

# Social impact Measurement Tools for Young Entrepreneurs

NEEDS  
ANALYSIS





“I AM AWARE OF SURVIVAL  
STRUGGLES OF SOCIAL  
ENTERPRISES... THEY CAN  
CONTRIBUTE TO THEIR SURVIVAL  
BY MEASURING THEIR IMPACTS.”

– A SOCIAL ENTERPRISE SECTOR  
DEVELOPER IN TURKEY.

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// BACKGROUND  
INFORMATION //

# BACKGROUND INFORMATION

This report is a summary of preparatory research for the project “Know Your Impact.” ←

MAIN AIM OF THE PROJECT:  
to equip young social entrepreneurs with social impact analysis skills in order to enhance their professionalism and societal impact

AIM OF PREPARATORY RESEARCH:  
mapping the status quo of impact analysis development in relation to social entrepreneurship in Estonia and Turkey

MAIN RESEARCH METHODS:  
desk research, analysis of online communication channels, one-to-one interviews, workshops, including focus groups, and mapping existing experiences of project partners who are nationally recognized experts in their native countries\*

RESEARCH DURATION:  
October 2015 – February 2016

COUNTRIES OF INTEREST:  
The research concentrated on Estonia and Turkey as the primary beneficiaries of the “*Know Your Impact*” project are from those countries, so the project must serve their needs. Additional input was collected from the UK as samples of advanced impact analysis practices, and served as a basis of comparison for online communication study.

The following tables provide a more specific overview of the direct involvement of stakeholders and the scope of online communication study.



	IN-DEPTH INTERVIEWS WITH SECTOR DEVELOPMENT INFLUENCERS AND SOCIAL ENTREPRENEURS	PARTICIPANTS IN FOCUS GROUPS FOR SECTOR DEVELOPMENT INFLUENCERS	PARTICIPANTS IN FOCUS GROUPS FOR YOUNG SOCIAL ENTREPRENEURS
ESTONIA	15	21 [3 workshops]	11 [2 workshops]
TURKEY	20	13 [1 workshop]	10 [1 workshop]
UK	4 [the UK was not the focus]	The UK was not the focus.	The UK was not the focus.
TOTAL	39	34	21

Table 1. Direct involvement of stakeholders

	TURKEY	THE UK	ESTONIA
NUMBER OF ORGANIZATIONS IN SAMPLE	50	50	141
IN TOTAL	241		

Table 2. Scope of online communication study

\*Due to anonymity concerns and related issues, “Know Your Impact” team cannot share individual interview notes and similar materials. However, we would be glad to have one-to-one discussions with interested stakeholders about research methodology and any aspects of the valuable content that were too detailed to include to this report.

“COMPARISON of SITUATION  
AND NEEDS of ESTONIA  
AND TURKEY”



# COMPARISON of SITUATION AND NEEDS of ESTONIA AND TURKEY

The needs related to the development of impact analysis for young social entrepreneurs depend on a number of country-specific factors

including legal requirements, organizational capacity of social entrepreneurs, and availability of impact measurement expertise.

Naturally, any new strategic initiative related to impact analysis must take these aspects into account in order to be relevant and successful. Therefore, the following report firstly outlines general context and some critical factors regarding the social entrepreneurship sector in Estonia and Turkey, and then concentrates explicitly on impact analysis related issues.

A comparative overview of Estonia and Turkey as well as two more detailed separate country profiles that are presented here combine input from desk research, the experiences of project partners as well as interviews and focus groups that were conducted within the frame of the “Know Your Impact” project. The profiles add new value to the literature compared with pre-existing resources

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NONE OF THE CURRENT  
OVERVIEWS HAVE  
ANALYZED NATIONAL  
SOCIAL ENTERPRISE  
SECTORS THROUGH  
THE LENS OF CAPACITY-  
BUILDING NEEDS FOR  
IMPACT ANALYSIS.



(e.g. *European Commission's comparative overview in 2014*) because:

- none of the current overviews have analyzed national social enterprise sectors through the lens of capacity-building needs for impact analysis;
- according to the knowledge of the authors of the current study, there has been no previous analysis of online communication of societal impact of social enterprises in Estonia and Turkey;
- existing research presents outdated statements and facts due to the evolving nature of the social entrepreneurship sector. This research offers the most recent information available.

Each of the following sections begins with a general overview and then focuses on specific links with impact analysis development identified during the research. The topics of the sections and their content are not meant to be exhaustive. Despite the existence of a number of other issues related to the development of social entrepreneurship sector, this analysis focuses only on the issues that are directly relevant for impact analysis development.

# COMPARISON of SITUATION AND NEEDS of ESTONIA AND TURKEY

## DEFINITIONS

THERE ARE NO LEGALLY  
OR OPERATIONALLY FIXED  
DEFINITIONS IN EITHER  
COUNTRY.

In Turkey, stakeholders feel confused in relation to the terms of “social enterprise,” “social entrepreneur,” and “social entrepreneurship.” The terms are used synonymously, though it would be more accurate to describe these three phenomena as distinctly separate. The discussion is strongly influenced by the presence of Ashoka and its concept of “social entrepreneurs.” The organization defines social entrepreneurs as “individuals with innovative solutions to society’s most

pressing social problems”<sup>1</sup> whose income model is not necessarily based on selling goods and/or services.

In Estonia, only the term “social enterprise” has taken root. Most stakeholders generally accept that such an organization must simultaneously have a societal purpose, earn sales income, and refrain from paying dividends. Selling goods and/or services is seen as an integral part of the definition. “Know Your Impact” research showed that many stakeholders (e.g. grant-makers, philanthropists) thus perceive social enterprises as financially more sustainable and even more capable regarding management compared with traditional “non-profits.”

However, while the Estonian definition is relatively clear on a broad scale, it still allows for much confusion concerning specific topics. Examples of unclear questions include, “When does an NGO that provides public services become a social *enterprise*?” and “Is a non-profit private school automatically a social enterprise?” Also, some of generally accepted characteristics of the definition are already being challenged especially by young social entrepreneurs (e.g. the requirement not to pay dividends).

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<sup>1</sup> [https://www.ashoka.org/social\\_entrepreneur](https://www.ashoka.org/social_entrepreneur)



# COMPARISON of SITUATION AND NEEDS of ESTONIA AND TURKEY

In both countries, stakeholders have diverse opinions of whether confusion about definitions hinders the sector's development. Most agree that it constrains development of a specially designated legal form. However, as it will become clear, some (Estonian) stakeholders do not see having a separate legal form as useful.

“THE PRIORITIZATION OF  
IMPACT ANALYSIS STEMS  
FROM STAKEHOLDERS IN  
BOTH COUNTRIES WHO DO  
ACCEPT A SOCIAL MISSION  
AS THE CORE OF SOCIAL  
ENTREPRENEURSHIP, NO  
MATTER HOW EXACTLY IT  
MANIFESTS ITSELF.”

The prioritization of impact analysis stems from stakeholders in both countries who do accept a social mission as the core of social entrepreneurship, no matter how exactly it manifests itself. At the same time, there is more clarity needed towards which types of missions, goals, objectives and results are classified as “societal and/or social enough” to suit the definition of social entrepreneurship. Developing impact analysis can be helpful with further clarification of all of those issues.

## LEGAL FORMS

There are no standardized legal forms specifically designed for social enterprises in either country.

In Estonia, most social enterprises are registered as non-profit associations. In

Turkey, the diversity is more expansive as popular choices also include Limited Liability Companies as well as the preference for keeping socially entrepreneurial initiative legally non-formal. However, the concerns related to legal issues are strikingly similar in both countries.

On the one hand, choosing a “non-profit” form for a social enterprise is perceived as helpful for:

- accessing a variety of national and international support mechanisms dedicated for “non-profits” and civil society development, especially grant-based financing;
- supporting its image as a “change-maker for the common good” thanks to choosing traditional (i.e. “non-profit”) legal options for such initiatives.

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“ MOST STAKEHOLDERS  
IN TURKEY AGREE THAT A  
SEPARATE LEGAL FORM IS  
NEEDED TO ENABLE FURTHER  
SECTOR DEVELOPMENT. ”

On the other hand, some stakeholders – especially a number of young social entrepreneurs themselves – do not perceive the “non-profit” format as an intuitive and practical choice for running a business. However, social enterprises that are registered as LLCs are struggling in both countries to obtain access to resources that are needed to cover the costs related to the societal mission that strictly-for-profit companies do not face. In Turkey, LLCs also face issues related to their reputation and prestige due to cultural reasons, and contributing to societal

development is often confused with voluntary services and charity.

Most stakeholders in Turkey agree that a separate legal form is needed to enable further sector development. There are two reasons for this view: (1) if you are registered as LLCs you pay high taxes and have very limited access to funds; and (2) if your organization is registered as an NGO (association or foundation), you cannot generate profit and provide sustainability.

In Estonia, the opinions are more diverse. For example, some

# COMPARISON of SITUATION AND NEEDS of ESTONIA AND TURKEY

stakeholders claim that the legal form would have value only if it would ensure more funding for the sector (which could also be gained potentially by keeping legal *status quo*), or that financial costs for the public sector related to setting up and administering a new legal form would not justify its possible benefits. However, most of Estonian social entrepreneurs support establishing a separate legal form, especially for the benefit of finally establishing clear legal identity and unambiguous public image.

Stakeholders in both countries claim that a pre-requisite for creating a separate legal form is establishing a very clear definition of *social enterprise* and *entrepreneurship*, firstly solving the aforementioned issues related to definitions. One specific reason was provided by Estonian public servants: as a new legal form could potentially be accompanied by specifically designed state support mechanisms, the access to the form should be enabled only to those organizations who generate enough public benefits (in other words: societal impact) to deserve the support (e.g. tax benefits or other support measures).

## FINANCIAL SOURCES AND SUPPORT

“ IN TURKEY, STAKEHOLDERS  
FIND THAT SOCIAL  
ENTREPRENEURS USUALLY DO  
NOT HAVE STABLE INCOME  
MODELS. ”

Organizations try combining various resources (e.g. international grants, donations, sponsorships) without a firm income model.

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The social enterprises that have financially sustainable income models are the ones acting as intermediaries between the beneficiaries and paying customers. Usually the sales income is earned from customers, not beneficiaries. An example here would be Chapputz (Handmade Upcycled Nomad Culture) that is a social enterprise aiming at bringing the “tater rug” culture of Nomads to today’s world through contemporary design solutions. The handmade products are sold through several channels like social media, design festivals around Turkey, as well as online and offline design stores. Thus, the primary income source in these instances is the client’s purchase. The target group of our project is not only the producers but also the customers since both serve the purpose of preserving the tater rug culture.

➔ *Chapputz (Handmade Upcycled Nomad Culture)*

In Estonia, existing national and international funding opportunities are sufficient for establishing strong, if not easily scalable civil society organizations. Since 2009, the National Foundation for Civil Society has financed both the creation of business plans and their implementation for “non-profits.” The Foundation has also supported specifically the development and marketing of new public services provided by civil society organizations. However, the results have been mixed due to a combination of usual uncertainties including the start-up of a sales branch, insufficient entrepreneurial skills (including creativity) and non-supportive attitudes of NGO leaders and staff towards running a business.

