovation	Prerequisite	Not emphasised	Not emphasised	Not emphasised
Profit distribution	No constraint	Constraint	Limited constraint	Limited constraint
Earned income	Not emphasised	Prerequisite	Not emphasised	Important
Governance	Not emphasised	Not emphasised	Multiple stakeholder involvement emphasised	Multiple stakeholder involvement recommended

Figure 2 Schools of thought in Social Entrepreneurship and their main dimensions

The chart above provides differences between 2 American schools of thought on SE and 2 European schools of thought on SE. The distinctions are the factors that are compared across these schools of thought. The paper also underlines, that “Although the different schools of thought and approaches are distinct from each other, there are no strict boundaries between them...” (Braunerhjelm, 2009).

First factor presented in the chart is known as unit of observation, which refers to either individual social entrepreneur or social enterprise. The next one is named as mission-services link, which explains the relevance of work done and mission served, and whether these two are directly connected, or it is not mandatory. Legal structure of social enterprise is discussed across schools to understand the degree of autonomy that juridical form may pose on enterprises. Profit distribution is another important factor that researches put constraints on it in one school and give freedom to choose in another school. Earned

income as a factor is discussed apart from grants and donations and is a prerequisite in one school of thought and not important in another. Governance as a factor reflects democratic governance of social enterprises and describe participatory nature of decision making with involvement of stakeholders, as much the legal status of social enterprise allows.

These factors, as mentioned above, are not very distinct across the schools, however the paragraph below is an attempt to cover main distinctions between the schools.

The Innovation School of thought focuses on the social entrepreneurs as key figures that tackle social problems in an innovative manner. Innovation within this school is anchored with knowledge of traditional entrepreneurship for discovering and exploiting the opportunities. Innovativeness is the key determinant factor within the school, whereas there are no constraints put on other factors (Braunerhjelm, 2009).

Social enterprise school of thought put social enterprise as a main subject of study, and describe it as “entrepreneurial, non-profit venture that generates “earned-income” while serving a social mission” (Braunerhjelm, 2009). This school considers income generation for self-sustaining as very important, apart from grants and other sources of financing, and advocate for adapting business methods and models in SE within non-profit sector. For other factors, such as innovativeness, participatory governance or connection of mission and work, there is no straight constraints.

Within European traditions, EMES European Research Network have played crucial role in investigating traditions and concepts of SE in European Union countries through extensive research and focused its attention on social enterprise as the subject of study. “In the case of the EMES approach, the social enterprise has an explicit aim to benefit the community. It is launched by a group of citizens, who enjoys a high degree of autonomy, participatory in nature, and does not base decision-making power on capital ownership” (Braunerhjelm, 2009). So, innovativeness and income generation are not emphasized when stakeholders’ involvement and mission linked operations are crucial.

UK approach is the 4th school of thought, which is distinct from others as UK Ministry of Civil society/ former Ministry of Third sector / has played important role in development of the field in UK since 2006 (Braunerhjelm, 2009) . Researchers consider income generation by the enterprises as important alongside with governance sharing with stakeholders.

Within the current research, these analyses of school of thoughts and key factors are taken as basis for analyzing Armenian social enterprises and entrepreneurial mindset.

This research is aimed at understanding the status of social entrepreneurship in Armenia with analyses of main distinctions of the school of thoughts and SEs operating are taken as units of observation.

1.1.3 Creativity and innovation in SE context

“Creativity and innovation at work are the process, outcomes, and products, which is attempted to develop and introduce new and improved ways of doing things. The creativity stage of this process refers to idea generation, and innovation to the subsequent stage of implementing ideas toward better procedures, practices, or products”. (Anderson, 2014) The definition can be discussed as compilation of thoughts on relations between creativity and innovation, underlining creativity as first step which leads to idea implementation. Yet, some authors argue that creativity occurs not only in the early stages of innovation processes, but is a cyclical process of idea generation, as well as idea implementation. (Paulus, 2002)

Creativity and innovation are discussed in team and leadership levels within organizations as well as on individual level of persons, where many factors are taken into consideration such as culture of the society, goals and tasks, motivation etc. (Anderson, 2014).

Davit Bornstein and many other authors (David Bornstein, 2010) (Sengupta, 2017) often call social entrepreneurs as innovators of their field, and state the role of creativity as a fostering power to act boldly that have profound impact. As discussed in previous chapter, innovation is a key determinant among scholars of American Social innovation school of thought. The words “creativity” and “innovation” appears in SE concept as descriptive to resource mobilization, governance, organizational structure, social problem solution processes etc. and to social entrepreneur’s mindset as such.

When referring to social innovation within the concept of SE, it is important to understand that it is as “a complex process of introducing new products, processes or programs that profoundly change the basic routines, resource and authority flows, or beliefs of the social system in which the innovation occurs”. (Westley, 2010) in the cited paper, discussed about systematic changes in the roots of the problem that affect society and even institutions to have lasting effect. Individual and entrepreneurs innovate daily to locally make impact and address social changes. Others innovate on organizational levels and target to make

changes outside their entities. However not all SEs target changes on systematic level through their innovations.

Within the scope of this research, the social entrepreneurs who participated in our survey were asked about the innovation they bring within their SEs and the importance of creativity for SE. Responses will be analyzed based on terms and concepts discussed in this chapter and provided in second part of this work.

1.1.4 Social impact and relation with local economic development concept within the research

Social value creation is used within SE concept as the primary purpose of SEs for satisfaction of basic and long-lasting social needs and wants of their beneficiaries. Social value is opposite to economic value, which is material gain and wealth of a traditional entrepreneur.

Another term used in SE academic papers is blended value, which describes the social economic and environmental value creation embedded into each other and laying in the core of SEs operations. This value creation takes place simultaneously as SEs operate and thus fortifies impact of SE on the society in general (Alter, 2007).

However, the most used term for describing the purpose of SEs and their mission is social impact. According to McMullen, “for social entrepreneurs, the bottom line is to maximize some form of social impact, usually addressing a social need that is being mishandled or ignored by other institutions” (McMullen, 2011).

Many other contributors agree with the McMullen and consider SE concept a new form of involving and affecting people, who did not benefit otherwise from market opportunities. Referring to the term itself, social impact is the outcomes and achievements of social entrepreneur in his journey to solve social problem targeted and towards beneficiaries’ needs. Social impact assessment is a measurement of the impact that target group beneficiaries enjoying results of the project. Author Jacen Greene discusses the importance of social impact measurement for SEs (Greene, 2013). His main argument is about improving SEs services through interaction with funders, partners and beneficiaries. Impact assessment is discussed in article as a data driven analyses of social impact.

The current research is not aimed at understanding impact of participant SEs. It is also very difficult to do, since each participant seek unique targets and work within different

fields, as well as more data is necessary to collect about beneficiaries of SEs over a time period.

Within the scope of this research, another approach to impact assessment is considered by as appropriate to use, which is about understanding the role of SEs on local economic development of communities where they operate.

Local economic development is discussed as “a process in which relationships between local governments, communities, and civic groups and organizations, and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined area” (www.coursera.org, 2018). The concept, introduced by Erasmus University Rotterdam professors, highlights the importance of partnership of local decentralized government, civic organizations and emotionally attached people into fostering environment for economic growth and prosperity in community.

In coming chapters participant SEs’ responses will be analyzed within the concept of local economic development of communities they operate.

1.1.5 Main social entrepreneurship models in the world

While referring to a model, it is a way to explain how an enterprise works. It articulates who the customers are, what the value proposition is for those customers and how the business makes money. A clear business model allows stakeholders to understand the strategic choices of the organization as well as sees how all the business activities fit together.(Gibson, 2014)

Joan (Joan, 2002) in Harvard Business School reviews writes: “The word “model” conjures up images of white boards covered with arcane mathematical formulas. Business Models, though, are anything but arcane. They are, at heart, stories—stories that explain how enterprises work”.

David Teece writes: “A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering the value”(Teece, 2010) .

It is also very important to note, that business model is different from business strategy. Strategy has nothing to do with competition and other external dynamics of the company. Within the scope of this research, business models of research participant SEs will also be discussed to understand what story they tell and how they reach beneficiaries.

One of the most widespread models of social enterprises in the world is Work Inclusion Social enterprises (hereinafter denoted as WISE).

“WISEs are autonomous economic entities whose main objective is the professional integration ... of people experiencing serious difficulties in the labor market (DAVISTER, 2014).

This integration happens through job trainings and involvement of disadvantaged people in many forms of employment. Disadvantaged may refer to very different group of people and a subject to be defined by law. Generally, physically challenged, ex-offenders, homeless people, youth- at- risk are targeted by these types of companies. WISEs are very popular across Europe and varies from each other in a way they provide occupation and job, whether jobs are permanent or temporary, what kind of resources they involve/public, private, volunteer resources/ etc. In Europe, WISEs are active mainly in manual labor (building, carpentry etc.), salvaging and waste recycling, maintaining public or green areas, and packaging products. (DAVISTER, 2014)

It is interesting to also analyze UK Model of Community Interest Companies (from now on denoted as CIC). The model was established in 2005 and was developed within the Ministry of Third sector in UK. The legal status of CIC are limited public or private companies without a shared capital. Companies may attract any forms of private or public means, may deliver return to investors, but should primarily serve for the community benefit. The legal status of CICs intend to have “asset lock”, which means that the assets of the company are the property of the community, so whenever the CIC is closed, they cannot be sold and shared between SEs, but redirect them to the community. The regulatory body in the UK government, the Office of the Regulator of Community Interest Companies, poses certain rules, regulate the work of companies to follow the law requirements and receive mandatory annual report format for CIC, thus implemented so called “community interest test”³.

There are various other types of social enterprises widespread across Europe, such as cooperatives and other similar accepted forms, associations and mutual companies. (Sengupta, 2017)

Within the current report, types of SEs will be analyzed by using Kim Alter’s book on the typology of SEs (Alter, 2007), which encompasses all existing Business Models.

³ UK Government official web-page, <https://www.gov.uk/set-up-a-social-enterprise>

Chapter 2. Methodology

My study aimed at understanding the status of social entrepreneurship in Armenia, its models, history, present and prospects. Status of the social entrepreneurship indicate the state of social entrepreneurial mindset, social entrepreneurs and their enterprises (SEs) as actors of the fields. Analyses of these actors and economic entities attempted to identify the aspects typical for social entrepreneurship within research sample, other determinants not typical, describe and determine the existing problems and provide insights and suggestions. **My research also attempted to define the impact of SEs on local economic development of communities.**

SEs are aimed at creating social value for beneficiaries and create positive economic environment in Armenia's small communities where they operate. Social value creation is very difficult to measure as entities seek unique targets and work within different fields, as well as more data is necessary to collect about beneficiaries of SEs over a time.

Social Entrepreneurship (SE) is intensively researched in European countries within EMES European research network ⁴and academicians since 2000s. Academicians in EMES network also covered status of SE in some post-soviet countries, such as Ukraine, Russia and Kazakhstan. However, no such academic studies on Armenia's SE, which left the sector very fertile for Armenian and international academicians to explore. Since 2005, practitioners of the field have developed different forms of social entities, with the support of international development organizations and funders, aiming to advance and increase awareness of this sector in Armenia.

This work is aimed to provide insights for Armenian practitioners, funders and others interested in SE, as academic research methodology differs from the one that non-governmental organizations employ for providing landscape analysis and report.

The research methodology is qualitative analysis of primary data from operating social entrepreneurs in Armenia in comparison with literature review of the academic field.

Through extensive literature review, basic characteristics and motives of SE described in academic literature, as well as key determinants of 4 main academic schools of thoughts

⁴ Research Network for Social Enterprise official website: <https://emes.net/>

were examined and identified. These findings constituted the skeleton of survey questionnaire served on 30 social entrepreneurs and enterprises. This method is the most appropriate to use for such seminal qualitative research of SE mindset because ensures holistic approach to understanding SE in Armenia and goes in accordance with seminal academic achievements.

Data is collected through in depth semi-structured personal interviews with founders/ leaders of social enterprises, who are currently operating in Armenia as a registered legal entity and self-identify themselves as social entrepreneurs. As there is no definition of SE by law and no explicit legal status as such, social entrepreneurs' self-identification is basically the only way to state about affiliation to SE concept.

Research participants' sample have been determined through secondary search: via screening media coverages⁵, reports of developmental organizations and civil society organizations⁶, as well as using snowball sampling method. The explicit number of total SEs in Armenia is unknown. During secondary research, some 40 entities were identified in Armenia as SEs, 30 of which were reached.

Participants were reached through social media and official web pages. When contacting a social enterprise, it was prerequisite to interview the founder of the SEs. of the 30 SEs, interviewing five of the founders was not possible. Due to disposition of many of SEs in rural communities, often remote from Yerevan, 60% or 18 respondents were interviewed via online video tools/ Facebook, Skype, Zoom/ and through phone conversations, and remaining 40 % or 12 of participants were met in-person. The interviews were tape-recorded for better data accuracy.

Additionally, 4 field experts were interviewed. 3 of them are project managers from Armenia, who have been leaders of a project in international development organizations on establishing and supporting SEs/ for past 6 years/ all over Armenia. The forth interviewee is expert and a trainer of SE. The main purpose of interviewing them is to fill the gap of information about SE in Armenia through their knowledge and learn about the main take-aways of SE support projects they have conducted.

Database compiling, all recorded answers and filled questionnaires were examined carefully, data sets are analyzed via Excel and Google Map tool.

