

### **Comparative analysis of social entrepreneurship in developed countries and Bosnia and Herzegovina**

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#### **ABSTRACT**

*To mitigate the consequences of the social and economic crisis caused by the coronavirus pandemic, an approach through socio-economic activities is needed. It is necessary to use all available resources as generators of employment and new values. One such model is precisely social entrepreneurship. This paper aims to compare the level of development of social entrepreneurship in developed countries and Bosnia and Herzegovina (B&H) to get a picture of the importance of social entrepreneurship for overall economic and social development. In this paper, we analyzed social entrepreneurship in developed countries and B&H. Through this comparative analysis, we have established that social entrepreneurship is of great importance for economic and social development and that a lot still needs to be done for the development of social entrepreneurship in B&H.*

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## 1. Introduction

Social entrepreneurship is a very important topic in modern times. Changes and challenges in modern society lead to the strengthening of social entrepreneurship, which, in addition to economic activity, strives to fulfill some social goal. Looking at social problems and becoming aware of them, a social entrepreneur must continuously offer innovative solutions for current social problems. There are three main reasons why people decide to become entrepreneurs and start their own companies: "to be their boss, to follow their ideas and achieve financial rewards" (Barringer & Ireland, 2016, p. 7). When we add to these reasons the fulfillment of a social mission, i.e. solving a social problem, we arrive at the concept of a social entrepreneur. Therefore, "we also encounter entrepreneurship in the business sector, the government sector and the nonprofit sector, in hospitals, cultural institutions, colleges, sports clubs" (Petković, 2021, p. 66). Social entrepreneurship has become a widespread term in the 21st century in many countries as a form of activity of fair organizations. "At the beginning of the 20th century, more than 100 million people were employed worldwide in the social economy. The social economy sector in the European Union employed more than 11 million people in 2003, which accounted for 7% of the working population in the EU" (Defourny & Nyssens, 2010, p. 33).

The subject of the research is a theoretical analysis of social entrepreneurship in developed countries and B&H. The research is focused on the review of previous literature and data published by certain institutions that are concerned with the development of social entrepreneurship in their domain.

We believe that this research will be useful to institutions dealing with entrepreneurship to see the importance of social entrepreneurship in economic and social development. Also, this work will be useful to the scientific community, that is, to those who study social entrepreneurship. We believe that this work will contribute to making the public better acquainted with the advantages of social entrepreneurship. This analysis can contribute to small and medium-sized enterprises deciding to reorient their business to solve a social or ecological problem. The paper consists of five parts: in-

roduction, literature review, comparative analysis of social entrepreneurship in developed countries and BiH, discussion and conclusions with implications, limitations, and suggestions for future research.

## 2. Literature review

In 1963, Bill Drayton was the first to introduce the term social entrepreneurship into widespread use (Prodanov, 2018). Banks (1972) was the first to point out how social problems and business challenges can be solved by deploying managerial skills. According to Martin & Osberg (2007), the word "social" simply modifies entrepreneurship (p. 30). The fact is that these companies are different from classic for-profit companies because they are run by the principle of the "triple bottom line" (people, planet, profit) (Haugh, 2006, p. 181). Björk et al. (2014) define social entrepreneurship as the activities of individuals and groups whose goal is to address social needs in an entrepreneurial way. Dwivedi & Weerawardena (2018) define social entrepreneurship as a strategic orientation in behavior, expressed through the characteristics of innovation, proactivity, risk management, effective orientation, orientation towards social mission, and orientation towards sustainability, aimed at solving failures on the social market and creating greater social value, to maximize social impact.

At the end of the 18th and the beginning of the 19th century, as a response to the problems that were the result of major changes in the economies of that time, the concept of social entrepreneurship appeared for the first time. Then the first social enterprises in Europe were formed, in Italy, and they were called social cooperatives (Volkman et al., 2012, p. 10). There are 2 million business entities in the EU today, which belong to different forms of social entrepreneurship, such as cooperatives, foundations, social enterprises, and the like (Banjac & Dojčinović, 2016, p. 43). The economy of Western Europe in the period from 1945 to 1975 was mainly characterized by the traditional private capitalist sector and the public sector. In this period, the social economy practically disappeared as a significant force in the process of harmonizing economic growth with social well-being (Monzon & Chaves, 2008, pp. 550-553). Problems such as long-term unemployment, social exclusion of certain categories of society, poor living conditions in rural areas,

