Sometime between November 2009 and March 2010, we contacted you, inviting you to take part in a new, EU-funded and interdisciplinary research initiative on social enterprises in Europe. Thanks to your diligent cooperation with our survey efforts, we have been able to launch a unique, novel panel database on over 550 social enterprises in Hungary, Romania, Spain, Sweden, and the United Kingdom. This database is unique in its scope and depth – in our (admittedly, lengthy) conversations with you, we discussed in detail a whole host of topics, ranging from your innovation habits to your perceptions of the market wherein you operate. It is also unique in its methodology – we adopted a special type of snowball sampling method, called respondent-driven sampling, which allowed us to survey a representative sample of social enterprises in Hungary through tapping into your networks. And it is unique in its rigour - we took a range of steps to ensure data quality. For instance, Analysts (Interviewers) double-scored 30% of all the interviews (so that we can test inter-rater consistency); and Analysts were continuously trained throughout the interviewing period.

With this report, we would like to give you a sneak preview of the many more insights and policy recommendations to come using these data. But more than that, the report is also designed to help you benchmark your organization against fellow social enterprises in Hungary. It wishes to help you better place your organization (e.g., what makes it distinct; readily spot differences and similarities with your peers). Of course, if you can put this report to any other good uses, we would be most delighted.

Finally, as a preview of the SELUSI survey efforts coming up, we plan to survey social enterprises again between January and April 2011. Our aim is twofold. On the one hand, try to further expand our database – that is, survey new social enterprises in Hungary (and elsewhere). On the other hand, engage with your organization again, this time though for a much shorter phone conversation focussed on matters that might have changed or evolved since last time we spoke. Again, we will be most grateful for your time and inputs – Together, we would be able to build unique insights – both practical and academic- into the dynamics of individual social enterprises and social enterprises as a whole.

Please feel free to contact us with your questions or remarks. Below you will find the contact details of Marieke, Academic head of the Project. Also, if you would like to read the other country reports, or find out more about the other research initiatives within SELUSI, please visit our website: www.selusi.eu.

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A Big Thank You from us all.
At the beginning of each topic section, we briefly recap what we measured, and how to interpret the data summarized in the graphs or visuals. In case you are interested in more detail on how we analyzed the information, you’ll find a more detailed description in the ‘method’ boxes. We interviewed 104 social ventures in Hungary. Please note though that the total sample size we base this report on varies slightly across the different sections; this is due to some missing data, some questions not being applicable to all social enterprises, and some questions having multiple answers.

**ORGANIZATIONAL GOALS: MISSION AND VISION**

One feature of social ventures is their pursuit of social goals. We were interested to capture the goals that social ventures – as organizations – aim to achieve more broadly and so asked you to tell us about your organization’s mission and vision. Figure 1 presents evidence on three categories of organizational goals (see also Methods Box A. for more detail):

1) **social goals** – capturing to what extent an organization focuses on achieving societal change.
2) **economic goals** – capturing to what extent the organization focuses on economic success and financial viability such as developing revenue-generating activities to cover its costs and generating surpluses.
3) **geographic and social change focus** – capturing to what extent the organization works locally vs. internationally and aims to transform and empower individuals, communities or society as such.

We find that social ventures in Hungary expressed strong to very strong social goals as reflected in concerns about the well-being of others, social justice and/or the environmental goals. They also tended to specify the theories of change guiding their work, i.e. explain how their change process will unfold. Hungarian social ventures expressed relatively few organizational goals in regard to economic and financial viability. That is, they tended to express low-to-moderate concerns to become financially self-sustainable through generating own revenues by selling products or services in the market. Notably, social ventures in Hungary put typically much higher emphasis on social goals compared with economic goals (the ratio of economic to social goals is 1:2.3). This is the strongest emphasis of social goals over economic goals across the five countries sampled in the SELUSI survey (Hungary, Romania, Spain, Sweden, United Kingdom). Finally, the efforts of Hungarian social ventures were typically focussed at the regional to national level, aiming to bring about change for communities and specific groups.

![Figure 1: Organizational Goals – Mission and Vision. Note: N=104](image-url)
A mission elaborates on an organization’s purpose of being and captures organizational goals, while a vision captures the closely related goals an organization strives to achieve in the future. SELUSI Analysts scored your mission and vision reports using a total of 8 rating scales (scores ranged from 1 to 5). The rating scales were developed based on extant theories of social enterprise and previous research into organizational goals. We factor-analyzed the ratings to summarize the 8 scales according to their common underlying dimensions. The three underlying dimensions are: social goals, economic goals and geographic focus. These dimensions are summarized above and are described in more detail below.