➔ *National Foundation for Civil Society*

A typical example of Estonian social enterprise would be a Blind Masseurs’ Union. It combines income from sales revenue, public service contracts related to decreasing the number of long-term unemployed and grants as well as donations. While the Union has managed to keep itself financially sustainable over a decade, it is highly vulnerable to the termination of any of their separate income streams, and unable to invest (e.g. into opening new massage centers) at the speed that would be needed for scaling up.

➔ *Blind Masseurs’ Union*

“ IN BOTH COUNTRIES, ANOTHER IMPORTANT REASON FOR THE LESS-DEVELOPED SOCIAL INVESTMENT MARKET IS A LACK OF INVESTABLE SOCIAL ENTERPRISES. ”

The Estonian for-profit start-up scene is active (especially in relation to the IT-sector) and strongly supported while the support mechanisms don't highlight social enterprise topics at all (except for an irregular special prize at main national business ideas competition). The priorities of economic development policy are exports and high-paying jobs, two concepts that are currently perceived as unrelated to the social enterprise sector.

The common characteristic in both countries is the lack of impact investors specifically concentrating on investing into social enterprises. Despite unique cultural contexts, one of the main constraints is related to the attitudes of investors.

*In Turkey, there is a culture of individual level donation, charity and obligatory alms (zekat in Muslim religion) that culturally and religiously inhibits financial gains. Thus, doing something for social good should not be a profitable activity; this would be improper. Because of this cultural mind-set, the social entrepreneurs coming from an NGO background or less experienced business background have difficulty imagining or designing their income models.*

*In Estonia, philanthropists simply do not perceive social enterprises as a separate sector. (Potential) impact investors see them as a part of “a sector of charitable activities”. Thus, social enterprises compete for attention with any other non-profit association or foundation that has a clear enough societal purpose. The non-profit sector is viewed as having different rules and working principles – detailed strategic plans and evaluations are not considered to be natural and essential – by many individual donors and potential investors.*

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Estonian (potential) social investors mostly have backgrounds as successful business leaders and philanthropists. For them, philanthropy is usually an emotional undertaking that does not fit well with any kind of measuring (including measurement of social impact) and other formal procedures. Those who make more rational choices tend to focus their attention on aspects like leadership capacity and financial sustainability. These factors are much more familiar to them and thus much easier to estimate than societal impact.

In both countries, another important reason for the less-developed social investment market is a lack of investable social enterprises. The root challenge is the *income model*; for



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THEREFORE, THERE ARE STILL MAJOR PROBLEMS REGARDING FUNDING IN TURKEY. FIRST OF ALL, MOST OF THE ENTERPRISES AND INITIATIVES IN TURKEY DO NEITHER HAVE SUFFICIENT STRUCTURE, ORGANIZATION AND ADMINISTRATION NOR FUNCTIONING INCOME MODEL OR BUSINESS MODEL NECESSARY FOR DRAWING INVESTORS.

Turkey this is lacking while for Estonia it is a traditional non-profit oriented model.

The availability of support provided by ecosystem developers also differs in Turkey and Estonia. In Turkey, there is no systematic support mechanism. However, there are many parties working to assist social entrepreneurs. Some universities are trying to foster social entrepreneurship through incubation centers, competitions and/or short-term accelerator programs. There are some consultancy firms and NGOs that might not necessarily focus on social entrepreneurship but rather tackle business entrepreneurship, offering support on business plans.

There is the Ashoka Foundation Turkey, which supports social entrepreneurs through a fellowship program and

networking. In 2014 – 2015, there was also the Sabanci Foundation's "Turkey's Change-makers" program giving support to social entrepreneurs through a grant program and networking. Koc University Social Impact Forum (KUSIF) was established for solely developing the field of social impact in Turkey. A very recent development has been the foundation of "Impact Hub Turkey," which is mostly aiming to serve like a community center for social entrepreneurs.

Therefore, there are still major problems regarding funding in Turkey. First of all, most of the enterprises and initiatives in Turkey do neither have sufficient structure, organization and administration nor functioning income model or business model necessary for drawing investors. This is generally because social initiatives in Turkey lack

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business plans: they do not accurately project expansion and scale their work towards long-term development, navigate potential risk, evaluate their competitors, among many others. Secondly, there is no social impact investment market in Turkey. As a result, social entrepreneurs are always in search of funding and end up using a combination of financial supports.

Given the mentioned reasons, social entrepreneurs in Turkey must invent alternative methods of structure and organization, as well as sources of income. For instance, some service-oriented groups have decided to carry out their activities as informal initiatives without adopting any legal status because they already knew that they would not get any investments or funds.

To give an example, Gelecek Daha Net (Future is Brighter) Youth Platform is a nationwide experience-sharing platform that empowers, enables and encourages youths to be self-determining individuals who are capable of making life, education and career choices through the use of technology as a connector between professionals and young people. Members of the younger generation benefit from online mentoring and coaching sessions, webinars, occupational and sectorial videos, blog posts, as well as offline events such as seminars, youth camps, and

university or high school meetings. These services and tools are free of charge for since one of the most important values of the initiative is equality of opportunities. They try to secure funding through company CSR programs and project funding grants but are also in search of income generation streams through the sale of some of their services like e-mentoring and coaching to public and private organizations as well as NGOs.



*Gelecek Daha Net (Future is Brighter)*

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Another good example for using various alternative-funding sources is Urban Vision Platform and Design Research Participation (TAK) that aims at designing road maps for reconsidering current urban visions and action plans, crafting urban development schemes as well as social impact analysis of urban transformation projects. Urban Vision Platform and Design Research Participation (TAK) made agreements with local governments and private sector companies to provide a working space and to pay the salaries of the operating team. Here, the importance is to know the desired impact and financial and non-financial mechanisms to benefit from. TAK is such a good example because the model for engaging supporters (local governments or private sector sources) as a part of the solution and for incorporating them into the vision is crucial.

➔ *Urban Vision Platform and Design  
Research Participation (TAK)*

Other examples from Turkey are: (1) Hayat Sende Derneği (Hayat Sende Youth Academy Association) which has subscription fees, paid trainings, advertisements through blog posts, holding events for donations, paid e-cards for celebrations, among others; and (2) SineMASAL (Open Air Film Festival) that uses crowd funding, sharing economy, sponsorship and grants for income as well as utilises pro bono collaborations with local partners.

➔ *<http://hayatsende.org/>*  
➔ *<http://www.sinemasal.org/>*

Now, taking a case from Estonia, the example of SpeakSmart illustrates well the journey from a traditional structure of organizational change-making to the new approach of national social enterprising sector for the future. Its parent organization, Estonian Debating Society (E DS), was founded in 1994 as a traditional non-profit association aiming to promote a social mindset that argument and logic are the determining factors in any discussion as well as to teach the related skills. Since its inception, its primary mission, mainly financed by public sector support and grants, has been supporting debate education through establishing debate clubs at schools and

➔ *SpeakSmart*  
➔ *Estonian Debating Society (E DS)*

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universities, providing trainings and competitions for students and teachers and developing courses and study materials at all levels of education

In 2006, the EDS started to offer debate, public speaking, negotiation and argument construction trainings for businesses, public institutions, NGOs, and private individuals, generating income for its other activities. Soon, the sales branch had a separate tax calculation agreement with the Tax and Customs Board as well as separate accounting from the organization's main financial management system (related to activities not generating profit). At the same time, the branch remained a legal part of the EDS. However, the branch did not manage to fully develop into a self-sustainable unit that would

also have been able to support the greater organization financially.

In 2012, the EDS got a grant from the National Foundation for Civil Society to restart its sales branch with two full-time employees – a CEO and a communications-marketing specialist. The grant covered 50% of their pay for one year. By spring 2013, the team had managed to transform the sales branch into a profitable social enterprise.

From that point onwards, the branch has not had to apply for any additional grants and they have become fully self-sustainable and profitable. R&D and expansion have been financed from their profits. The only non-financial resource has been free labor of the employees, which they have chosen to invest towards making the enterprise work and perform better.

In 2015, the branch was legally separated from the EDS and registered as SpeakSmart LLC, the EDS owning 100% of the shares. In the near future, the company intends to concentrate on exporting their services (e.g. to Pakistan) and focusing on specific services in Estonia that have higher impact according to their mission.

To scale up more quickly, they are considering the possibility of involving investors, while the EDS would remain the primary shareholder. Such decision would also mean paying dividends to investors, a move that is likely to spark debate among Estonian civil society stakeholders.

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## THE (PERCEIVED) CONSTRAINTS OF DOING IMPACT ANALYSIS

IN TURKEY, MOST SOCIAL ENTREPRENEURS DO NOT SYSTEMATICALLY ANALYZE THEIR SOCIETAL IMPACT; THEIR ASSESSMENTS ARE USUALLY LIMITED TO ACTIVITIES AND OUTPUTS.

However, some social entrepreneurs implement *de facto* impact analysis activities. These are mainly related to asking beneficiaries' feedback and revising, if possible, their ways of working accordingly. For instance,

→ *Hayat Sende Derneği (Hayat Sende Youth Academy Association)* is trying to increase the number of success stories of children under state protection. Also, *Kızlar Sahada (Girls at the Soccer Field)* has videos of women whose lives are changed by playing football and being part of a team.

In Estonia, most social enterprises do social impact analysis reporting at least about activities and outputs. However, it is fragmented. Many social enterprises systematically collect and analyze information only about outputs that have been financed only by a certain grant or public service contracts.

The availability of analysis tools differs between the two countries. Turkish stakeholders claim that no local tools are available in its national language, while relevant international examples

IN ESTONIA, MOST SOCIAL ENTERPRISES DO SOCIAL IMPACT ANALYSIS REPORTING AT LEAST ABOUT ACTIVITIES AND OUTPUTS.

are difficult to find, if they exist at all.<sup>2</sup> In Estonia, some materials are available (e.g. *handbook developed specifically for Estonian civil society organizations*, and *methodology of Estonian Social Enterprise Network*). Estonian organizations have also had regular if non-systematic access to basic impact analysis trainings since 2012.

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<sup>2</sup> *Sosyal Etki Ölçümlemesi: KUSİF 4 Adım Yaklaşımı*, the first comprehensive guide on social impact measurement was published by KUSİF in December 2015.

# COMPARISON of SITUATION AND NEEDS of ESTONIA AND TURKEY

In both countries, ecosystem developers have traditionally been part of the challenge, as they have concentrated on financing and required reporting activities and outputs, and usually have not supported impact measurement. The situation is more positive in Estonia where National Foundation for Civil Society lists impact analysis as one of the eligible activities by the applicants, e.g. for its annual grant application call that considers applicants' any justified strategic development need as potentially eligible for support.

In both countries, the root problems of impact analysis development differ depending on who describes them. We aim to present the views of social entrepreneurship ecosystem developers as well as social entrepreneurs themselves.

