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The Evolution of “Social Enterprises” in Hungary

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1 Introduction

This research explores the evolution of social enterprises in Hungary over the past thirty years with the aim of defining an evolutionary line by comparing organizations founded in different periods. Alongside a review of the literature, the study analyses the media representations of the organizations involved in the research and interviews conducted with *managers* of self-identified social enterprises active at the time of the research. The interviews were supplemented by *expert* interviews and analysis connected to the field of social enterprises. Thus, the primary sources were the interviews and their qualitative content analysis.

In addition to presenting the evolutionary process, another aim was to explain characteristics typical of national social enterprises, including terminology usage, organizational frameworks, operating mechanisms, and economic sustainability. The research sought to explore how desirable clear, consensus-based conceptualization, and legal regulation, is for entrepreneurs shaping this sector (at the time of the research there was no legislative framework in Hungary that define social enterprises). Consideration on conceptualization began after the regime-change and was shaped by guidelines from international organizations (e.g., NESsT and Ashoka) and findings of national researchers (G. Fekete et al., 2017; Kiss, 2018; Mihály, 2017; Tóth et al., 2011).

The primary questions of the research were to propose suggestions for enhancing the prevalence of social enterprises in Hungary along with delineating the boundaries between social services and social enterprises and exploring the reasons why the nonprofit service sector did not fully utilize the operating mechanism of social enterprise as a form.

To answer this question, it was essential to understand the changes over the past thirty years, the definitional dilemmas nationally, and the challenges of economic sustainability. The research envisioned an organizational framework and mindset wherein the entrepreneurial behaviour of social enterprise supplants the altruistic attitude in addressing social inequalities and environmental challenges.

The doctoral research examines the definitional challenges of social enterprise, taking the European Commission's three-dimensional definition as a guiding reference: “(1) *Entrepreneurial/economic dimension: Social enterprises are engaged in the carrying out of stable and continuous economic activities, and hence show the typical characteristics that are shared by all enterprises.* (2) *Social dimension: The social dimension is defined by the aim*

and/or products delivered. (3) Inclusive governance-ownership dimension: To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance to various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalized in different ways.” (European Commission, 2020, p. 158–160.)

2 The disciplinary framework of the research

The research is multidisciplinary, drawing from knowledge across several scientific domains; it is interdisciplinary, as it transcends disciplinary boundaries; and it is transdisciplinary, with the primary aim of generating new knowledge that crosses these scientific domains.

It engages with both the social sciences and the natural sciences, as it studies not only social enterprises that exert their impact primarily in the human domain but also those focused on for example environmental protection and organic farming. It raises questions pertinent to economics, as social enterprises are inherently linked to concepts of profit, financial planning, and economic sustainability. The narratives surrounding the history and processes of national social enterprises underscore the importance of the creators themselves (Gosztonyi, 2022), positioning the accounts and experiences of social enterprise managers as the foundational elements of this research.

The research design and implementation operate the concept/methodology of bricolage, which interweaves and harmonizes various disciplinary frameworks in a web-like fashion. The bricolage methodology is characterized as critical, multi-faceted, and integrative of multiple theoretical and methodological approaches, distinguishing it from a mere eclectic method (Denzin & Lincoln, 2005). Just as diversity is considered a value within educational policy and a key element in the realm of inclusive perspectives (Halász, 2013), this research also values diversity and adaptable approaches. In qualitative research, the bricolage metaphor specifically refers to methodological practices founded on the concepts of eclecticism, emergent design, flexibility, and plurality, as well as approaches that examine phenomena from multiple, sometimes competing theoretical and methodological standpoints (Rogers, 2012).

Bricolage harmonizes the disciplinary frameworks of the research, which include the perspectives of Special Education and Disability Studies, the institutionalist and structuralist approaches related to the Social and Solidarity Economy, and the virtue-ethics paradigm.

Both the Special Education and Disability Studies perspectives are closely linked to social enterprises, particularly those aimed at supporting individuals from disadvantaged groups in their social participation. This research occupies the intersection of the studies by defining disability as a social, cultural, and political issue (Goodley, 2019). Zászkaliczky articulates that special education is the science of disability (Zászkaliczky, 2014).