⁵ <https://web.facebook.com/groups/1247818145233014/>, (Tadevosyan, 2017)

⁶ http://hkdepo.am/up/docs/Social%20Enterprise%20Mapping_BC.pdf

To conclude, it is worthy to mention the importance to reach individual social entrepreneurs all over Armenia to constitute a representative sample of respondents, also varying in spheres of operations.

Chapter 3. Findings and data analysis

3.1 The environment of SE development in Armenia

For the lifetime of Third Armenian Republic, international donors have played important role in development of civil society, democracy, peacebuilding and rule of law in Armenia. Many field experts distinguish the important role of the international development agencies, benevolent organizations and non-profit organizations on the growth of civil society with financial, technical assistance, education and development of most recent concepts of Armenia.

In one of the reports by field expert (Tadevosyan, 2017), non-profit sector in Armenia is described in 3 phases of development since 1991:

- evolving from humanitarian aid purposes during 1991-1998
- civil society development and democracy period in 2000-2007
- NGOs and foundations that provide developmental services to local communities aiming at sustainability of the latter in 2008-2016

In search for providing solutions to local communities and solving social problems, and with the mentorship and financial assistance of donor organizations operating in Armenia, an observation can be made that new forms of non-profit organization activities and tasks emerged. On the other hand, civil society organizations were heavily relying on international donor organizations financial support and more and more think on sustainability and self-financing. This internal development within Armenian non-profit sectors leads to thinking about developing financially-sustainable models for CSOs and NGOs operating locally and all over Armenia to both continue their mission and contribute to solving social problems.

International non-profit organizations, governmental agencies and donors played crucial role in development of social entrepreneurship in Armenia. According to interviews with

Marina Mkhitarian (Mkhitarian, 2018), Kolba Innovations lead at UN in Armenia, Gagik Vardanyan (Vardanyan, 2018), head of Civic Development and Partnership Foundation (CDPF) and Nazaret Seferyan (Seferyan, 2018), SE expert, they agreed on the very important role of international donor organizations in development of social entrepreneurship concept, understanding, funding and promotion of social enterprises and consider them to continue to determine the field.

It was difficult to determine the social enterprise operating in Armenia in 1991-2005 within the frames of current research, as the concept was not widespread then, but many companies and organizations were involved in social entrepreneurship for self-financing and in the frames of rural community development. Based on secondary data review, it can be recalled that KASA⁷, World Vision Armenia⁸, USAID⁹ and many other donor organizations¹⁰ were present in communities on the course of many years and provided constant support to development of rural areas. Particularly, they were involved into SME support, but concept of SE was not in circulation among them.

Based on the donor organization reports, secondary analyses and interview with experts, the first social entrepreneurship promoting initiative in Armenia was back in 2005, aimed at supporting financial sustainability and decreased donor reliance of civil society organizations. The Ministry for Foreign Affairs of Czech Republic was the donor of the project and the Eurasia Partnership Foundation implemented it. Participants passed extensive six-months-trainings and received financial support to establish social enterprises (Mkhitarian, 2018). Marina Mkhitarian also states that all SEs established then are successful up to now, although some of them have had mission drift from SE to

⁷ Official website at www.kasa.am/hy/

⁸ Official website at: www.wvarmenia.am/

⁹ [Projects implemented by USAID in Armenia: www.usaid.gov/armenia](http://www.usaid.gov/armenia)

¹⁰ [More projects have been funded by GIZ at www.giz.de/en/worldwide/374.html](http://www.giz.de/en/worldwide/374.html), and EU at www.eeas.europa.eu/delegations/armenia_en

business. Since then the provision of extensive trainings, mentorship and seed funding or grants is attributable in SE promotion projects by other organizations.

Since then, donor organizations and civil society members themselves started to think more on the sustainability of nonprofit entities and see SE as a model of it. The second major donor-initiated project that aimed at establishing SEs in Armenia was Livelihood Improvement through Fostered Employment (LIFE) by USAID and Save the Children Armenia, which aimed at promoting equal employment opportunities and employment for people with disabilities. The approach was to establish work inclusion social enterprises and enroll them in business, NGOs and local community administration structures. The project provided vocational education, trainings, grants for becoming WISE and extensive public awareness on ways to promote creation of this type of SEs in Armenia. Project lead Gohar Galstyan mentioned in an interview conducted within the frames of current research (Galstyan, 2018), that one of the main takeaways of the project is great interest and success of local self-government bodies in the establishment of WISEs by them, as well as how traditional businesses behave within the context of SE.

British Council Armenia, with the financial support of the EU, implemented another project in 2014-2015 to increase SE awareness in Armenia and to participate in development of concept on SE for Armenia¹¹.

Community Development Through Social entrepreneurship¹² is a project financed by EU and Austrian Development Cooperation, which aimed at establishing SEs and provided conceptual basis and financing for participants across 8 marzes. As a result, 10 SEs were established and funded within the project. Training participant - entrepreneurs, interviewed within the scope of this research, recall the high value and deep understanding of SE concept they gained during one-year extensive trainings.

¹¹ From one of concept papers by HKDEPO within the project, available at: http://hkdepo.am/up/docs/Social%20Enterprise%20Mapping_BC.pdf

¹² For more on CODE – SE, follow <http://www.se.center/>

In the beginning of 2018, Near East Foundation in Armenia started to implement a project EU for Women sponsored by the EU¹³. Project aims at supporting 12 CSOs in 4 marzes to empower and involve 600 women into social entrepreneurial activities of their organizations. Another project by the EU started at the end of 2017 with a goal to financially and conceptually support Armenian SEs and social innovation projects¹⁴.

Kolba Lab, implemented by the EU and UN in Armenia, has been the main intellectual and conceptual hub for the SE development in Armenia in recent years, and promoted social innovation and SEs. As Marina Mkhitarian stated in her interview (Mkhitarian, 2018), the Lab has changed its trajectory in 2018 for empowering social innovation and change-making inside RA government.

In 2018 annual Hartak festival¹⁵, sponsored by WVA, was dedicated to social entrepreneurship. Among other CSOs supporting SE development are Business Support Office in Yerevan, Civic Development and Partnership Foundation and Association of Social Enterprises.

Association of Social Enterprises in Armenia has been established in 2015 to support civil society development through promotion of social entrepreneurship. It has 36 registered members all over Armenia and serves as a learning and information sharing hub for the participants of the field. 9 members of the association were surveyed within the current research. Satik Badeyan, social entrepreneur and leader of the Association, told in her interview, that the exact number of SEs in Armenia is not determined. As there is no law about SE, the official registers do not segregate the information about it. Neither there are exhaustive database of companies available to learn their description.

¹³ https://eeas.europa.eu/delegations/armenia/38334/eu4women-economic-empowerment-through-social-enterprise_en

¹⁴ <http://www.agbu.am/en/bridge-for-csos/3373-financial-support-to-third-parties-start-up-social-entrepreneurship-grant-call>

¹⁵ Official Facebook page of Hartak festival in 2018, https://web.facebook.com/HartakFestival/?_rdc=1&_rdr

3.2 The factors of SE in Armenia and their status: analysis and discussion

3.2.1 General analyses of 30 Armenian SE participants

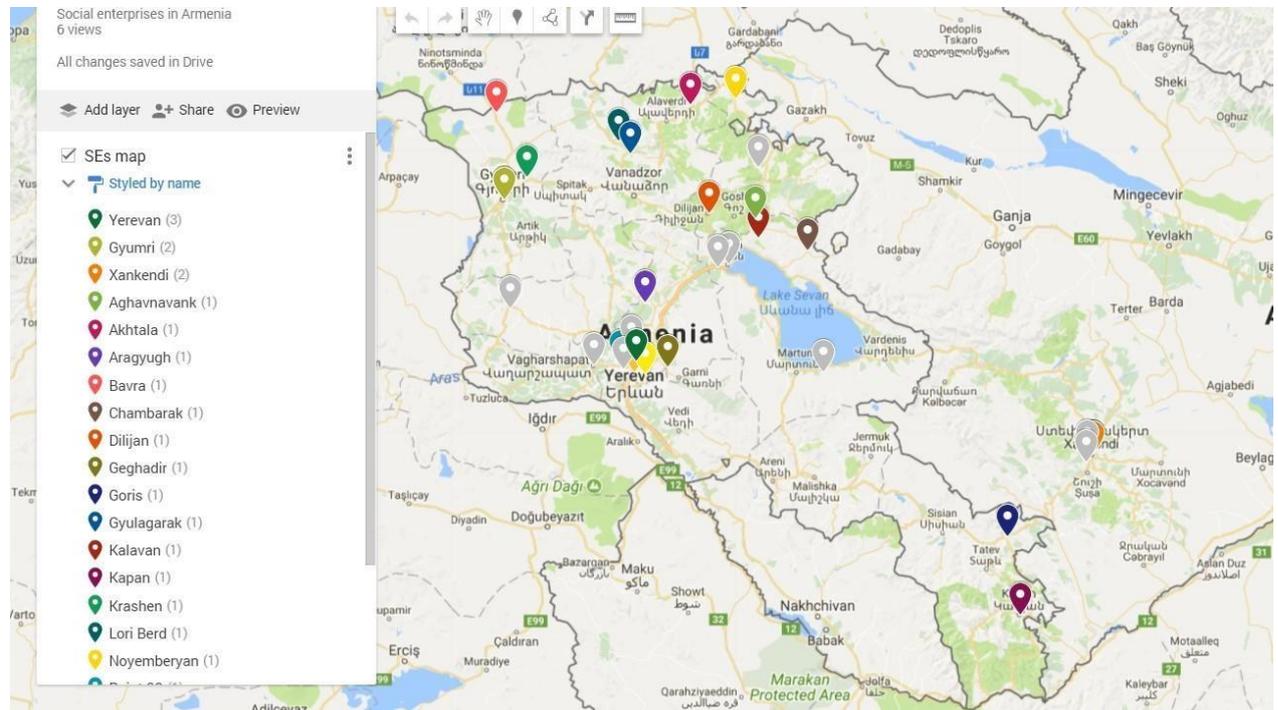


Figure 3 Research SE participants' Map

Research participants are entities operating in Armenia and self-identify themselves as social entrepreneurs. As there is no definition of SE by law and no explicit legal status as such, social entrepreneurs' identification was based only on individual reporting's about affiliation with SE.

30 social entrepreneurs-founders of the enterprises took part in the research from 8 marzes and Yerevan. The map below presents the communities where SEs operate. 10 enterprises operate within one community, 13 SEs have social impact beyond one community, whereas 4 SEs operate for the whole territory of Armenia and over Armenia and Artsakh. The full list of SEs names and communities see in Appendices B and C of this research.

The following paragraphs are intended to provide general overview about the 30 social enterprises in term of understanding their main fields of operation, social problems they targeted and means of financing.

3.2.2 Sectors of operation

Respondent companies have been identified to operate in following sectors of economy as presented on the chart.

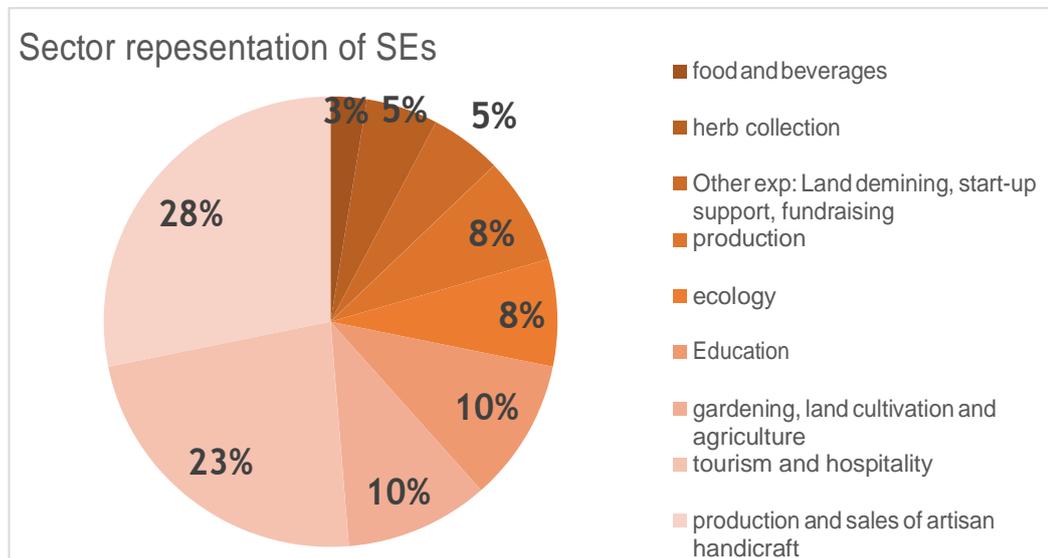


Figure 4 Sector representation of SEs

In Armenia, the most common social enterprise activity is the production and sales of traditional handicrafts by local women. The ideas emerged as artisans has many talents in crochet, knitting etc. and are not employed. The handicrafts are of high demand among tourists and visitors to Armenia. In case of Homeland Development Initiatives Foundation (HDIF) as one of the main actors in the field, company has transformed production and sales from internal sales to international business orders in 2018. Currently local women groups from all over Armenia are involved in handicraft production under the umbrella of HDIF, which support local small women groups with product development, marketing and promotion services.

The second common activity is tourism and hospitality. Within the sample, 9 companies fall into the category. Companies mainly provide hotel and B&B to tourists interested in extremal and eco-tourism activities. SEs are in beautiful and remote communities all over Armenia and mainly use local capacities and resources in their operations, thus boosting local economy.