## VIEW OF SOCIAL ENTREPRENEURSHIP ECOSYSTEM DEVELOPERS

Many Estonian experts and public sector financiers agree that for impact analysis, the way social entrepreneurs identify the needs of stakeholders and set their objectives is problematic. The wording of missions and strategic goals is too vague or broad to be useful as management tools since social entrepreneurs rarely follow up their missions by setting specific outcome objectives. Aims are usually phrased according to standard formulations stakeholders call "project application vocabulary." Those formulations do not provide any basis for evaluation, as they do not reflect important criteria of a traditional SMART objective, especially concerning being specific,

“ESTONIAN EXPERIENCE  
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NO QUICK PROGRESS.”

measurable and time-bound. Estonian experience shows that providing social entrepreneurs with simple impact analysis tools leads to no quick progress.

To be more specific, these methods cannot be applied by the organizations without firstly adjusting their strategy (if it exists at all). Turkish stakeholders confirm that most social entrepreneurs are mainly focused on activities and outputs but not yet at the level of





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TURKISH STAKEHOLDERS  
CONFIRM THAT MOST SOCIAL  
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LEVEL OF QUESTIONING THE  
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AND THE GENERATED  
OUTCOMES AT LATER PHASES  
OF THEIR ORGANIZATIONAL  
DEVELOPMENT.

questioning the success of their strategy and the generated outcomes at later phases of their organizational development.

On the other hand, only a few social enterprises use a theory of change with a tested hypothesis e.g. the needs of their target group members. Turkish stakeholders claim that while many social entrepreneurs might have a personal experience related to the societal issue, involving target group members into the solution design remains uncommon.

In Estonia, “non-profit” social enterprises can get regular support from the National Foundation for Civil Society for strategy building, including developing and testing their theory of change. There have been also some trainings and development programs available concerning service design but participants’ profiles have been limited to those social enterprises who develop public services.

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## VIEW OF SOCIAL ENTREPRENEURS

In both countries, there are very similar views expressed by social entrepreneurs in terms of the constraints related to social impact analysis.

Firstly, there are some who perceive social impact analysis as an inefficient process unimportant for changing the world for the better. They consider their everyday activities valuable enough and

FIRSTLY, THERE ARE SOME WHO PERCEIVE SOCIAL IMPACT ANALYSIS AS AN INEFFICIENT PROCESS UNIMPORTANT FOR CHANGING THE WORLD FOR THE BETTER.

do not see the logic behind spending working hours on analysis, because:

- they perceive the value of their work to be self-evident (e.g. nobody else is helping the target group in the same region);
- and/or they are satisfied with immediate feedback that occurs naturally during doing their job (e.g. “I can see that the children are happy”).

Secondly, while most of social entrepreneurs say that they see the value of impact analysis, they claim that the implications pose two main challenges:

- A few of them feel that analysis is a final step to take after all other steps in organizational development have been completed.
- Most point out a lack of resources for impact analysis (lack of money,

staff members, time or know-how, usually a combination of these factors).

Estonian social entrepreneurs emphasized that they appreciate the value of impact analysis if it can provide content for marketing and communication. Their main motivation is to prove to stakeholders that the work they are doing already is valuable and impactful, including attracting and “satisfying” funders.

A FEW OF THEM FEEL THAT ANALYSIS IS A FINAL STEP TO TAKE AFTER ALL OTHER STEPS IN ORGANIZATIONAL DEVELOPMENT HAVE BEEN COMPLETED.



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IN TURKEY, AN INADEQUATE  
POOL OF MENTORS,  
SCALING, AND THE NEED  
FOR NETWORKING WERE  
AMONG THE ISSUES  
BROUGHT FORWARD BY  
STAKEHOLDERS.

### OTHER ISSUES

The research has drawn attention to some issues that are very important for the stakeholders to discuss and indirectly affect the social impact of the organizations/initiatives. In Turkey, an inadequate pool of mentors, scaling, and the need for networking were among the issues brought forward by stakeholders.

#### *INCLUSION OF THE BENEFICIARIES IN DESIGNING THE PROBLEM/NEED*

In Turkey, the lack of field experience when defining the objectives and the target group is a drawback, which directly affects the impact of the project. Almost none of the Turkish social entrepreneurs included the target group/beneficiaries when designing a solution. Only some personally experienced the problem/need and wished to find a solution, while others said they just saw the need and wanted to take action.

ALMOST NONE OF  
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An example of good practice in terms of experiencing the problem first hand comes from the founder of “e-bursum [e-scholarship].” The founder had difficulty finding scholarship for his high school as well as university education in Turkey as many institutions offer different kinds of scholarships and require significant amounts of paperwork. Ultimately, he got his scholarship but also committed himself to finding a solution for this non-systematic inquiry and application process. After about 24 months of preliminary research and interviews with the scholarship-giving institutions, he came up with the idea of a website that enables students to find scholarship opportunities. The website was beneficial for both the students and the institutions. It included nearly all of the scholarships offered by different institutions in Turkey with a unified application form; and it made the job of institutions much easier since they are no longer the ones dealing with the paperwork. As a result, he designed the solution in a very organized and effective way.

➔ *e-bursum [e-scholarship]*

There is only one example in Turkey for the inclusion of beneficiaries in designing solutions: Kömürün İsi, Sabunun Misi- Yasemin Yırca [Odor of Coal, Fragrance of Soap] initiative. The initiative created an alternative source of income for women who were unemployed because of the destruction of olive trees as a result of the construction of a thermal power plant. The women are trained to produce handmade natural soaps and fragranced stones to as a source of income again. The interviewee stated that the success behind this initiative is that the founder of the initiative moved to the site. He is now living in the village of his target group and experiences their everyday life and problems himself. Being able to better empathize with his neighbors allowed him to better shape his initiative to create more impact.

➔ *Kömürün İsi, Sabunun Misi- Yasemin Yırca [Odor of Coal, Fragrance of Soap]*

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“ IN TURKEY, DESPITE  
THE TECHNIQUES USED  
TO KEEP VOLUNTEERS  
MOTIVATED AND ENSURE  
THEIR CONTINUITY AND  
DEVOTION, MOST SOCIAL  
ENTREPRENEURS FAIL IN  
DESIGNING A WORKING  
VOLUNTEER MECHANISM  
AND THEY NEED GUIDANCE  
ON THIS MATTER. ”

## MANAGING VOLUNTEERS

In Turkey, despite the techniques used to keep volunteers motivated and ensure their continuity and devotion, most social entrepreneurs fail in designing a working volunteer mechanism and they need guidance on this matter. This issue is crucial for the success and the impact of the initiative/ organization since most of the social entrepreneurs work with very limited human resources. Thus, most of the initiatives/organizations in Turkey need to ensure sustainable and long-term volunteering.

However,  
some social initiatives/  
organizations have their own  
unsystematic ways of managing  
volunteers. For instance, Kızlar  
Sahada (Girls on the Soccer  
Field) calls for volunteers for the  
organization of a tournament and  
training teams; Adım Adım (Step  
by Step) has approximately 50  
volunteers who actively work for  
the organization. But different  
than Kızlar Sahada, Adım Adım  
has set roles for each volunteer,  
which makes it more systematic.  
Still, both of the initiatives/  
organizations face problems  
regarding volunteer commitment.

→ Kızlar Sahada (Girls on the Soccer Field)

→ Adım Adım (Step by Step)

→ Kızlar Sahada, Adım Adım

# COMPARISON of SITUATION AND NEEDS of ESTONIA AND TURKEY

## POOL OF MENTORS

In Turkey, there is an emerging need for need-based mentoring. Sometimes one mentor might be assigned to an entrepreneur and that mentor is expected to be a guide on everything. However, this often results in an ineffective mentor-mentee relationship sometimes ending up with bad decisions; ultimately affecting the social impact of their initiatives.

IN TURKEY, THERE IS AN EMERGING NEED FOR NEED-BASED MENTORING. SOMETIMES ONE MENTOR MIGHT BE ASSIGNED TO AN ENTREPRENEUR AND THAT MENTOR IS EXPECTED TO BE A GUIDE ON EVERYTHING.

## SCALING SOCIAL INITIATIVES/ ENTERPRISES

WHILE MOST OF THE ENTERPRISES/INITIATIVES DID NOT GET TO THE POINT OF SCALING THEIR MODELS UP IN TURKEY, THERE ARE COUPLE OF EXAMPLES THAT HAVE BEEN ABLE TO EXPAND THE MODEL AND HAND ITS OPERATION OVER TO LOCAL PARTNERS.

For instance, SineMASAL (Open Air Film Festival), a social venture that enables children in rural areas to experience cinema and all aspects of art, crafted a good model for involvement of local actors enabling them to take charge and ownership of the festival. Thanks to this model of involvement, the actors learn how to organize a film festival and experience the change catalyzed by the festival first hand. This provides the local actors with the capacity and opportunity to create the festival under their own local initiative in two different cities of Turkey.

➔ SineMASAL (Open Air Film Festival)

## COMPARISON of SITUATION AND NEEDS of ESTONIA AND TURKEY

Another example of scaling is The Future is Brighter Youth Platform [GDN], an online and offline initiative aiming at youth ages 14-30 to be self-determined individuals capable of making informed educational and career choices through counseling, mentoring, coaching, camps, surveys, forums, videos and skills development trainings. The model crafted by GDN is now going to be applied in Italy where youth unemployment has peaked. For GDN to be operational in Italy, it has utilized local partners, including an educational center, an incubation center, Ashoka Italy, and the support of Bosch Italy.

→ *The Future is Brighter Youth Platform [GDN]*

### NEED FOR NETWORKING

Moreover, there is an urgent need for social entrepreneurs as well as eco-system developers to come together to talk about challenges they face and to contribute to one another's work, make use of already existing competences and sources, channel them to develop the ecosystem therefore increasing the social impact of the organizations/initiatives. This is also because of the lack of a common space. However, as of 2016, this problem is being addressed by *Impact Hub Istanbul* by offering a physical space where all of the members of the ecosystem can come together to discuss and share experiences, and by organizing events to promote these collaboration meetings.

“MOREOVER, THERE IS AN URGENT NEED FOR SOCIAL ENTREPRENEURS AS WELL AS ECO-SYSTEM DEVELOPERS TO COME TOGETHER TO TALK ABOUT CHALLENGES THEY FACE AND TO CONTRIBUTE TO ONE ANOTHER'S WORK, MAKE USE OF ALREADY EXISTING COMPETENCES AND SOURCES, CHANNEL THEM TO DEVELOP THE ECOSYSTEM THEREFORE INCREASING THE SOCIAL IMPACT OF THE ORGANIZATIONS/INITIATIVES.”

// DETAILED COUNTRY  
PROFILES //

# DETAILED COUNTRY PROFILES

## ESTONIA

### DEFINITIONS OF 'SOCIAL ENTERPRISE', 'SOCIAL ENTREPRENEURSHIP', AND 'SOCIAL ENTREPRENEUR'

#### *LEGALLY BINDING DEFINITIONS*

In Estonia, there is no legal standard structure for social enterprises (see the next section for details).

All existing definitions are non-formal or have a very limited legal scope (e.g. membership criteria for an association, or rules for a specific funding mechanism).

There are state-level documents that do mention social enterprise as a concept (e.g. The National Development Plan for Civil Society 2015 – 2020 by Ministry of the Interior, Well-Being Development Plan by Ministry of Social Affairs 2016-2023, the decision of Governments Office to establish Task Force on public sector and social innovation 2016-2017). Yet, these documents provide either no definition at all or do offer definitions that leave important aspects of the concept undefined (e.g. the meaning and scope of “societal purpose”).