as well as problems in health and education, became very pronounced in the eighties of the 20th century. Then it became clear that the economy could not deal with these problems in the traditional way of business. In those years, the concept of social economy and social entrepreneurship experienced expansion (Borzaga & Santuari, 2000, pp. 5-9). Social entrepreneurship has become a widespread term in the 21st century in many countries as a form of activity of fair organizations. "At the beginning of the 20th century, more than 100 million people were employed worldwide in the social economy. The social economy sector in the European Union employed more than 11 million people in 2003, which accounted for 7% of the working population in the EU" (Defourny & Nyssens, 2010, p. 33). Social entrepreneurship became popular after the Nobel Prize, which was awarded in 2006 to the Bangladeshi banker and economist Muhammad Yunus. He is the founder of Grameen bank, known for micro financing small businesses, with an emphasis on female entrepreneurs. He received the Nobel Prize for his efforts to create a microcredit sector for financing those entrepreneurs who cannot get traditional bank loans (Crawford et al., 2020).

### *2.1. Comparative analysis of social entrepreneurship in developed and developing countries: the case of Bosnia and Herzegovina*

In this part of the paper, first, we will analyze social entrepreneurship in developed countries and show how important it is for the development of the economy and society. Then we will analyze social entrepreneurship in B&H to see at what level of development it is and what needs to be done to improve that development.

### *2.2. Analysis of social entrepreneurship in developed countries*

Most of the government's moves so far, when the economy finds itself in crisis, have proven to be insufficiently effective in overcoming the consequences without creating additional economic and social "gaps". When we talk about understanding the concept of social entrepreneurship, the division into American and European frameworks and starting points of the theoretical concept of social entrepreneurship always dom-

inates. Social entrepreneurship was first discussed in Western countries, in the USA and Canada, then in Europe, and only then in the rest of the world. In the USA, the recognition of social entrepreneurship as an important phenomenon dates back to the early eighties of the 20th century, with the launch of the first associations to encourage social entrepreneurship, and continued through its inclusion in educational programs in the early nineties. However, researching social entrepreneurship, we can see that this division is slowly losing its significance, because the initiative to promote and research social entrepreneurship has reached global proportions. The first step towards this was the establishment of the Social Enterprise World Forum in 2008, which was launched as a common platform that gathers social entrepreneurs from all over the world and promotes the further development of social entrepreneurship (Bosma & Levie, 2010, p. 44).

In 2009, GEM (Global Entrepreneurship Monitor) conducted the first research on social entrepreneurship at the world level, which showed that it occurs in different forms in all parts of the world. Its annual global research on entrepreneurial activity, includes an additional set of questions on social entrepreneurship, indicating that it is a recently recognized phenomenon for which there is a need for more detailed research. Although in a broader sense, it implies the same form of activity, there are certain differences in understanding between developed and underdeveloped countries, between the European and American contexts, and social entrepreneurship appears in a special way in post-socialist societies, to which BiH also belongs (GEM, 2011).

The last survey of social entrepreneurship conducted by GEM was in 2015. 167,793 adults from 58 countries around the world participated in this research. The report was published in 2016 (GEM, 2016). According to data from this report, as many as one in 10 individuals in Australia and the US are social entrepreneurs.

Israel, Luxembourg, and Ireland also have high rates of social entrepreneurship, as do sub-Saharan African economies such as Cameroon and Senegal. When we talk about

gender participation in social entrepreneurship in the world, GEM estimates that 55% are men and 45% are women. This gender gap in social entrepreneurial activity is significantly smaller than the roughly 2:1 gender gap in commercial entrepreneurial activity found in some economies. In this research, the rate of initial (start-up) social entrepreneurship, i.e. individuals who are currently trying to start social entrepreneurial activities - in all 58 GEM economies is 3.2% and ranges from 0.3% (South Korea) to 10.1% (Peru). By comparison, the rate of initial commercial entrepreneurship worldwide averages 7.6% and ranges from 13.7% in Vietnam to a high of 22.2% in Peru. The average rate of individuals currently running an operational social-entrepreneurship activity in all 58 GEM economies is 3.7% and ranges from 0.4% in Iran to 14.0% in Senegal. Regarding the financing of social entrepreneurial activity, more than a third of the world's social entrepreneurial ventures rely on state financing, while families and banks are also important sources of financing for social entrepreneurs. Regarding education, in the USA and Australia there is a large share of social entrepreneurs with a high level of education (62%), while in the Middle East and North Africa, Eastern Europe, and Western Europe, about half of social entrepreneurs have a high level of education. Social entrepreneurs are visible to the wider population, with an average of 32% of the adult population (aged 18 to 64) agreeing that they are often aware of companies that aim to solve social problems (there are large oscillations between developed and less developed countries). The contribution of social entrepreneurship to the total GDP of the EU is about 11%. In Finland, 7.5% of the active population is involved in social entrepreneurship, in Great Britain this percentage is 5.7%, in Slovenia 5.4%, in Belgium 4.1%, in Italy 3.3%, in France 3, 1%, etc. Every fourth newly established company is a social enterprise. In Finland, France, and Belgium it is even every third. (GEM, 2016, pp. 5-33)