It is worth mentioning also the third active sector, which is gardening, land cultivation and agriculture. The companies are involved into new kinds of agricultural products development and utilization of lands across Armenia. Due to the efforts of one of the companies, Green Lane NGO, which established Green Life SEs, for the first time started

to cultivate broccoli and blueberry in Armenia in 2015. The company is also involved in sales promotion of villager's products via online platform.

The rest of the SEs fall into other sectors, including public education provision (10%), production (8%), ecology (8%), herb collection (5%) and others.

3.2.3 How the founders come up with establishing a SE

The questions asked are aimed at understanding the initial interest of the founder/founders and learning about their inner motive to become social entrepreneurs. As already discussed, academics and practitioners consider motivation of social entrepreneur as of the most important in the SE. Responses are analyzed based on the responses and in comparison, with internationally accepted approaches to the discussed issue.

One of the main factors of social entrepreneurship is the initial aim of the founders to solve a social problem and the strong sense of having it at the very beginning of establishing the enterprise.

It is internationally accepted that the social entrepreneurs considered to have interest in SE due to the following inner drivers:

- belonging and sense of affiliation to the group or culture and thus experiencing social entrepreneurship
- finding a purpose on whatever they do and see it within a social entrepreneurial platform
- transcendence: doing something bigger than yourself
- storytelling: social entrepreneurs come into the world with their own stories

Based on the results of the research, 30 social enterprises within the sample provide the following inner drivers of their decision to enter the field, with opportunity to choose more than one answer.

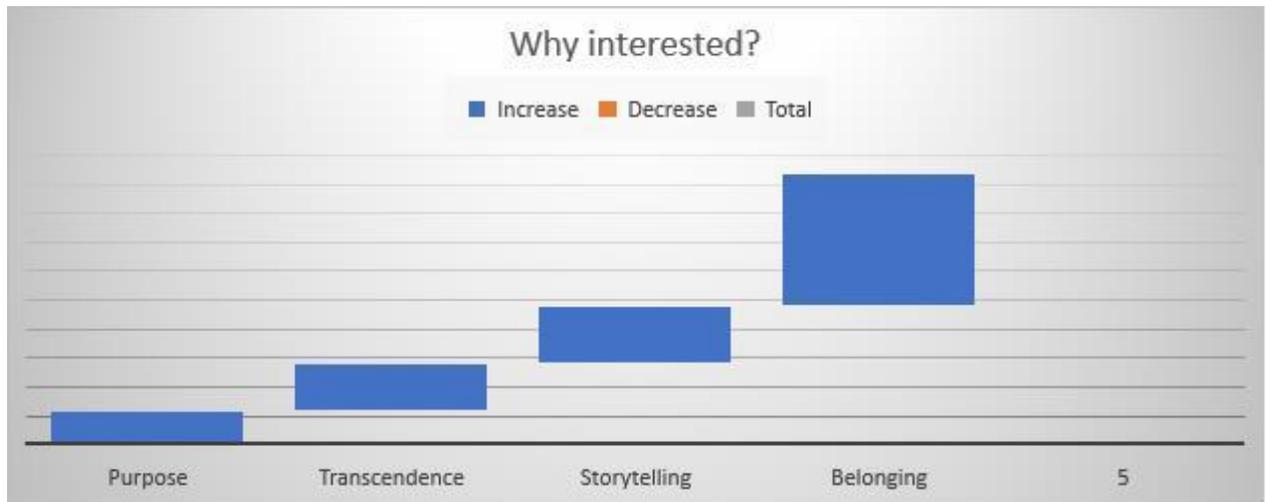


Figure 5 The Reasons of Engaging in SE

The sense of belonging, according to the data, is the most prevailing incentive to solve social problems. It is distinguishable for the social entrepreneurs, who repatriated to Armenia and those born in Armenia. Sense of belonging was expressed in form of patriotism and deep trust with future of Armenia.

Social entrepreneurs come to the public having in mind to tell a story about themselves and their stakeholders in 10 responses, whereas for the transcendence searching for a purpose through their work, was recorded in 8 and 6 responses respectively. More insights on the purpose of SEs can be drawn from 2 more questions addressed to the founders and their representatives.

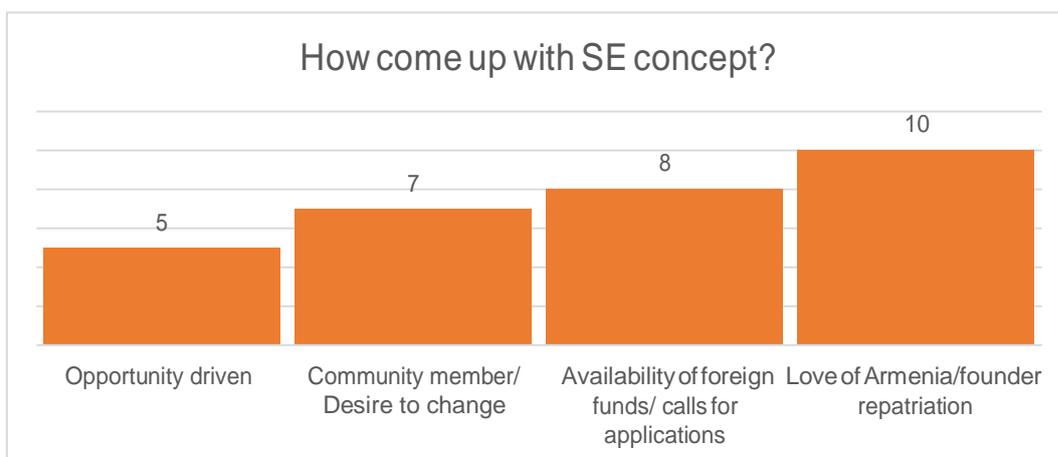


Figure 6 Inner Driver for Launching SEs

The first question addressed was how they come up with the concept of SE as such, i.e. to understand how social entrepreneurs decided on SE as a concept of their work in comparison with traditional business, charity etc. 32% responses were about their love to Armenia and decision to repatriate to establish a venture in the country to tackle socio-economic problems. 26% of respondents mention that they used the opportunity of foreign funds and donors in Armenia, applied to the projects and then got acquainted with the SE concept. 23% of respondents mentioned their desire to transform the communities they live in and search the ways to do it, and only later it appeared that they are practicing SE even not knowing about it. In 19% of cases decision to SE were opportunity-driven, i.e. occasionally learned about SE concept and undertook the venture.

Another question to social entrepreneur referred to the purpose of social enterprise. The

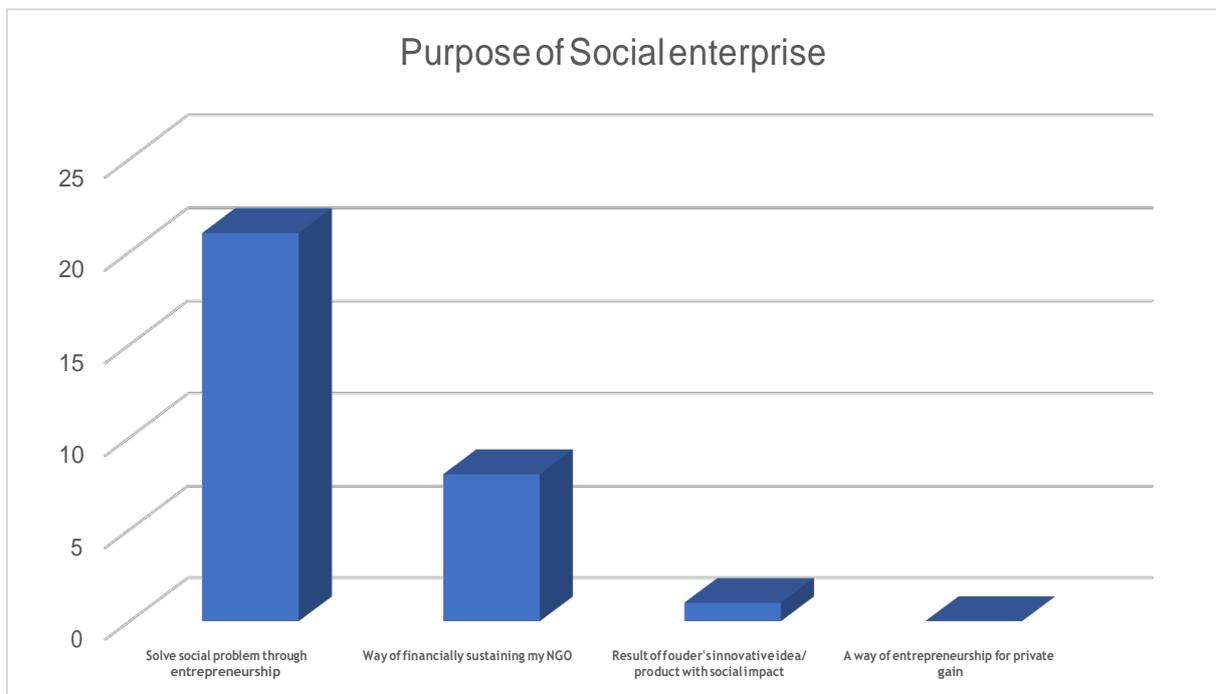


Figure 7 Purpose of social Enterprise

purpose of SEs in 66,6% of responses is to solve social problems through entrepreneurship, whereas SEs as a mean of sustainability for the NGO t runs for 26.6% of respondents. 1 respondent answer is categorized under innovative idea realization of the founder within the SE. No responses were recorded for having a purpose of entrepreneurial gain can be in contrary to the SE concept.

Based on answers to these 3 questions, the initial insights and purposes of respondents were examined in depth. Patriotism and community development were the triggering motive that lie in more than 55% cases, whereas other 26% of cases already were deep in

the non-governmental work within their targeted communities, where SE come to support their mission financially and prolong it.

So, it can be concluded, that insights and purposes of social entrepreneurs within the sample are of primary social nature, the way it was discussed about entrepreneurs in academic literature and practitioners internationally.

3.2.4 Social problems addressed by SEs

Participant social entrepreneurs presented the social problems they targeted and address within the following categories.

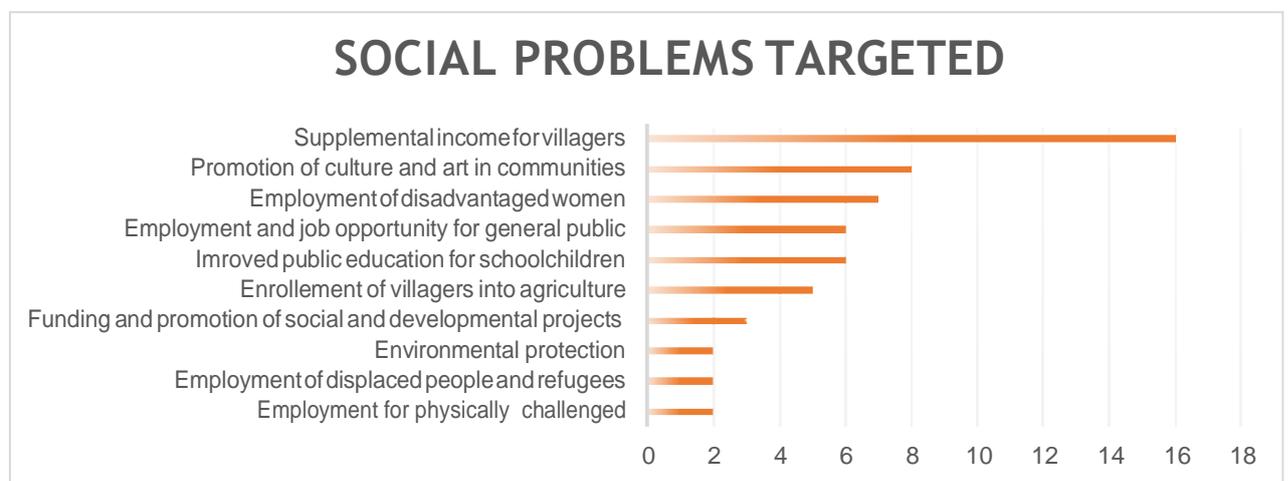


Figure 8 Social Problems Targeted

These are the social problems that lie at the basis of SEs establishment. 16 respondents were categorized as supplemental income providers to community people where they operate. The forms of supplemental income vary, and this contributed to the increased opportunities for villagers. People directly sell household products they produced or distribute them to SEs for the needs of enterprises receiving payment as priority agreed with the social entrepreneurs.

Another 17 respondents provide employment for economic disadvantaged people, women, physically challenged and displaced people in communities all over Armenia. The forms vary across entities. The main forms of employment contracts are piece work agreements and part-time contracts, which are primary related to seasonal nature of operations/ for instance, tourism and hospitality, herb collection etc./ and other specifics of

business processes. Piece work agreements are the form of payment for artisan crafts producers.

Some research participants also target public education problems in Armenia and provide alternative education opportunities (Dasaran.am, Teach for Armenia, 3D modeling classes), care for tree planting all over Armenia and Artsakh, development of agriculture/Green Life, Brghatik, TimeLand, Easy Land Cultivation Project), financing and supporting developmental projects and entrepreneurship (OneArmenia, Impact Hub Yerevan, Gyumri Tour).