The dimensions reflect:

1) SOCIAL GOALS

A score of 5 reflects strong social goals, in that the organization’s mission and vision centre entirely on the alleviation of a social issue. This is reflected in great concern about the well-being of others, social justice concerns and/or environmental concerns. A high score in this dimension also reflects that the organization had specified a theory of change, i.e. the logic of how it works to bring about societal change. A score of 3 reflects moderate and less specific social concerns, for instance when the target group or the social issue which the organization aims to deal with are not clearly specified. A score of 1 reflects virtually no social goals.

2) ECONOMIC GOALS

A score of 5 reflects strong economic goals, in that the organization’s mission and vision put a high emphasis on economic success and financial viability of the organization, such as earning high profits which can then be used to grow the organization and scale social impact. A score of 3 reflects moderate economic goals, for example when the organization addresses a social issue in a self-sustainable way such that it covers all its costs through own revenue-generating activities. A score of 1 reflects low concern for self-sustaining economic success, as is often the case with pure non-profits which are close to 100% grant financed or subsidized.

3) GEOGRAPHIC AND SOCIAL CHANGE FOCUS

A score of 5 reflects that the organization operates internationally (across continents). Our analysis finds that these organizations typically aim for systemic societal change, i.e. aim to change society as such and in a way that the social issue that the organization addresses would no longer exist. A score of 3 reflects that the organization aims at community change, typically at a national level. In other words the organization seeks to transform a community or segment of the population, with the aim of empowering that group. A score of 1 reflects that the organization aims to change and empower individuals. These organizations typically work locally, e.g. within a certain city or town (not a region).
OPERATIONAL MODEL OF MAIN ACTIVITY

During our phone survey, we asked you to tell us about the products and/or services that your organization provides. Specifically, we asked:

(i) What does your organization do? What are its core services and/or products?; and

(ii) How does your organization self-generate revenues?

The following three figures summarize the answers obtained from the interviewed Hungarian social ventures. 76% of the interviewed organizations identified their primary business activities belonging to the following 5 industry sectors: Health and Social Work; Business Activities; Education; Community, Social and Related Services; and, Wholesale and Retail Trade. The remainder were active primarily in: Personal Service Activities; Agriculture, Hunting, Forestry and Fishing; and Manufacturing.

Figure 2a: Top Main Industrial Sectors
Note: N=104. We used the General Industrial Classification of Economic Activities (NACE)
Next, 72% of interviewed Hungarian social ventures identified their primary social activities belonging to the following 8 social sectors: Social Services; Other Education (that is, not Primary, Secondary or Higher Education); Environment (including organic goods); Employment and Training; Recreation and Social Clubs (but not in Sports or Culture and Arts); Business and Professional Associations/Unions; Nursing Homes; and, Other Health Services. The rest were predominantly active in Economic, Social, and Community Development; Research; and, Hospitals and Rehabilitation.

Figure 2b: Top Main Social Sectors  
Note: N=104. We used the International Classification of the Nonprofit Organizations (ICNPO)
The three main operational models for Hungarian organizations were: Fee for Service and/or Product; Fee for Service and/or Product with Low-Income Clients; and, Employment. For a detailed description of each operational model, please refer to Methods Box B.

**Figure 2c: Top Main Operational Models**

Note: N=104. We adapted the typology of operational models developed by Alter (2008)
Operational models illustrate configurations of how organizations create social value (societal impact) and economic value (earned income). They are designed in accordance with the social enterprise’s financial and social objectives, mission, marketplace dynamics, client needs or capabilities, and legal environment. Fundamental models can of course be combined and enhanced to achieve maximum value creation (Alter, 2008). Our Analysts recorded your answers verbatim, and used these answers to identify the venture’s main operational model.

1. **Fee for service and/or product model:** The fee-for-service model of social enterprise commercializes its social services and/or products, and then sells them directly to the target populations or “clients,” individuals, firms, communities, or to a third party payer.

2. **Entrepreneur support model:** The organization sells business support and financial services to its target population or “clients,” which are self-employed individuals or firms. Its mission centres on facilitating the financial security of its clients by supporting their entrepreneurial activities.

3. **Fee for service and/or product model – Low-income client model:** A variation of the fee-for-service model is the low-income client model. The emphasis of this model is providing poor and low income clients access to products and services.

