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Social Enterprise J

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Journal:	*Social Enterprise Journal*
Manuscript ID	Draft
Manuscript Type:	Research Paper
Keywords:	social enterprise, social services, health care, institutional environment, key actors, Hungary

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Abstract

Purpose: In Hungary, similarly to other Central and Eastern European states, the concept of social enterprise has attracted increased attention in recent years, and certain key actors shaping the organizational field have emerged. This growing interest is due in large part to the availability of EU funds focusing primarily on the work integration of disadvantaged groups, but ignoring other possible roles of social enterprises. The present research focuses on a not widely examined and funded area, it analyzes the institutional environment and organizational activities of social enterprises in the social and health sectors.

Design/methodology/approach: Based on neoinstitutional theory, the paper utilizes desk research as well as qualitative case studies presenting the experiences of social enterprises providing social and health services for specific disadvantaged social groups.

Findings: The research identified the key actors influencing the everyday operation of social enterprises; and examined the connections, interactions and partnerships between them. Based on the findings, social enterprises are mostly dependent on the central state and local public social and health institutions, while their partnerships with local governments, private customers, networks, development organizations and for-profit enterprises are less decisive. The key actors have relevant impact on the legal form, main activities, as well as financial and human resources of the social enterprises.

Originality/value: The paper contributes to understanding the opportunities and barriers of social enterprises in Hungary and more generally in Central and Eastern Europe, especially regarding their place in social and health services.

Key words: social enterprise, social services, health care, institutional environment, key actors, Hungary

Article Classification: research paper

Introduction

The concept of social enterprise (SE), which can be broadly defined as a business that serves a social mission (Defourny and Nyssens, 2006), has become increasingly popular in many European countries in recent years (Nyssens, 2015). Several organizations began to identify themselves as social enterprises; new legal forms, policy measures and support schemes were introduced; and certain key actors shaping the SE field emerged, from state institutions to private funding and development organizations, advocacy groups, networks or academic institutions (European Commission, 2020). This growing interest can be attributed to certain interconnected trends, such as third sector organizations becoming more entrepreneurial due to the scarcity of traditional funding sources; for-profit organizations experiencing growing expectations from consumers to put more emphasis on ethical business practices; and welfare states turning away from traditional institutional and redistributive approaches to more active and work oriented economic and social policies, including initiatives aiming at outsourcing the provision of welfare services (Evers and Laville, 2004; Pestoff, 2014; Mulgan, 2006). The concept has become increasingly relevant at the level of the European Union as well, as an official definition of social enterprises accepted by the European Commission was introduced in 2011 (European Commission, 2011), and designated support was provided in the 2014-2020 development period through the Structural Funds (European Commission, 2013). In the EU specifically, social enterprises have been subject to interest primarily due to their role in promoting the work integration of disadvantaged social groups, and social and community care service provision (Borzaga and Spear, 2004; Defourny and Nyssens, 2010).

Though present in all EU member states, the emergence and development of the social enterprise field has had significantly different characteristics in the different countries due to variation in the social, economic, legal and welfare systems, as well as institutional and stakeholder networks (Persson *et al.*, 2016; Hazenberg *et al*., 2016) In Central and Eastern Europe (CEE), social enterprises initially were created mainly in order to answer to shortcomings arising from shrinking state programs, mostly organized from the bottom up or as a result of pilot projects by international actors, and less as a result of state policy (Les and Kolin, 2009). However, recently, the importance of social enterprises in public policy has grown in the region, in which the professional and financial support of the EU has played a major role. At the same time, state regulation of social enterprises is quite restrictive, considering them primarily as organizations promoting the integration of disadvantaged people into the labour market (Galera, 2009; European Commission, 2015), and current SE policy narratives fit the direction of the welfare state's withdrawal from the provision of public services (Persson *et al.,* 2016).

In Hungary, similarly to other CEE countries, the concept of social enterprise – not widespread for a long time – has been met with increasing interest in recent years, with more and more public and private actors targeting the SE field, and the development of the sector has intensified in a large part by utilizing EU funds (G. Fekete *et al.,* 2017a; European Commission, 2015; European Commission, 2019). At the same time, in accordance with EU priorities, state policy has continued to look at social enterprises as organizations that promote the integration of disadvantaged groups into the labour market, while other possible roles for the involvement of social enterprises in the provision of welfare services (e.g. social and health services) has largely been ignored. Still, the sector shows a more diverse picture in terms of activities and target groups than what public policy suggests with organizations being involved in various fields, such as education (36%), social services (34%), culture (34%), hobbies and leisure (27%), community development (27%), economic development (24%),

environmental protection (23%), sport (12%), health (11%) and international relations (one organization may have identified multiple objectives in its response) (G. Fekete *et al.,* 2017b). The picture is also diverse regarding target groups, with the most common beneficiaries of social enterprises being the poor and disadvantaged, the unemployed, members of the local community, ill or disabled adults, children, the elderly and national minorities (G. Fekete *et al.*, 2017b).