Overall, around 66% of research participants targeted employment and supplemental income generation for beneficiaries across communities. This tendency is in line with socio-economic problems and national unemployment rates in Armenia, which make up to 18% in 2017¹⁶.

The respondent social entrepreneurs consider job creation opportunities as the most enduring impact of their project. In particular they mention, that the greatest thing they envision is when men in communities decide not to leave Armenia for a seasonal work but stay and got involved into their projects. Another major social impact that was very often mentioned, is the regain of hope among community people for future and increased confidence to get involved into economic activities.

Entrepreneurs themselves with their initiatives very often play the role of motivators for their communities. More on social impact of 30 sample participants are analyzed in the paragraphs below.

3.2.5 Funding for SEs

The analysis of Armenian SEs and general overview of the companies is very important to discuss also in terms of financial structures and financing organizations promoting development of Armenian SEs.

The importance of donor organization into development of SE in Armenia has already been discussed. Within the sample of 30 representatives of the field, financing means and availability of SE financing in Armenia will be presented.

¹⁶ https://www.theglobaleconomy.com/Armenia/Unemployment_rate/

Research participants provided the following structure of seed funding for establishment of SEs.

45% of social entrepreneurs invested their own financial means at seed funding of SEs, while 36% of participants received funding from international development organizations operating in Armenia. These two sources constitute more than 80% of respondents' cases, while in rest of 19% cases social entrepreneurs attracted individual charity means, bank loans, private investors and in 1 case full financing from RA government.

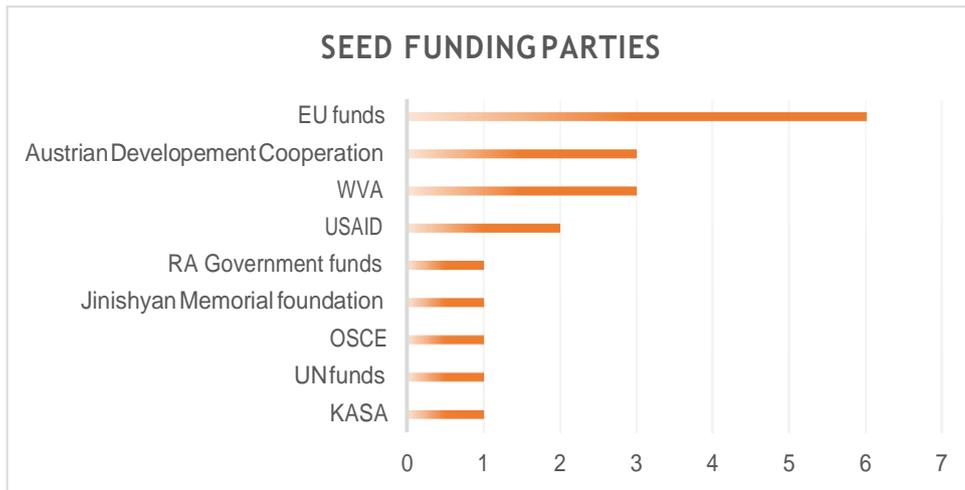


Figure 9 Seed funding sources

Respondents also provided the name of international organizations operating in Armenia who supported Social entrepreneurs with seed funding. EU is pioneer in supporting SE within the sample participants, and followed by Austrian Development Cooperation, World Vision Armenia and United States Agency for International Development in Armenia. All the mentioned parties have long been investing into CSOs and NGO development, as well as has economic development projects, that does not

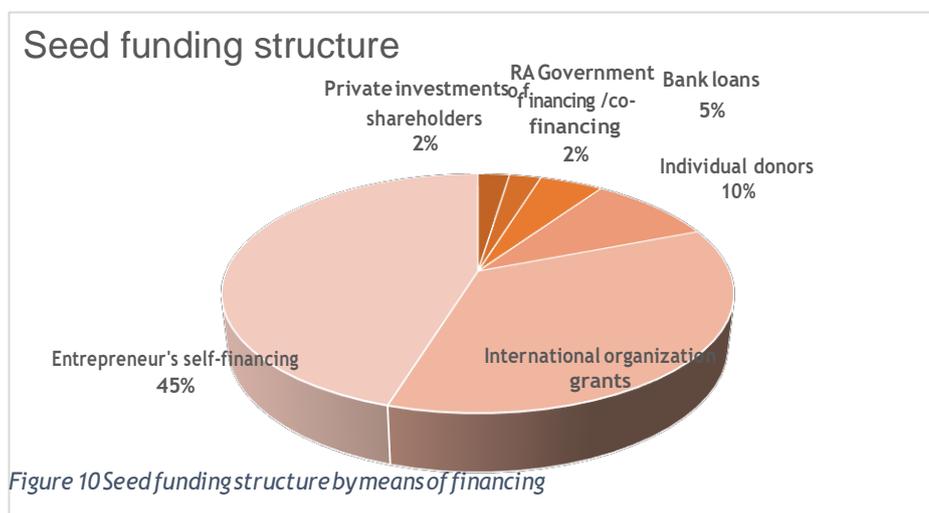


Figure 10 Seed funding structure by means of financing

lead to SEs establishment as such. Similarly, the chart is not representative about full operations or impact of this organizations in Armenia.

On the question of other types of financing that respondents employed for financing their SEs during the life of their companies, answers were about donor organizations in about majority of entities/ in 43% of cases/.

It is interesting to mention, that 11 entrepreneurs out of 22, who invested their own means in the enterprises, have repatriated to Armenia with explicit motives to establish economic development companies and run them by themselves. Also, in 17% of enterprises, funding is being sponsored by individual ethnic Armenians donors from abroad.

So, in line with international donor organizations, Armenia diaspora role on promoting of

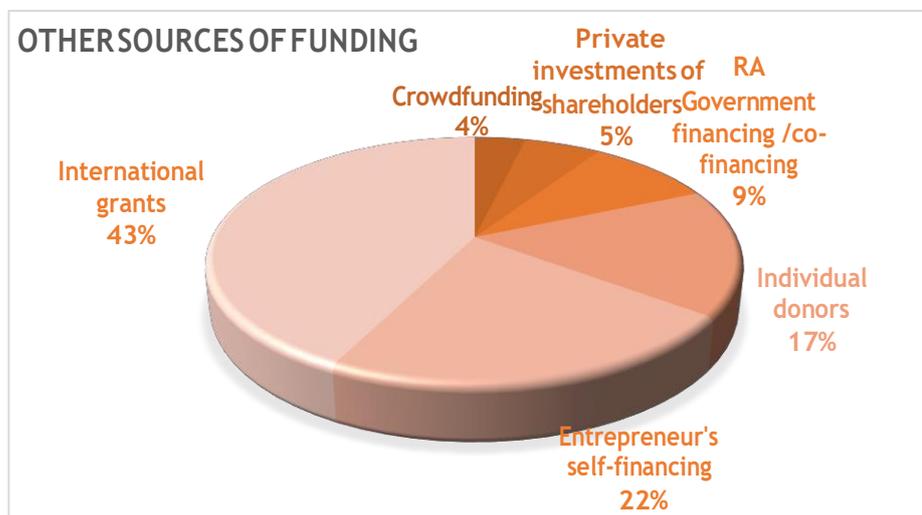


Figure 11 Other sources of funding for SEs

SE in Armenia is very huge, either in terms of financing them, or personal involvement of diaspora entrepreneurs in development of the enterprises.

Types of financing and self-sustaining of respondents will be analyzed from sustainability perspective in another chapter of current work.

While considering financial viability of SEs, it is worth also to mention the years active and operating as an entity. This will spread light about in which stage the company is within business lifecycle.

It is seen from the charts, 40% of SEs has been established within the last 4 years, and in their early years of business cycle, which very determinant into further development of the enterprise. While 43% of entities are already in their growth and establishment stage. 17% of researched companies are established and mature companies.

There is no specific lifecycle developed for SEs, and the definitions of life cycles are taken as those of traditional businesses (Petch, 2016).

3.3 Analyses of Social entrepreneurship determinant factors

In this chapter status of key determinants of social entrepreneurship in Armenia will be analyzed. In previous chapter a general overview of SEs were provided, which will smoothly lead to analyses of key determinants revealed via literature review, as well as discuss the importance that each school of thought pose on SE. Based on data collected within the scope of this research, the status of each of the factors will be analyzed, as well as an attempt will be made to understand patterns of affiliation of Armenian SEs and Armenia based social entrepreneurs to these major schools of thoughts.

The determinant factors, that taken from literature review, are the followings:

- Social entrepreneur, his/her persona, innovativeness and creativity
- Direct or indirect relationship between services of social enterprise and its mission
- Legal structure of social enterprises and most common types of legal status of SEs
- Profit distribution by social enterprises, analysis via Business models
- Income earned or entrepreneurship involvement by SEs
- Governance of SEs and involvement of stakeholders into decision making

The first feature will be discussed in accordance with Social Innovation School of thought, where the unit of observation is social entrepreneur and the main characteristics are his ideas, innovativeness and creativity. While for the rest of features, social enterprise will be the unit of observation, as it is in 3 other schools of thought.

3.3.1 Social entrepreneur's role as one of the SE factors

Respondent social entrepreneurs were asked about personal features of social entrepreneurs and the importance of creativity and innovativeness in their work. The importance of creativity and innovation was asked to assess from 1 to 5 scale, where 1 is not important and 5 is very important.

The main personal characteristics that founders think they possess, are features such as being stubborn and persistent, social mission driven, having high sense of responsibility and altruistic. Caring for other people and society was mentioned as key characteristic of social entrepreneur. In more than 50% of cases they reflected about

envisioning their targets for a long period of time, when many people around them does not believe in success of their venture, so it also requires much efforts to go forward and motivate communities to join them.

It is worth to mention, that interpretation of terms innovative thinking and creativity is not common among social entrepreneurs, always put in a very limited sense. Novelty is very often interpreted in same way as innovation. The term creativity is often associated with creative arts and does not encounter person's mindset of "thinking out of box" and "doing things in new and different ways". However, after some discussions about meaning of the terms, 90% of respondents pose great importance to role of creativity and innovativeness in their work.

3.3.2 Social Enterprise (SEs) role as one of the SE factors

3.3.2.1 Mission-service link as one of SEs factors

Mission-service link is discussed in academic literature in terms of serving target groups in the same field or area as the operations of enterprise took place. Goods and services provided can be related, unrelated or central to the venture's mission. Wherever the SE unrelated, it gives more freedom to companies in income generation activities for their ventures. In 47% of cases SEs operate in mission unrelated fields. One of such examples is Gyumri tour, which organizes tours in Armenia and Artsakh, but its target stakeholders are children, teenagers, who benefit from sports event organized, and poor families from Gyumri, who received financial assistance from Gyumri tour SE for health costs coverage.

Armenia Tree project is an example of related mission-service link, when trees grown by refugees and poor people are planted in communities where the people live.

33% of respondents' operations is central to SEs mission. One example of such company is "Easy land cultivation through multi-functional tractor" SE in Krashen community, which provide machinery for land cultivation services to community people. Its mission to support local people, mainly labor migrant wives and elderly people from Krashen, with easy gardening at subsidized prices.

When mission of SE is matched with its operation, beneficiaries increasingly benefit from inclusion into processes that are in core of entrepreneur's activities and thus, impact is

more holistic. On example of Krashen, founder is in everyday touch with community people and constantly share and teach them better agricultural practices.

To summarize, it can be stated that there is no specific distinction of accenting on mission-service linkage within the sample, so the status of the factor is dependent on other factors.

3.3.2.2 The legal status as one of SEs factors

Although the primary purpose of the research is not going deeply into legal forms, norms and regulations of SEs, but rather to understand social entrepreneurship in Armenia, it is notable to find out which legal forms do participant SEs undertake.

Respondents were required to provide official legal status of their enterprises. The distribution of 30 entities can be seen in the chart below.

As we observe, 44 % of respondents are registered as Limited liability

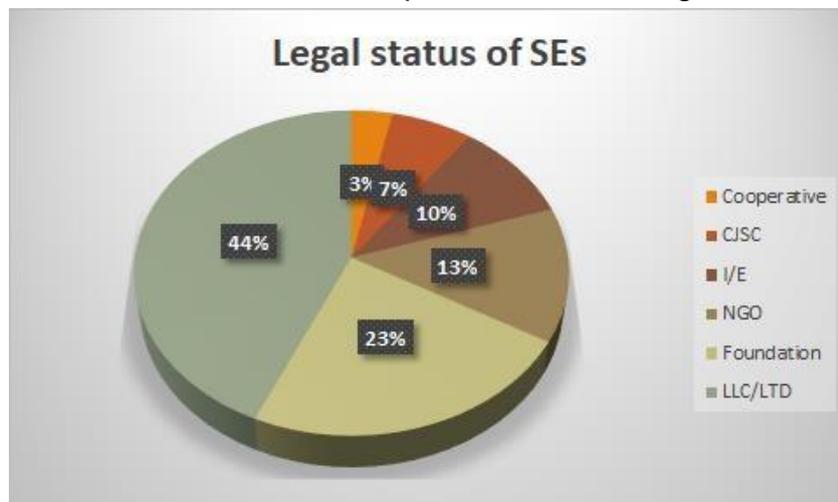


Figure 12 Legal status of SEs

companies/LLC/. Then 23% entities are registered as foundations and 13% as NGOs. 7% of companies are registered as CJSCs, and we have also individual entrepreneurs/10%/ and 3% respondent cooperative registered as such. Based on responses of the founders/social entrepreneurs, “Window” arts and crafts studio in Gyumri and Arbina NGO are considering developing new models of cooperatives and deep into understanding UK

cooperative models to adapt them within their community context, but currently are registered as LLC and NGO respectively.

