

ENTREPRENEURSHIP FOR NON- PROFIT ORGANISATIONS: STARTING UP AND DEVELOPING BUSINESS WITH A CAUSE

KEY FINDINGS FROM A STUDY BY THE BULGARIAN CENTER FOR NOT-FOR-PROFIT LAW

March-July 2022

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CONTEXT

The Bulgarian Center for Not-for-Profit Law has been implementing the Entrepreneurship for NPOs Program for 11 years. It encourages civil society organizations in Bulgaria to develop their mission-related business activities - business ideas that both address a significant social problem and help organizations to be more sustainable and financially independent.

- **OVER 200 ORGANIZATIONS HAVE SUCCESSFULLY COMPLETED THE *LET'S GO* TRAINING PROGRAM AND RECEIVED MENTORING FOR BUSINESS PLANNING AND PRODUCT MARKETING;**

- **35 ORGANIZATIONS HAVE PARTICIPATED IN THE ONLINE PLATFORM *DARPAZAR*, WHERE THEY OFFER THEIR PRODUCTS;**

- **SOCIAL ENTERPRISE DEVELOPMENT ORGANISATIONS ARE ACTIVELY ENGAGED IN JOINT ADVOCACY AND CAPACITY BUILDING INITIATIVES OF THE BCNL - WEBINARS, EXCHANGE OF GOOD PRACTICES, ACCESS TO INTERNATIONAL EXPERTS, WORKING VISITS, ETC.**

The programme in figures:

- Over 500 people directly benefiting from the activities of social enterprises
- Over 100 new jobs created, including for people from vulnerable groups
- More than 300 volunteers involved in the activities of social enterprises
- Over 1500 new business customers attracted
- A documentary: 'Social entrepreneurship or business with a mission'

10 years ago, at the beginning of the program, we heard remarks like, "This is not for us" and "If we could be entrepreneurs, we would not work in civil society organizations and dedicate ourselves to causes." It took a lot of energy to convince people that this was just another way to achieve our missions through real results - more immediate and visible on a day-to-day level for people, and also to attract supporters and tell our stories.

Today we hear lines like, "I never imagined that we would get this far, that we would be so successful and that we would be so much more helpful to the people we exist for" and "It's very hard, but it's also very exciting because little by little you see that you are becoming dependent on yourself, things are in your control and that's freedom. Freedom to make choices and to know that you are the engine of change and you are making it happen - little by little, right now in the moment."

Over the past 11 years, the environment for social entrepreneurship in Bulgaria has changed. The very concept of a *business with a cause* is now more popular, to which the efforts of the civil sector have contributed significantly. In 2019, the Social and Solidarity Economy Enterprises Act came into force. It also creates the first legislative framework for the state to define social entrepreneurship and support the development of an environment in which more social entrepreneurs successfully implement their ideas. The COVID-19 pandemic and its aftermath have had a negative impact on the development of many social enterprises. For micro-enterprises, a crisis of this magnitude is a huge challenge to their existence and development. However, many of them have found new opportunities to implement new ideas, products and services.

In this changed and evolving context, between February and July 2022. BCNL conducted a survey of the Program's community of organizations to identify:

- Current challenges;
- The support needed to start and develop a social enterprise;
- Attitudes of organisations towards new formats of collaboration and capacity building.

WE ENCOURAGE BUSINESSES WITH A CAUSE TO BE FLEXIBLE, DYNAMIC AND ADAPTIVE TO NEW OPPORTUNITIES. THIS SURVEY IS DESIGNED TO GIVE US AN UPDATE ON OUR COMMUNITY OF ORGANIZATIONS SO THAT WE TOO CAN CONTINUE TO GROW THE PROGRAM AND LEAD BY EXAMPLE.

THE RESEARCH

In the period March - April, an online survey was distributed to all organisations that had completed the Entrepreneurship for NPOs programme. 31 organisations completed the survey in its entirety:

- 16 associations;
- 13 foundations;
- 2 community centres.