Social enterprises are indeed present in the provision of different welfare services, and they also focus on various disadvantaged social groups. However, their role regarding these specific areas has so far been little researched. Most studies have focused on defining and understanding the concept (Kiss, 2015; Hubai, 2016; G. Fekete *et al.* 2017a; Mihály, 2017) or giving a general description of the field (Petheő, 2009; European Commission, 2014; SEFORIS, 2016; G. Fekete *et al.* 2017b; Kiss, 2018; European Commission, 2019a), but more in-depth sector-specific research is lacking. The present research aims to fill this gap by examining the institutional environment and organizational activity of social enterprises operating in the social and health sectors in Hungary that focus on certain disadvantaged target groups – addicts, people with intellectual disabilities and autism, people with physical disabilities and the homeless. After describing the theoretical background and methodology of the research, the paper analyzes the key actors impacting the institutional environment of the social and health sectors and the social enterprise organizational field in Hungary, and examines the experiences of social enterprises by presenting the main results of the case studies conducted for the research.

Theoretical background

The present paper examines the institutional environment and organizational activity of social enterprises through utilizing neoinstitutional theory. In particular, it focuses on how certain key actors that influence the social enterprise organizational field in the social and health sectors at a macro level have an impact on the everyday micro level operation of practicing social enterprises, and how social enterprises connect to and interact with these actors.

An organizational field – which can be in the phase of emerging or already established – is a set of organizations that appear in a recognized area of institutional life, i.e. key suppliers, consumers, regulatory and other organizations (DiMaggio and Powell, 1983). In case of an emerging organizational field, according to the theory of reflexive isomorphism (Nicholls, 2010), there are no clearly defined boundaries and definitions yet, the field is in the state of so-called "paradigm-building". In this state, certain dominant, resource-rich paradigm-building actors are actively involved in promoting the development of the field to a closed system by shaping the main discourses and narratives according to their own interest. Nicholls (2010) regards the social enterprise field to be such an emerging field, where the main paradigm-building actors are the state through legislation, policies and funding; development and support organizations (foundations, scholarship organizations) through funding, professional support and building connections; networks through providing office space or business support; and the academia through research and education activities (Nicholls, 2010). To this list, according to Kiss (2020), international level actors, specifically the EU, can also be added through providing funding and promoting policy directions.

Once an organizational field is established, which is the case of the social and health sectors in a given country, according to DiMaggio and Powell's (1983) theory of institutional isomorphism, various pressures from different actors are directed towards similar

organizational solutions (isomorphism) to organizations already present in and also new organizations entering the field. DiMaggio and Powell (1983) distinguish between three mechanisms of institutional isomorphism by different key actors. Coercive isomorphism stems from both formal and informal pressures of the state and other authorities (such as development and support organizations), and the cultural expectations of society (as consumers, employees, etc.), e.g. laws, unified operational procedures or standardized reporting methods. Mimetic isomorphism occurs by copying the operation of already successful organizations (e.g. well-known social enterprises). Normative isomorphism is the effect of professionalization which, according to Dimaggio and Powell (1983), is the collective struggle of members of a profession to determine the circumstances and methods of their work, and to establish their professional autonomy, in which usually universities and other educational institutions, and advocacy organizations and networks are active.

The social enterprise sector can be regarded as a specific organizational field, as due to the hybrid nature of SEs having a social aim and market activities simultaneously, it sits at the interface of different institutional logics (Pinch and Sunley, 2015). Moreover, Vickers *et al.* (2017) state that social enterprises in social and health services are shaped simultaneously by the logic of the public, private and third sectors, as the introduction of new ideas and concepts is influenced by the logic of the public sector and the two challenging logics, namely the market that requires entrepreneurial responses, and civil society, which emphasizes the social value and democratic commitment of workers and communities. Thus for-profit companies, consumers, customers and clients, as well as non-profit organizations, communities, volunteers, members, etc. can be regarded as important actors also influencing the operation of social enterprises.