In 2017, RA Government amended the law on Non-governmental organizations and allowed them to carry out entrepreneurial activities that will support the mission of organizations, establish or become a party to commercial company, however keeping separate business records and thus do entrepreneurship within the same regulations as commercial entities do. 13% of the entities or 4 organizations surveyed are registered as NGOs and only two of these SEs have been established within the last year. It seems that the law provisions supporting NGO business operations and thus creating a ground for SE in Armenia are still very new for SE practice and promotion.

American Social enterprise school researchers pose great role on legal status of SE, determining them to be primarily from non-profit sector. Whereas other researchers argue about legal form of SEs in terms of possibilities it gives for profit distribution.

Unless a separate legal framework of SEs is not provided by the law of RA, like it do in forms of Community Interest Company in UK, Work Inclusion Social Enterprise in European countries, low-profit limited liability company in USA, social enterprises defined by law in Romania, Lithuania, Italy and other countries, social entrepreneurs in Armenia will determine legal status of their entities based on the nature of their business activities, source of income or the way they distribute the income, or in a combination of all of this.

In the sample of 30 participants, where 44% of respondents are registered as Limited Liability Company and 7% of responses as CJSCs, only 36% of respondents are non-profit foundations and non-governmental organizations, which states about orientation of participant SEs towards income generation and entrepreneurial freedom.

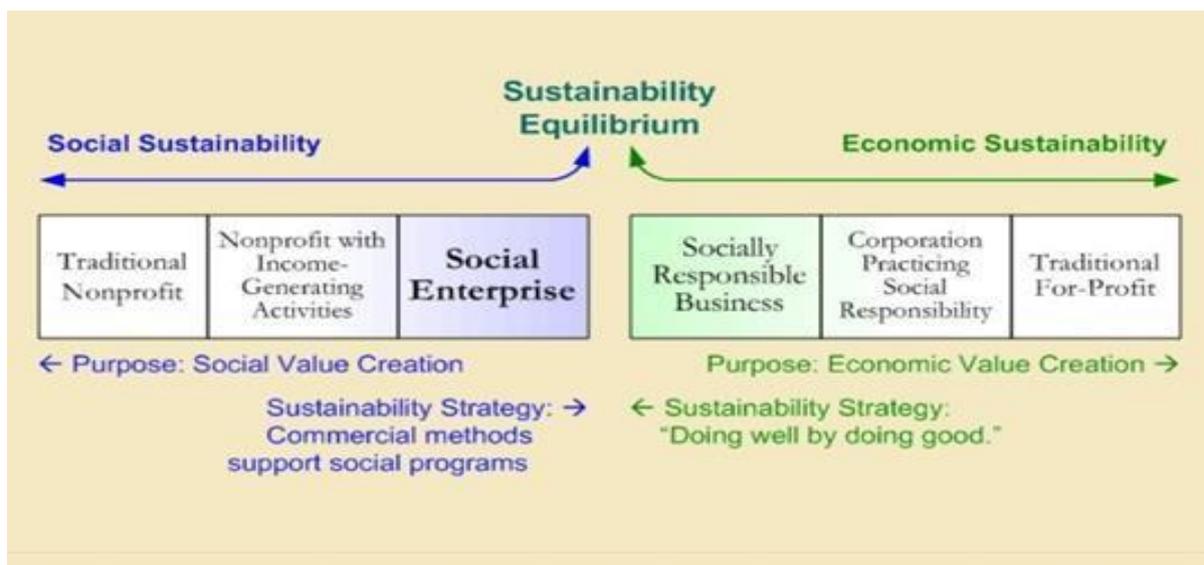
All respondents and field experts mentioned in their interviews, that they provide great importance to legal definition of SE in Armenia.

3.3.2.3 Income generation as one of SEs factors

Kim Alter is the founder and principal of Virtue Ventures, a social entrepreneurship management and consulting firm. In her book *Social enterprise typology* (Kim, 2007), she presented the spectrum of organizations in society in respect to their sustainability strategy, purpose, way of income generation and destination of income generated. Within this paragraph, research participant SEs will be analyzed based on these parameters of the author. It is very important to note, that this spectrum discusses SEs within presented parameters and aimed at understanding internal core characteristics of SEs.

However, as mentioned, different schools of thought in SE and experience of various organizations around the world does not put exact limits on what can be called social enterprise. Social enterprise in next paragraphs is discussed in accordance with sustainability equilibrium and based on the book by Alter as one method of understanding income generation by SEs, but any of organizations in the continuum is called social enterprise in real life practice. Organizations lying in this continuum, are called hybrid organizations, which have mixed social and economic motives, keep balance between their market and mission and reinvest their profit into mission or retain for business growth. The author also presents the importance of accountability towards shareholders. Accountability and profit reinvestment are quiet opposite of the practices done in business and key in determining the social core of an entity.

The chart below shows four type of hybrid practitioners distributed on a continuum of sustainability between traditional nonprofits and traditional for profits. This equilibrium reflects not only profit distribution, but also the purpose for which the profit is generated. Primary purpose of entities on the left side of the diagram is social impact, whereas profit is attributable for entities on the right side.



Sustainability equilibrium and different forms of hybrid organizations between traditional businesses and traditional non-profits

Nonprofits with income generating activities incorporate some form of revenue generation, which are integrated into organizations internal activities and are very small in comparison to its operations. In a sample of 30 participants, Impact Hub Yerevan can be classified under the definition. Impact Hubs mission is to support the start-ups and connect talents and capacities, but its operational budget relies on donations, that subsidized place rent for start-ups and fellowship assistance for new comer members alongside membership fees. As a hybrid model Impact Hub Yerevan can be observed as much more focused on social impact and its goal rather than self-sustaining mechanism development, although, they consider it as very important.

Based on characteristics of purpose, mission and profit distribution described above and compared, 23 entities of 30 surveyed entities can be distinguished to be social enterprises. SE is defined in the continuum as more sustainable and approach its income-generating activities as business but reinvest the profit into its social mission. It is important to mention, that social enterprises see their business success and social impact as being interdependent. One of respondents Artush Khachatryan states in his interview: "it is crucial for my SE "Sareri Barik" to keep business component viable, as it is driving force of my entity to deliver social impact and continue doing it".

Socially responsible business is a type of for-profit companies that operate with dual objective- making profit for their shareholders and social impact. Nairian cosmetics and Yenokavan development project are the entities in the research that can be considered as socially responsible businesses. Nairian is very deep concerned with nature preservation and community development in Armenia and reported being highly responsible towards health and wellbeing of their employees - Aragyugh villagers. Yenokavan development project is an example of community development initiative, where businesses and not-for profit activities combined in a way to boost economy of Yenokavan. The founders repatriated and established extreme tourism and hospitality facilities in remote community of Tavush, attracted investors and other forms of borrowings. Foundation has developed community development concept and negotiated it with community members to define prospects of Yenokavan development. Both companies, Nairian and Yenokavan project reinvented the economy for their community and changed the life of people around. Both attracted investors and are concerned with profit making, but huge social value is being created by them alongside business operations and they reported trade-off decision between entrepreneurial and social natures of their work. What is also very interesting, the two were very concerned initially with social impact creation when establishing companies. Based on the level of commercialization of the operations, 4 organizations within the sample can be classified as traditional non-profits, as they did not pursue any income-generating activities but follow traditional non-profit means of financing. Here they are. Armenia Tree project is being fully financed by American donors and promotes tree planting and environmentally conscious behavior all over Armenia and Artsakh. The company itself creates income-generating activities for the villagers through tree nurseries and plant them inside communities and forest territories but is not engaged with any business activity.

OneArmenia conducts social value creation through fundraising and sponsoring projects of blended social and economic missions for remote and borderline community people. It is not engaged in any business activity and donations given by more than 5000 donors from America and Armenia are fully dedicated to funding community development projects. It is interesting, that board members and founders cover 100% operational costs of organization so that donations can be given for only social value creation.

Dasaran.am and Teach for Armenia are both educational projects covering with their operations all public schools in Armenia. Dasaran.am is fully financed by the government with a service fee for each connected school to the system also generating funds from donors for creating interesting gamified content for Armenian schoolchildren. The founder states that they are currently involved in international venture accelerator program and think on selling the rights of their model to developing country educational models.

Teach for Armenia reported fully donor financed operations, and RA government covers school teachers' salaries by part. Founder Larisa Hovhannisian provided insights and states that sustainable financing is among her main considerations, but the organization currently does not envision any form of income generating activities. Additionally, the team work on self-improvement within organization, every year conduct audit by external firms, sustainable budgeting and expenditure system and high relationship with current and potential donor organizations, as to continue traditional donor funding. Larisa also mentioned, that recently Teach for Armenia received funding from anonymous donor, which exceeded organization's operational budget for a year. It allows them to enlarge community coverage and scale of their social impact in academic year 2018.

3.3.2.4 Profit distribution as one of SEs factors

This sustainability or viability of companies in the analyses above in general state about the ability of SEs to secure resources for the mission. If put in a simple chart, the viability of entities will look like this.

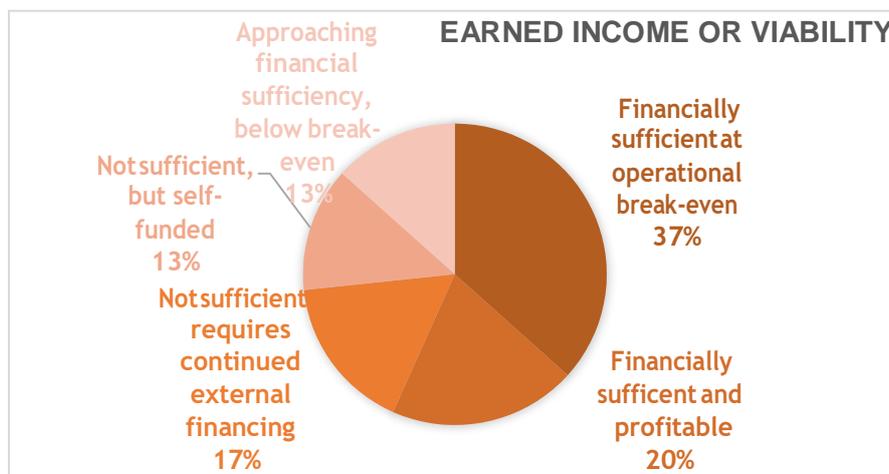


Figure 13 Earned income or viability of SEs

Operational break-even states about revenues covering all operational costs with no additional revenue. 37% of respondents reported about operational break-even, and 13% of companies stated about below break-even level revenue. Thus, 50% of respondents earned income below or at operational break-even and did not reached to profitability. The parity of respondents, who reported financial sufficiency and profitability, is 20%. Additionally, 17% of participant SEs are not involved into entrepreneurial activities.

In relation to profit distribution practices of participants, 9 entities reported about 50%+1% profit distribution model. They all were participants of CODE-SE project (please see in previous chapters) and were provided with 1-year extensive trainings for participants and supported them with financing of companies. Project trainers and participants developed the concept of SEs, which will distribute 50%+1% of its profit for social mission. All 9

founders of social enterprises or 30% of all respondents reported about their willingness to adhere this formula of profit distribution later.

The rest of entities involved in entrepreneurial activities reported about reaching their mission through operational or business models of the companies without specifying any distinct percentage point of total profit distribution by them.

3.3.2.5 Operational models of SEs

This chapter will provide in detail analyses of participants company business models. Models depict SE's relationship with target population/i.e. beneficiaries/and with Market/ i.e. consumers/ and its role in delivering social impact and creating economic value/ income/, as well as the way how business activities and social value creation fits together. These operational models help to better understand the role of an entity in social entrepreneur ecosystem.

The following operational models are also taken from discussions by Kim Alter (Alter, 2007) and represent the most common and widely cited typology of SEs business models.



The chart represents the distribution of operational models among research participants.

Nine of the analyzed entities or 30% of respondents follow employment operational model. The business model provides job training and employment opportunities for beneficiaries such as low income, economic disadvantaged, physically challenged people, youth at-risk, ex- offenders etc. Companies employ them and sell goods and services produced by them in markets. This type of organizations is also called Work Inclusion Social Enterprises. Yerknayin Manana SE from Sevan provides employment opportunities to physically challenged adults in their bakery and was initially established with the aim to have an impact on those people living in Sevan. Successful Young Lady NGO, Goris Crochet and Talin dolls SEs employ artisan women, who live in remote communities and are not employed. However, their hand skills are very good: different souvenirs and presents are being produced to be sold in markets. Companies provide piecework payment to the employed women and support the development of skills and technics. SEs make it possible for women to work remotely- from home, whenever it is necessary for beneficiaries due to the family conditions.

Employment model in Sareri Barik and Nurik Community Development Center SEs involves women and young people into herbs and greenery collection from mountains. Nurik SE is also a tourism center, where handmade things from local people, collected herbs and food services are being provided. Ecovillage Resort HieLandz and Café#2 employ community people and youth through providing capacity building for them.

Thus, we may state, that WISE model is very widespread for Armenia, as it is for the European countries.