4. **Employment model:** The organization provides employment opportunities and job training to its target populations or “people with high barriers to employment” such as disabled, homeless, at-risk youth and ex-offenders. The organization operates an enterprise employing its clients, and sells its products or services in the open market.

5. **Market intermediary model:** The organization provides services to its target population or “clients,” small producers (individuals, firm or cooperatives), to help them access markets. The services add value to client-made products, typically these services include: product development; production and marketing assistance; and credit. The market intermediary either purchases the client-made products outright or takes them on consignment, and then sells the products in high margin markets at a mark-up.

6. **Service subsidization model:** The service subsidization model of social enterprise sells products or services to an external market and uses the income it generates to fund its social programs. There is some alignment of social and business activities.

7. **Cooperative model:** The cooperative model of social enterprise provides direct benefit to its target population or “clients,” cooperative members, through member services: market information, technical assistance/extension services, collective bargaining power, economies of bulk purchase, access to products and services, access to external markets for member-produced products and services, etc. The cooperative membership is often comprised of small-scale producers in the same product group or a community with common needs, i.e. access to capital or healthcare.

8. **Organizational support model:** Similar to service subsidization model but now business activities are separate from social programs, i.e. no alignment of social and business activities.
During the phone survey, we asked you to tell us: If you only ran your revenue generating activity, to what extent would you also generate social impact? Your answers were given on a scale from 1 to 5, where 1 stood for “to no extent” and 5 for “to the largest extent”. The average score for Hungarian social enterprises was 3.09, which was the fourth highest of all five countries that we investigated. In Figure 3, the number at the top of each column indicates the number of organizations that gave that specific answer.

Figure 3: Alignment between Revenue-generating Activity and Social Impact Activity
Note: N=104
We also wanted to gain more insight into how ‘entrepreneurial’ social ventures are. In line with the literature, we gathered data on the four main components of Entrepreneurial Orientation: Innovation, Experimentation, Proactiveness and Risk-taking. Please refer to Methods Box C for more detail on the definition and measurement of the four components.

Figure 4 summarizes the results. We find that on average Hungarian social ventures reported that they emphasize experimenting with new processes and methods and also typically act proactively, i.e. are introducing products, services and processes ahead of similar organizations and/or competitors. Moreover, they reported that they emphasize developing new products, services and processes as indicated by an average score in innovation outputs above the scale mean of 4. At the same time Hungarian social ventures indicated that they were somewhat less inclined to take risks, i.e. when faced with uncertainty they tended to take more cautious actions and typically made more incremental rather than wide-ranging changes in their organizations.

Figure 4: Breakdown Entrepreneurial Orientation in its Four Components
Note: N=102
Organizations are typically understood to have an ‘Entrepreneurial Orientation’ when they act in the following ways (e.g. Rauch, Wiklund, Lumpkin and Frese, 2009):

1. They regularly introduce innovations in the market such as new products, services and processes.

2. They experiment with new ways of doing things such as developing unique methods and processes to solve problems.

3. They behave proactively in the market, i.e. they are typically the first organizations to introduce a new product, service or process in the market – ahead of similar organizations and/or competition.

4. They are risk-taking, i.e. have a proclivity to engage in high-risk projects, and don’t shy away from bold actions in uncertain situations.

To obtain data on these four components, Innovation, Experimentation, Proactiveness and Risk-taking, we derived a series of questions from well-established measures of entrepreneurial orientation, commonly used in business studies. You were asked to indicate on a scale from 1 to 7 how much your organization behaved like described in each of those questions. Statistical analyses such as factor analyses confirmed that these four aspects of entrepreneurial orientation were indeed meaningful in the context of social enterprises Hungary. Interestingly, a fifth aspect, competitive aggressiveness, i.e. an attitude that prefers an aggressive stance toward similar and competing organizations rather than collaboration, emerged as a distinct aspect, not at all associated with the standard four aspects of a social venture’s entrepreneurial orientation. This suggests that the entrepreneurial orientation profile of social ventures shares with that of commercial ventures the emphasis on innovation, experimentation, proactiveness and risk-taking, but is also distinct since an aggressive stance towards competition, i.e. one in which a venture tries to ‘outcompete’ and ‘fight’ similar organizations in a field, is not integral to the entrepreneurial behaviours of social ventures.
We invited you to elaborate on how your organization has been financing its activities over the past 12 months. For each source of capital, we were also interested to know how much (in percentage terms) this has been contributing to the overall funding of your organization (again over the past 12 months). These were the broad category types that we identified: 1) Fees for services or sales of products; 2) Investors’ capital (equity); 3) Grants; 4) Private donations; 5) Loans; 6) Microfinance; or 7) Other.