Though existing institutional structures, logics and rules established by the above mentioned key actors shape an organizational field significantly, according to the theory of institutional enterprise, competent grassroots actors can also influence their institutional environments (DiMaggio, 1991; Nicholls and Cho, 2006). Based on this, practicing social enterprises and social entrepreneurs themselves can shape their organizational field, as they have a dynamic relationship with their environment, and try to influence its behaviour, often deliberately disrupting and innovating dysfunctional structures.

The key actors that influence the operation of social enterprises at a micro level can also be examined by looking at the networks and partnerships of practicing social enterprises, highlighted by the social business model canvas. The social business model canvas is an augmented version of the business model canvas (see Osterwalder and Pigneur, 2010); which defines the way how an enterprise creates, delivers and captures value. The original business model canvas includes certain key actors influencing the operation of businesses, such as customers, that is, those willing to pay for the service or product sold by the organization. The model also includes the key partners of the business, those with whom the company works for mutual benefit (e.g. strategic partnerships), but also organizations with which contact is essential for operation (e.g. tax authorities). The social business model canvas additionally includes other important actors, due to hybrid nature and social mission of social enterprises. Such stakeholder group is the beneficiary group, which is the supported stakeholder group accessing the service or the product of the social enterprise. Another group in the model consists of those, who support the production process (Dohrmann *et al*., 2015). The role of other stakeholders – key partners – can be different; they can be donors, financial supporters, social investors, value creation and delivery partners, volunteers and specialists (Quastharin, 2016). Thus social enterprises have a diverse network of connections and partners, which can

be explained by the fact that due to their hybridity, they constantly face legitimacy challenges; therefore they seek to connect with influential and resourceful actors and organisations in their field (Folmer *et al.* 2018).

The social enterprise field in the social and health sectors is shaped by certain key actors and institutional structures on a macro level that also have influence over the operation of organizations on a micro level. According to the theories described above, these key actors are the state (central and local level), international entities (e.g. the EU), development and support organizations, networks, the academia, social enterprises themselves, for-profit and third sector organizations, and society both as customers, clients, beneficiaries and volunteers. The present paper examines the institutional environment and organizational activity of social enterprises by looking at the connection and interaction between these key actors and the practicing social enterprises.

Methodology

The present paper was conducted in the framework of a research that aimed at analyzing the experiences of social enterprises in certain specific areas of the welfare system, focusing on different vulnerable social groups in the social and health sectors in particular. The research analyzed on the one hand the possibilities and limitations arising from the existing institutional environment of these areas, and on the other hand the purposeful activities and strategies of social enterprises in these fields. Thus, instead of a general analysis of the situation of social enterprises, the aim was to establish more sector-specific findings (see Authors, 2020; Authors, 2021).

The present paper focuses on one aspect of the research, it aims to explore how key actors influencing the social enterprise organizational field at a macro level have an impact on the everyday micro level operation of practicing social enterprises, and how social enterprises connect to and interact with these actors. To achieve this aim, the main research questions were:

- What are the characteristics of the key actors in the social enterprise organizational field?
- How do social enterprises connect to and interact with the key actors of the social enterprise organizational field?
- What impact do the key actors have on the operation of social enterprises?

The methodology used to answer the research questions was twofold. First, literature review was applied to present the institutional environment of social enterprises and the key actors shaping this environment in the social and health sectors, and more specifically regarding the services available to the disadvantaged target groups. Second, qualitative, exploratory case studies were conducted to provide a detailed presentation of social enterprises operating in different areas of the social and health sectors. The case studies were based on in-depth interviews and document analysis. A total of six semi-structured interviews were conducted with managers and employees of four Hungarian social enterprises, and some interviewees were consulted on several occasions in the fall and winter of 2019. As data collection was finalized before the pandemic in 2020, the impact of the Covid virus on the social enterprises was not analyzed in the research.

Regarding the sample of the case studies, the concept of social enterprise has several competing definitions. While all include in their description the characteristics of having social objectives and entrepreneurial activities, besides this the different international schools of thought emphasize different features, such as being non-profit, innovative or participatory (Defourny and Nyssens, 2006). Similarly to the existing international approaches, several SE definitions are available in Hungary as well (Kiss, 2018; European Commission, 2019). In the present research, a broad definition is employed; social enterprises are understood here as organisations seeking solutions to social problems by pursuing market activities.