Complex business model is about mixing and combining different SE models. 6 SEs or 20% of companies implement different approaches simultaneously. TimeLand and Bohem studio-teahouse are mix work-inclusion model and service subsidizing models. Bohem

studio is a social hub for artists from Sevan and visitors, also being a café and a shop of handmade crafts. The profit earned is aimed to be invested in promoting arts and culture in Sevan town and to transform the city with an interaction platform for the community visitors and local youth. TimeLand is a community development initiative, which is the only working entity in small community of Kalavan. It is difficult to distinguish the exact model, but a mix of different approaches, that social entrepreneur Robert implements in Kalavan. The community has appeared on the map of ecotourism in Armenia and reinvented the economy for half- empty remote village. Villagers are turning their houses into B&B services and benefit in other ways from increased traffic of visitors.

ARK Armenia also employ different kind of operations, such as additional income generation opportunities through attracting extremal tourism followers into Kapan and nearby communities, involvement of local people into seasonal work and reinvesting profit into action of high public importance/service-subsidizing model/.

Machanents tourism and Arts and GRIG resort constitute the essence of tourism in their communities and involve beneficiaries in different ways.

Entrepreneur support model stands for the model when social enterprise sells financial and business support services to its clients, who then deliver their service to the market. Impact Hub Yerevan is an example of entrepreneurial support model. It provides office space and collaboration for its member businesses and start-ups, co-finance their office space rent and involve in fellowship projects to provide mentorship and scale up their rise.

The market intermediary model stands for the type of SE that provides value-added services for the target “clients”, thus supporting them accessing markets. These services may include product development, production and marketing assistance. SE, acting as a market intermediate, purchases the client made products to deliver to the final market and sells at a high margin mark-up. Homeland Development Initiatives fund (HDIF) is an

example of such SE in Armenia, which accesses new markets and attract consumers, make and develop prototypes, conduct marketing and other types of development events and finally sells the products at a market cup to enable local artisan women' products to access Yerevan markets and sell internationally. 3D Modeling Classes is another example of market linkage model, which helps adults from 4 marzes learn 3D modeling and implement 3D design. SEs searches for clients internationally, to promote sales of their services. Simultaneously 3D classes are being held for schoolchildren in remote communities of Armenia.

Brghatik and Nor Hatik are cooperatives which include households from several marzes into the buckwheat production, however they experience difficulties with selling their product. Arbina and Window national studio have started their operation less than 6 months ago and reported about developing a form of cooperative on the model of UK cooperatives contextualizing it with local culture.

Finally, IDeA and Yenokavan foundations and Green Training/Green Life LTD are examples of mixed SE model, combining social and business activities.

Yenokavan foundation is aimed development of Yenokavan village as a tourism center. The company is the biggest employer of the area. Local people benefit from operations of Yell Extreme Park/ employers are from community, additional income generation from sales of local products/, Apaga resort/construction and operational materials bought only from the area providers/ and Community Tourism Center established by the founders, with the complex use of financial means and aiming at transformation of Yenokavan and nearby communities.

IDeA is an example of transnational development initiatives, which are implemented for 20 and more year prospect, aiming at transformational development of Armenia and Artsakh. IDeA has generated its own model of SE called PASED (Private agency for Socio-economic development). All initiatives by IDeA follow the model and comprises

differentiated approach to funding/ public, private charitable and private investments/ and to social mission/ humanitarian initiatives, cultural heritage, tourism and economic development/. Organization also deeply concerned with impact investment development in Armenia.

To conclude the section, it can be stated that SEs in Armenia takes diversified business models in combining their social and economic missions.

3.3.2.6 Participatory governance as one of SEs factors

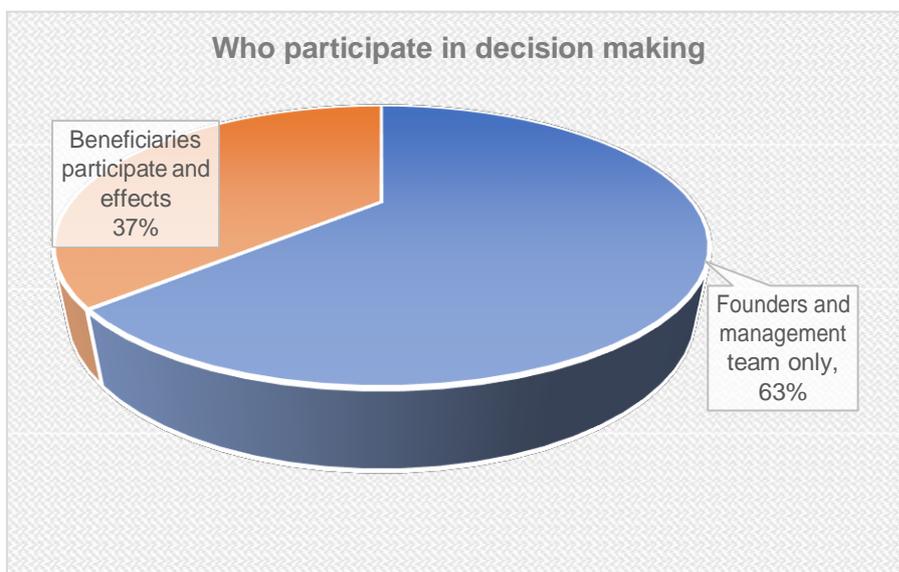


Figure 16 Decision Making Participants

Thirty participant 30 social entrepreneurs were asked about the parties who are being involved into decision making in SEs. In 63% of cases, founders recalled about sole decision making within management teams, while in 37% of cases social entrepreneurs always rely on opinions of beneficiaries and communities as a core practice. Many respondents state, that beneficiaries do not have capacities to get involved into decision making, and one respondent stated, that beneficiaries do not have the mandate of doing so.

The overall picture of participatory governance can be surely described as low among SEs interviewed.

Chapter 4. Discussions and conclusion

My study comprises the status of social entrepreneurship in Armenia, which is described through the state of SE mindset among social entrepreneurs, the conducive environment created by main actors of the field, through variety operational models, problems and milestones of development. The research also identified the factors that determine social entrepreneurship thought in comparison with 2 European and 2 American schools of thoughts.

Overall, donor and funding organizations are generating conducive environment to foster the development of existing and new social enterprises. Enhanced by the projects of international developmental organizations and governmental agencies operating in Armenia, some of them have led to the establishment of new SEs, while other measures undertaken promoted the existing non-profit organizations in becoming financially self-sustaining through SE. As being noted, around 40% of SEs have been established within the last 4 years, which states about the effect of donor funding on SE development. Moreover, international organizations also bring the best practices and understanding of SE into Armenia and implement the important role of learning provider to the locals.

It worth mentioning the role of diaspora Armenians, who are involved in the development of SE in Armenia for several ways. First, they are back to Armenia and establish their social enterprises, also bringing international practices of doing business in Armenia. The second type of involvement is donor funding that is contributed to the SE promotion and charities all over Armenia. Within the sample, diaspora Armenians took part in seed funding of 11 out of 30 social enterprises and financed 9 enterprises with their donations. And third, specialists from different fields of Armenian descent are quite often in Armenia for mentorship and experience sharing with local companies.

Even though the overall environment is conducive, legal regulations and laws in Armenia do not define the status of SEs as such, thus not employing any taxation or other supporting mechanisms. All the participants of the field mentioned during the interviews, that they consider governmental regulations as very important.

It can be deducted that within the sample of 30 SEs, majority of companies operate as LTDs, rather than holding a status of non-profit organization with right of income-

generation. That shows, that SEs in Armenia seek for more freedom in entrepreneurial activities, which their legal status can give.

There is a variety of operational models that Armenian social enterprises employ. The creativity and innovativeness of entrepreneurs is best seen within the way they create blended value through these models.

While comparing with international models of SE, 9 entities or 30% of the researched Armenian SEs are Work Inclusion Social Enterprises described in the respective chapters. The main difference with these models in Armenia and European WISEs are the beneficiaries. Armenian WISEs very often target unemployed rural community people, thus creating a new complex model of profit generation and value creation than traditional WISEs encompass. This approach needs further research and investigation.

Another model that has been envisioned among 5 entities is very close to Community Interest Companies in the UK. TimeLand SEs is a complex model of such enterprise, which reinvented the economy of rural Kalavan and nearby communities though attracting ecotourism lovers. On the basis of current research, it can be deduced that these two operational models can be further analyzed and promoted as more complaint to the environment of Armenia.

One of the most important among the research findings is the statement of the social entrepreneurs as crucial role- players in the Armenian society. They are the central figures inside their entities and very often carry the vision of their enterprises and drive the processes. The purpose of the social entrepreneurs can surely be defined as primarily of social nature, aiming at solving problems of unemployment and additional income generation for rural communities and people. Very strong motive of belonging to the communities is also distinguishable.

Inside their small communities, these entrepreneurs are very often the “change agents” for the locals to get motivated and generate work. Their strong vision has led many of the entrepreneurs to success in their work after several years of struggling. As very often mentioned among responses, the main personal characteristic for social entrepreneur is being stubborn and persistent.

It is also notable that social entrepreneurs within the sample are very concerned with the sustainability of their enterprises through income generation activities, which they consider essential for reaching their social goals.

However, part of my major findings can be described as that the Local social Entrepreneurship, as characterized in the literature, does not fall entirely within one or another of the abovementioned four school of thoughts.

Currently, SE in Armenia is not being promoted and developed with continuous academic research. The main concepts, believes and thoughts presented within the paper about SE in Armenia are of those who practice social entrepreneurship, i.e. participant social entrepreneurs, few trainers and SE experts. There is no SE academic research, country specific approach or thought on the topic identified in Armenia. The analysis of factors is based on data collected and observations made within the current research.

The chart below displaces the status of SE within the research sample in comparison to 4 schools of thought.

	American Schools of thought		European Schools of thought		SE in Armenia
Distinctions	Social Innovation school	Social enterprise school	EMES approach	UK approach	Approach of this research
Unit of Observation	Individual	Enterprise	Enterprise	Enterprise	Individual
Mission-service link	Direct	Direct/Indirect	Direct	Direct/Indirect	Direct/Indirect
Legal structure	No constraint	Non-profit	Some constraints	No constraint	No constraint
Innovation	Prerequisite	Not emphasized	Not emphasized	Not emphasized	Not emphasized
Profit distribution	No constraint	Constraint	Limited constraint	Limited constraint	No constraint
Earned Income	Not emphasized	Prerequisite	Not emphasized	Important	Important
Governance	Not emphasized	Not emphasized	Multiple stakeholder involvement emphasized	Multiple stakeholder involvement recommended	Not emphasized

Figure 17 The main characteristics across schools of thought

The details of the findings have been discussed in respective chapters. The chart states about social entrepreneur being the unit of observation within our approach. As already analyzed, social entrepreneur and his personal characteristics, motivation and vision is key to success of SEs.

Mission-service analysis within the research sample has not revealed any strong adherence to direct or indirect relationship with services of participants' and their mission.

Legal structure of social enterprises is not defined, and it was observed that variety of legal statuses has been employed by 30 respondents.

Earned income is signified among participants as a way of self-financing. It is accented both on non-profit organizations and those involved into entrepreneurship, as well as income generation is being encouraged by donor organizations of the field.

Profit distribution, as already discussed, may take different forms. 9 participants reported adherence to 50%+1% concept developed by a group of SE experts as within CODE SE projects. The rest of the participants stated that profit distribution is not a common practice, but their social missions are embedded in business plans of their SEs. So, this factor is not accented within 30 SEs.

Finally, participatory governance was not reported as very common among participant enterprises, while only 37% entrepreneurs reported participatory governing by beneficiaries and communities.

Summarizing, it can be stated that local social entrepreneurship among participants does not fall entirely within one or another of the four school of thoughts as characterized in the literature, however classified with its unique set of determinants.

Emergence of this set of characteristics is due to some external factors.

Social entrepreneurship in Armenia is at its infancy, the first entities being established in 2005 and not much researched. their reports, the participants also very often mentioned about the local community people and disadvantaged beneficiaries, how their mentality and mindset was affected by the decisions they made and got engaged into the processes by SEs. As the role of local people and culture within certain communities is so much signified, it would also require additional thorough analyses.

It has already been mentioned about the Armenian government's role in the promotion of SE on different levels. Also, as SEs operate in business sector of economy, the overall economic activity and development will foster SE as well.

Thus, to conclude, it is to state that all necessary determinants of social entrepreneurship are available within the representative sample. Our findings also state about the high socio-economic impact on local communities where SEs operate. SE is a newly emerging sector within the Armenian economy and is capable to solve its social mission.