The organisations are also diverse in terms of experience measured in years - the oldest was registered in 1996 and the youngest in 2019. They have participated and graduated from the Programme in different years and work in different areas of the country. 21 out of 31 organisations indicated that they have up to 5 employees. 16 of the organisations have received financial support under the BCNL competition and all of them (except one organisation) have implemented and are continuing to develop their idea. The organisations that had ceased their business activities indicated that the main reason for this was the effects of the COVID-19 pandemic, and that to implement this or any other business idea again they would need human resources and additional mentoring for product design, marketing and financial planning.

3 organizations out of all respondents indicated that they had not started and developed a business. The reasons identified were lack of financial and human resources, but all three organisations indicated that they had not given up on the idea of starting and developing a business in the future.

Over 50% of the organisations that completed the survey are part of the DarPazar community and offer their products in the BCNL online shop. Over 20% indicated that they do not currently participate in DarPazar but have plans to do so.

Do you participate in DarPazar?	
Yes	53,57 %
No, but we plan to participate	21,43 %
No and we do not intend to participate	25,00 %

In terms of participation in physical bazaars, over 60% of respondents indicated that they participate in them annually. However, a significant proportion of organisations do not participate in bazaars. In the interviews, the reasons most frequently cited by respondents were that bazaars require financial resources from them and are inefficient in terms of sales relative to the human and time resources invested.

Do you participate in bazaars and how often a year?	
Once	7,14 %
Twice	21,43 %
Three times	10,71 %
More than three times	21,43 %
We do not participate	39,29 %

"We sell a lot online because of the inefficiency of bazaars and stalls. It's very expensive with bazaars - people carry everything. "

The qualitative and quantitative results of the survey were summarized and key hypotheses were derived based on them. Between May and July, the hypotheses were explored through a series of in-depth interviews with 13 organisations from the following groups:

- Organizations that have not started a business;
- Organizations that have started a business and have discontinued it;
- Organisations that have started and are currently running a business.

The sample of respondents in the survey and in the interviews reflects the diversity of NPOs developing social entrepreneurship and in terms of the areas in which they work in social activities, education, ecology and environmental protection, culture, sports, healthy lifestyles, supporting people with disabilities, supporting victims of domestic violence, working with refugees, local community development.

CHALLENGES - ENVIRONMENT FOR DEVELOPMENT

The challenges identified by organisations within the survey vary in scale. Often they face strictly specific difficulties at the micro level. The challenges listed below are the most typical, most frequently cited and have a significant impact on the development of social enterprises.

• **Insufficient financial resources for the development and sustainability of social entrepreneurship ideas (relative to the level of development - start-up capital, capital for developing new ideas and products, support in crises and uncertain external environment)**

The vast majority of foundations and associations conduct business as part of the organisation. Funding programs for social enterprise start-ups are not sufficient in number and amount of funds to encourage the growth of social enterprise initiatives. This implies financial resources that support testing, validation and promotion of new ideas. On the other hand, the teams themselves lack the time and human potential to engage in various programmes. This reduces the space for experimentation and generation of new ideas, making organizations rather conservative in their entrepreneurial thinking and actions and hindering a more accelerated growth of organizations.

BCNL's programme is one of the few that supports the best business plans for the development of entrepreneurial ideas of NPOs with financial resources (other programmes are: Reach for Change, Rinkers' Challenge). 30% of the surveyed organisations indicated that they used this resource for salaries and 30% indicated that they used it to purchase machinery and equipment related to the implementation of their business plan.

What have you invested in? You can give more than one answer.	
Salaries / recruitment	30,00 %
Communication, marketing, product/service promotion	16,67 %
Purchase of equipment and machinery	30,00 %
Consultancy assistance	6,67 %
Rent a room	3,33 %
Other	13,33 %

The organisations also highlight that as social enterprises they have not been among the beneficiaries of anti-crisis business support measures (following the COVID-19 pandemic), which poses major challenges for them in the face of unforeseen externalities of this magnitude.