Social enterprises can play a significant role in ensuring that individuals with disabilities are not merely passive beneficiaries but rather active participants and shapers of society, who can take control of their own lives and activities (empowerment). Special education offers particularly valuable tools for these enterprises in creating inclusive workplace environments and developing programs tailored to the individual needs and abilities of employees. One of the key principles of Disability Studies is participation, which emphasizes the involvement of representatives from affected groups in all stages of processes. In the field of management, Pataki and Radácsi identify stakeholder-based management as a common feature of alternative enterprises. They apply the concept of stakeholder capitalism, indicating that enterprises involve the natural environment, consumers, investors, owners, employees, suppliers, business partners, and communities (Pataki & Radácsi, 2000). A fundamental issue in Disability Studies is oppression and dependence on governmental policies, which can marginalize individuals with disabilities from social processes, hinder their participation, and lead to underrepresentation in various domains, denying them equal access to human, economic, and social capital (Goodley, 2019). The realm of social enterprises makes visible the social challenges and the members of marginalized, disadvantaged groups, while also providing opportunities for social participation. It extends into the area of critical disability studies, as it does not solely focus on individuals with disabilities but also addresses the management of other social disadvantages and challenges while recognizing their intersectional impacts (Goodley, 2019; Könczei & Hernádi, 2015). Disability Studies and social enterprises both possess insights into national and international economic ecosystems and their impacts (Goodley, 2019).

This research also regards the Social and Solidarity Economy approach a part of its disciplinary framework, with a focus on human-centred endeavours aimed at the common good and quality of life. The structuralist approach concentrates on defining roles and responsibilities within economic processes. Governments play a crucial role in economic developments,

although this role differs significantly by countries (Stiglitz & Rosengard, 2015). Institutions, institutional systems, organizations, and associations serve as the architects of the market and economic processes. Employing institutions as units of analysis, the most utilized theory is the institutionalist approach, which posits a diverse and differentiated world of organizations. DiMaggio and Powell note that some authors find it essential to examine the similarities and differences among institutions, understand organizational changes, explore the temporal interdependencies of processes, and analyse how organizational characteristics impact the overall social structure (DiMaggio & Powell, 1983).

The system and framework of social enterprises promote a more human-centred economy and society, presenting initiatives that reflect alternatives to state and market operations, encompassing both social and economic goals (Kiss & Mihály, 2020). Baritz calls attention to the development of an economics founded on a human-centred paradigm, contrasting it with the profit-oriented neoliberal economic school. She declares that “*it is possible to operate within a virtue-ethics paradigm*” (Baritz, 2016, p. 17.). According to her, an economic system must be created to optimize the impacts of crises, whereby maximizing profit is not the primary goal but rather a partial objective. Profit, as a means, naturally emerges in discussions of enterprises, as sustainability (which is a key issue of this research) requires gainful outcomes for achieving defined objectives. The author aligns social enterprises with the principle she designates as the *three-dimensional economy*, referring to *entrepreneurs for others* – those who operate for a socially valuable, anthropocentric purpose. The theory underlying this paradigm asserts that when considering sustainability, the existence of an ethical code, anti-corruption measures, business ethics, transparency, and environmental protection are deemed fundamental requirements, all of which receive prominent attention in profit-oriented perspectives (Baritz, 2016).

3 The research

3.1 Research questions

The main research questions – mentioned in the introduction – were:

- what evolutionary characteristics may be observed in the context of social enterprises in Hungary over the past few decades;

- can the social enterprise model provide a solution for the sustainability of social service providers (primarily nonprofit organizations) in Hungary, and why haven't organizations fully adopted this form that facilitates the economic sustainability of social services.

Additional research questions were:

- how are social enterprises defined at both theoretical and practical levels in Hungary;
- within what organizational frameworks and structures do the examined organizations operate;
- how do social enterprises conceptualize economic sustainability;
- what development and innovation proposals existed in the field of social enterprises in Hungary at the time of the research.

3.2 Research methodology

To achieve the objectives of the research, a qualitative methodology was employed, allowing for an understanding of the situational-dependent and detail-rich data regarding the status, role, and challenges of social enterprises in Hungary. Throughout the process, a collaborative environment was developed in conjunction with the organizations and experts operating in the field, enabling genuine observations and a deeper exploration of the subject matter. Given the nature of the research, it was not necessary to adhere systematically to the “conventional” pathways of research; rather, there was a gradual immersion into the relevant literature, as well as the perspectives, goals, and operational methods of the individuals, groups, and organizations shaping the field. Throughout the research, there was constant interaction with “the field”, meaning that for two years, conversation, observation, active listening, and reading was ongoing (Horváth & Mitev, 2015).

The research is based on grounded theory, as it is constructed on data derived from interviews, with the systematic analysis of this data outlining the emergent findings. Within this methodology, *“the researcher openly acknowledges that their personality is interwoven into the research process from the topic selection”* (Gelencsér, 2003, p. 143–144). The focus of the research is on the narratives shared by the interviewees rather than aiming for representativeness.