Figure 5 summarizes the results over all Hungarian social enterprises. Sales and/or fees (38%) and grant finance (36%) were clearly the most important sources of capital. Notice though that there was also a significant share of social enterprises interviewed who reported other sources of liquidity. The remaining categories were (on average) only of marginal significance.
In the online survey, we were interested to find out what the total revenues were that your organization generated between Nov ’08 and Nov ’09 and how these revenues compare with revenues generated in the previous year - that is, Nov ’07 and Nov ’08.

Figure 6a presents total revenues earned by Hungarian social enterprises over the past year. One third of social enterprises interviewed had revenues below 80,000 EUR. About 43% of social enterprises reported revenues between 80,000 EUR and 500,000 EUR, and 23% reported revenues over 500,000 EUR. Median revenues equalled 176,541 EUR.

Figure 6a: Total Revenues (EUR) from Nov ’08 to Nov ’09
Note: N=91. Figure shows percentage of social enterprises in each revenue category. The answers were given in Hungarian forints, which we converted into EUR using exchange rate of 1 HUF = 0.0037 EUR (31 Oct 2009). Revenue categories were chosen taking into account revenue development across the entire sample of analysed countries (Spain, UK, Hungary, Romania and Sweden). According to Eurostat, GDP per capita in Hungary in 2009 was 14,900 EUR or 63% in PPP (percentage of EU27).
Figure 6b summarizes the development of revenues relative to the previous year (i.e. Nov. ’07 to Nov. ’08). It is remarkable that despite the financial crisis the overwhelming majority of enterprises interviewed experienced moderate to strong growth: 40% reported moderate growth (up to 20%) and 38% reported strong growth (20% to 40% or more than 40%), with an even split between the latter two categories. 22% of social enterprises experienced a reduction in revenues, while zero reported stable revenues (i.e. 0% growth).

![Revenue Development Graph]

Figure 6b: Revenue Change from Nov ’08 to Nov ’09
Compared to Nov ’07 – Nov ’08
Note: N=84. Figure shows percentage of social enterprises in each category. Number of companies for which this question does not apply because they were founded after November 2008 is equal to six.
In the on-line survey, we asked you to tell us the year and the month when your organization was formally established by registering with the appropriate government agency. The average age of the 97 Hungarian social enterprises that responded to this question was 15.9 years. Half of those organizations were 13 years old or younger. Figure 7a shows the distribution of organizational age using 5 age intervals: organizations younger than 1 year, organizations between 2 and 4 years old, organizations between 5 and 10 years old, organizations between 11 and 20 years old, and organizations older than 20 years. The number at the top of each column indicates the number of organizations in the given age interval.

Figure 7a: Organizational Age
Note: N= 97
Another more standard, but important measure we enquired about was the (i) number of full-time equivalents (not counting the owners) that currently work for the venture either as wage employees or subcontractors, and (ii) the number of volunteers that currently work for the venture.

Figure 7b: Number of Full-time Equivalents Employed (not including the owners)
Note: N=103
Figure 7b shows us that slightly over half the ventures interviewed employ less than 10 full-time equivalents (FTEs). Social ventures employing more than 250 FTE were rare (3% of our sample). Figure 7c suggests a similar pattern in the distribution of number of volunteers across all ventures. Note that slightly more than one fifth of all enterprises interviewed did not work with volunteers.
In the on-line survey, you were presented with an extensive list of resources and asked to indicate on a scale from 1 to 7 how much your organization relied on each specific resource during the past 12 months. By resources, we mean assets that your organization has used “to do business”, i.e. to generate economic and social value. A value of 1 indicated that your organization didn’t rely at all on the specific resource, whereas 7 that your organization relied on this resource to a great extent. The following Figures group resources based on their relatedness into 4 groups: Collaboration Resources; Advice and Knowledge Resources; Resources Related to Reputation; and, Human Resources. The number in the rectangle indicates the average score for all of 104 surveyed Hungarian social enterprises for the specific resource. Together, these data demonstrate that the interviewed Hungarian social ventures relied most extensively (as indicated by average scores of at least 5.8) on: full-time employees; informal social networks; partnerships with other organizations; and, participation in professional events. The least relied-upon resources (as indicated by average scores at or below 2.9) were: paid professional management consultants; registered trademarks; important individuals and celebrity endorsements; and, advice from financing organizations and business incubators.