The most commonly referenced example of defining *social enterprise* is related to the membership criteria of the Estonian Social Enterprise Network (ESEN). The organization uses an inclusive and flexible interpretation of the concept.

## DETAILED COUNTRY PROFILES



This is primarily defined by the need to have a clear societal purpose. The other important aspect is having a financially sustainable business model [i.e. financial model based on sales income].

The membership applications are evaluated case-by-case, allowing for a variety of equally acceptable alternatives for how members' societal purpose can be "clearly defined" and business model "sustainably developed". The network also requires social enterprises to reinvest their surpluses, and disclose their impact analysis information (see the section "Impact analysis development for social entrepreneurs" for more details).

In practice, there can still be much confusion related to the definitions, especially between "social enterprise," and

- socially responsible company,
- civil society organization that generates sales income.

Another source of confusion related to defining social enterprise revolves around the question of valid and valued social purposes. Typical examples are organizations that earn sales income as arts & culture citizen initiatives, or private schools. An example: ESEN accepts community-based private schools that clearly diversify available approaches and methods [e.g. Waldorf schools] as well as engage in advocacy in the field of education for the overall public good.



“IN ESTONIA, THE TERM  
“SOCIAL ENTREPRENEUR” IS  
NOT COMMONLY USED AS A  
SEPARATE TERM APART FROM  
THE MEANING “THE FOUNDER  
/ LEADER / CEO OF A *SOCIAL  
ENTERPRISE*.”

### *THE CASE OF “SOCIAL ENTREPRENEUR”*

In Estonia, the term “social entrepreneur” is not commonly used as a separate term apart from the meaning “the founder / leader / CEO of a *social enterprise*.” The term was first introduced when David Bornstein’s book “How to Change the World” was translated in 2005. The Good Deed Foundation, which is the first venture philanthropy organization in the Baltics, published the book. The foundation circulated the term “social entrepreneur” widely in 2005-2007 [e.g. by organizing social entrepreneurship competitions] since its core mission was to “support social entrepreneurs.”

Ashoka has never been operated in Estonia and Good Deed remained the only organization to actively promote the concept for a couple of years.

However, the term did not take root. Stakeholders began to perceive it conceptually as hazy and thus unsuitable for the practical purpose of supporting change-makers in society. Additionally, some civil society stakeholders viewed it as unnecessarily elitist as it was non-inclusive of grass-root social enterprises [e.g. financially sustainable local providers of non-innovative yet essential services for the disadvantaged].



## DETAILED COUNTRY PROFILES

By 2009, a clear distinction had emerged between:

- “social enterprise” (without including the suggestion of creating systemic change);
- “high-impact non-profit” (including the notion of creating systemic change in a financially sustainable manner, while not necessarily generating any sales income).

The Good Deed Foundation concentrated on supporting high-impact non-profits. Its portfolio

continued to consist of, apart from other (potentially) high-impact initiatives, some innovative, ambitious and scalable social enterprises. In 2012, the Estonian Social Enterprise was established to unite and support any social purpose organizations with a sustainable business model based on selling goods and/or services.

Recently, the aspects not covered by the terms “social enterprise” and “high-impact non-profit” have been expressed by the concept “social innovator” referring to civil society

stakeholders. It has the advantage of including the aspect of systems changes, while avoiding previous confusion related to “entrepreneur – entrepreneurship – enterprise.”

THERE IS NO SPECIAL LEGAL STRUCTURE FOR SOCIAL ENTERPRISES IN ESTONIA.

### LEGAL ISSUES OF SOCIAL ENTREPRENEURSHIP

There is no special legal structure for social enterprises in Estonia. Registering as a “non-profit” is a default option for social purpose initiatives there. More specifically, most of them are registered as so-called civil society organizations: either non-profit associations (governed by its members) or foundations (governed by a board). There are also a few limited liability companies identifying themselves as social enterprises.

Majority of social enterprises have chosen to be non-profit associations. However, the number of members in such associations is usually small. The members are usually the same persons who are simultaneously active in the organization as members of a management board and project managers.

A solution used by some social entrepreneurs has been combining two organizations (e.g. a non-profit association and a limited liability company) to form one social

enterprise. The motivation is to achieve more favorable taxation conditions and take advantage of both business and civil society development grants.

As most social enterprises are “non-profits,” social enterprise development is a topic mostly handled under civil society development in Estonia. As a result, impact analysis debate and the development of social enterprise sector has developed in parallel to such debate and developments in civil society that includes also charitable, advocacy and other such organizational identities.

Two legal aspects that influence impact analysis development are individually presented as follows:

- All civil society organizations need to submit an annual report to the Company Registration Portal (see more details in Annex 1). As the structure of the report consists of activity report in addition to annual accounts, it provides an opportunity to also present information based on impact analysis. There are no standards related to the content of the report (besides some formal requirements like disclosing the members of the management board). As a result, most social enterprises do not

report consistently about their activities and outputs. Outcomes and impact are rarely mentioned.

- Any non-profit civil society organization (including social enterprises registered as such) can belong to a so-called “public benefit” list that allows for some tax benefits under Income Tax Law. In the 1990s and 2000s, Income Tax Law was interpreted as a support mechanism for organizations of voluntary, charitable nature, excluding any cases when “the main activity” of the organization could be perceived as selling goods or services.

Currently, it is also fair practice that a public benefit organization can use sales income as a financing tool as long as its mission and main activities remain socially focused. Since collecting donations can be part of an income model of social enterprises also according to its Estonian definition, a number of such organizations have applied and been accepted to the list. Some of those social enterprises have been motivated to prepare an outcome and impact report solely for the purpose of proving that they indeed are focused on public benefit, and thus worthy of belonging to the list.

## PROFILE OF SOCIAL ENTERPRISES

In spring 2014, the ESEN, in collaboration with Statistics Estonia and the Network of Estonian Non-profit Organizations and with the support of the European Commission, compiled the results of the first-ever statistical overview of the Estonian social enterprise sector. The main results are as follows:<sup>3</sup>

- During 2009-2012, the sector's total entrepreneurial income increased on average by 18% per year and the

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<sup>3</sup> <http://sev.ee/wp-content/uploads/2015/04/Kvartalikiri-Sotsiaalne-ettev%C3%B5tlus-Eestis.pdf>



number of new social enterprises increased on average by 7% per year. Also, there has been a steady increase in the jobs provided by the social enterprises.

- A considerable part (66%) of the average total income of social enterprises is earned by engaging in entrepreneurial activities. (The real number might be much higher because some stakeholders are financially motivated to avoid fully disclosing entrepreneurial activities. For example, some municipalities who delegate providing public services to social enterprises require the contract to be a support grant rather than service-based).
- Almost a third of social enterprises do not use donations and grants at all. In other words, circa 1/3 of social enterprises are fully sustainable based on their own sales income.
- Approximately 1/3 of social enterprises provide social welfare services.
- Social enterprises are situated all over Estonia but mainly in and around the two biggest urban centers (capital city Tallinn and university town Tartu).
- An average social enterprise is a micro-organization with 1-4 employees.

- The main implications for impact analysis are the following.
- As a micro-organization, the average social enterprise lacks a capacity for social impact analysis.
- As 2/3 of organizations receive grant funding, most social enterprises report publicly on the activities, outputs, and outcomes that are requested by grant-makers to be published (as a part of dissemination of results of grant funding). As there is no obligation to publish all impact analysis data (e.g. there are no standards for the activity report section of annual report), it creates a fragmented public view of the work and value of social enterprises.

## ACKNOWLEDGEMENT BY THE STATE

Before ESEN was established as an advocate for the social enterprise sector (apart from its other roles) in 2012, social entrepreneurship had not been mentioned in any documents compiled by public bodies. By 2016, social enterprises were mentioned in a number of public sector strategic documents, and the Network is acknowledged as a legitimate advocate of the sector.

Most importantly, The National Development Plan for Civil Society 2015 - 2020 (approved in February 2015 by Estonian Government) includes “social entrepreneurship, public services and

social innovation” as one of its three chapters. The Ministry of Interior who is mainly responsible, has chosen the ESEN as one of three strategic partners who contribute to implementing the plan.

In February 2016, the Estonian Government formed a task force for the public sector and social innovation structured under the Government Office and the ESEN is a full member. One of its three sub-committees is dedicated to social entrepreneurship development.

Some other important documents that include sections that are supportive to the social enterprise sector are the Well-being Development Plan 2016-2023 (Ministry of Social Affairs) and



CONCERNING POLITICIANS, AWARENESS IS STILL RATHER LOW, ALTHOUGH AS A RESULT OF THE ESEN'S ADVOCACY EFFORTS, THREE OUT OF FOUR MAIN POLITICAL PARTIES IN ESTONIA CHOSE SOCIAL ENTERPRISE DEVELOPMENT AS ONE A TOPIC WITHIN THEIR ELECTION PLATFORMS FOR THE PARLIAMENTARY ELECTIONS THAT TOOK PLACE ON 1 MARCH 2015.



the new Public Procurement Law that fully transposes Article 20 “on reserved contracts” and Article 77 “on reserved contracts for certain services” from the European Commission’s original Directive.

Concerning politicians, awareness is still rather low, although as a result of the ESEN’s advocacy efforts, three out of four main political parties in Estonia chose social enterprise development as one a topic within their election platforms for the Parliamentary elections that took place on 1 March 2015. Thus, the coalition agreement included the topic as well.

The challenge for the period 2016 and beyond is to transform the opportunities into tangible support measures for grass-root level social enterprises. While public servants have been sympathetic towards including social entrepreneurship as a principle to certain documents, they still express serious doubts about its strategic importance for societal development. As many social enterprises are community-oriented and do not contribute to exports, the creation of high-paying jobs or other government priorities, their ability to demonstrate their intrinsic value and contributions will be essential for any further progress related to this sector’s advocacy.



IN ESTONIA, SUPPORT FOR INFRASTRUCTURE OF SOCIAL ENTERPRISES EXISTS BUT IS FRAGMENTED. ALL STAKEHOLDERS AGREE THAT THE CURRENT CONDITIONS DO NOT ENABLE GROWTH AND QUALITATIVE DEVELOPMENT OF THE SECTOR.



### SUPPORT MECHANISMS FOR SECTOR DEVELOPMENT

In Estonia, support for infrastructure of social enterprises exists but is fragmented. All stakeholders agree that the current conditions do not enable growth and qualitative development of the sector.

The single most important financial supporter has been the National Foundation of Civil Society. Its support has reached the social enterprise sector in two ways:

- special calls for developing social entrepreneurship and public services (business plan development and its implementation, always in separate calls).
- social enterprises that are registered as non-profits are also eligible for all the other capacity-building grants (topics vary from strengthening volunteer management to piloting networks for cross-sector citizen initiatives). Recently, developing impact analysis has been encouraged by

the Foundation as one of the topics to choose when applying for grants.

The Ministry of Social Affairs has supported a yearlong accelerator twice (in 2015 and 2016) for start-up social enterprises (also as new branches in existing civil society organizations) and designing new public services (also in existing social enterprises).