According to some authors (Srivastava, 2020; Janelidze, 2020; Solomon et al., 2019; Mengel & Tantawy, 2018; Rey-Martí et al., 2016), there are differences in social entrepreneurship in the USA and Canada (list a couple of sources right here). In the eighties of the 20th century, there were changes in the market in the USA, as well as increased social benefits. At the time, the US was a weak welfare state. The increase in social problems leads to the development and strengthening of social entrepreneurship. On the other hand, Canada has always been a strong social state, which created a strong structure for the development of social entrepreneurship. In the USA, social entrepreneurship is focused on the individual social entrepreneur, as an innovator and agent of change, who initiates social entrepreneurial activity, while in Canada the focus is on the collective character and role of the community. Quebec, as part of Canada, has the most developed social entrepreneurship sector in the world. The Canadian concept of social entrepreneurship is much closer to the European than to the American concept of understanding social entrepreneurship. The activities and development of social entrepreneurship in the USA take place through the Social Enterprise Alliance, an organization that gathers social entrepreneurs and promotes social entrepreneurship. What is specific to the USA is the existence of a large number of foundations and organizations that promote and encourage the development of social entrepreneurship, not only in the USA but also around the world. These organizations also provide financial support in terms of initial capital for starting social-entrepreneurial activities.

A large number of foundations have been established in the USA to support social entrepreneurship. The USA has the most developed educational system in the field of social entrepreneurship in the world. Some of the most famous foundations and organizations are Ashoka, REDF (Roberts Enterprise Development Fund), Skoll Foundation, Schwab Foundation for Social Entrepreneurship, William and Flora Hewlett Foundation, David and Lucile Packard Foundation, Ford Foundation, and others. In the period from 2003 to 2016, these foundations invested US\$ 1.6 billion in the development of social entrepreneurship in the USA and the world (Spicer et al., 2019; Chliova et al., 2020).

Unlike the USA, in Europe the collective dimension of social entrepreneurship is emphasized, that is, social entrepreneurship is seen as part of social policies. To respond to the challenges of social entrepreneurship, the EU is developing an institutional framework to support social entrepreneurship, which encourages social innovation. In the emergence and development of social entrepreneurship in Europe, cooperatives played the most significant role (Talić et al., 2020). In 1996, the EU funded the student project The emergence of social enterprises in Europe (EMES - fra. L'Émergence de l'Entreprise Sociale en Europe). Originally, this network was conceived as a non-profit organization and included only Europe. In 2002, it grew into a for-profit organization, and in 2013 it became an international network for social entrepreneurship research (EMES, 2022).

The EU promotes research and development of social enterprises because social entrepreneurship is seen as a business model that can simultaneously solve several problems, from economic growth to quality of life. In 2011, the European Commission established an initiative called "Social Innovation Europe" (SIE), whose main goal is to create a dynamic, entrepreneurial and innovative Europe (EIC, 2022). That same year, the European Commission presented the "Social Business Initiative (SBI)", considering that public policy is not enough to use all the potential of social enterprises (EUROPA.EU, 2017). Other research centers and funds for social entrepreneurship operate in the EU today, such as the European Network for Social and Economic Research (ENSR), the International Center for Research on Public, Social and Cooperative Economy (Centre International de Recherches et d'Information sur l'Économie Publique, Sociale et Coopérative - CIRIEC), European Research Institute on Cooperative and Social Enterprises - EURICSE, International Society for Third Sector Research Sector Research – ISTR), European Social Fund (European Social Fund - ESF), EU Program for Employment and Social Innovation (EaSI), and others (EC Europe, 2018).

The Organization for Economic Cooperation and Development (OECD) encourages the development of social-entrepreneurial ventures in local communities through the Local Economic and Employment

Development (LEED) program. According to their data, about two million companies are operating in the social economy in the EU, which is about 10% of all European companies. About 13.6 million Europeans or about 6.5% of the working-age population work in the social entrepreneurship sector today. Of these, 70% are employed in non-profit associations, 26% in cooperatives, and 3% in social enterprises. Social enterprises are present in almost all sectors of the economy, such as banking, insurance, agriculture, crafts, various commercial services, health and social services, etc. (OECD, 2021).