**Figure 8a**
1. Informal social networks
2. Formal social networks
3. Partnerships with other organizations
4. Participation in professional events

**Figure 8b**
1. Government provided support services
2. Other subsidized consulting services
3. Advice from financing organizations and business incubators
4. Registered trademarks, patents, copyright protections
5. Professional publications

**Figure 8c**
1. Organizational reputation
2. Founder’s/Leader’s reputation
3. Industry/Social sector reputation
4. Important individuals and celebrity endorsements

**Figure 8d**
1. Full-time employees
2. Temporary staff
3. Volunteers
4. Founders
5. Board members
6. Paid professional management consultants

▲ Note: N=104. The closer the line to the middle of the spider web, the less did social ventures rely on that particular resource in doing business.
Another special focus area was innovation. For instance, we collected general data on ‘how innovative’ social ventures were using standardized questions from the European Community Innovation Surveys (available through Eurostat), and found that 84% of Hungarian social enterprises reported having introduced at least one new or significantly improved service, product and/or process to their organization within the past year (i.e., 2009). Moreover, 59% of those ventures had introduced at least one ‘new-to-the-market’ innovation, i.e. a ‘radical’ innovation over the past year (again, 2009). When we contrast these figures with comparable data on commercial enterprises, we find that social ventures reported to be much more innovatively active, and this was the case across all countries surveyed.

Figure 9a: Proportion of Social Ventures that had introduced “New-to-the Market” Innovations during the past year.
We also asked you to recount why you consider it important to innovate and what you wish to achieve by innovating - virtually all ventures considered innovation important. Six main clusters of innovation drivers emerged; these are depicted in Figure 9b along with the percent of social ventures mentioning a motivation for innovation that belonged to that category.

Figure 9b shows that the most widespread driver of innovation activity was to achieve the social venture’s social goals: for example, to improve the quality of how the venture delivers social impact and/or increase the spread of social impact by increasing the number of people they reach. Some of these entrepreneurs also indicated that they were innovating to reduce the negative environmental impact of their organization’s activities. Other important drivers were to increase the range and/or quality of the products and/or services that the social venture provides: and to increase the social venture’s financial sustainability and expand its market. For your information, the main driver of innovation of commercial enterprises identified has been to increase the range and/or quality of their products and services (Eurostat, CIS 2006; Parvan, 2009).

![Figure 9b: Innovation Drivers](image-url)

Note: N=104. The categories were obtained through prior exploratory research, and from the Community Innovation Surveys (available through Eurostat).
We also asked you to report on any innovation barriers that you have encountered over the past 12 months, i.e. factors that led the organization not to develop new or improved products/services or processes. These factors have been grouped into the following four large areas (see Method Box D for the definition of these categories).

Figure 9c shows that cost-related innovation barriers (much like with commercial enterprises) were most frequently mentioned, whereas market-related barriers (and this is different to commercial enterprises) were least frequently raised.

Cost-related innovation barriers
52.4%

Internal barriers
23.3%

Regulation related
14.6%

Market related
7.5%

Figure 9c: Innovation Barriers
Note: N=103.
The barriers typically reported by commercial enterprises are more numerous and most frequently relate to the cost of innovation being too high, the economic return of an innovation being uncertain, and market-related barriers (D’Este, Iammarino, Savona & von Tunzelmann, 2008).
EU POLICY SUGGESTIONS

Towards the very end of our phone conversations, we invited you to make policy recommendations to the EU. Figure 10 gives you a summary overview of all your answers. Change in legislation was most frequently mentioned, which reflects in part an attitude of social entrepreneurs in Hungary towards more transparent changes in legislation and law enforcement. The second most popular type of policy suggestion concerned local and regional development. The category ‘other’ (11%) consisted of policy suggestions related to environment, consumers, and health; culture, education, and youth; energy and natural resources; gender equality; better understanding of SE definition; climate action; and transport and travel. Less bureaucracy and regulation (9.5%) as well as concerns with the financial support (9.5%) were next on the policy suggestion list. The rest of the answers were fairly evenly distributed across the remaining categories.

Figure 10: Overview of Policy Suggestions to the EU
Note: N=253, which is the total number of responses. We adapted a typology of policies used by the European Commission: http://ec.europa.eu/policies/index_en.htm. Note that in 7% of the cases, we had missing values for this question, which in some answers indicated satisfaction and keeping status quo.
REFERENCES