Data analysis in the research was inductive, building from the ground up; initially, the texts and audio materials illustrated a particular perspective, and through content analysis, the codes derived from the examined texts revealed patterns present within the data. Throughout this process, additional scholarly works emerged that contributed to the reformulation or reinforcement of the research outcomes. The research was characterized by an open and inclusive perspective towards those working in or expressing opinions on the field of social enterprises. Notably divergent opinions were often expressed regarding specific questions, indicating that the topic is uncertain and lacking certain cornerstones. The richness of diversity, planning, and implementation, however, may serve to strengthen the field. The theoretical lens through which the researcher viewed the entire investigation was framed by Special Education, Disability Studies, and human rights perspectives. The analysis in this dissertation aimed to formulate a comprehensive picture of social enterprises in Hungary while acknowledging that the research serves as a mere snapshot (Horváth & Mitev, 2015).

Expert interviews were conducted, both online and in person, with the managers of 30 social enterprises and 11 individuals supporting social enterprises, between April 2021 and May 2022. The semi-structured interviews allowed for more relaxed conversations, which further facilitated placing the examined field within a much broader context (Babbie, 2008).

In the research, we collected data on the examined social enterprises from secondary sources (news, publications, articles, interviews, the organizations' websites); for each organization, we analysed publicly available announcements from the last ten years. An important part of the research was the analysis of published writings, as there is not much information about social enterprises in public awareness, and personal experience also shows that very few people in Hungary know what the concept of social enterprise means.

The content analysis of texts published in the media about the social enterprises involved and interviews with managers of social enterprises was processed using the MAXQDA software (Rädiker, 2023). In the program, the first codes emerged following the open coding of one of the longest interviews. The coding of two additional interviews provided the opportunity to supplement the existing codes. After a brief period, all three interviews were re-coded, with minimal deviation (less than 10%), resulting in the establishment of the final coding system, which served as the basis for coding all interview texts (Friese, 2019). Coding is *“the central process by which the researcher constructs theories from the data”* (Strauss & Corbin, 1990, p. 57.), as was also the case in this analysis. The following code groups were established during the analysis: (1) economic sustainability, (2) social entrepreneur, (3) operational characteristics, (4) definition of social enterprise, (5) ecosystem, (6) evolution, (7)

organizational framework, (8) the social challenge aspect of social enterprise, and the (9) entrepreneurial aspect of social enterprise. From these codes, the interviewees predominantly discussed the characteristics of the operation of social enterprises, while they spoke the least about the entrepreneurial side of social enterprise.

3.3 Research sample

The sample consisted of two groups: the managers of social enterprises and representatives of individuals and organizations that support social enterprises. Additionally, within social enterprises, two groups can also be distinguished:

- those that articulate their social impact in the human domain;
- those that aim to benefit society as a whole, thus operating in other areas.

The establishment of the research sample posed significant challenges during the planning phase of the research, once, when submitting the ethical approval, and later throughout the research process, as social enterprises do not constitute a well-defined, easily understandable, and visible group. Additionally, it was evident that the population of interest was limited in number, representing a *rare population* (Kapitány, 2010), implying that the study focused on a group for which direct sampling frameworks are not readily available. It was clear that the research did not seek to focus on quantity or quantitative characteristics but rather aimed to investigate qualitative indicators.

Included in the research sample were the organizations that presented themselves as social enterprises in some form or platform, whether through self-definition, publications, or expert recommendations. The organizations surveyed formed a heterogeneous group regarding various other criteria – organizational framework, areas of social impact, size of the organization, business context, and regionality – because the research sought answers to questions that did not specify social impact in a particular business sector or for a specific target group. Additional interviews were conducted with individuals who are recognized as significant contributors to the development and expansion of social enterprises in Hungary. In total, 41 interviews were conducted, consisting of: (1) 24 social enterprises that address their social impact in relation to disadvantaged individuals; (2) five social enterprises that strive to benefit society as a whole, thus operating in various areas; (3) one social enterprise that articulates its social impact in both human and non-human domains; (4) six respondents who

are experts providing support or consultancy to social enterprises; and (5) five respondents who represent umbrella organizations representing social enterprises.

The distribution of the study sample according to the year of establishment of the organizations allowed for the formation of three cohort groups that were similar not only in their lifespan but also in their characteristics. The research findings indicate that there are generational differences between *older* and *younger* social enterprises in Hungary today. Generally, *younger* organizations (established 1–5 years ago) are more consciously created as social enterprises, while roughly half of the *adult* organizations (established 6–15 years ago) were aware that they were operating as social enterprises. In contrast, only about one-third of *older* organizations (established 16–30 years ago) reported being familiar with the concept of social enterprise at the time of their establishment.