Sanders et al. (2020) investigated social reforms in Italy. In 1991, Italy adopted the Law on Social Cooperatives. After about 15 years, the Italian Parliament expanded the legislative framework by adopting the Law on Social Enterprises, which enables the registration of social enterprises in different forms. This law prescribes tax and other fiscal benefits for social enterprises. The main support for social entrepreneurs in Italy is the Ministry of Social Affairs, the Ministry of Labor, and regional centers for social policy. Likewise, in cooperation with universities, various research is carried out on this topic, and the University in Trento is especially active and influential in this field.

In addition to Italy, we will mention some other countries that have developed social entrepreneurship. After the Italian legal regulation of social entrepreneurship, the British government made, according to Heckl & Pecher (2007), one of the best legal frameworks for social entrepreneurship. According to the latest data, there are as many as 70,000 social enterprises in Great Britain that employ almost a million people, and the annual goal of the social entrepreneurship support policy is to reach the number of 100,000 social enterprises with 2 million employees, whose share in Great Britain's GDP would be 60 billion pounds. (Social Enterprise UK, 2019).

Social entrepreneurship is also developed in France. France has had a Ministry of Social Economy since 2012, which indicates the commitment of the French government to social cohesion, employment, and growth. In 2017, of all established companies, 61% had the status of a social enterprise (fra. Société par actions simplifiées). 10% of all employees in France work



in the social entrepreneurship sector (Petrella et al., 2021). According to von Ravensburg et al. (2018) in Germany, the Ministry of Labor and Social Affairs takes care of the development of social entrepreneurship, emphasizing the organizational and innovative potential of social entrepreneurship. Special promotion of social entrepreneurship comes from the Federal Ministry for Economic Affairs and Energy. Social entrepreneurship has been developing in Germany for the last 15 years or so. It is very difficult to determine the number of social enterprises in Germany due to the different criteria that are taken into account. According to them, the total maximum number of social entrepreneurship entities is 77,459 and they employ about 650,000 people.

Social entrepreneurship in Slovenia has still not reached a satisfactory level, although it has been developing since the 80s of the last century. The reason is poor knowledge and understanding of the concept of social entrepreneurship, its principles, goals, and advantages (Rihter & Zidar, 2018). According to the Law on Social Entrepreneurship from 2011, social entrepreneurship activities must be presented in the annual report in at least 40% of total revenues, for the third and every subsequent year of operation, at least 50% of revenues. So far, only 20 social enterprises have been registered. The reason for this may be too rigid legislation related to maintaining the status of a social enterprise (Hojnik, 2020). "Ex-lege social enterprises employ a small part of the active population of Slovenia (0.045%). Their revenues represent 0.041% of GDP. Due to their long tradition, de facto social enterprises employ a larger share of the working population (0.268%) and their revenues represent 0.269% of GDP" (Rakar & Kolarič, 2019, p. 11).

According to all these data, we see that countries that have developed social entrepreneurship have a developed institutional and legal framework that regulates business in this sector.

### *2.1.2. Analysis of social entrepreneurship in Bosnia and Herzegovina*

Compared to developed countries, social and ecological problems are more dominant in underde-

veloped countries, but even so, the potential of social entrepreneurship is still underutilized. Social entrepreneurship is still developing in B&H. The advantages of social entrepreneurship are insufficiently known. There is no adequate institutional and legal framework, and especially by-laws that would more specifically regulate and encourage social entrepreneurship activities. The existing employment programs through social entrepreneurship that are being implemented are side actions and initiatives. The fact that BiH is a poor country where half of the population is on the poverty line speaks about the need for a systemic approach to social entrepreneurship, as an important lever for inclusion in the labor market of difficult-to-employ categories. This includes the public sector, private sector, and civil society organizations. Cooperation, partnership, and coordination are needed between them.

"The percentage of socially excluded persons in B&H is 60%. Among the main causes of this state of affairs are, first of all, insufficient knowledge of the concept and opportunities that open up through social entrepreneurship, the absence of an adequate institutional and legal framework that would regulate and encourage social entrepreneurship activities, sporadic programs and initiatives for employment through social entrepreneurship, lack of initial capital, lack of necessary knowledge and skills and more" (Đermanović, 2019, p. 10).