Of the organisations surveyed, more than 70% indicated that they co-fund their business activities. The three most frequent ways of co-financing they indicated were:

- Through projects - state or municipal funding;
- Donations - individual and corporate;
- Own resources - personal resources of the team.

A common example is the "intertwining" of the entrepreneurial initiative with the social service¹ (e.g. with a common team, with part of the costs for the team covered by the social service or using the same premises). In this way, instead of supporting the non-profit activity, the business activity is complemented by the non-profit activity (projects, donations). Sometimes this resource is allocated specifically to the development of new products, to cover salaries when turnover is reduced, or to purchase equipment to increase the productivity of the enterprise.

Such project co-funding happens most often with start-up ideas up to 3 years into their development. Respondents said that organizations that develop their business idea for 3 or more years make a profit, which they reinvest in their nonprofit or supply the social enterprise with funds (materials for product

¹ Often in practice, within social work skills development services, some of the output is sold by the CSOs as part of the mission-related business and the proceeds are used for service development.

production, etc.). However, those who do not make a profit are able to actively support and pay the labour of the vulnerable groups they work with to implement the product/service. The majority of social enterprises are not VAT registered (with a threshold of 50,000 BGN), which is also a challenge and financially burdens their activities in at least 3 ways:

- They are the final VAT payers;
- They buy more expensive materials for their production;
- Sell at a very small margin, especially if selling to a VAT registered trader.

"The biggest challenge at the moment: there are no useful financing tools. Our target group does not have high labour productivity. We're up to the third year, we're making progress, but it takes time. In this training period we need someone to co-fund."

"Like any normal business there are challenges, here there are twice as many because of the specifics of the employees. There is an irregularity in their activity. Sometimes you can't respond urgently, and the business demands it. A big problem is that in order to reach sustainability for quite a number of years there has to be upgrading and support from different financial sources. Covid-19 and the war affected us. We weren't supported by any state programs for the business. We were proactive and always changing and inventing."

Organisations often use project funding as a tool for business "growth", but this creates a lot of practical problems. Subsidised wages for vulnerable people in project-based social enterprise financially misleads organisations and they fail to keep their business plan up to date. Often, after the end of the project, it turns out that the human resources hired within the project cannot be sustained and have to be released, which is a major challenge, since the employment of precisely vulnerable groups is at the heart of the social objective of the particular enterprise and this causes serious organisational turbulence.

• Organizations fail to dedicate a team focused only on the business development part and the business idea

Only about 20% indicated that they have an employee responsible only for business development. For the rest, it is a position that combines both the organisation's other responsibilities and its non-profit activities. Very often, entrepreneurial activity is driven and developed by people who do not have the appropriate business education or experience (parents of children with disabilities, social workers, cultural workers, philologists, etc.).

The most frequently cited need is for a dedicated team member in the areas of business development and sales, marketing and communications.

Therefore, the organizations appreciate the added value of being part of the Entrepreneurship for NPOs program community as BCNL actively communicates their stories, good examples, the reason for existence of social enterprises and shopping with a cause. This often compensates for the lack of internal organisational resources for communication and promotion.

The interviews repeatedly shared the concern that the social enterprise is dependent on one person in the team - the driver, the ideologue, and most often the executor of much of the operational activity. In many cases this person is also the driver of the organisation's non-profit activity. The inability to engage and develop human resources is often related to insufficient funds in the first three years of idea development.

"Last year we funded the salaries of a team through the Employment Agency. As good as that is, the reimbursements for those programs have been very delayed. That is, we have closed a lot of (operational) funds, borrowed a lot, and still can't get it back. And now we have to be proactive. We have orders and we can't fulfill them."

"My biggest concern is the social enterprise's dependence on me. I have not been able to get over it. I would think that by generating more money this problem would be solved."