Traditional business support mechanisms exclude legal structures of civil society organizations. Estonia has a vibrant and well-developed start-

## DETAILED COUNTRY PROFILES



“THE MINISTRY OF SOCIAL AFFAIRS HAS SUPPORTED A YEARLONG ACCELERATOR TWICE (IN 2015 AND 2016) FOR START-UP SOCIAL ENTERPRISES (ALSO AS NEW BRANCHES IN EXISTING CIVIL SOCIETY ORGANIZATIONS) AND DESIGNING NEW PUBLIC SERVICES (ALSO IN EXISTING SOCIAL ENTERPRISES).”

up scene, but social innovation is not a systematic part of it. However, the main business idea competition in Estonia has rewarded social enterprises in a separate category over the years.

While public service development is a priority for the public sector, social enterprises are seen only as one segment of service providers (among other for-profit and “non-profit” types of organizations). Only some stakeholders perceive social enterprises as service providers who are (potentially) more client-oriented than an average “for-profit” and financially more sustainable than an average “non-profit.”

Social enterprises experience the same challenges as other civil society organization as the Estonian public sector market has some systematic flaws. These include:

- many public tenders are based on service descriptions that focus on outputs and have not been compiled with involvement of beneficiaries;
- insufficient resources for service provision that leads to low quality or forced voluntary work, which usually results in burn-out;
- no resources for service development.

As the public sector does not prioritize outcomes and impact, the public sector market is formed in a manner that also ignores service providers (including social enterprises) to focus on those aspects.

## IMPACT ANALYSIS DEVELOPMENT FOR SOCIAL ENTREPRENEURS

Impact analysis has been one of the main topics of Estonian civil society development since 2011. Keeping the topic relevant has been the shared impact of many stakeholders. While the following description concentrates on the trajectory from Good Deed Foundation to ESEN, many other stakeholders have enabled the

“IMPACT ANALYSIS HAS BEEN ONE OF THE MAIN TOPICS OF ESTONIAN CIVIL SOCIETY DEVELOPMENT SINCE 2011.”

conversation to happen and carried it forward. The following are relevant examples:

- Praxis Centre for Policy Studies Foundation has promoted the concept of knowledge-based decision making;
- National Foundation for Civil Society has been morally and financially supporting developing impact analysis strategically (by ESEN and Good Deed Foundation) as well as development for individual organizations;
- Ministry of Social Affairs (in cooperation with Ministries of Education and of the Interior) has been the pioneer of bringing the concept of evidence-based programs to Estonia;

- Reach for Change Estonia has introduced (though only for its grantees, not publicly) its internationally developed methodology for mapping societal impact for social enterprise start-ups.

In 2011, the Good Deed Foundation published a widely promoted social impact analysis handbook in Estonian that had simple language and an attractive design. For example, the handbook immediately created a demand for social impact analysis trainings.

The author of the handbook was also one of the founders of the ESEN, which quickly emerged as the leading organization in promoting impact analysis in Estonia for societal purpose organizations. The efforts have also led

to wider recognition, as the chairman of the ESEN, Jaan Aps, was named “The Mission Person of the Year 2014” by the Network of Estonian Non-profit Organizations for his work related to advocating for impact analysis.

In 2013-2014, the ESEN developed a format for specifying and communicating the outcomes and impact of social enterprises using theories of change, basic indicators, and storytelling. Compiling the report became an unofficial criterion for network membership.

Now in 2016, the standardized solution has already become a widely accepted impact-mapping standard for Estonian organizations with a social purpose. While the methodology is still being improved, it was already considered robust enough to have attracted

financing from the Ministry of the Interior via National Foundation of Civil Society for development into an online format. The web solution links the indicators that reflect various aspects of beneficiary profiles and key metrics from theories of change with a Google Map solution. The aim is to create an online portal for inserting, structuring, analyzing and publishing societal impact information of all Estonian social purpose organizations, not only of social enterprises.

Feedback from the members of ESEN varies in relation to the format. Many of those who have completed it have given positive feedback to it (according to membership surveys) as a:

- methodology of strategic thinking and planning, including analyzing organizational identity;

- tool for explaining its aims and positive value to external stakeholders, including grant-makers and public institutions who tender public services. They have also been able to point out specific occasions when the report (and its underlying logic) has enabled successful negotiations with public servants. On the other hand, only one social enterprise has reported that its paying customers (private individuals) have noticed the report and been attracted by it.

Some of those who have compiled the report have also used it to transform their external communication channels via:

- visual appearance – restructuring the page according to the logic of their theory or theories of change;



THEY ALSO PERCEIVE IMPACT ANALYSIS USELESS WITHOUT ADDITIONAL FUNDING BECAUSE THEY DON'T BELIEVE THAT THEY WOULD BE ABLE TO IMPLEMENT ANY CHANGES TO THEIR PROGRAMS WITHIN THE CURRENT BUDGET.



- content – adding or better highlighting meaningful success indicators as well as success stories.

Other social enterprises have been disappointed that compiling the report has not led to increased financing. The most severe opinion is being interested in repeating the exercise of impact analysis only under the condition of guaranteeing increased financing.

They also perceive impact analysis useless without additional funding

because they don't believe that they would be able to implement any changes to their programs within the current budget.

Finally, the challenge for even those social enterprises that have been satisfied with the experience rarely prioritize taking time for updating the report. They are using it mainly as a “business card” for presenting their theories of change and do not see much value in keeping the numbers up-to-date, or acquire new stories from their beneficiaries.

## TURKEY

### DEFINITIONS OF 'SOCIAL ENTREPRENEUR', 'SOCIAL ENTREPRENEURSHIP' AND 'SOCIAL ENTERPRISE'

In Turkey, there is no legally binding definition of social entrepreneurship. The concept of social entrepreneurship is mostly understood by the definitions of the pioneer organizations in Turkey.

Various definitions used by the sector developers highlight different aspects of the concept depending on the main area of the interest of the stakeholder.

The social entrepreneurship sector started and accelerated with the establishment of Ashoka Turkey in 2000. Ashoka remains one of the most important reference points for social entrepreneurs in the country.

Ashoka defines social entrepreneurs as individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs determine what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to

move in different directions. Social entrepreneurs present user-friendly, understandable, and ethical ideas that engage widespread support in order to maximize the number of citizens that will stand up, seize their idea, and implement it. Leading social entrepreneurs are mass recruiters of local change makers – role models proving that citizens who channel their ideas into action can do almost anything<sup>4</sup>.

In 2007 Civil Society Development Center published the booklet titled “Toplumsal Dönüşüm için Sosyal Girişimcilik Rehberi” [“Social Entrepreneurship for Social Change”]. The publication was one of the first resources in Turkish introducing social

entrepreneurship and presenting examples of social entrepreneurs and their enterprises. The definition of social entrepreneur presented in the guide highlighted the aspect of being “change makers,” leader in society who identify the problem and work on delivering innovative solutions.

Important contribution to the popularization of the concept of social enterprise was made by “Third Sector Foundation of Turkey” (TÜSEV). TÜSEV is an umbrella organization supporting development of third sector in Turkey. In the approach presented by TÜSEV, “social entrepreneurship” features two different components: “social” and “entrepreneurship.” One the one hand, the understanding of entrepreneurship harbors risks and opportunities, right evaluation, risk

taking and innovative solutions just like business entrepreneurship. The “social” aspect, however, involves entrepreneurial principles to respond to social needs and problems rather than profit maximization. As such, social entrepreneurship aims at systematic changes in responding to societal needs and problems. Social initiatives target the answer to social needs or tackle problems by modelling replicable solutions and simultaneously gaining the support of society<sup>5</sup>.

Leadership Academy for Young Social Entrepreneurs (SOGLA) is an organization working on the popularization and proliferation of social entrepreneurship and

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 <sup>4</sup> [https://www.ashoka.org/social\\_entrepreneur](https://www.ashoka.org/social_entrepreneur)

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 <sup>5</sup> <http://www.sosyalgirisim.org//content/detail.aspx?cid=10>

“ IN THE CONTEXT OF STATE POLICY, THE SOCIAL ENTREPRENEURSHIP WAS ADDRESSED BY THE TENTH DEVELOPMENT PLAN OF TURKEY ADOPTED BY THE GENERAL ASSEMBLY OF PARLIAMENT ON THE 2 JULY 2013.

through its network, supports young people via accelerator programs, mentoring, and various events on social entrepreneurship all over Turkey. SOGLA prefers not to define social entrepreneurship; instead it highlights the four essential constituents of social entrepreneurship: social impact creation; identifying opportunities to create social impact; innovation and resource creation as well as sustainability<sup>6</sup>.

In the context of state policy, the social entrepreneurship was addressed by the *Tenth Development Plan of Turkey* adopted by the General Assembly of Parliament on the 2 July 2013. The document emphasized the importance of entrepreneurship and the need to

develop supporting mechanisms and policies. Social entrepreneurship is described as an important part of the general concept of entrepreneurship. The document mentions the lack of consensus on the definition of the social entrepreneurship and summarize it as a practical, innovative and sustainable entrepreneurship model providing social good to society in general and disadvantaged groups in particular. The document mentions the important role of W. Drayton, the founder of Ashoka in developing the concept of social entrepreneurship and refers to his definition of a social entrepreneur as a person trying to solve social problem by changing the system.



<sup>6</sup> <http://www.sogla.org/sosyal-giri351imcilik.html>



THE DEFINITIONS OF SOCIAL ENTREPRENEURSHIP COMMONLY USED IN TURKEY ARE BASED ON ASHOKA'S APPROACH AND PRESENT PARALLEL VISIONS, PUTTING AN EMPHASIS ON THE INDIVIDUAL IDENTIFYING SOCIAL PROBLEM AND DEVELOPING INNOVATIVE SOLUTIONS AIMING TO ACHIEVE LONG-TERM SYSTEMATIC CHANGE.



The definitions of social entrepreneurship commonly used in Turkey are based on Ashoka's approach and present parallel visions, putting an emphasis on the individual identifying social problem and developing innovative solutions aiming to achieve long-term systematic change. Other aspects related to the concept such as sustainability, social impact, and business model are not at the core of the concept despite being mentioned.

Social entrepreneurship in Turkey was developed within the civil society sector and is still strongly affected by the "not-for-profit" approach. The aspects of sustainability, business model development and profit-earning is not emphasized. The culture of individual level donation, charity

and obligatory alms (zekat in Muslim religion) existing in Turkish society that culturally and religiously inhibits experiencing any kind of gratification or any form of gains, exacerbate the negative perception of making a profit. As such, profiting from social service-oriented activities is considered improper. This cultural mind-set is a barrier towards fully embracing and understanding social entrepreneurship in Turkey. Not only do social entrepreneurs coming from an NGO background or a limited business background have difficulty in imagining or designing their income models but also social entrepreneurs have difficulty explaining themselves and their model of business to most of their stakeholders.



## LEGAL ISSUES OF SOCIAL ENTREPRENEURSHIP

**TURKISH LEGISLATION DOES NOT RECOGNIZE OR IDENTIFY SOCIAL ENTREPRENEURSHIP. SOCIAL ENTREPRENEURS HAVE TWO OPTIONS WHEN ESTABLISHING A SOCIAL BUSINESS.**

They can:

- set up a foundation or an association (structures of NGOs in Turkey), which secures corporate tax exemption and allows access to funds; or
- establish a company allowing profits but hindering access to funds and restricting access to tax exemptions.