Social entrepreneurship offers solutions for many social problems, especially the problems of high unemployment and social marginalization. Although these problems are some of the most pronounced in B&H, social entrepreneurship is still not sufficiently developed. The potential of social entrepreneurship is not sufficiently recognized in B&H. Social entrepreneurship can be one of the possible ways of solving social and economic problems. In the Republic of Srpska (RS), there is a Law on the Development of Small and Medium Enterprises, in which, in Article 28, the Development Agency of the Republic of Srpska has the authority to support women's entrepreneurship, youth, and rural entrepreneurship and other types of social entrepreneurship (Law on the Development of Small and Medium Enterprises of the Republic of Srpska, "Official Gazette of the Republic of Srpska", No. 50/13 and Amendments to the Law on the Development of Small and Medium Enterprises,

"Official Gazette of the Republic of Srpska", No. 84/19).

In the Republic of Srpska, social entrepreneurship is partially regulated by the Law on Professional Rehabilitation, Employment and Training of Disabled Persons (Law on Professional Rehabilitation, Employment and Training of Disabled Persons - revised text, "Official Gazette of Republic of Srpska", No. 98/04, 91/06 and 24/09 and 37/12), the Law on Associations and Foundations (Law on Associations and Foundations, "Official Gazette of the Republic of Srpska", no. 52/01 and 42/05), the Law on Social Protection (Law on Social Protection, "Official Gazette of the Republic of Srpska", no. 37/12) and the Law on Agricultural Cooperatives (Law on Agricultural Cooperatives, "Official Gazette of Republic of Srpska", No. 73/08, 106/09 and 78/11). Another law that affects social entrepreneurship is the Law on Games of Chance (Law on Agricultural Cooperatives, "Official Gazette of Republic of Srpska", No. 73/08, 106/09 and 78/11), in which Article 23 stipulates that profits in the amount of 50% be set aside for users who deal with some of the prescribed social issues (the author has open access to the Official Gazette of the Republic of Srpska and all publications within it).

In 2021, the Government of the Republic of Srpska developed the Employment Strategy of the Republic of Srpska 2021-2027. One of the operational goals of the Strategy is the development of social entrepreneurship, through the development of a social entrepreneurship platform, normative regulation of the area of social entrepreneurship, and support for the establishment of social enterprises (Vlada.rs., 2022). In 2017, the Ministry of Health and Social Protection of the Republic of Srpska developed the Strategy for the Improvement of the Social Position of Persons with Disabilities in the Republic of Srpska 2017-2026, in which, as one of the goals, the development of social entrepreneurship is defined (Vlada Republike Srpske, 2017). In 2018, the Ministry of Labor and Veterans and Disability Protection formed the Platform for the Development of Social Entrepreneurship in the Republic of Srpska. The Platform aims to create a stimulating environment for the creation, growth, and development of social entrepreneurship. The platform encourages the development of social entrepreneurship in all aspects, from technical to legal solutions (Vlada Republike Srpske, 2018).

In December 2021, a positive step was taken towards the development of social entrepreneurship in the Republic of Srpska. Namely, the National Assembly of the Republic of Srpska (NSRS) adopted the Law on Social Entrepreneurship (NSRS, 2021). This law defines the term social enterprise, the goals, and principles of social entrepreneurship, as well as the management of the register of social enterprises ("Official Gazette of Republic of Srpska", number 111/21). This Law determines how companies can become social enterprises, as well as their way of working and distribution of profits. According to this Law, the portion of the profit that is paid to the owners cannot exceed 51% (Article 6, paragraph 1). The conditions that business entities must fulfill to obtain the status of a social enterprise according to this Law are:

- that it is registered as a legal entity,
- that it has its seat on the territory of the Republic of Srpska,
- that, about the total number of employees, there are at least 30% of persons who belong to the category of persons who are more difficult to find employment (persons from Article 5, paragraph 4, item 1),
- that it was founded to achieve a social mission,
- that the business is based on a limitation in the distribution of realized profit,
- that employees participate in the consideration of decisions for the adoption of which it is necessary to obtain their opinion by this law,
- that the social mission is clearly expressed (Article 7, paragraph 1).

However, this Law has not yet taken effect in the Republic of Srpska, because when we asked the Ministry of Economy and Entrepreneurship about the number of social enterprises, we received the answer that the Register of Social Enterprises had not yet been formed.