Interviews were conducted with representatives from all regions, ensuring geographical diversity among the social enterprises. Furthermore, 10 organizations included in the sample operate in multiple regions of Hungary and/or exert their impact across several areas. Among the 30 organizations, three were associations without formal organizational frameworks, 1 was a social service provider (operating as a social enterprise), and three functioned in cooperative forms typical of the earliest social enterprises. The nonprofit nature of the social enterprises, which responds to social challenges, is demonstrated by 16 organizational frameworks (foundations, associations, and nonprofit Ltd. companies), while seven organizational frameworks indicate their business character (Ltd. companies, joint-stock companies).

In terms of the social objectives undertaken, the sample was highly heterogeneous, with the 30 organizations specifying their intervention intentions across a total of 35 areas, including: poverty, education, employment, community development, environmental sustainability, provision of social services, mental health, organic farming, attitude shaping, and support for women raising young children.

4 Findings

The analysis of interviews with managers of social enterprises and experts supporting social enterprises was structured around five thematic areas: *The evolution of social enterprises*; *The definition of social enterprise*; *The social entrepreneur*; *The organizational frameworks of social enterprises*; and *The economic sustainability of social enterprises*. In exploring these themes, the interconnections among the concept, the manager's identity, economic

sustainability, and organizational framework ultimately shed light on the evolution of social enterprises and together draw conclusions.

4.1 The definition of social enterprise

The *definition of social enterprise* was approached by interviewees from four perspectives: (1) a mission with social impact; (2) a balancing scale between its two sides; (3) the employment of disadvantaged individuals; and (4) a business without profit distribution. Some responses explicitly stated what is not a social enterprise: it is not corporate social responsibility (CSR), nor a civil organization, nor merely a social service provider. Following insights from the managers of social enterprises, experts observed that there are currently few mature social enterprises in Hungary. Experts approached the definition from two perspectives. One perspective focuses on the mission, the distinctive goal that characterizes these organizations. The other perspective emphasizes the "true" entrepreneurial aspect, as the experts assert more definitively (and more emphatically than the managers of the enterprises) that these organizations must operate as businesses and generate income; otherwise, they will be unable to finance their stated objectives.

4.2 The social entrepreneur

Managers of social enterprises rarely identified themselves explicitly as social entrepreneurs. Some interviewees were made aware of their status as social entrepreneurs through institutions like Ashoka or NESsT, a realization they had not previously considered. Founders of *older* organizations in the evolutionary landscape expressed feelings of fatigue and expressed a desire to pass on their enterprises, seeking suitable successors. They view a committed entrepreneur as a model for sustaining and transferring the enterprise. According to expert interviews, the social entrepreneur is characterized as someone with innovative ideas aimed at addressing social challenges. Experts noted that a social entrepreneur does not always initiate a business; it may happen that they propose an idea, while it is another organization that executes it. However, in many cases, the social entrepreneurs do initiate the business themselves, implementing their idea, though they typically plan for the long term and aspire to achieve systemic change in their chosen field. The experts described attributes such as commitment, creativity, and charisma in relation to social entrepreneurs.

4.3 The organizational frameworks of social enterprises

Most of the organizations analysed sought some form of *organizational or legal framework* for their activities, with some opting to change their originally chosen organizational framework. The analysis of the interviews clearly indicates that the similarities and differences between the forms of civic organizations and social enterprises are not well-defined, lacking a clear interpretational framework, and no legal framework currently exists. Among the involved organizations, a total of 16 operate as foundations, associations, or nonprofit Ltd. companies, which are legal forms that allow all entrepreneurial activities but, as the definitions suggest, were not established for economic or entrepreneurial purposes. These entities represent participants in the civil sector and often provide various social services. Another significant group of organizational frameworks displays a more business-oriented character, such as Ltd. companies or joint-stock companies, which are explicitly designed for operating businesses from the outset. Similar to the interviews with managers of social enterprises, experts confirmed that a social enterprise can legally take many forms, as there is no mandatory legal structure. One expert expressed that, from this perspective, social enterprises are somewhat elusive.