Based on the interviews conducted and feedback received during workshops with social entrepreneurs, the tendency towards company establishment can be observed. However, social entrepreneurs who established companies do not really make much profit and carry the burden of taxes. Choosing an association as

the legal structure poses an obstacle to profit-making but gives access to funds and grants available to civil society organizations. Some social enterprises chose to remain non-formal initiatives without legal status and look for innovative solutions to gain acknowledgement and support.

As each legal structure has its advantages and disadvantages, many social entrepreneurs are pushed to establish hybrid models with two legal organizations functioning in parallel. Those heading companies can decide to establish and register a foundation or association, while those who operate as civil society organizations may consider developing sustainable business registration as companies.

## PROFILE OF SOCIAL ENTREPRENEURS

“THE SOCIAL ENTREPRENEURSHIP SECTOR IN TURKEY IS AT A VERY EARLY STAGE. AS THERE IS NO SEPARATE LEGAL STRUCTURE AND NO CONSENSUS ON THE DEFINITION, THERE IS NO SPECIFIC DATA ON THE SIZE OF THE SECTOR, NUMBER OF SOCIAL ENTREPRENEURS OPERATING, OR THE PROFILES OF SOCIAL ENTREPRENEURS.”

The most detailed research was conducted by Istanbul Policy Centre (IPC), Sabanci University and Impact Investing Policy Collaborative in 2013<sup>7</sup>. Since social entrepreneurship has grown very fast in the last couple of years, the survey is only useful in acquiring a general view of the social entrepreneurship sector in Turkey.

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<sup>7</sup> [http://www.socialimpactmarkets.org/wp-content/uploads/2012/11/130405\\_Survey-results\\_final1.pdf](http://www.socialimpactmarkets.org/wp-content/uploads/2012/11/130405_Survey-results_final1.pdf)

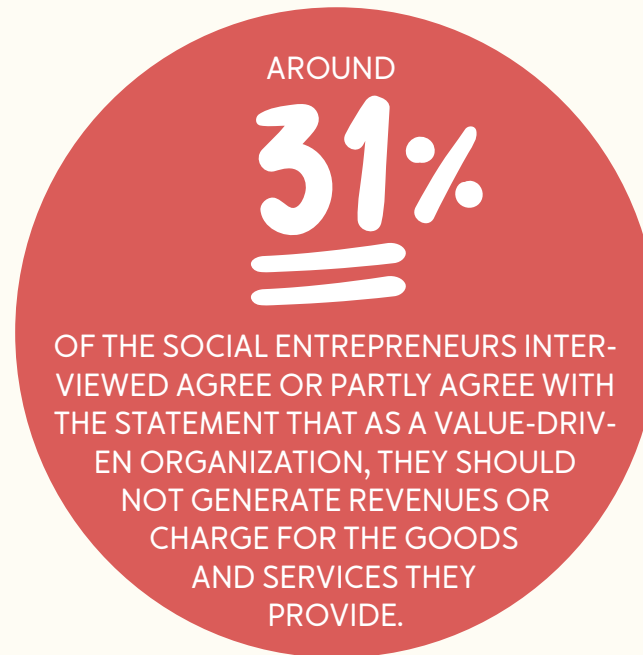


According to the study, 79% of respondents state that they exist primarily to fulfill a social/ environmental purpose. 11% state that they exist primarily to generate financial returns for their stakeholders.

Among the social enterprises that participated in the study, 71% organizes activities towards the benefit of youth and children, women and environment – each 65 %, and people with disabilities 58%.



THERE IS NO CONSENSUS ON THE APPROACH TO REVENUE GENERATION, PROFIT MAKING, OR EXTERNAL FINANCE.



There is no consensus on the approach to revenue generation, profit making, or external finance. Around 31% of the social entrepreneurs interviewed agree or partly agree with the statement that as a value-driven organization, they should not generate revenues or charge for the goods and services they provide. 76% of those interviewed state that they manage their organizations based on a social impact-oriented business plan.



When it comes to income, 43% of organizations report generating income through selling goods and services, 18% from grants, 18% from donations, and 7% from membership fees.

## ACKNOWLEDGEMENT BY THE STATE

Although the environment and mechanisms supporting social entrepreneurs are at the initial stage of development, we can observe the process of the strengthening social entrepreneurship ecosystem in Turkey.

Rising interest can be observed among different stakeholders, including the state. The Tenth Development Plan of Turkey adopted by the General Assembly of Parliament on the 2 July 2013 addresses social entrepreneurship and presents it as a tool to reach development goals. According to the Tenth Development Plan, the concept of entrepreneurship including social entrepreneurship should be embedded into government policies through the implementations of entrepreneurship trainings, courses, and internship programs. The approach presented in the documents includes

changing existing negative perception of entrepreneurs as “self-benefit oriented.” The importance of social entrepreneurship as the tool that has the power to change this perception and the need to support the development of entrepreneur-friendly society is explicitly expressed.

The lack of legal regulations, a positive environment, and support mechanisms for social entrepreneurship are considered obstacles hindering the popularization of the concept and development of social enterprises. On the basis of the analysis made, Turkey’s Ministry of Development stresses the importance of social entrepreneurship in the overall development plan and detects strategies to be implemented long term, such as communication plans and strategies prepared with the help of professionals, in order to raise awareness on social entrepreneurship and encourage potential entrepreneurs.

“THE LACK OF LEGAL REGULATIONS, A POSITIVE ENVIRONMENT, AND SUPPORT MECHANISMS FOR SOCIAL ENTREPRENEURSHIP ARE CONSIDERED OBSTACLES HINDERING THE POPULARIZATION OF THE CONCEPT AND DEVELOPMENT OF SOCIAL ENTERPRISES.”



THERE IS NO SYSTEMATIC SUPPORT MECHANISM YET, THOUGH THE NUMBER OF SUPPORTING ORGANIZATIONS AND SUPPORT AREAS HAS INCREASED IN RECENT YEARS.



### SUPPORT MECHANISMS FOR SECTOR DEVELOPMENT

Just like in Estonia, the infrastructural support for social entrepreneurs in Turkey exist in a scattered manner. There is no systematic support mechanism yet, though the number of supporting organizations and support areas has increased in recent years.

At the moment, there are social entrepreneurship networks, support programs, institutes, incubation centers, competitions and grant programs, crowd funding platforms, B.A. and M.A courses and student clubs.

## DETAILED COUNTRY PROFILES



### SOCIAL ENTREPRENEURSHIP ECOSYSTEM IN TURKEY

#### SOCIAL ENTREPRENEURSHIP NETWORKS

- Ashoka Foundation Vakfı

#### SUPPORT PROGRAMMES

- Ashoka Changemaker Xchange
- Leadership Academy For Young Social Entrepreneurs [Sogla]
- Third Sector Foundation Of Turkey [Tüsev]

#### INSTITUTES

- Koc University Social Impact Forum [Kusif]

#### INCUBATION CENTRES

- Istanbul Bilgi University Social Incubation Centre
- Impact Hub Turkey
- Entrepreneurship Factory

#### COMPETITIONS AND GRANT PROGRAMS

- Sabancı University Changemakers Program
- İstanbul Bilgi Üniversitesi Young Social Entrepreneurs Awards
- Koç University Global Social Venture Competition
- Anatolian Foundation Social Entrepreneurship Competition
- Okan University Social Entrepreneurship Competition
- Garanti Bank Women Social Entrepreneur Award

#### CROWD FUNDING PLATFORMS

- <http://www.fongogo.com/>
- <http://www.fonlabeni.com/>
- <https://www.bulusum.biz/>

#### SOCIAL ENTREPRENEURSHIP COURSES

- Sabancı University
- Koç University
- Işık University
- Özyeğin University

#### STUDENT CLUBS ON SOCIAL ENTREPRENEURSHIP

- İzmir American College
- Robert College
- Marmara Educational Institution
- Avrasya Anatolian High School
- Erciyes University
- Fatih University
- Middle East Technical University
- Yıldız Technical University

“UNLIKE ESTONIA, IN TURKEY, IMPACT MEASUREMENT IS A NEWLY EMERGING CONCEPT AND IS NOT TRULY EMBRACED YET BY MOST PEOPLE WITHIN THE ECOSYSTEM.”



### IMPACT ANALYSIS DEVELOPMENT FOR SOCIAL ENTREPRENEURS

Unlike Estonia, in Turkey, impact measurement is a newly emerging concept and is not truly embraced yet by most people within the ecosystem. Accordingly, almost none of the social entrepreneurs in Turkey measure their impact. Most of the impact measurement related work is limited to output collection or testimonials.

According to the study of social entrepreneurship sector from 2013,<sup>8</sup> among the participating social enterprises 52% do not collect data on social impact performance on a regular

basis. Among the initiatives that collect data, 74 % claim that they measure the social value they create and 64% the outcome. Only around 34% measure their outputs.

52%

DO NOT COLLECT DATA  
ON SOCIAL IMPACT  
PERFORMANCE ON A  
REGULAR BASIS.

<sup>8</sup> <http://ipc.sabanciuniv.edu/wp-content/uploads/2014/05/AnjaRaporWeb.08.05.14.pdf>



There are three major issues regarding social impact measurement:

## 1- LACK OF COMMON UNDERSTANDING OF SOCIAL IMPACT AND KNOWLEDGE OF TOOLS:

There are no tools available that are applicable and useful in the Turkish context. The social entrepreneurs who are willing to measure their impact and start their inquiry can only benefit from foreign examples, resources and tools, which are irrelevant to the Turkish context. Technical pro bono assistance and mentoring is crucial for the development and diffusion of impact measurement in Turkey. Social entrepreneurs interviewed also stated

that impact measurement is a newly emerging concept in Turkey and is not truly understood by most people within the ecosystem. However, efforts within the ecosystem should not be disregarded.

One example of an ecosystem developers' effort on highlighting social impact is the Ashoka Fellowship criteria. Each year, Ashoka Fellows must undergo a rigorous search and selection process during which they demonstrate that they fully meet Ashoka's selection criteria including "social impact of the idea." This criterion focuses on the candidate's ideas, not the candidate. Ashoka is only interested in ideas that it believes will change the field significantly and that will trigger nationwide impact or, for

smaller countries, broader regional change<sup>9</sup>.

Another one is Sabancı University's Turkey's Changemaker Program, which promotes social entrepreneurs in society taking into account their social impact.

One more institution that focuses its activities around social impact measurement is Koç University Social Impact Forum [KUSIF]. KUSIF was established as a "Research and Practice Center" in order to increase its social impact by increasing the capacity of the civil society sector, students, future leaders, and other impact stakeholders. It is "the Social

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<sup>9</sup> <https://www.ashoka.org/support/criteria>



Innovation Catalyzer” for CSOs, business, and communities to create social impact by helping social organizations tackle current challenges and by engaging businesses more productively with the community through support networks, effective social impact measurement tools, and ongoing development of resources in Turkish<sup>10</sup>. Besides its projects, studies, researches and training, very recently KUSIF led to the establishment of “Social Impact Working Group” in Turkey to further develop the field with all stakeholders of the ecosystem.