The law on social entrepreneurship has not yet been adopted on the territory of the Federation of B&H, as well as in the Brčko District. Of course, this represents a problem with the legal regulation of this area in these parts of B&H. All activity on the development of social entrepreneurship in these territories is aimed at the creation of legal regulations in this area,

however, everything is still based on platforms and development strategies, which is not enough to have an organized system of functioning of social enterprises and entrepreneurs. At the B&H level, a proposal for a social inclusion strategy has been prepared, which represents the elaboration of the strategic goal of social inclusion from the B&H Development Strategy. One of the measures of the Social Inclusion Strategy is the development of a support system for social entrepreneurship (Directorate for Economic Planning of B&H, 2010). The Federation B&H, Platform on Social Entrepreneurship in the Federation of B&H was formed, which aims to create the basis for defining a legislative and implementation framework that will encourage the emergence, growth, and development of social entrepreneurship in the Federation of B&H (Impact, 2017). There are several positive examples of social entrepreneurship in B&H. The Center for the Development of Social Entrepreneurship "Globus" is the first center of this type in B&H, which started operating in February 2014. It gathers 50 members.

The Center aims to encourage the development of social entrepreneurship on the territory of B&H, to connect entrepreneurs engaged in social entrepreneurship, as well as to provide information and help to all those interested in this way of business (CDP Globus, n.d.). Association "Maja" from Kravica (Bratunac) founded the first women's general agricultural cooperative "Žena", through which they sell all the agricultural products they produce on their farms. This Association is actively working on establishing the Center for Women's and Social Entrepreneurship (Kulturno naslijeđe, n.d.). More positive examples of social entrepreneurship in B&H can be found in the research by Halilbašić et al. (2015). One of the positive sides of social entrepreneurship is reducing the burden of social benefits. A large number of socially and economically excluded categories of the population can be employed in social enterprises, which provides significant support to the economy. Due to extremely large social needs, it is necessary to encourage the establishment and operation of social enterprises that base their operations on market principles, and which direct profits to social purposes, i.e. solving social problems.

The problem in B&H is the lack of legal regulation in this area, so there is no official institution that records data on social entrepreneurship. So there is no official data on how many social enterprises exist in

B&H, and it is very difficult to say what that number is. According to Rosandic (2017, p. 65), 31 social enterprises operate on the territory of the state. As no law prescribes the criteria that would define economic entities as social enterprises, we were not able to find definitive information on the number of social enterprises.

It is clear that B&H lags in terms of social entrepreneurship and that much more needs to be done in this field to create a favorable climate for the development of this economic sector.

### 3. Discussion

Petričević (2012), like us in this paper, investigated the importance of social entrepreneurship by presenting data from developed countries. How important social entrepreneurship is, and its role in society and the economy, is shown by the fact that social enterprises were less vulnerable during the global economic crisis - for example, in the economic sector of Italy, the number of employees drastically decreased during the crisis, but in social cooperatives, that number increased by 2.7% in 2009 (p. 12). The direct influence of social enterprises is recognized in the economic development of a community or region (Petričević, 2012):

- their activities supplement services of public interest (eg social services) that public institutions or private for-profit enterprises are not able to perform with sufficient quality;
- contribute to the balanced use and distribution of available resources in favor of the local community;
- generate new jobs in their areas of activity and some social enterprises are especially focused on the integration of the long-term unemployed into the labor market;
- encourage social cohesion and contribute to the growth and development of social capital;
- provide support for the institutionalization of informal entrepreneurial activities of the private profit sector, etc. (p. 12).

We have also proven in our work that the development of social entrepreneurship represents a con-



crete possibility of meeting the needs and solving the problems of marginalized, socially sensitive groups in local communities. Social entrepreneurship is important both as a stabilizing factor in the labor market and as a factor in the sustainable development of the community. In their research, Bacq et al. (2013), like us, performed a comparative analysis of social entrepreneurship in the USA and the EU. According to them, what particularly distinguishes social entrepreneurship in the USA and the EU is the poorly developed institutional framework and system of policies and support from public institutions in the USA. In the EU, social entrepreneurship is under the watchful attention of all institutions that can help its development, which is proven by our analysis of social entrepreneurship in the EU, where we saw how many programs there are and which institutions are involved in its development to create a picture of the position of social entrepreneurship in B&H in neighboring countries, here we will briefly analyze social entrepreneurship in Croatia and Serbia.

In Croatia, the idea of solidarity, inclusion, and the creation of new social value through business activities that belong to social entrepreneurship has been present for more than 150 years on the traditional foundations of cooperatives. However, the existing administrative and legal frameworks do not function efficiently enough. Social entrepreneurship in Croatia has been expanding in the last 20 years through the activities of associations, initiators of various forms of social economy, and by assimilating the ideas of numerous international organizations (Vojvodić & Banović, 2019). In the Strategy for the fight against poverty and social exclusion 2014-2020, social entrepreneurship is mentioned as an activity to increase employment and reduce regional differences. In 2015, the government adopted the Strategy for the Development of Social Entrepreneurship for the period from 2015 to 2020, giving social entrepreneurship visibility through a fundamental act that should govern the processes of social entrepreneurship at the national level with clearly stated development measures. This Strategy adopted the term "social entrepreneurship" (Cvitanović, 2018). In Croatia, there is no special law that regulates the field of social entrepreneurship, so for now, its legal framework is determined by the existing positive legislation.