References

- Alter, K. (2007). *Typology of Social enterprises*. Virtue Ventures.
- Anderson, N. P. (2014). Innovation and Creativity in Organizations. *Journal of Management*, 4.
- Braunerhjelm, P. a. (2009). *Social entrepreneurship: A survey of current research*. Swedish entrepreneurship forum.
- David Bornstein, S. D. (2010). *Social entrepreneurship*. New York: Oxford University press.
- DAVISTER, C. D. (29 May 2014). *WORK INTEGRATION SOCIAL ENTERPRISES IN European Union*. Uploaded from <https://www.researchgate.net>: <https://www.researchgate.net/publication/238098987>
- Dees, J. G. (1998). *Te meaning of social entrereneurship.Comments and suggestions contributed from the SE founders working Group, 6p.*
- Drucker, P. F. (1985). *Innovation and entrepreneurship*. Harper and Row publishers, Inc.
- Franken, R. E. (1982). *Human Motivation*. Brooks/Cole Publishing Company .
- Galstyan, G. (11 July 2018). LIFE project main take-aways. (M. Muradyan, interviewer)
- Gibson, E. J. (2014). Towards a Dynamic Process for Business Model Innovation:A review of the State-of-the-Art. *PICMET*, (pages 1230-1238). IEEE.
- Greene, J. (27 February 2013). *About us. Impact entrepreneurs*. Uploaded from Portlnd university SE website: <https://impactentrepreneurs.wordpress.com/2013/02/27/an-introduction-to-impact-measurement/>
- Haugh, H. (2007). Community-led social venture creation. *Entrepreneurship Theory and Practice*, 31(2), 161-182.
- Joan, M. (May 2002). *Why nusiness models matter*. Uploaded from www.hbr.org: <https://hbr.org/2002/05/why-business-models-matter>
- Marti, M. J. (2006). Social entrepreneurships research: A source of explanation, prediction and delight. *International Journal fo World Business*, 1, 36-44.
- Mcmullen, J. (2011). Delineating the Domain of Development Entrepreneurship: A Market-Based Approach to Facilitating Inclusive Economic Growth. *Entrepreneurship theory and practice*, V.35, issue 1, 185-193.
- Mkhitarian, M. (20 July 2018). SE in Armenia. (M. Muradyan, interviewer)
- Osborne S., F. N. (1997). Managing the Innovative Capacity of Voluntary and Non-profit Organizations in the provision of Public Service. *Public Money & Management*, 95.
- Paulus, P. (2002). Different ponds for different fish: A constructing perspective on team innovation. *Applied Psychology: An international Review*, 51, 394-399.
- Pestoff, V. D. (2008). Images and concepts of the third sector in Europe. *Working Papers Series, no. 08/02*. Liege: EMES European research network.
- Petch, N. (29 February 2016). The Five Stages Of Your Business Lifecycle: Which Phase Are You In? <https://www.entrepreneur.com/article/271290>.
- Seferyan, N. (7 July 2018). SE in Armenia. (M. Muradyan, interviewer)

- Sengupta, S. S. (2017). Conceptualizing social entrepreneurship in the context of emerging economies: an integrative review of past research from BRIICS. *International Entrepreneurship and Management Journal*. , 14.
- Tadevosyan, A. K. (September 2017). *www.civilsociety.am*. Uploaded from [http://www.civilsociety.am/resources/strongsco//materials/d74f57f152b324bb83c6466dff8f7fcb.pdf./](http://www.civilsociety.am/resources/strongsco//materials/d74f57f152b324bb83c6466dff8f7fcb.pdf/) ,
- Teece, D. J. (2010). Business Models, Business Strategy and Innovation. *Long Range planning*, 172-194.
- Vardanyan, G. (1 August 2018). SE in Armenia. (M. Muradyan, interviewer)
- VivaCell-MTS. (3 August 2018.). *Official web-page of VivaCell-MTS*.
<https://www.mts.am/en/about-us/vivacell-mts-to-armenia/corporate-social-responsibility>
- Westley, F. a. (2010). Strategies for Scaling Social Innovation for Greater Impact. *The Innovation Journal: The Public Sector Innovation Journal*, Vol. 15(2), article 2., 2.
- www.coursera.org. (July 2018). Local Economic Development course by Erasmus University Rotterdam.

Appendix A: Questionnaire for Social Entrepreneurs/hereby SE/- founders of social enterprises

Name of SE: _____

Name of interviewee: _____

Position of interviewee: _____

The purpose of the survey is to identify the factors that contribute to development of social entrepreneurship/SE/ and understand the status of SEs and their impact on local economic development in Armenia.

- 1) Please specify the legal status of your SE.
- 2) How you come up with the idea of establishing an SE?
- 3) How long the SE is operating? /mention the year/
- 4) Please choose one of the following statements best describing what is your SE for you as a founder:
 - I have had an NGO, and establishing an SE is a way of financially sustaining the NGO
 - It is a type of entrepreneurship to succeed in business, which also have a social impact
 - SE is the result of my innovative idea/ product
 - It is an opportunity of solving social problems, that also earns money
 - It is a realization of a dream/concept of the founder
 - None of these _____
- 5) Specify the social problem the SE is solving?
- 6) How many people directly benefit from the operation of SE?
- 7) Specify:
 - Age of beneficiaries
 - Gender of beneficiaries
 - Other specifics
- 8) How and how many people indirectly benefit from the operations of SE?
- 9) How you learned about this social problem?
- 10) Specify the number of communities that your SE effect with the activities and how they were selected?
- 11) Are your social impact and/or business operations being held outside the Armenia?
- 12) Please briefly describe your working business model.
- 13) Do you consider that your SE is a sustained as business now?
- 14) How long it takes to sustained business component?
- 15) How you solve the social problem?
- 16) Please roughly estimate the amount that your SE spent on solving social problem for the last year.
 - Up to 1000000 AMD
 - From 1000000-5000000 AMD
 - Above 5000000 AMD

- 17) How many workers do the SE employ?
- 18) Do you consider your workers being a stakeholder of your SE and describe how?
- 19) Academicians consider SE as an economy with participatory rules of parties involved, i.e. local community, employees, beneficiaries... Please describe who participates or effects on decision making in your SE among these three and how?
- 20) What is the impact of SE on local economic development? please describe in an examples.
- 21) Please specify the source of initial financing for your SE.
- 22) Specify other sources that you employed for funding the SE?
- Bank loan/microfinancing
 - Investments from personal relations
 - Crowdfunding
 - Grants
 - Government and local administration financial support
 - Other _____
- 23) What is the innovation that you consider you brought by the project?
- 24) Creativity and creative thinking is to think beyond existing boundaries. How important is the role of creativity while running a SE or seeking a funding for it? 5 as very important and 1 as not important/
- 25) Please collaborate more on obstacles and problems and how you see the solution.
- 26) Please specify the obstacles that project have related to people, culture and mentality in community you operate?
- 27) Do you consider that SEs are disposed to trade-off decisions between entrepreneurial gain and its social mission? Please describe such a situation you have been in.
- 28) The age of the funder is
- Up to 30 years old
 - From 30 to 40 years old
 - From 40 to 50 years old
 - Above 50 years old
- 29) What are the 3 most important personal characteristics of successful social entrepreneur?
- 30) What are the 3 most important knowledge/experience areas for successful social entrepreneur?
- 31) What prospects do you see for Armenia in development of social entrepreneurship? Who or what plays the crucial role in the development of the sphere?

Appendix B: List of research participants

Survey took place during June-August, 2018

	Name of social enterprise	Interviewee	Position of interviewee	SEs location
1	"Window" national studio of Crafts and Arts Interaction	Artur Gevorgyan	founder	Gyumri, Shirak marz
2	"Arbina" cultural NGO	Artur Meliksetyan	founder	Many communities, Lori marz
3	Café #2	Angin Martirosyan	café manager	Dilijan, Tavush marz
4	Bohem Studio-teahouse	Gohar Mnatsakanyan	founder	Sevan, Gegharkunik marz
5	"Easy land cultivation through multi-functional tractor"	Hripsime Petrosyan	founder	Krashen, Shirak region
6	"Beauty product"	Shant Khayalian	founder	Yerevan; Chambarak, Gegharkunik
7	"Sareri barik" LTD	Artush Khachatryan	founder	Vardenik and surrounding com., Gegharkunik
8	Talindolls	Gayane Khachatryan	founder	Talin and surrounding communities, Aragatsotn marz
9	"Gyumri tour" I/E	Gor Torosyan	founder	Gyumri, Shirak marz
10	"Nurik community and Tourism Development Center"	Lilit Asatryan	founder	Akhtala, Lori marz
11	TimeLand NGO	Robert Ghukasyan	founder	Kalavan, Gegharkunik marz
12	"Yerknayin Manana" LTD	Satik Badeyan	founder	Sevan, Gegharkunik marz
13	"ARK Armenia"	Armen Khazaryan	founder	Kapan adjacent communities
14	Goris Crochet	Anna Alesanyan	development project manager	Goris, Syunik marz
15	Brghatik, Nshan and Nor Hatik cooperatives	Koryun Sumbulyan	founder	Bavra, Shirak marz, Tashir Loi marz
16	Machanents tourism and art	Grigor Babakhanyan	founder	Etchmiadzin, Armavir marz
17	Success Lady Young NGO	Hripsime Kocharyan	founder	Yerevan
18	Innovation and Technological Community NGO	Samvel Khachatryan	founder	Noyemberyan, Tavush marz

19	HyeLandz resort	Caroline Zaqaryan	founder	Geghadir, Kotayk marz
20	Nairian	Anahit Markosian	founder	Aragyugh, Kotayk marz
21	Yell extreme park	Tigran Chibukhchyan	founder	Yenokavan, Tavush marz
22	GRIG HOUSE ECO Resort	Eghishe Nersisyan	founder	Gyulagarak, Lori marz
23	Armenia Tree project	Ani Melkonian	public relations manager	Armenia
24	Teach for Armenia	Larisa Hovhannisian	founder	Armenia
25	Impact Hub Yerevan	Anna Vasilyan	fellowship project manager	Yerevan
26	Green Training center LTD & Green Life LTD	Nune Sarukhanyan	founder	Armenia
27	One Armenia	Charlotte Poulain	CEO	Armenia and Artsakh
28	Dasaran.am	Suren Aloyan	founder	Yerevan
29	HDIF	Timothy Straight	founder	Armenia
30	IDEA	Veronika Zonabend	founder	Armenia

Appendix C: Individual profiles of research participants social enterprises

Company name - Dasaran.am

Operational field - public education

Year of establishment- 2009

Region- All over Armenia and Artsakh

Name of interviewee- Suren Aloyan, the founder

Dasaran.am is an educational platform that is connecting all public schools in the territory of Armenia and Artsakh. It provides equal opportunities for children to learn regardless of their location and social status in an easy and fun manner and interact with each other in a safety environment via their online platform. The project has been implemented since 2009 with Ministry of Education and Science of the Republic of Armenia (hereinafter MES RA) starting with 2 schools in Yerevan. Now the project covers over 1 million users and all public schools in Armenia. Dasaran.am is financed by MES RA on per-school basis. The main outcomes of the project are digital connection of all public schools, high level involvement of parents in educational progress of a child, increased high attendance to school, improved computer literacy of schoolchildren and interesting gamified learning provision for kids. In 2016 Dasaran.am, based on its proven business model and potential global scaling features, won Accelerate2030 global competition by Impact Hub out of 170 participants worldwide.

Company name - Teach for Armenia

Operational field - public education

Year of establishment- 2014

Region- All over Armenia

Name of interviewee- Larisa Hovhannisian, the founder

Teach for Armenia is a locally run, independently operating foundation that aims at providing high level public education and combat the shortage of teachers in remote community schools of Armenia. The organization is inspired by Teach for All and one of members of this global network of 46 organizations. The organization recruits and allocates young professionals into a two-year commitment to remote community schools demanding

relevant teachers and giving them extensive trainings on the respective school subject areas and on pedagogy. Fellows are being registered as school staff and being paid based on their class load at school, thus playing important role in school building operations.

Company name - IDeA foundation

Operational field – urban development, education, tourism, humanitarian

Year of establishment- 2014

Region- All over Armenia and Artsakh

Name of interviewee- Veronika Zonabend, the founder

IDeA is a private, non-profit foundation that engages local community and international stakeholders, as well as public sector into transformational development of Armenia and Artsakh with a 20-year vision of impact and transformation. IDeA attracts private investors and charity funds for urban development . A vivid example was Tatev Revival project's success, which attracted up to 120000 visitors last year and contributed to economic development of communities around. Another big investment was conducted into the economy of Dilijan city, through construction of international UWC school and local development projects. These are projects just to name a few. As founder mentioned: "Impact investment is more sustainable in long term prospective. Success in the world is measured financially and in short term vision. Impact investment is the solution to make long-term impact and allow local community to reproduce it". IDeA created a social enterprise model PASED/ Private Agency for Socio-Economic Development/, which is in the core of all projects by them. Model outlines blending of charity and investment for sustainable social good.

Company name - "Window" national studio of Crafts and Arts Interaction

Operational field – arts and crafts

Year of establishment- 2018

Region- Gyumri, Shirak marz

Name of interviewee- Artur Gevorgyan, the founder

The studio provides an opportunity for artisan youth and women to get engaged into handicraft and home décor production. The studio engages local professionals, find markets for their products and provide creative directing for small fashion companies. The company also promotes crafts and arts development in Gyumri. The founder aims at creating a new model of cooperative, based on UK cooperative models, that best suits to the local context.

Company name – “Arbina” NGO

Operational field – horticulture and gardening

Year of establishment- 2018

Region- Loriberd, Lejan, Aqarak and 6 nearby communities, Lori marz

Name of interviewee- Artur Meliksetyan, co- founder

The founder of Arbina NGO has a goal to start the gardening practice and horticulture development in 9 communities and ensure additional income generation of local people. The founder have developed a new model of cooperative based on UK cooperative models and is testing it. The NGO aims to connect producers, find markets and provide expertise to produce and sell berries and vegetables.

Company name – GRIG House Eco Resort

Operational field – hospitality

Year of establishment- 2017

Region- Gyulagarak, Lori marz

Name of interviewee- Eghishe Nersisyan, the co- founder

Grig House resort is a hotel in Gyulagarak community, which employ local people and buy natural resources and agricultural products to serve the guests. Only sugar is purchased, where the rest of the products are local made. The founders come to the community from Yerevan and share their agricultural knowledge with them, as well as conduct capacity building events for the locals to work in hospitality sphere. With the establishment of Grig

Resort, the traffic to community has increased and people will benefit from the tourism development in a short time prospective.