4.4 The economic sustainability of social enterprises

Accepting and following the premise that social enterprises are indeed genuine businesses that derive a significant portion of their revenues from market sources, it was also important to examine the *economic sustainability* of these organizations. Participants in the interviews indicated that the environment necessary for ensuring this sustainability is highly uncertain: state funding fluctuates, costs rise, donor willingness is low, and opportunities for grant funding are limited. A total of 16 interviewees described their enterprises as sustainable. The trend suggests that *younger* organizations – those formed with a conscious business intent – tend to demonstrate greater stability, attributed to their awareness during establishment and their long-term planning orientation. In contrast, *older* organizations often lack the knowledge necessary for planning economic sustainability and have few promising practices on how social enterprises in Hungary can be sustained. The interviewed organizations' managers identified the need for reducing tax burdens and argued that the economic sustainability of social

enterprises is interconnected with factors such as volunteering and partnerships. Those organizations that initially focused on the social challenge they aimed to address tended to gather knowledge and professional expertise related to that issue while paying less attention to activities and planning that would ensure economic sustainability. Some organizations do not possess the requisite knowledge or have competent economic experts within their networks. The research demonstrated that even for well-informed organizations, learning from peers and developing an ecosystem favourable to social enterprises is essential for providing a degree of security.

Based on the interviews, factors that can guarantee economic sustainability were identified: (1) a hybrid financing model; (2) a deliberate emphasis on economic sustainability during initial planning; (3) the need to plan for market revenue; (4) entry into market economies; (5) continuous renewal; knowledge of how to create a business plan; (6) stable business operations; (7) and the provision of competitive products or services.

At the time of the research, experts generally believed that social enterprises would find it challenging to sustain themselves in Hungary, and that economic sustainability needs to be intentional and thoughtfully considered. A key area related to economic sustainability is the evolution of incomes, distinguishing between market and non-market incomes. The organizations involved reported the following sources of income – which align with those identified in the literature – (1) market incomes: sales; provision of services; sale of knowledge and know-how, (2) non-market incomes: state support; grant funding; individual and corporate sponsorship; targeted support for the establishment and development of social enterprises. Market incomes were less frequently discussed during interviews, reflecting their limited representation in the overall income structure. However, non-market incomes were mentioned significantly more often by the interviewees. State support is relevant for organizations providing social or educational services that take on governmental responsibilities, and therefore receive public funding. The services reported by the organizations examined include housing for persons with disabilities and/or persons with mental illnesses, daytime care, sheltered employment, support services, and education for disadvantaged students. Out of the 30 organizations involved, 9 utilized state support. These organizations perceived state support as a dependent relationship that they do not favour; however, as it represents a stable income source in the short term, organizations initially established as social service providers cannot operate without it. In the interviews with managers of social enterprises, the most discussion regarding non-market incomes centred on grant funding. Generally, representatives of these organizations perceive grant funding as uncertain, understanding that they cannot rely on it

long-term. Some organizations aim to guarantee their sustainability through means other than grants, while also utilizing these funds for development and equipment purchases. Among the social enterprises examined, 3 organizations clearly rely on corporate sponsorships, with a significant portion of their income derived from 1% donations and strive to establish networks of individual donors. Some organizations took advantage of favourable financial conditions offered at their inception, as well as non-monetary support through loans.

4.5 The evolution of social enterprises

The *organizational evolution* of social enterprises encompasses their beginnings, changes, and future plans. The distribution of the involved organizations by their founding year is even, spanning a period of 30 years. Research on organizational development draws attention to two directions in this context, considering organizational evolution as either a result of *external driving forces* – primarily determined by the competitive environment – or *internal driving forces*, which are largely shaped by the organizations themselves (Abatecola, 2014). This study acknowledges the validity of both perspectives. On the one hand, the development of social enterprises may occur in response to external pressures, as the growing and diverse social challenges can generate the establishment, growth, and dissemination of social enterprises. On the other hand, the social entrepreneur may act as a catalyst, prompting continuous development from within the organization and/or the field in which it operates.

The research indicated that the initial motivations for establishing these organizations – regardless of the time of establishment – were shaped by professional interest, individual life stories, personal needs to address a specific challenge, community needs for challenge resolution, and the rethinking of an existing business model based on virtue-ethics (though this term was not explicitly used by the interview participants). *Younger* organizations, which were consciously founded as social enterprises, tended to develop both essential elements of the organization in parallel during the planning and establishment phases, and they became familiar with the operational mechanisms of social enterprises through their studies. In every organization, the personal involvement, commitment, and motivation of the founders were solid foundations, and uncertainties primarily revolved around economic sustainability and the determination of the organizational framework.

Interviewees extensively and willingly shared organizational changes. Significant changes occurred over the years in the following areas: organizational frameworks, adjustments made

for economic sustainability, and transformations related to organizational operational cycles. Organizations that were initially uncertain about their legal framework eventually had to choose an organizational structure that would allow them to apply for and receive support or could accommodate the tasks arising from their growth.