Mainly due to the lack of uniform definition of social enterprise in Hungary, currently available statistical data collection is not suitable for clearly identifying the organizations that can be classified as such. Therefore, it seemed more appropriate to look for types of organizations that, in some respects, can be considered as social enterprises. Based on lists of funding programs, development and support organizations, awards, studies and articles focusing on social enterprises in particular, a total of 265 initiatives were regarded as SE (see Authors, 2020). From this list, a varied sample was selected according to purposeful sampling (Patton, 1990). It was important for the research that social enterprises focusing on different disadvantaged target groups – addicts; people with physical disability; people with intellectual disability and autism; and the homeless – were included. This diversity provided an opportunity to learn about the characteristics of social enterprises involved in social and health services in general, but also highlighted relevant differences in institutional environments across target groups. Besides diversity according to target groups, the case studies also varied in other characteristics. In terms of legal form, non-profit organizations (foundation, non-profit ltd.), a social cooperative and for-profit company were also included in the analysis. In connection with the type of settlement and region, in addition to Budapest and Central Hungary, organizations operating in other cities in different regions (Northern Hungary and Western Transdanubia) were included. According to age, the date of establishment of the organizations ranged from 1994 to 2014.

Place for Table I.

Characteristics of the social and health sectors in Hungary

In order to understand the situation of social enterprises involved in social and health services, first these sectors will be introduced briefly (for a more detailed summary of the topic, see Authors, 2020). The social and health sectors as part of the Hungarian welfare system have had certain specific constant characteristics, such as low levels of welfare spending – in line with the low GDP per capita – especially in health, social inclusion and support for the unemployed (Bányai *et al.*, 2012). Certain characteristics, such as dominant policy directions, however, have changed significantly throughout the years. The state socialist period (1949-1989) followed a more or less universalist approach via centralized, state-owned service provision, while after the regime change in 1989, new approaches towards the welfare system became influential, especially decentralization and democratization by delegating important tasks to the level of local governments, and neo-liberalism by reducing the role of the state through involving organizations outside the public domain in service provision (Lakner, 2005). Currently, since the change of government in 2010, a more uniform policy approach favouring the (re)centralization of welfare services and needs-based benefits with tighter conditions and reduced values emerged (Szikra, 2018). The most vulnerable groups have increasingly been excluded from the social security system, at the same time, the solution of

social problems has primarily been expected from labour market inclusion with an emphasis on public employment (Edmiston and Aro, 2016; Szikra, 2018).

The institutional system of social services was defined by the Act III of 1993 on Social Governance and Social Benefits, which provides cash benefits (e.g. cash benefits based on social needs) and benefits in kind (e.g. energy use allowance). In addition, the law also provides social services (e.g. family assistance support services, street social work) and institutional care (e.g. rehabilitation institutions, assisted living facilities, residential homes), for the provision of which local governments became responsible (Harsányi and Szémán, 1999). However, in the past years, the role of local governments in maintaining institutions was substantially reduced, and the provision of these services was centralized (Kuti, 2017), an example of which is that in 2013, residential care for the disabled, psychiatric patients, addicts and the institutional system providing child protection specialist care was placed in central state maintenance (Czibere *et al.*, 2019). Expenditure on social protection has been declining steadily, from 18.1% of the GDP in 2009 to 13.1% in 2018 (Eurostat, 2020). This decline has increasingly been affecting the most disadvantaged groups and areas (Scharle and Szikra, 2015; European Commission, 2019b).

The institutional system of health services is regulated by the Act CLIV of 1997 on health care, which includes basic health care (e.g. home doctor), outpatient specialist care (e.g. specialist clinics), inpatient specialist care (e.g. hospitals); and other health care (e.g. medicine) (State Audit Office, 2019). This sector has also been increasingly centralized by the state, the process of which began in 2012, as ownership of hospitals was transferred from the local governments to the central government. By 2017, previously independent management and funding organizations were merged into the Ministry of Human Resources responsible for health care. Public spending on health has stagnated in recent years at 5.2% of the GDP in 2009 and 4.7% in 2018 (Eurostat, 2020). Due to low public spending on the health care system, people often choose private health care providers, there is a shortage of specialists in public institutions, and primary care and prevention are often neglected (OECD, 2017; European Commission, 2019b; GKI, 2019).

Examining the specific target groups of the research, services for them are primarily provided by state institutions, increasingly on the central level, with the role of local governments and non-state organizations shrinking here as well. In terms of addict care we can talk about day care, outpatient care and hospital care (Kovács *et al*., 2018); as well as prevention, intervention and rehabilitation services (Ács, 2013). Homeless care includes a variety of different services, e.g. night shelter, temporary accommodation, public kitchen, day-time warmer, homeless rehabilitation facility, street social work, homeless health centre, and dispatcher service. People with intellectual and physical disabilities can access various basic social and health services, such as support services, day care, specialized personal care services (such as rehabilitation facilities or residential homes) and various cash benefits (e.g. disability allowance, rehabilitation benefits, etc.) (Kajner and Jakubinyi, 2015). The services available for these different disadvantaged groups are connected to both the health and social sectors, e.g. it is the professional task of social institutions providing personal care for addicts, people with disabilities and the homeless, to also provide health care for them (Szűcsné, 2015). Thus when social enterprises focusing on these target groups are examined, the institutional environments of both the health and social sectors are analyzed.