## 2- SOCIAL ENTREPRENEURS ARE ACTIVITY-FOCUSED

The majority of social entrepreneurs in Turkey start out on the wrong foot by being activity-focused, which makes it very hard to return focus back towards impact. It is important to promote the impact-thinking approach in which social entrepreneurs keep the ultimate goal and vision in mind when first developing and refining the initiative. Aspiring social entrepreneurs should be guided to think what kind of change they want make from the beginning in order to design and plan their activities accordingly.

THE MAJORITY OF SOCIAL ENTREPRENEURS IN TURKEY START OUT ON THE WRONG FOOT BY BEING ACTIVITY-FOCUSED, WHICH MAKES IT VERY HARD TO RETURN FOCUS BACK TOWARDS IMPACT.



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<sup>10</sup> <http://kusif.ku.edu.tr/about-us>





IN TURKEY, SOCIAL  
ENTREPRENEURS  
CAN HARDLY SURVIVE  
FINANCIALLY, LEGALLY  
OR BUREAUCRATICALLY;  
LET ALONE CARRY OUT  
MEASUREMENTS OF THEIR  
IMPACT.



### 3- IMPACT MEASUREMENT FALLS BEHIND IN THE ORDER OF PRIORITY

In Turkey, social entrepreneurs can hardly survive financially, legally or bureaucratically; let alone carry out measurements of their impact. They also lack human resources. Most initiatives are funded by one or two people who deal with every aspect of the initiative. They are overwhelmed with the amount of work they have to do; going to conferences, seminars, or

other events to know the ecosystem and the network, managing volunteers, organizing activities, managing financial issues, building partnerships, looking for funds, motivating themselves and their volunteers and so on. Most of social entrepreneurs experience a fatigue syndrome. This operational burden makes it impossible even for social entrepreneurs to measure their impact.

# “ ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK ”

# ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

## ANALYSIS OF ONLINE IMPACT COMMUNICATION IN ESTONIA, TURKEY AND THE UK

The aim of the study was to get insights into typical challenges and solutions related to online impact communication of existing Estonian and Turkish social enterprises.

To get a systematic overview of the online communication, the study used quantitative content analysis. Information about objectives, activities, outputs, outcomes and impacts presented on the web pages of Estonian and Turkish social enterprises were coded using different indicators (e.g. the visibility and placement).

To reduce the interpretative differences, activities and outputs were grouped under one category and outcome and impact under another. The distinction between activities/outputs and outcomes/impact were explained according to the impact analysis model based on reputable international approaches (mainly theory of change) and further modified by ESEN to suit it better for grass-root level organizations (e.g. the unit to be analyzed with one theory of change is not 'an organization' but 'a specific target group'). The staff who coded the material received thorough instructions about categories and the results went through quality control by the instructors.

# ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

	TURKEY <sup>11</sup>	UK <sup>12</sup>	ESTONIA <sup>13</sup>
NUMBER OF ORGANIZATIONS IN SAMPLE	50	50 [49 <sup>14</sup> ]	141
NO WEBPAGE	4% [2]	2% [1]	14% [20]
AIMS/MISSION/VISION	42% [21]	96% [47]	80% [113]
QUANTIFIED ELEMENTS IN MISSION, VISION	24% [12]	20% [10]	2% [3]
ACTIVITY/OUTPUT	20% [10]	61% [30]	57% [80]
OUTCOME/IMPACT [QUANTITATIVE]	0	55% [27]	18% [26]
IMPACT REPORT/DOCUMENT	0	20% [10]	4% [5]
QUALITATIVE IMPACT [STORYTELLING etc.]	26% [13]	55% [27]	25% [36]
FACEBOOK	92% [46]	76% [37]	61% [86]
TWITTER	74% [37]	86% [42]	9% [13]

- <sup>11</sup> In Turkey, 50 organizations were coded. Mikado Sustainable Development Consulting selected the organizations by taking the opinions of ecosystem developers into consideration. These organizations are currently active and well known by the social entrepreneurship ecosystem and represent the social enterprises in Turkey. Since the number of social enterprises is very limited in Turkey, 50 organizations have a strong representation value.
- <sup>12</sup> The selection of web sites for the UK sample aimed at diversity. The selected organisations included small-scaled local aid groups, community developers, educators, alternative therapy providers, more traditional social enterprises and ecosystem developers.
- <sup>13</sup> In Estonia, 141 organizations were coded. In addition to 43 members of ESEN, the study included 124 organizations that were part of statistical overview of social enterprises in Estonia in 2014 (duplicates were removed) that was financed by the European Commission and compiled mainly by Statistics Estonia. In Estonia (a very small country compared to Turkey and the UK) the number of organizations coded was much higher, so the weight of each organization included in the sample was very small compared to other countries.
- <sup>14</sup> One website was attacked and the organization had only its e-bay sales channel available. As it was not the result of organization's decisions or inability to have a web-site, the further percentages have been counted based on 49.

# ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

- UK organizations scored highest in almost all categories – especially in terms of publishing quantitative and qualitative impact information.
- The web-pages of social enterprises are very different in all the countries – it is a great resource for studying both good and “bad” practices:
  - *Examples of good practices: active usage of social media; independent impact section*
  - *Examples of “bad” practices: impact information hidden in separate documents in formats that are very difficult to read; outdated information on the page.*
- Due to a much larger research sample and being a small country, the average Estonian

organization studied is very small and struggles to have even a modestly functional and up-to-date webpage. (Smaller organizations might consider using and maintaining only social media platforms.)

- Generally, vision, mission statement, and strategic goals are formulated vaguely and are not operationally useful for impact analysis. It is especially problematic for Estonian organizations where the standard formulation of the statements is abstract and without any quantitative elements (98%). Although Turkey and the UK found some good examples [e.g. the organizations specifies scale of involvement of their

beneficiaries], the same problem consistently occurred there as well.

- Commonly, activities and outputs are not systematically presented. The proportion of Turkish web-sites giving this information is very small (20%). In Estonia, it is usually based on project reports providing incomplete information about certain activities.
- Impact information was not presented on any of the Turkish sites. Impact data was often fragmented and difficult to find both in UK and Estonia. Impact information was usually stored within annual or impact reports, which were difficult to find and to read. In some cases impact was presented on a separate page

## ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

[e.g. with the title “Impact”) – it is more common for UK but not for Estonia. In Estonia, the influence of ESEN and its methodology of outcome/impact reports has generated some very good examples. Otherwise, publicly communicating about impact is quite uncommon both for Estonia and Turkey.

- The quantitative impact information lacks transparency. Data sources were given by 38% of the UK organizations, which is very high compared with 0% in Turkey and 5% and Estonia. However, even with UK organizations, the sources were usually incomplete and partially referenced, internal studies remained without specifications

[e.g. about methodology or sample). In Estonia, the data sources were more transparent in case of following the format of impact report and in one case, due to the fruitful cooperation with university students who gave research input.

- A special report or document for impact information is more common in the UK (20%). Several Estonian organizations who recently completed an impact report with the help of ESEN did not publish it on their webpage.
- All British websites were relevant as a sales channel (clearly stating the business activities and/or making it possible to access services via the website) and all websites had at least some

information conveying their social purpose (although it took sometimes several clicks to find). For Turkish and especially Estonian sites, the identity question is much more problematic; several pages did not have any reference to the “enterprise” side of the organization and some had problems with the “social” dimension. Many of Estonian websites do reflect primarily of a grant-based non-profit organization instead of a social enterprise.

- Providing qualitative impact information (like storytelling or user feedback) seems to be slightly more common format to organizations than quantitative

# ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

evaluations. Still, the potential is not used in Turkey or Estonia as only quarter of the organizations have published something related to qualitative impact data. The amount of storytelling in the UK [55%] could also be higher.

- Social media is much more frequently used by organizations from Turkey and the UK. Facebook is an especially active channel for Turkish organizations [92% of users in FB and 74% in Twitter], Twitter is the most common channel in the UK [85.7%]. Estonia has the fewest accounts [61%] with the lowest posting activity on Facebook and marginal importance of Twitter [9.2%] which, of course, reflects the wider popularity of these platforms as well.

## GENERAL CONCLUSIONS.

- *Estonian webpages are not generally developed as efficient sales and communication channels but often respond to the requirements by funders (the presence of project and annual reports). Even the strongest organizations with a few notable exceptions have not used the full potential of online communication.*
- *UK organizations are in a much better position, utilizing websites as strategical channels both for social dimension and sales. However, the information might be difficult to find, especially given that the impact information has no standarts formats.*

- *Turkish organizations efficiently use social media (especially Facebook). However, they do not present the impact information at all and more than half of the paged do not present clearly their strategic aims, mission, or vision statements, although there are also some very good examples.*

## ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

### ESTONIAN CASE STUDY: THE INFLUENCING FACTORS OF ONLINE COMMUNICATION

THE RESULTS OF ONLINE STUDY SHOW THAT ONLY A FEW ESTONIAN SOCIAL ENTERPRISES HAVE OPTIMALLY SOLVED THE CHALLENGE OF ACCOMMODATING AND USING POTENTIAL SYNERGIES WITH REQUIREMENTS OF EXTERNAL STAKEHOLDERS. THE CASE ANALYSIS MAY BE IMPORTANT FOR OTHER COUNTRIES WHO ARE STARTING TO DEVELOP OR MODIFY THE RULES FOR EXTERNAL REPORTING THAT WILL INFLUENCE HOW SOCIAL ENTERPRISES COMMUNICATE AS A SECTOR.

The study shows that the choices that a typical Estonian social entrepreneur makes in relation to interactions with external stakeholders (i.e. who influence the “ecosystem” of social enterprise development such as funders) will influence the content of and channels for the information the enterprise will collect, revise, and disclose as strongly (or even more strongly) than those factors that are solely dictated by the internal needs of the enterprise.