Social enterprises, much like traditional businesses, navigate a path that may lead from initial uncertainty to stability and the foundation of economic sustainability. Generally, interviewees indicated that five years are required to develop a business model that focuses on profit generation while addressing the selected challenge – a point that experts confirmed.

The future plans of the examined organizations focus on five areas: (1) growth and fundraising; (2) non-growth and stabilization; (3) expansion in either international or national arenas and building relationships; (4) leadership succession; and (5) supporting the field of social enterprises. One-third of the organizations have set goals for growth and resource mobilization. In contemplating future plans, those organizations that have their impact primarily by engaging with other organizations or reaching more individuals through their services expressed a need for growth. The group of organizations planning for growth consists of nascent social enterprises that are in the planning or early implementation stage. For these enterprises, awareness and constructive development emerge as objectives: simultaneously attracting resources and supporters while building activities that address social challenges. These organizations are still in the "one-man-show" phase, where the social entrepreneur is key to and drives every step, with no active partners involved yet. Nearly one-third of the involved organizations perceive that they are at a stage where they do not need to grow or develop but rather focus on stabilizing their organization operations and improving quality. Stabilization for these organizations means securing stable fundraising and achieving reliable economic sustainability, which was cited as one of the foremost difficulties in the interviews.

When discussing future plans, very few interviewees provided responses geared towards advancing the status of social enterprises in Hungary. A significant portion of the answers centred around the expansion and stabilization of their own enterprises. A few organizations articulated thoughts regarding the overall evolution of social enterprises. This reflects a strong focus on individual organizational sustainability and development and indicates a need for collective progress in the broader context of the social enterprise landscape in Hungary.

The *evolution of social enterprises in Hungary* is illustrated by their current status, including the challenges they have articulated. The challenges identified by the interviewed domestic social enterprises pertained to the following areas:

- Challenges of economic sustainability and financing: this category includes the lack of available grant opportunities, preferential tax and social security contributions, the need for continuous and increasing revenue, and the initial capital required for establishment.
- Ecosystem-related challenges: these encompass the involvement of state actors, addressing social challenges in Hungary, the necessity for a common strategy, the absence of promising practices, and challenges related to target groups in the context of employment support.
- Definitional challenges: arising from the ambiguity surrounding social enterprises: this includes the absence of a clear legal framework and the issue of invisibility.
- Operational challenges faced by organizations: key issues under this category include self-definition, the saleability of products and/or services, succession of founders, the absence of a business mindset, and the involvement of professionals.

The most frequently mentioned difficulty was the lack of a clear definition for social enterprises, as well as the need for supportive legal framework. The interviews highlighted the demand for legislation that would provide certain incentives, support, and grant opportunities for organizations that take on social responsibilities.

The conclusions drawn from these challenges indicate that over the past 30 years, stable sources for economic sustainability have not been developed in the evolution of social enterprises in Hungary; there is no strategic plan aimed at the development of social enterprises, and no legal definition has been established that would facilitate resource allocation and enhance the visibility of the field. A prominent theme concerning the domestic ecosystem was the lack of role and accountability from state actors, as well as the significant level of social inequalities in Hungary. The managers of the organizations expressed that there are numerous tasks today that social enterprises are ready to address, provided they are able to secure funding for their activities.

In summarizing the analysis of media representations of the surveyed social enterprises, one may conclude that there is a scarcity of targeted content or even conscious awareness-raising information about social enterprises. These organizations do not appear in the media as players in the economy or as potential solutions for social sustainability; rather, they are portrayed more as participants in the nonprofit sector, characterized as somewhat different entities. They often emphasize their social utility, making discussions of social benefits more appealing than those of profit.

5 Conclusions, recommendations

*“Thus, a social entrepreneur must operate
just like any other business.”*

(Interview 20, social enterprise)

*“This is not a regular business;
it is a social enterprise.”*

(Interview 11, social enterprise)

The diverse nature of the field and varying opinions is illustrated by the above two quotes from interviewed managers of social enterprises.

The conclusions of this research, evaluated through the lens of the enterprises involved, address two major areas: *it proposes solutions to the definitional challenges facing social enterprises in Hungary and discusses the potential transformation of social service providers into social enterprises as one possible part of the evolution.*

A clear outcome of the research is the expressed need for definitional steps related to social enterprises. The study presented two possible solutions. The first is to establish a criteria system in Hungary, following the efforts of EMES since the 1990s, to unequivocally identify the organizations that can be termed social enterprises. In this case, the elements of the criteria system must be clear and include definitive indicators. The second potential solution to the definitional task is that Hungary should not create new categories of enterprises, organizations, or operational modalities; rather, it should view social enterprises as operational mechanisms or methods on the diverse palette of businesses. These enterprises should be characterized by keywords such as social value, social impact, stakeholder engagement, collective dynamics, co-creation, and scale-up.