The public services available for the disadvantaged target groups also face several problems. Addict care has been criticized for its outdated treatment methods, inflexibility of institutions,

lack of funding and human resources, inadequate information provided to potential clients and limited professional cooperation among organizations (Erdős *et al.,* 2018). Homeless care currently is low-quality accommodation with fewer places available than necessary; and homeless people are stigmatized and criminalized for sleeping on the streets. Furthermore, there is no policy that would target the provision of housing for those who are already homeless or are in the verge of becoming homeless, and a complex approach to solving the problem, which would focus on the physical, mental, and relational effects of homelessness is also lacking (Papp, 2014; Misetics, 2017). There is also a scarcity of social services for people with disabilities especially in disadvantaged regions (Máté, 2017), and the employment rate of people with disabilities is much lower than that of healthy people (Csillag *et al.,* 2016). Services of the public welfare system do not meet the needs of the target groups fully, which makes the emergence of grass-roots initiatives, among them social enterprises, important in these areas.

Social enterprises in social and health services

The social enterprise sector is an emerging organizational field in Hungary as the concept has only become well-known in recent years, and there is no uniform definition, separate legal form or specific law yet (see G. Fekete *et al.,* 2017a; European Commission, 2019a; Kiss 2020 for more details). Though a new phenomenon, social enterprises can be connected to certain already existing traditions that had paved the way, in particular the third sector and civil society. When discussing the role of social enterprises in social and health services, looking at the development of the third sector in these areas provides a more detailed picture.

Third sector organizations have been involved in social and health care provision since the regime change, when due mainly to the economic and social crisis of the early 1990s, formerly latent social problems like poverty, unemployment, homelessness, drug addiction, etc. came to surface, and the public welfare system did not offer enough help (Kuti, 2017; Márkus and Szabó, 2015). The number and weight of third sector organizations grew dynamically, in particular in the case of welfare service provision including social and health care until 2010, when this growth stopped (Bényei *et al.,* 2007; HCSO, 2020). The legal framework of third sector organizations quickly developed after the regime change, and a general framework for outsourcing public welfare services to actors outside the public domain was also established by the LXV Act of 1990 on Local Governments, which detailed the compulsory and voluntary public tasks of local governments, and allowed for contracting out services to non-profit organizations, church entities or for-profit companies (Kinyik and Vitál, 2005). However, services were often not outsourced to civil society organizations but to close-to-state entities founded by public institutions, such as local governments (Kuti, 2008) Thus though public funding for and the economic weight of the third sector increased, organizations closer to the state were behind this growth since the 1990s, due in part to the lack of resources of local governments, and the lack of the necessary trust and strategy (Bocz, 2009). Funding has also been more connected to short-term grants than long-term service contracts and statutory support, while the amount of support was often not enough to sustain operation (Bocz, 2009; Tóth *et al.*, 2011). Finally, at a policy level, a long-term, comprehensive strategy for the third sector was not developed and influence of independent organizations on policy making remained limited (Szalai and Svensson, 2018; Sebestény, 2016). Since 2010, new regulations and decreasing funding have made the autonomous functioning of organizations more difficult, previously existing partnerships and forums were eliminated (Kuti, 2017; Nagy, 2016; Szalai and Svensson, 2018). Opportunities for providing services have also become more limited for grass-roots civil society organizations, as rather

major churches, state-owned organizations have been preferred (USAID, 2017). At the same time, institutional volunteering and private giving remained low, and citizens continued to expect the state to provide welfare (Győri 2010). However, simultaneously, social enterprises began to gain more attention.

The concept of social enterprise was introduced in the second half of the 1990s in Hungary by two international development organizations (Ashoka in 1995 and NESsT in 2001) (G. Fekete *et al.,* 2017a; European Commission, 2019a). These organizations influenced the development of the field in the beginning by providing small amounts of funding to a small number of social enterprises or entrepreneurs, and also long-term professional assistance, which primarily focused on improving certain business, marketing, evaluation and management skills of social enterprises (Kiss, 2020).