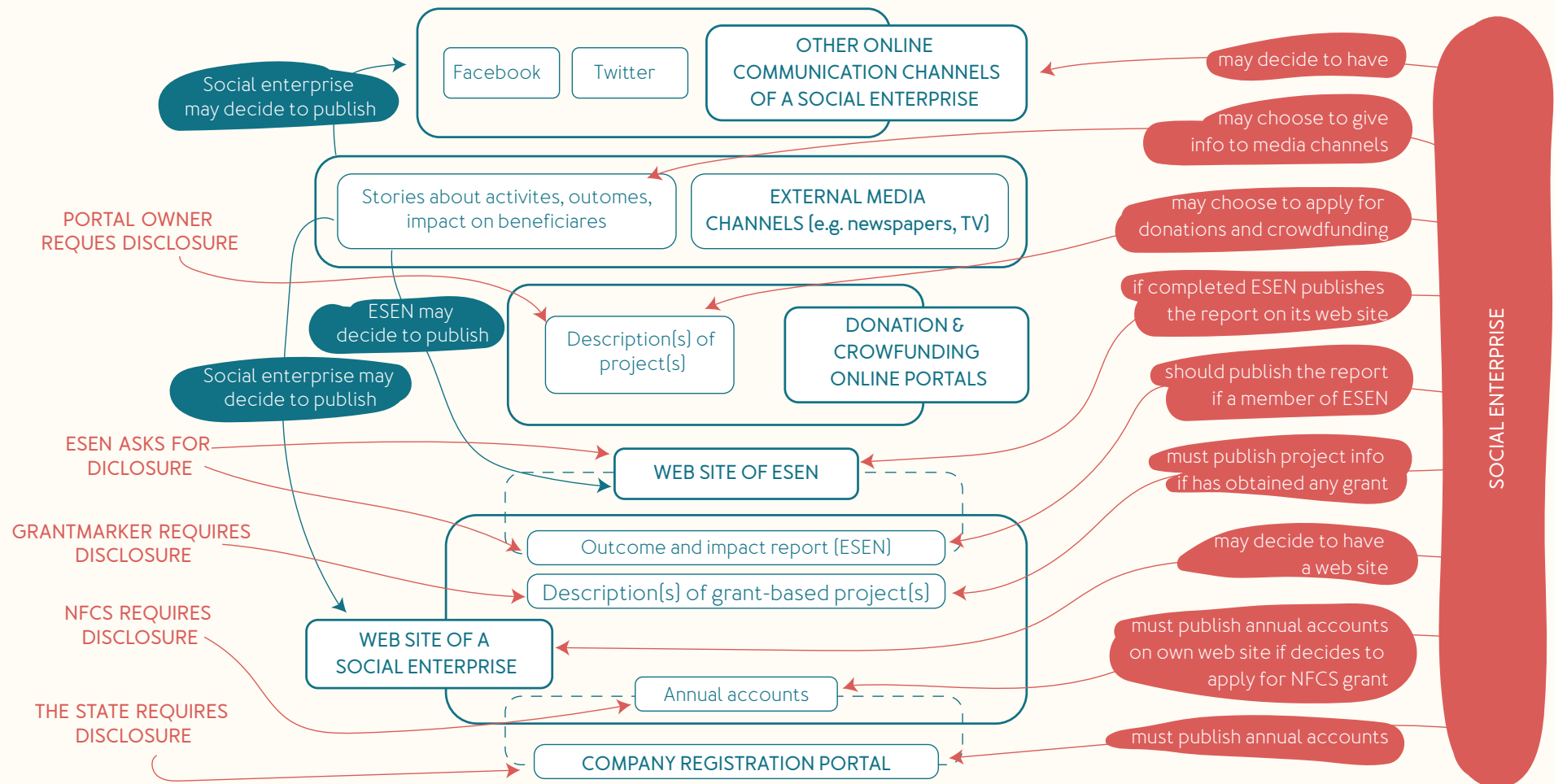
New social entrepreneurs would be able learn from many existing cases when external factors have

influenced social enterprises not to prefer optimal solutions for implementing their communication strategy, resulting in unclear and mixed strategic communication messages, unprofessional-looking communication outputs and preparing/presenting duplicated information.

The illustration below outlines the main interactions of a typical Estonian social enterprise with its external stakeholders and the consequences to its communication practices. The meaning of each interaction will be explained following the scheme.



# ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK



## ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

The above illustrates a list of stakeholders who can influence the information that a social entrepreneur has to (or may choose to) collect, revise and publish in online channels that are chosen by the team of the organization (a web site and other online communication channels of a social enterprise):

- Company Registration Portal (i.e. Estonian State);
- National Foundation for Civil Society (NFCS);
- Any national or international grant-provider other than NFCS;
- Estonian Social Enterprise Network (ESEN);
- Donation and crowdfunding portals;
- External media channels.

Internal factors such as insufficient competence and resources for using online communication channels to share societal impact information also clearly play an important role. The results of the study demonstrate with clarity that in many cases, a social enterprise has chosen to disclose some societal impact-related information online but in a manner that does not seem to fulfill whatever objective the entrepreneur had in mind.

The reasons for failing to achieve communication objectives for disclosing impact information can include:

- low quality of content (including materials that are not updated);
- technical presentations that are not user-friendly.

The other challenge is related to an insufficient usage of information that social enterprises have produced as a separate communication output for other stakeholders (e.g. reports, online profiles) also in its own communication channels. A small, grass-root level social enterprise has to use its resources optimally, and adding only a few more man hours to existing labor hours that were dedicated to prepare a specific communication output for external stakeholder would make a big difference (e.g. taking the time to copy and paste text and pictures of an online newspaper article to the enterprise's own web page – or at least post a link).

In case a social enterprise decides to become a part of the beneficiaries of online donations or crowdfunding portals, it has to produce concise and professional-looking information

# ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

about its aims and outcomes-impact, in addition to the description of a specific project that the enterprise is looking to receive support for.

The formats of such profile have enabled a number of social enterprises to produce a specific output of impact information closure. Those communication outputs, however, have usually had no impact on their main communication channels (e.g. their web page). In many cases, the arguments, output and impact indicators, and other introductory materials like videos are not used (at least in a concise manner) on their own web pages.

Now, a closer look at two main cases related to external influence, those of official annual reports, and disclosure of grant funding results is provided.

## THE CASE OF ANNUAL REPORT

All Estonian officially registered organizations (including social enterprises regardless of their legal structure) are obliged to compile their annual reports and upload them to the *Company Registration Portal*.

For most organizations, the financial year lasts from January to December, and the report has to be uploaded by mid-year.

The annual report consists of two parts: financial report and overview of activities. The “financial report” has a standardized structure. The “overview of activities” has no standardized structure and only a few obligatory components that are mostly related to transparency of the management structure (e.g. mentioning the members of Management Board by their names

ALL ESTONIAN OFFICIALLY REGISTERED ORGANIZATIONS (INCLUDING SOCIAL ENTERPRISES REGARDLESS OF THEIR LEGAL STRUCTURE) ARE OBLIGED TO COMPILE THEIR ANNUAL REPORTS AND UPLOAD THEM TO THE *COMPANY REGISTRATION PORTAL*.

and indicating whether they received a fee for their contributions).

The situation related to annual accounts is complicated. On the one hand, publishing relevant documents on the organization’s web site is not mandatory; yet, on the other hand,

## ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

many social enterprise have chosen to do so because:

- National Foundation for Civil Society has a formal requirement that any applicant has to publish certain formal information on their web page (including annual accounts, list of association members/board members etc.). The requirement is strictly checked as a part of a technical evaluation.

**HOWEVER, THE SITUATION  
RELATED TO SOCIETAL  
IMPACT DISCLOSURE OF THE  
SOCIAL ENTERPRISE SECTOR  
IS EXTREMELY DISORGANIZED  
DESPITE PUBLICATION OF THE  
ANNUAL REPORTS.**

- Most of social enterprises in Estonia are registered as non-profit associations or foundations, thus they are eligible for the Foundation's grants, which are usually also well-suited for the development needs of social enterprises. Also, the Foundation has had special calls for applications explicitly related to social entrepreneurship as well as specifically for development and piloting public services.
- As a result, many social enterprises have been motivated to publish their annual accounts on their web sites.

However, the situation related to societal impact disclosure of the social enterprise sector is extremely disorganized despite publication of the annual reports.

- Some social enterprises use the report to present their activities, outputs, and outcome in detail.
- Usually, it gives a very fragmented overview of the results of organizations (e.g. one main outcome presented in 2013, a different one mentioned in 2014, with no link created between them). In terms of financial information, there are obligatory comparative tables (completed financial year in comparison with previous financial year), yet in relation to societal impact analysis, no comparative tables between periods are presented.
- Different annual reports of the same organization can have very different levels of detail. Below are two instances of this:

# ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

- Year 1 has a very detailed overview of activities, year 2 copies the mission and just mentions the titles of two grant-based projects;
- Year 1 has no quantitative data about activities and outputs, year 2 presents quantitative data, and year 3 provides again only qualitative information.
- Usually, the annual reports are hard to find on the web pages, especially for those who are just looking for some impact information and are not aware of annual reports as primary sources
- Sometimes, annual reports are presented in a way that give a fragmented overview of an organization's development. For example:
  - A report from 2014 is still missing in December 2015 (and it is not unusual to have the latest available report from 2012 or 2013)
  - Financial accounts exist, content overview not added;
  - Web links to oldest annual reports do not function anymore.
- Some organizations do not publish their annual reports at all.
- Its communication value is minimal, as it is a technical document. There are some NGOs in Estonia who have used at least some design elements in their report but there are less than 15 of them.

## THE CASE OF GRANT REPORTING

Many web sites do reflect primarily an identity of a grant-based non-profit organization instead of a social enterprise.

- The cover page and many sub-pages present general information about a societal issue, the mission of the organization, and grant-based project initiatives.
- In many cases, information about products/services is also mixed in but not as a primary focus and often in a confusing way (e.g. general description of services on a sub-page without specific references how to access them).

# ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

Circa 2/3 of Estonian social enterprises diversify their income<sup>15</sup>, mostly by successful grant applications. It is useful to diversify income streams but one of the consequences can be confusing online communication.

- When a social enterprise receives a grant, the organization is obliged to publish at least minimum information about the project on its web page. Failing to do so results in losing the grant. If a social enterprises fails at providing updated information about their societal impact or products/ services, the negative outcomes are not so clear. As a result, many of

the web pages of social enterprises reflect a very confused identity:

- Most updated information is about projects
- The information about societal need and outcomes is vague, not updated
- The social enterprise part might not be reflected at all or vaguely (e.g. just the list of services is provided without any further references)
- Usually the web pages have introductory overview of the project that has been part of project application. Usually, there is not information available regarding the results of the project. (It means wasted labor hours as enterprises have certainly already provided a

summary of the results as a part of their final report.)

- The summaries of the projects, if they exist at all, are hard to find because usually they are included in the “news” sections, so “news archives” should be studied. There are also a few cases when “news” sections are old enough, so in this case, a project summary from 2013 could be found on the main page.
- The selection of project descriptions can be confusing for those who would like to get a clear picture about the identity of an organization, as some development projects are not directly related to the core work of a social enterprise, while the descriptions of such projects occupy significant space on their web pages.

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15 <http://sev.ee/wp-content/uploads/2015/04/Kvartalikiri-Sotsiaalne-ettev%C3%B5tlus-Eestis.pdf> page 130



## ANALYSIS of ONLINE IMPACT COMMUNICATION in ESTONIA, TURKEY and the UK

“IN CONCLUSION, THE ISSUE  
OF COMMUNICATIONS  
PROJECTS (THEIR  
OBJECTIVES, ACTIVITIES,  
AND RESULTS) CREATE MUCH  
CONFUSION.”

In conclusion, the issue of communications projects (their objectives, activities, and results) create much confusion. The section “projects” can be perceived as a portfolio of the organization. If “projects” of a social enterprise consist only of typical grant-financed programs and there are no clear references to the social enterprise part, its identity is indistinguishable from any other “traditional” civil society organization (i.e. “non-profits”).

While superficial or outdated Annual Accounts pose less image problems for social enterprises due to their less convenient accessibility, the project descriptions are much more visible, and thus superficial and outdated or confusing information creates image misrepresentation (e.g. related to

professionalism, or a clear identity). One of the main problems is that no connections (e.g. theory of change) is created between various projects, so they stand alone.

The over-representation of projects also creates a problem for advocates of the sector like the ESEN; what kind of image of the sector will be perceived by those who study the list of ESEN’s members, click on any name, and find a web page of a seemingly traditional non-profit association with outdated information on project grants alone?



[kusif.ku.edu.tr](http://kusif.ku.edu.tr)