There is a very low level of systematic monitoring

of the situation at the national level. This situation can be changed by encouraging research and thus building a database with the visible economic effects of social entrepreneurship. In Croatia, education and higher education programs to some extent recognize the importance of social entrepreneurship, so at some universities we can find studies that include the topic of social entrepreneurship in their program. According to research from 2018, there were 526 social enterprises in Croatia (Vidović, 2019, p. 52). On the territory of the Western Balkans, there is a network of social entrepreneurship - RISE (Regional Incubator for Social Entrepreneurs), which promotes and connects social entrepreneurs (RISE, 2022). In February 2022, the Republic of Serbia adopted the Law on Social Entrepreneurship ("Official Gazette of Republic of Serbia", No. 14/2022), which marked a significant step toward the development of social entrepreneurship. This law defines the concept and significance of social entrepreneurship, the conditions for acquiring the status of social entrepreneurship subjects, as well as the goals that social entrepreneurship strives to achieve on the way to the development of the economy and society in the Republic of Serbia.

What is very significant and positive about this Law are Articles 18 and 19, which prescribe active support for social entrepreneurship entities and the social entrepreneurship development program, respectively. This Law will enable easier registration, way of working, as well as obtaining funds for starting the activities of social entrepreneurship entities. In 2014, 1,196 social enterprises operated in Serbia. Among social enterprises, the most numerous are cooperatives (65.6%), followed by citizens' associations (23.7%); other less common legal forms in which social enterprises operate are enterprises for professional rehabilitation and employment of persons with disabilities (3.8%), development agencies (2.7%), foundations (1.9%), business incubators (1.5 %) and subsidiaries (spin-off) (0.7%). 10,326 people are employed in social enterprises, which is 0.6% of the total number of employees in the Republic of Serbia (Aleksić Mirić & Lebedinski, 2015, pp. 222-223). After 2014, there was no new research on social enterprises that would provide the latest estimates of the number of enterprises, their regional distribution, the number of employees, and other economic and social indicators (Cvejić, 2018).

Comparing social entrepreneurship in B&H,

Croatia, and Serbia, we see that social entrepreneurship is not at an enviable level in any of these countries and that a lot of attention needs to be directed to make significant progress in its development. Social entrepreneurship in these countries could very well solve the numerous problems they face as transition countries. Therefore, many scientific papers, lectures, and programs on the importance of social entrepreneurship are needed to raise the awareness of those who have the opportunity to influence its development.

#### 4. Conclusions and implications

Analyzing social entrepreneurship, we saw how important it is for the development of the economy and society. In developed countries, social entrepreneurship contributes a significant percentage of GDP, reduces unemployment, improves the position of marginalized groups in society, and solves environmental problems. In developed countries, social entrepreneurship especially comes to the fore in times of crisis. We saw that after the pandemic of coronavirus, in developed countries, the number of social entrepreneurs who tried to recognize and solve certain social and ecological problems in an entrepreneurial way increased. Developed countries have strong legal frameworks that regulate this area of business, strong institutions, and organizations that support and support the development of social entrepreneurship.

On the other hand, we have seen that social entrepreneurship in B&H is at a very low level of development. We cannot say that social entrepreneurship does not exist or that nothing has been done to initiate its development, but the potential of social entrepreneurship is simply not sufficiently recognized. In B&H, an additional problem is created by the division into entities and cantons that have their legal forms, so the direction of development of social entrepreneurship has not been harmonized at these levels of government.

##### 4.1. Theoretical contributions

In B&H, no institution specifically deals with social entrepreneurship. Analyzing social entrepreneurship in Bosnia and Herzegovina, we concluded that

some individuals and organizations operate in this way, but that the system does not recognize this form of business in the legal sense. There is no register of social entrepreneurship entities from which we could obtain information about the number of such individuals and organizations. In Bosnia and Herzegovina, it is necessary to implement public policy measures that can more effectively contribute to the development of social entrepreneurship, which include the promotion and development of the culture of social entrepreneurship among young people, the establishment of centers to support social entrepreneurship, access to public funds for starting social enterprises, as well as other measures of institutional support. To begin with, in all cantons and districts, as is the case in the Republic of Srpska, it is necessary to adopt the Law on Social Entrepreneurship without delay, as well as the necessary by-laws and strategies for the development of social entrepreneurship.