In the 2010s, the state also started expressing interest towards social enterprises, following the priorities of the European Union. The main public resources were set out in the 2014-2020 Partnership Agreement, the first policy document directly dealing with social enterprises. In 2016, a funding mechanism was launched in the framework of the Economic Development and Innovation Operational Programme (EDIOP) that provided grants and other instruments (e.g. a loan). The purpose of the developments was mostly the work integration of disadvantaged social groups, conforming to the EU narrative on job creation (G. Fekete *et al*., 2017a; European Commission, 2019a). Thus the concept of social enterprise is understood in a narrow sense in current public funding programs; the role of social enterprises in the welfare system is not explored further in public policy measures (European Commission, 2019a).

In recent years, several other actors have appeared in the SE field, new domestic and international development and support organizations started programs, banks and financial institutions became involved in funding. Advocacy organizations and networks are also present, with one alliance of social enterprises specifically using the term, and directly aiming at advocating for SE. Academic institutions, such as universities and research centres have also appeared in the field with an increasing number of courses taught and researches carried out (see European Commission, 2019a). Thus there are several actors engaging with social enterprises, but these actors have less impact on the development of the field – in general and in the social and health sectors specifically as well – than the international development organizations, the EU and the state (Kiss 2020). In the following analysis, the characteristics of these key actors as well as other important stakeholders identified by the social enterprises in the case studies will be examined.

Interaction with key actors identified by practicing social enterprises

Social enterprises in the case studies were grass-roots initiatives created and operated by members or relatives of the disadvantaged target group and/or connected professionals, thus the contribution of these stakeholder groups to the SEs was of primary importance. Bettering the situation of the given target group – addicts, people with physical disabilities, people with intellectual disabilities and autism, and the homeless – appeared as the main reason for the creation of the initiatives, and the main activities of the social enterprises focused on them as beneficiaries, offering them services for free or lower price, employing them, or helping them in other ways. The founders of social enterprises themselves were often connected to these target groups (they were former addicts or homeless, or relatives of young people with physical disabilities), who decided to launch the initiatives because of their negative experiences with the state institutional system. In two cases, social professionals (social

workers, social policy experts) related to the given problem were (also) founders who, based on their professional experience gained during their previous work also wanted to remedy the shortcomings of the existing institutions. Besides them, other employees also had similar professional background.

"We created this service to dare to ask each other, dare to talk about a problem that affects us." (Interviewee 1)

"When I graduated from university and started to work as a social worker here, we started thinking, and since then we have been constantly thinking about how to create some kind of employment situation for people here, and then I decided to try this." (Interviewee 6)

Though the SEs were initially volunteer-based grassroots initiatives, through discussing the development of the social enterprises in the interviews, certain key actors influencing their operation emerged. The key actor mentioned most often as impacting the SEs was the state, more specifically at the central level. The central state mainly received criticism for posing difficulties for the operation of the SEs, as the legal, policy and funding environment were regarded the main obstacles to their functioning. Excessive regulation, inflexibility, and the unfavourable development of the legal environment in recent years have often been mentioned. At the policy level, there was an excessive centralization of services and a lack of support for autonomous initiatives. In terms of funding, the low levels of statutory subsidies and the higher levels of such subsidies of church organizations appeared to be a problem. In addition, reductions or delays in state funding, anomalies in grant-based funding, and related corruption were also mentioned, posing a major threat to the sustainability of organizations. Compliance with the rules in force was almost impossible according to several interviewees, making day-to-day operation and long-term planning difficult. Interaction between the central state and practicing social enterprises was one-sided, as the influence of the social enterprises on the state was limited. While all case studies reported a dependence on state funding, only one social enterprise had activities specifically aimed at changing the institutional environment, in which case the policy environment proved to be open to the given social problem – disability. In this case, the result of many years of lobbying was the amendment of legislation and the development of new types of support schemes.

"Everything is too centralized, the system is too regulated, which unfortunately often hampers the use of innovative solutions in the field of healthcare." (Interviewee 2)

"Over the last 20 years, legislation and funding has changed so many times that we could differentiate specific periods." (Interviewee 3)