• Policies to promote social entrepreneurship fail to catch up with the progress on the ground and the current needs

Organizations do not recognize support in the legislative framework and do not identify ways in which it fosters the development of the environment and capacity building of social enterprises. They

also point out that there are no targeted efforts to inform the public and promote businesses with a cause to positively influence consumer attitudes towards their products and services. In the interviews, respondents noted that they are not registered in the Register of social enterprises under the Social and Solidarity Economy Act and do not foresee such registration. On the one hand, they see the registration requirements themselves as a barrier, and on the other hand, they do not see any added value or benefit from being part of the list of social enterprises.

"There is no trend, we need to scale from a "best practice" to a trend. We have a shortcoming of the (Social and Solidarity Economy) Act and a Regulation that only regulates what social entrepreneurship is and what is not. The Act does not offer support. Since 2010, we have done nothing. I'm not ok with the fact that I'm looking for an alternative to survive, not to upgrade. If I have achieved success somewhere, I cannot retain my success because something unfavourable is happening. At the end of the day, we are only doing best practice - there is no change in legislation to structure and channel this into an overall plan and vision. "

"I will be more relaxed, if I know that we are moving towards legislation and regulations that make the environment more conducive. As a perspective it motivates me more, the financial part is momentary. I haven't found the way to be sustainable. This is not a business that has a structure supported by the state (e.g. we will reduce VAT etc.)"

"We can't think 5 years from now where we see each other. We exist on the stubbornness of the people who work. "

"At the end of the day, we are trying to survive in order to preserve some jobs for young people who are not competitive in the job market. As long as that's not policy, we're going to try to survive. But it wears us out a hell of a lot as civic organizations. As long as there are no policies, we are relying on the entrepreneurial spirit of those who try to do something and stay - but those who do are getting tired."

THE NEEDS – CAPACITY BUILDING

In addition to the macro-level challenges of funding, human resources, enabling policies and programs, organizations share specific needs for team development and social enterprise potential.

In the context of the Entrepreneurship for NPOs programme, respondents indicated that many of the needs they had at the time of their participation had been addressed through the programme, but that they faced new challenges in developing the idea.

The most important needs addressed through the program according to participants are:

1. To clarify the purpose of running a business and to gain the confidence to start one

More than half of the participants said that although they did not perceive themselves as entrepreneurs, the programme had changed this perception. The most frequently repeated words in the survey in this regard were - *courage, self-confidence, confidence, optimism, drive*. This is the basis for the organisation to take the first steps in developing the idea.

"The idea was in its infancy, but the programme gave us the courage to take the first steps. Having like-minded people who were on the same level gave us courage, otherwise we wouldn't have started."

2. Structures processes from idea to implementation

The most commonly shared benefit of the Programme is *structuring*. Organisations noted that the programme does not provide comprehensive knowledge, but rather puts the key topics in a practical perspective. Importantly for them, it accurately addresses the steps in the development of each idea and considers the context of each organization and team. Organizations note that specific needs are addressed such as:

- Structuring the place of business in the overall development of the organization and the balance with non-profit activities;
- Structuring a business model;
- Identification of strengths and weaknesses (of both the idea and the team) and clarity on steps for improvement;

The organisations noted three key elements of the Programme that have the most significant effect on the development of business ideas:

- Mentors who, within the individual mentoring meetings, manage to give them practical and concrete recommendations for next steps;
- Personalized support and "accompaniment" in the process by the BCNL team to each organization, idea, specific context and stage of development, including with other BCNL programs, legal assistance, etc.;
- Financial support for the implementation of the ideas (through the "Best NGO Business Plan" competition).

The needs of:

- Knowledge and skills to communicate ideas;
- Financial planning knowledge and skills.

Current needs include:

- Sharing and exchanging experiences in the social enterprise community;
- Support not only in start-up phase but also in the development;
- Contacts with partners, customers (especially corporate), new distribution channels.

Over 35% indicated that they need mentoring and support in marketing to generate ideas for new products.