Should Hungary decide to engage in defining social enterprises – recalling the theory posited by the authors Defourny and Nyssens, which asserts that social enterprises are deeply rooted in their social, economic, political, and cultural contexts (Defourny & Nyssens, 2014) – it becomes evident that merely replicating American or European approaches would not be effective. A more viable path may involve reviewing the national legal frameworks and opportunities to appropriately define and integrate the concept.

With a clear definition, there is an opportunity to facilitate useful and forward-looking research in the field of social enterprises, accurately identifying those organizations with which the research community can cooperate. Until a definitive definition is established, my conclusions align with Gosztonyi's perspective, which suggests that a social enterprise serves both as a practical tool for finding solutions to social challenges and as a developmental instrument that enables individuals from the involved social groups to actively participate in processes and engage in many activities that would not otherwise occur. Such values are fundamental to approaches in special education and disability studies, including decision-making, ownership, governance, and self-determination (Gosztonyi, 2022).

Analysing the generational differences among organizations within the evolutionary line reveals that all the *older* organizations included in the research started as social service providers and have not significantly changed their activities. They continue to operate primarily as social service providers, and this framework supports their economic sustainability very poorly. One may state that a large percentage of their income derives from state normative funding and payments from the individuals utilizing their services. Their activities can be regarded as service provision, and their income could be considered market revenue if their services were organized on a market basis.

Some of the *adult* organizations function similarly, but among them are those with market revenues, indicating a movement toward ensuring economic sustainability.

The *younger* organizations were not established with the aim of providing social services and can be considered social enterprises, where the business aspect has developed alongside the demand to respond to social challenges. These organizations stand at a level in the evolutionary process where they can boldly claim adherence to international criteria for social enterprises. The research supports Bornstein's assertion that these entrepreneurs are innovators and idea generators, possessing the capability, motivation, and strength to pursue an idea independently (Bornstein, 2004).

The research within the examined organizational context demonstrated that organizations consciously established as social enterprises are able – though not easily – to achieve economic sustainability by the end of their second or third year. The managers of organizations that have been operating as social service providers for decades, who define their organizations as social enterprises, understand this approach and are taking steps toward independent economic operations, although their progress is minimal. It is important to note that these are generally

large service providers that require significant resources for their activities, and securing these solely from market revenues is challenging.

As noted in the research by Tóth et al., nonprofit organizations have long recognized the need to move toward self-financing and social entrepreneurship – having been in a vulnerable and uncertain position within the state funding system. However, they have been sceptical due to the lack of supportive infrastructure, as the sector has been characterized by capital shortages and a lack of entrepreneurial and economic skills (Tóth et al., 2011). This research also reports similar findings.

Should we seek the points within the evolutionary process that led the *young* organizations to the conscious establishment of social enterprises and the planning of economic sustainability, we find the following:

- Their managers encountered economic knowledge and even the concept of social enterprise more frequently during their studies.
- During the process of founding their enterprises, the managers recognized and applied financial planning tools.
- Members participated in various training programs and pro bono initiatives to enhance their knowledge.

Additionally, they noted that a challenge for them is the lack of sufficient promising practices in the field from which they could learn, prompting them to enhance their knowledge through self-education.

The evolutionary process further reveals that it is less the existing organizations that have transformed their operational mechanisms and become social enterprises; rather, it is the newly established organizations that distinguish themselves from previous associations. The evolution is evident in the fact that *older* organizations recognize the necessity for change, but due to their structures, knowledge, and attitudes, they are less capable of adapting flexibly:

- Their managers still feel a lack of the knowledge required to manage an economic entity.
- They continue to rely on significant state support for their economic survival, are less dependent on market revenues, and find it very challenging to develop activities that generate market income.

In response to the research question – what proposals can be formulated to promote the spread of social enterprises in Hungary based on evolutionary characteristics – analysis of the

interviews suggests that the key to the success of social enterprises lies in their conscious establishment and the possession of all the necessary knowledge required for starting and operating a business.