Besides the central state in general, specific local social and health institutions connected to the social enterprises were also regarded important. In each case, the founders founded the organization as a kind of innovative, more flexible response to certain social problems not solved by the state institutional system, whether it was the rehabilitation of addicts; the social integration of children with physical disabilities; housing, employment and independent living for adults with intellectual disabilities; or providing the homeless with work and income. However, though the shortcomings of the public social and health care system led to the creation of the initiatives, most of the organizations had a close relationship with the public institutions dealing with the target group. Two organizations provided social institutional care (e.g. full-time rehabilitation care, residential care) themselves, thus they were already embedded in the institutional structure of social and health services, and had ongoing

partnerships with the local public social and health institutions. Two organizations did not maintain a social institution. One of them was a separate legal entity connected to an institution providing care to the target group. Here, the existence and support of the institutional background during the establishment and operation of the SE was especially important in the provision of both human resources and a location, where the market activities of the SE could take place. The other organization sold products and services that promote the social integration of their target group. It did not have a specific institutional background, but its institutional relationships were also relevant primarily for the sale of its products / services. Having connections and partnerships with local social and health institutions was crucial for the sustainable operation of the social enterprises. However, their impact on these public institutions was limited; only one interviewee mentioned that innovative methods used by the SE spread as good practice in public institutions.

"If the institution hadn't helped in the beginning, this whole thing couldn't have come to fruition." (Interviewee 6)

"The Hungarian social welfare system is not structured the way that is in the theories of social work...Here the main point is that the institution should survive." (Interviewee 5)

The role of local governments was also considered important by the interviewees. In the case of organizations operating in the capital, the local government was a partner; in one case it was considered the main contracting partner. However, in the case of organizations operating in smaller cities, less long-term co-operation was reported, which clearly hindered the sustainability of the organizations. Here the local government already had contracting partners with no space for new entrants, or requested a political stance in exchange for support.

"A political, financial commitment would be needed, and it could be linked to a better reception at the local government." (Interviewee 6)

The role of the majority society as customers also came up in the interviews as the main customers of two social enterprises were private individuals. The SEs also received volunteers from the majority society, which was important as a tool to increase social inclusion and connection. However, it was also mentioned that the attitude of society is characterized by the low level of acceptance of social enterprises and autonomous organizations. In order to promote a more effective role, it would be necessary to increase the willingness to cooperate and reduce mistrust.

"This is a rock-hard Hungarian reality, it is worth talking about it, if someone is successful, the road leading to it, the work, the sacrifice, no one cares about that." (Interviewee 3)

Other actors mentioned in interviews but considered less relevant included for-profit companies, social enterprise development organizations and networks. Corporate relationships were less frequent and regarded less relevant for the sustainability of the SEs by the interviewees. However, when selling products produced by the target group, customers in two cases were small retailers, with whom organizations established long-term cooperation and personal relationships. Co-operation with non-governmental organizations operating in a similar professional field and specifically with social enterprises has mostly appeared, but it was often unsuccessful and not profitable. At the same time, social enterprise development organizations in three cases did not receive a good opinion, and only one organization had a

positive experience. Among the basic problems, short-term development and the transfer of unnecessary knowledge were mentioned.

"I don't consider the various development organizations to be a positive relationship, because in many cases people, who have never worked in the non-profit sector, just want to tell us what's good." (Interviewee 1)

"So networking can be a good thing and a love story, but you can also experience negativity from partners." (Interviewee 4)

Impact of the key actors on social enterprises

The opportunities and barriers set by the key actors of the institutional environment greatly impacted the operation of the social enterprises. They played a role in the choice of legal form, the main activities, as well as the financial and human resources. Within the framework determined by the key actors, the organizations developed the most favourable way of operation they were able to.

The legal forms decided on by the founders were considered to be the most suitable for carrying out the planned activities and for obtaining the potential revenues required in the specific time period the initiatives were created in, thus the state regulatory and funding environment played the biggest role in this decision. In the case of organizations founded in the 1990s, the legal form of foundation was the most fitting to provide social and health services and receive statutory support for it. In the case of the newer organizations, the social cooperative legal form was chosen due to a grant program supporting the creation of social cooperatives, in another case a for-profit legal form was chosen in order to be more connected to the private sector, and not to experience the problems typical to non-profit organizations that were getting more severe in the 2010s. Throughout the years, the legal forms mostly did not change. In the case of one foundation though, the start of entrepreneurial activities also had an effect on the legal form, as in this case other organizations were established (additional foundation, non-profit ltd.) due to the inflexibility of the legal environment, which did not allow the diversification of services, including the start of their business activities, in the original legal form.

"Then there were promises that every start-up cooperative would receive X million in support." (Interviewee 6)

The main activities of social enterprises have often changed over the years. The organizations started their operation with smaller services and products (for example, summer camp, job placement, counselling service) not provided or provided in an inadequate manner by public institutions. Older organizations reported a gradual increase and expansion from voluntary activities to establishing social institutions providing residential care and day care. The start of employing members of the target group also occurred due in part to available funding sources. At the same time, some services were discontinued due to the lack of public funding, withdrawal of local government support or change of the market environment. However, there were interviewees, who also reported services provided for the disadvantaged target group that were maintained despite not finding an external source of funding.