Over 20% indicated that they needed mentoring and support to design new products and specifically: consulting with experts on real cases from their practice to get advice on.

Do you need follow-up mentoring and if so - in what direction?	
Product design	20,75 %
Marketing	35,85 %
Financial planning	16,98 %
Accounting and tax issues	7,55 %
We don't need	13,21 %
Other	5,66 %

What support do you use to develop your business?	
Consultations with experts	15,22 %
Participation in programs - training, mentoring, funding ideas	36,96 %
Help from colleagues and other organisations	39,13 %
Other	8,70 %

"Making profit is a very difficult thing, even impossible for us. We follow the principle "hurry slowly", otherwise it is very hard. The world belongs to the patient and the brave."

RECOMMENDATIONS

Social enterprises clearly identify the problems, but struggle to define concrete solutions that can help them. Generally, organisations need additional investment in advocacy capacity building.

Flexible funding for social entrepreneurs

- **More opportunities for seed capital for new ideas and start-ups with a cause** - to encourage more social enterprises to get off the ground successfully, we need to increase funding for new ideas, support experimentation and validation, and encourage entrepreneurial thinking to solve important social problems;

- **Flexible funding for already developing social enterprises** - different types of financial support are needed. Organisations have experience with grants and grant funding, but no strong experience with other financial instruments. Therefore, it is crucial to invest efforts in informing about the different financial instruments and supporting them to choose the most appropriate ones according to the specific needs and the stage of development of the social enterprise;

- **Support for team capacity building and human resource development** - project schemes aimed at recruiting staff are currently more difficult for social enterprises. Many of them point out that these funds often hinder or block their work due to the need for a lot of working capital and frequent delays in reimbursement of expenses incurred. They are often oriented towards hiring vulnerable people, but this requires a parallel commitment of more time and human resources within the organisation's team to effectively develop the work skills of these employees. Project funding needs to be flexible and adequately reflect current needs.

"I am very biased towards government support and if we had a choice we would not apply for such funds. It would make it difficult for us. I would apply for something like that, but only to hire a person - social media, selling products and communicating with individual and business customers."

Stimulating new ideas and models in the community

Organizations recognize BCNL as an inspiration, a driver and a model, and they identify one of the key roles of the NGO Entrepreneurship program as *courage/self-confidence/confidence that we can develop a business with a cause*, as well as support for structuring a plan for idea development. From this position, BCNL can propose new business ideas for collaborations in the community and validate them with the different stakeholders, as the organisations themselves individually often do not have the potential and resources to do this. Over 20% indicated that they would need support and mentoring to design new products. Such examples from the survey are:

- **Social procurement** - most positively received by organisations working with vulnerable groups. They see the potential in focusing efforts on supporting employment rather than 'looking' for the right product, new markets and customers;

- **Collaborations between the organisations themselves and between social enterprise and business** - BCNL can play a role as a link, as it knows the strengths of social enterprises. 50% of respondents indicated that they already have joint initiatives with business partners, and the rest are ready for such collaborations;

- **Co-distribution of products and new spaces for this** - building on the bazaars and the online shop DarPazar. 60% of organisations report participating in bazaars. However, some note that it is not financially viable and the return on effort is small. New sales channels would increase revenue, but it is only possible to 'open up' through collaborations and a variety of products from different social enterprises. A good example of this is the Easter campaign of DarPazar and Ebag.

"If you do a meeting of all the organizations, we can talk about it. We are a community, an organization can always invite us and we can be useful to them. Ordering from each other to support each other, that's the power of the network."

New community development formats of the Programme

After completing the LET's GO training and mentoring programme, a large number of teams continue to keep in touch with the BCNL team and seek support, legal and financial advice, as well as contacts with

mentors and external experts through the BCNL network. In the survey, the question "What support do you use to grow your business?" The largest number of organisations, nearly 40%, indicated 'Help from colleagues and other organisations'. This is why a key recommendation is the development of an active, learning and supportive community of members.