Company name – Impact Hub Yerevan

Operational field – support to start-ups and entrepreneurship

Year of establishment - 2016

Region- Yerevan

Name of interviewee- Anna Vasilyan, the fellowship project manager

Impact Hub Yerevan provides co-working space and is a community for social impact makers and enterprises under the slogan “your place to make an impact”. The organization is a member of the international Impact Hub and follows their pattern in providing ecosystem of unique resources, a business incubator and an innovation lab. With the fellowship project, the company supports enterprises in their early development stages with the mentorship of its members.

Company name – Beauty production LTD

Operational field – production

Year of establishment- 2017

Region- Gyulagarak, Lori marz

Name of interviewee- Shant Khajaelyan, the founder

Shant left Syria because of the war and established a natural soap and beauty items production in Yerevan. With the partnership of the WVA he conducts trainings for Tchambarak area disadvantaged women on soap making . He also visits Kharberd orphanage and teach the children and adults ,who live there, beauty products making. It

is a newly established venture, but Shant thinks of helping those women and people with disabilities to sell their handmade products.

Company name – Goris Crochet

Operational field – handmade souvenirs production

Year of establishment- 2011

Region- Goris, Syunik marz

Name of interviewee- Anna Aleksanyan, development project manager at parent NGO “Goris women Resource center”

Goris Crochet initiative employs disadvantaged women from Goris area and nearby communities through reviving the wool thread production in the region and making organic certified handmade toys. The project involved women handicraft capacities and the potential of the region to produce the products and partner with the HDIF, another social enterprise in Armenia experience in product development and selling abroad. With the other projects of the parent NGO, which is Goris Women Resource Center, Goris and neighboring communities become an attractive place for the tourists.

Company name – Sareri Barik

Operational field – mountain herbs and greenery collection

Year of establishment- 2016

Region- Vardenik, Gegharkunik marz

Name of interviewee- Artush Khachatryan, founder

Artush, the founder of Sareri Barik, is a middleman between individual collectors of wildy grown greenery and factories, cafeterias and exporting companies. He mobilizes local people-collectors from Gegharkunik, Vayots Dzor, Lori, Tavush and Kotayk marzes around the collection and refrigeration point in Vardenik. The company is reinvesting 51% of their profit into supporting poor local households to foster vegetable production at their lands and then purchase the harvest for realization in the market.

Company name – Brghatik and Nor Hatik cooperatives

Operational field – agriculture and land cultivation

Year of establishment- 2008

Region- Bavra, Shirak marz and other communities

Name of interviewee- Koryun Sumbulyan, founder

The founder had a rich experience in agriculture and organized land cultivation and agriculture capacities for local people to utilize the land and production capacities. With the support of international development organizations and donors, the cooperative owns machinery for the land cultivation and produces buckwheat. Currently the cooperative members produce for their own household consumption, but hope to enlarge the production to cover the Armenian market.

Company name – Talindolls

Operational field – handmade souvenirs production

Year of establishment- 2012

Region- Talin, Aragatsotn marz and nearby communities

Name of interviewee- Gayane Khachatryan, founder

Talindolls empowers the local artisan women and involve them in handicraft production. They are specialized in knitting dolls in Armenian traditional clothes. The founder considers important to empower more women in Talin area communities and to support them with the income generation and knowledge sharing. Talindolls also partners with the HDIF to develop products and reach potential markets.

Company name – Bohem Studio-Teahouse

Operational field – arts and crafts, café

Year of establishment- 2017

Region- Sevan, Gegharkunik marz

Name of interviewee- Gohar Mnatsakanyan, founder

Bohem Studio-Café has been established to support young artists to present their talent and network with each other. The Café also attracts tourists to Sevan town. The young artists also produce handmade souvenirs to present them in the cafe to the visitor tourists.

Company name – Gyumri Tour

Operational field – tourism

Year of establishment- 2017

Region- Gyumri, Shirak marz

Name of interviewee- Gor Torosyan, founder

Gyumri Tour is a tour operator, attracting visitors to Gyumri and organizes group trips for all over Armenia and in the neighboring countries. The company sponsors sport and charitable events in Gyumri and provides financial supports poor families.

Company name – Café #2

Operational field – service

Year of establishment- 2016

Region- Dilijan, Tavush marz

Name of interviewee- Angin Martirosyan, manager

Café #2 has been established by the IDeA foundation in Dilijan to support the integration of the UWC Dilijan college students with the youth in Dilijan. The café employs Dilijan teenagers and youth and conducts trainings and classes for them supporting to enter workforce market in the future.

Company name – Yell Extreme Park and Yenokavan Development Foundation

Operational field – amusement park, resort

Year of establishment- 2015

Region- Yenokavan, Tavush marz

Name of interviewee- Tigran Chibukhchyan, founder

Yell Extreme Park and Yenokavan Development Foundation has been established by the repatriated Chibukhchyan family and aimed at developing and transforming the Yenokavan community. The extreme park attracts visitors all over Armenia and provides employment to the local people. The idea attracts also investors to the project and implemented targeted transformation of Yenokavan into tourism destination. The project is a big employer of local people.

Company name – Nurik Community and Tourism Development Center

Operational field – tourism, crafts and amusement services

Year of establishment- 2016

Region- Akhtala, Lori marz

Name of interviewee- Lilit Asatryan, founder

Nurik Community Center mobilizes Akhtala's capacities around tourism development in the region and additional income generation for the local people. The visitor are suggested mountain herb collected by the locals, handmade crafts and souvenirs made by the locals are suggested to the visitors, as well as extreme sports activities such as rafting. The founder states that local women need more encouragement and that the earned income raises their confidence, and supports the creation of the local value chains.

Company name – Easy Land cultivation through multi-functional tractor

Operational field – land cultivation

Year of establishment- 2016

Region- Krashen, Shirak marz

Name of interviewee- Hripsime Petrosyan, founder

Easy Land Cultivation is made through small and mobile tractor to cultivate near household lands of the Krashen community people. As Krashen men mainly leave for Russian to earn a living, the project supports the women and families in community to cultivate land in an easy manner and increase the yield as an additional income for them. The founder told that their idea increases the hope and the believe of other locals to start their own businesses.

Company name – Successful Young lady

Operational field – handicraft

Year of establishment- 2018

Region- Yerevan

Name of interviewee- Hripsime Kocharyan, founder

Hripsime just started producing handmade fashionable bags employing disadvantaged women in Yerevan and nearby communities. The beneficiaries of the project are women who are poor , have physically challenged dependents, or those who have never entered the labor market and who are not competitive there.

Company name – TimeLand

Operational field – tourism and hospitality

Year of establishment- 2013

Region- Kalavan, Gegharkunik

Name of interviewee- Robert Ghukasyan, founder

TimeLand transformed very remote Kalavan community into an attractive place for the tourists. No economic activities happen in the community, either there are any shops. However the founder, Robert, decided to share his love towards the surrounding beautiful nature and simple lifestyle with the others. This year around 1000 visitors attended

Kalavan and stopped at the guesthouses of the local people who transformed their houses into the B&Bs and shared the vision for Kalavan with Robert.

Company name – Yerknayin Manana

Operational field – bakery

Year of establishment- 2013

Region- Sevan, Gegharkunik

Name of interviewee- Satik Badeyan, founder

Yerknayin Manana is a work inclusion social enterprise that employs physically challenged people from Sevan and run a bakery to produce traditional sweets. Founder Satik is very much concerned with the perception of the consumers towards the work done by physically challenged people and prompted shared vision and support to these people in the socialization issues.

Company name – ARK Armenia

Operational field – tourism, hiking and camping

Year of establishment- 2015

Region- Kapan, Syunik marz

Name of interviewee- Armen Ghazaryan, founder

ARK Armenia was established by a repatriated couple. It provides hiking and camping services, promotes the ecotourism as an alternative to the existing mining as a rather sustainable and monopolistic industry in Kapan area. The company mobilizes resources from 13 communities around Kapan, ensures additional income generation and employment for the local people for the service for visitors and tourists.

Company name – Machanents Tourism and Art

Operational field – tourism and hospitality, arts and crafts

Year of establishment- 2010

Region- Vagharshapat, Armavir marz

Name of interviewee- Grigor Babakhanyan, founder

Machanents Center is very a well-known company in Vagharshapat, very close to Holly See and has become a lovely place for the tourists and community visitors. The founder Grigor enlarged the capacities of the center to serve children, youth and physically challenged people by enrolling in arts and crafts learning, puppet theatre, ensuring additional income for local people. Children in the educational center are encouraged by national morals and motives and self-experiencing motivation.

Company name – Innovation and technological community

Operational field – education

Year of establishment- 2017

Region- Noyemberian, Tavush marz and many other communities

Name of interviewee- Samvel Khachatryan, founder

With its operations, the company targeted teenagers in remoted communities to support them with 3D modeling learning to increase their tech savviness and prepare for future professions. The company also teaches 3D modeling adults and become a middleman for orders of design from abroad. Thus the company ensures employment for adults and finding markets for them, reinvesting the profit to teaching children. The project is being conducted for children in Vayots Dzor and Shirak marzes.

Company name – HyeLandz resort

Operational field – tourism and hospitality

Year of establishment- 1998

Region- Geghadir, Kotayk marz

Name of interviewee- Caroline Zakarian, founder

Caroline and her husband decided to repatriate to Armenia in 1998 and purchased their house in Geghadir community. Since then, the couple has expanded their area. Now they provide tourism and hospitality services to visitors and tourists. Caroline is very much concerned with the involvement of the local people into operations of the company in various ways, such as the provision of their agricultural products and work at a company owned lands, empowerment of women and their capacity building.

Company name – Nairian

Operational field – production

Year of establishment- 2012

Region- Aragyugh, Kotayk marz

Name of interviewee- Anahit Markosyan, co-founder

Nairian was established by repatriated Armenians 6 years ago. Aragyugh community was selected to start the organic cosmetic production there. The company employs community people in the herb and flower collection, cultivation and production processes and is very much concerned with the economic development of Aragyugh, the empowerment of women and ecological problem.

Company name – Armenia Tree project

Operational field – tree planting

Year of establishment - 1994

Region- All over Armenia

Name of interviewee- Ani Melkonyan, PR manager

Founders of Armenian Tree Project come to Armenia during harsh times for the country and decided to fight against deforestation by planting trees. Since then the project employed local people in 4 tree incubators to grow trees from seeds and plant them all over Armenia and Artsakh. Company also encourages youth participation in environmental event and advocate for green Armenia.

Company name – Green Training Center LTD & Green Life LTD

Operational field – gardening and land cultivation

Year of establishment- 2007 and 2016

Region- All over Armenia

Name of interviewee- Nune Sarukhanyan, founder

Nune has long been in agriculture and gardening development in small households all over Armenia well known as Green Lane NGO and established a network of producers to share knowledge and sell their products. The company invested most up to date and organic gardening practices among producers, introduced new types of vegetables and organic technics for the production. Green Training Center conducts trainings for individual producers, and the Green Life LTD provides a platform for presenting and selling agricultural products. Every year Green Lane organizes the Harvest Festival of rural life and traditions in the middle of Yerevan to promote local people production and promotes their work.

Company name – OneArmenia

Operational field – fundraising for developmental projects

Year of establishment- 2012

Region – All over Armenia and Artsakh Name

of interviewee- Charlotte Poulain, CEO

Founders of OneArmenia established the organization to support development of Armenia. The team conducts fundraising events for the development projects of Armenian non-profits and supports establishment of the SMEs all over Armenia, demining in Artsakh and infrastructure development and much more. The fundraising is conducted through crowdfunding platforms, but mainly from private donations of the Armenians in the diaspora.

Company name – Homeland Development Initiative Foundation/ HDIF/

Operational field – handicraft production

Year of establishment- 20

Region – All over Armenia

Name of interviewee- Timothy Straight, founder

Timothy Straight is a honorary Consul of Norway and Finland in Armenia and started to support artisian women since then. The HDIF expanded its operation to all over Armenia working with women groups to produce handmade souvenirs and small textile products. Tim and his team lead local producers through providing expertise, product development and marketing services to reach potential customers in Armenia and abroad. For 2017, HDIF has put much efforts in understanding companies' internal fair trade practices. It passed certification by World Fair Trade Organization as operating fully fairly in terms of economic promotion, fair pay, good working conditions, accountability and involvement of economic disadvantaged. Yet the company is the only in the post-Soviet area that is fully engaged and promote fair trade principles.

List of figures

Figure 1 Welfare mix by Pestoff, 2005.....	13
Figure 2 Schools of thought in Social Entrepreneurship and their main dimensions	15
Figure 3 Research SE participants' Map.....	29
Figure 4 Sector representation of SEs.....	30
Figure 5 The Reasons of Engaging in SE	32
Figure 6 Inner Driver for Launching SEs.....	32
Figure 7 Purpose of social Enterprise.....	33
Figure 8 Social Problems Targeted	34
Figure 9 Seedfunding sources	36
Figure 10 Seed funding structure by means of financing	36
Figure 11 Other sources of funding for SEs	37
Figure 12 Legal status of SEs.....	41
Figure 13 Earned income or viability of SEs.....	47
Figure 14 Operational Models of Participant SEs	48
Figure 15 Operational models of participant SEs	48
Figure 16 Decision Making Participants	52
Figure 17 The main characteristics across schools of thought.....	56