"The first goal was to create a home, and when the home started to take shape, we realized that having a house over their heads and having something to eat does not matter, if they don't work and there is no employment." (Interviewee 2)

In terms of financial resources, the founders in most cases launched the initiatives by investing their own capital, beside which in some cases, grants were applied for. In parallel with the development of activities, the size and structure of revenues also changed, with public funding - central statutory support, subsidies and grants - becoming the primary source for older social enterprises, which, however, did not ensure sustainable operation in the long run. In these cases, market and sales activities appeared as complementary activities to the initial non-profit services, in order to alleviate the uncertainty of funding and promote financial sustainability. Younger organizations, although set up specifically to generate market revenue, also needed grants to ensure their operation. Currently, the total annual revenue of organizations varies over a wide spectrum, from 1-2 million EUR revenues of the foundations that maintain the social institutions to 10-40 thousand EUR revenues of the smaller organizations. Sales revenue remained small for all organizations; the larger organizations generate 10-20% of the annual revenue from sales, while in the case of smaller organizations the total revenue is small. Other potential sources of funding, such as private or corporate donations, are not decisive. Thus social enterprises providing health or social services are mainly dependent on public funding sources, which they complement with market sales revenues.

"The construction of this started pretty slowly step by step. There was a membership loan that helped get started. Later, with the expansion of services, another dilemma arose that we produce certain things, but where to sell it."(Interviewee 5)

The human resources of the organizations also changed in accordance with their financial situation, from mostly volunteer work of the founders to full-time employees. The number of people employed in the initiatives was very variable, ranging from hundreds to 1 registered employee. Employing experts, however, often remained challenging even for the more established organizations, as they could often only provide below-market pay or part-time work. At the same time, to compensate for the financial aspect, social enterprises could take advantage of certain characteristics that were attractive for potential employees, e.g. being able to work for a social cause and implement their own ideas. Furthermore, at the level of management, regardless of the legal form, taking into account the opinions of employees, and direct contact with the target group were emphasized, which also helped the commitment of employees.

"The fact that I would say about our colleagues is that they are overwhelmed, this may not be a good word, but a person really does a lot of things, but I think it's also a good thing for a person who always likes to take on new tasks." (Interviewee 4)

Conclusion

The present paper examined the institutional environment and organizational activity of social enterprises operating in the social and health sectors in Hungary focusing on certain disadvantaged target groups – addicts, people with intellectual disabilities and autism, people with physical disabilities and the homeless. It in particular looked at how certain key actors that influence the social enterprise organizational field at a macro level have an impact on the everyday micro level operation of practicing social enterprises, how these social enterprises

connect to and interact with these actors. The research utilized neoinstitutional theory to investigate this subject.

Based on the findings, social enterprises in social and health services are mostly dependent on the central state and public social and health institutions, while their contacts with local governments, individual customers, networks, development organizations and the private sector are less decisive. Thus the role of social enterprises in these areas is largely influenced by the characteristics of the public welfare system, such as the traditionally privileged role of the state in providing services and low levels of welfare spending, as well as current centralization tendencies and focus on work integration. Looking at the development of the social enterprises in the case studies, the characteristics of these key actors play a significant role in the choice of legal forms, main activities, as well as financial and human resources, and do not contribute to the long-term sustainability of the organizations. At the same time, social enterprises have little ability to shape their institutional environment, thus their operation remains determined by the existing opportunities and barriers of the social and health sectors as well as the social enterprise organizational field in general.

The research shows the characteristics of the social enterprise field in the social and health sectors in a specific Central and Eastern European country. It helps understand the opportunities and barriers of this type of initiative in the Hungarian welfare system, and provides an opportunity for international comparison as well. However, limitations of the research stem from its exploratory, qualitative nature; therefore, further research is necessary for a more comprehensive view of the topics discussed.

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Table I. Characteristics of the social enterprises in the case studies

Beneficiary group	Activity for target group	Legal form	Founder/ manager	Type of settlement and region	Interviewee
addicts	provision of services	foundation	member of target group or relative	capital (Central Hungary)	Interviewee 1
people with physical disabilities	provision of product	ltd	member of target group or relative	capital (Central Hungary)	Interviewee 2
people with intellectual disabilities and autism	employment provision of services	non-profit ltd. and foundation	social professional	city (other region)	Interviewee 3 and 4
homeless	employment	social cooperative	social professional	city (other region)	Interviewee 5 and 6