"Interacting with experts and people from BCNL gives us a sense of community, of belonging. That external expertise has always given me more because you get into detail. It gives you a glimpse of what things look like in detail that you sometimes miss because of your day-to-day life. It sharpens your attention to those details and gives you another perspective."

Among the formats that respondents identified as useful are:

- Follow-up mentoring - addressing current topics and issues;
- Training and exchange of experience on specific topics such as: pricing, storytelling, communication with the business;
- Community meetings and exchange of experiences on case studies from the practice.

Most organizations suggest separating into two groups - beginners (start-up phase) and advanced (scale up phase) and tailoring the proposed formats to the needs of these groups.

"The teams are growing and if people are new to it, these trainings are important for them. For those of us who have been through the program, community meetings and mentoring on issues that concern us and we can't make decisions are more valuable."

Among the ideas for the scale ups, the following stand out:

- Community meetings;
- Formation of Clubs on different topics;
- Annual subscription to address specific case studies and support from BCNL or from experts around BCNL who can be recommended;
- Meetings with inspiring speakers, mentors and trainers;
- List of diverse businesses, spaces, experts that support social enterprises.

Advocating for a better environment

Organizations identify BCNL as an organization they trust and that is legitimate to advocate to institutions for better social entrepreneurship policies. Most organisations do not have the resources of time and people to carry out systematic advocacy and see the benefit of being in the Programme community and contributing on specific issues where they bring expertise and experience from their field work.

"I find the advocacy capacity there at BCNL that we don't have the expertise for - to make a statement you need the capacity to change something. The umbrella organisations - they have your back and you are not alone in changing the environment. It's not just practices that need to happen, but sustainable solutions."

Steps for advocacy in the current context:

- Impact Assessment of the Act - social enterprises express that changes are needed. It is important that the evaluation highlights achievements and areas for improvement;
- Regular needs analysis and adaptation of support measures based on it, including European, national and local funding programmes;
- Updating the criteria for the Register of social enterprises under the Social and Solidarity Economy Act and defining benefits of participation for social enterprises;
- Mobilizing alliances of organizations on thematic areas of advocacy - due to the limited resources of organizations, it is important for BCNL to engage them in a targeted manner and when they contribute their expertise on a given advocacy topic, it should be specifically in their area of work. This implies that they see the benefits and purpose of being involved much more clearly.

ENTREPRENEURSHIP FOR NPOS - SUCCESS STORIES AND NEW DIRECTIONS FOR DEVELOPMENT

The study shows that the Entrepreneurship for NPOs programme can be upgraded in new formats. All participants, even those who have not started or have stopped their business activity, have a positive impression of every aspect of the program - organization, usefulness, practicality, individual approach, curation of content and the right experts (trainers and mentors), professionalism of the team.

Over 50% noted that they had participated in other BCNL training programs. Most often these are thematic trainings on fundraising, storytelling, working with volunteers, training programs of *The NGO House*, *Summer School for NGOs*, topics related to the management of the organization, etc. Organizations also turn to the BCNL team for legal advice, expert advice on financial issues and good governance. Over the years, they have built strong trust and recognize BCNL as a benchmark for professionalism and high expertise. Several organisations explicitly share that they find the personal attention to each case and the insight into the detail of their context very impressive. This puts the Programme's relationship with the community on the plane of long-term partnerships and in-depth interaction.

"It's always the personal touch. You almost ... work only for us, for our organization. We've never felt part of the many, you've always been able to direct resources individually to each one. As someone who is trying to build a team and get work done, I appreciate it immensely - the standard is only rising, they are only evolving and getting better. I can't say we've had any need and not received help and support. I have only met great people along the way - not just from your team but those you put us in touch with."

"I admire BCNL as an organization and as a mission and that it's not the type of project initiative that runs out of funding and everything ends. Over 10 years (in the Program) you have managed to be helpful. That's enough for me as an example and something for us to chase. "