In the end, we can conclude that much more should be done in B&H on the promotion of social entrepreneurship, as well as on the legal regulation of this way of business. We have seen how much social entrepreneurship contributes to national well-being. Data show that social entrepreneurship is useful for solving numerous economic and social problems, such as unemployment, social benefits, exclusion of marginalized groups of society, various environmental problems, and others. Social entrepreneurship would contribute to the development of B&H and solve numerous problems within this transitional country. The analytical significance of the research represents the possibility of determining the development direction of BiH and proposing new rules and guidelines that will enable the development of social entrepreneurship, not only in BiH but also in other small transitional economies.

##### 4.2. Policy and managerial implications

“The analytical significance of this paper represents the possibility of determining the development direction of B&H. It is necessary to define rules and guidelines that will enable the development of social entrepreneurship. This development must be based on the innovativeness of social entrepreneurship, which will increase the competitive-

ness of this sector and thereby ensure the strengthening of the economy and societies. This paper contributes to the existing theories in this field of research. Researching the literature, we concluded that this is still an under-researched area, especially in domestic and foreign literature. When researching the theory, we saw that this topic is very current and modern. Reviewing the papers dealing with social entrepreneurship, we noticed that in the territory of the Balkans, this is still an insufficiently researched topic, and it could very well help the development of the economy and society of the Balkan transition countries.

This paper can be useful to all state institutions, at all levels of government, which deal with the development of guidelines and principles of business in the territory of B&H to see the importance of social entrepreneurship and in this direction develop measures and ways to encourage the development of social entrepreneurship. We are convinced that this paper can contribute to familiarizing investors, as well as the sector of small and medium-sized enterprises, with the advantages of social entrepreneurship. Investors should see the importance of social entrepreneurship and direct their investments into this way of business, which brings numerous advantages to both the economy and society. Small and medium-sized enterprises, which are certainly involved in various activities, could, after becoming familiar with the advantages of social entrepreneurship, possibly reorient themselves to perform their work to solve some social or environmental problems. We believe that the obtained results will also benefit the academic community, which will be able to learn more about the role and importance of social entrepreneurship. Considering that the research in this field is relatively recent, we expect that this paper will arouse greater interest in research in this field from the academic community. This paper should also be interested in the significance of the development of social entrepreneurship, which should be the driving force for solving economic and social problems in developing countries. This especially applies to individuals with encouraging business ideas who do not have enough knowledge about the way of doing business and the importance of social entrepreneurship.

#### *4.3. Limitations and suggestions for future research*

The biggest limitation in the research is the impossibility of collecting certain data about social entrepreneurship entities in Bosnia and Herzegovina because the existing institutions do not have any official data about the number of social entrepreneurship entities, the activities they engage in, the way they do it, the problems they deal with, etc. Another limitation is modest financial resources and therefore limited access to global databases from which we could collect the latest papers and more detailed data about social entrepreneurship in the world.

We leave many questions open to future researchers when we talk about social entrepreneurship in Bosnia and Herzegovina. First of all, there are the factors that influence its development, then the ecosystem of social entrepreneurship in B&H and transition countries, research on the impact of social entrepreneurship on the development of B&H, etc.

#### **CRedit authorship contribution statement**

I.Đ.: Conceptualization, Methodology Formal analysis, Writing – original draft, Writing – review

Ž. E.: Conceptualization, Methodology, Writing – original draft, Writing – review

#### **Data availability**

The data that has been used is available upon a request to the author.

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**Компаративна анализа друштвеног (социјалног) предузетништва  
у развијеним земљама и Босни и Херцеговини**

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Кључне ријечи:  
друштвено (социјално)  
предузетништво, раст  
и развој, маргинализоване  
групе друштва,  
компаративна анализа

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**САЖЕТАК**

За ублажавање посљедица социјалне и економске кризе изазване пандемијом корона вируса, потребан је приступ кроз друштвено-економске активности. Неопходно је искористити све расположиве ресурсе као генераторе запошљавања и нових вриједности. Један такав модел је управо друштвено (социјално) предузетништво. Овај рад има за циљ да упореди степен развијености друштвеног предузетништва у развијеним земљама и Босни и Херцеговини (БиХ) како би се стекла слика о значају друштвеног предузетништва за укупан економски и друштвени развој. У овом раду анализирали смо друштвено предузетништво у развијеним земљама и БиХ. Овом упоредном анализом утврдили смо да је друштвено предузетништво од великог значаја за економски и друштвени развој и да још много треба учинити за развој друштвеног предузетништва у БиХ.