The research also sought to identify the stakeholders and actors within the national landscape capable of generating change in this area. Primarily, the focus is on those *young* organizations that successfully operate their enterprises, as they can support the dissemination and strengthening of social enterprises through knowledge transfer. Additionally, organizations such as the Social Farm Association and the Coalition of Social Enterprises, which unite social enterprises, can facilitate cooperative efforts that may lead to a paradigm shift. This shift could ultimately result in the creation of organizations capable of long-term operations that respond to social challenges, or it could even encourage existing enterprises to embark on more comprehensive organizational development processes.

The functioning of the sector can be supported by additional actors present in the ecosystem, such as academia and the government. The scientific community can contribute to the development of the field through research, the presentation of research findings, and developmental proposals. The formulation of research results into policy recommendations transitions us to the next actor, the government. According to what was stated in the interviews, the government – following the resolution of the definitional gap – could establish incentives for social enterprises so that they can respond to the social challenges they undertake in a financially sustainable manner. These incentives do not mean that the organization should not strive to increase the proportion of market incomes at the same time.

The research also addressed the individual organizational evolution of social enterprises and provided insights into the arguments favouring the operation of social service providers in the nonprofit sector as social enterprises in the future. Knowing that it is difficult to expect organizations founded thirty years ago to transform into social enterprises due to generational characteristics, the research sought to identify reasons why this transformation has not significantly occurred. The findings regarding this issue are as follows:

- When social service providers were established, they were built on different foundations, making their transformation a challenging process. Due to their structure, everything is organized according to the operational mechanisms of social services, where the primary goal is service delivery. The support needed for this has primarily been planned and continues to be planned through the utilization of state normative funding.

- The qualifications and knowledge of the managers are often insufficient for the economic management of the organization – typically functioning with a small management volume – and for establishing its economic sustainability.
- Among the organizations founded several decades ago, only a few have been able to develop a foundation that could ensure economic sustainability through market revenue or significant individual and/or organizational donations.
- There is a need for organizational development that also requires a shift in mindset among the actors in the social services sector. This shift could provide fair employment opportunities for individuals utilizing social services while the necessary wages for livelihood could form the basis for reducing social inequalities. The practices of organizational development processes have been characterized by a lack of participatory engagement, involving stakeholders who are less able to assert their will.

Beyond presenting the research findings, it is essential to consider what solutions may exist within communities and societies, alongside organizations with a social enterprise character, for addressing or resolving social challenges. How can the individuals and groups that make up these communities adapt to and evolve with contemporary changes to create a liveable environment for everyone? To achieve systemic change, individuals and businesses will likely need to act together and cooperate. There is a necessity for movements, community development, cooperation, and solidarity.

As Csepeli states: *“The evolutionary advantage of humans is biologically guaranteed by individual autonomy, the universal unfolding of which is essential; without this, attempts to reassess values fail.”* (Csepeli, 2023, p. 21.) When projected onto the realm of social enterprises, this emphasizes the expectation for the autonomy of social enterprises, asserting that independence from the government and self-definition of organizations are crucial at the micro-level of development. This could be followed by a meso-level where the unfolding occurs within the domestic context. For sustainable development at this level, it is necessary to have a sufficient number of social enterprises, which can ensure visibility and initiate change.

“A sustainable economy necessarily implies a fairer society.” (Pogátsa, 2023, p. 138.) While social enterprises may not provide solutions to every aspect of this need, more global changes are required, in which support for social enterprises could play a key role. At the national level, social enterprises could benefit from a more favourable tax system, a fairer distribution system, the proliferation of community organizations, support for regional and small-town solutions, and the reorganization of employment structures.

6 Limitations

Every research project has its limitations, which in the case of this study manifest in sampling, potential changes within the field, methodology, and adherence to disciplinary frameworks.

A primary constraint in research related to social enterprises – this study included – is the lack of a precise definition for social enterprises. As indicated by the research sample, it is not possible to delineate a well-defined population from which a study can draw its participants. Consequently, this research could rely on the self-definition of organizations as the basis for their inclusion in the sample.

The study, its analysis, and the writing of the dissertation took more than three years to complete. During this time, certain changes have been identified and incorporated into the dissertation; however, there may still be findings that should be revisited or will need to be reconsidered in the coming years.

Methodologically, the analysis of semi-structured interviews constitutes qualitative research, which presents a low sample size (the managers of the social enterprises interviewed). Due to this limited number, it is not possible to make general conclusions about the group of social enterprises in Hungary. Accordingly, it was necessary to identify a group that encompasses a span of thirty years including organizations under different legal frameworks, with varied activities and geographic locations. The process involved interactive and participatory interviews with managers of social enterprises and experts, which facilitated continuous learning. Thus, drawing conclusions regarding the referenced organizations was based on the integration of their perspectives.

7 Literature

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