Challenges of cross-sectoral collaboration of social enterprises in Baltic states

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Abstract

Social enterprises are a new phenomenon in the Baltic States. To create a substantial social impact in society and scale their business, social enterprises in Baltic states need to create partnerships and collaborate with different sectors. By forming partnerships with different sectors, social enterprises can provide effective solutions to social problems. The aim of this article is to identify the main factors for social enterprises to create successful collaboration and partnerships with private, and public sector organisations. The methods of research are an analysis of scientific literature, social entrepreneurs’ interviews, content analysis. The study also analyzed the main obstacles for social enterprises to collaborate with different sectors. The empirical findings of the study disclosed how to improve partnerships development with private, and public sectors. Following the theoretical and empirical research, the article suggests possible means of improving and developing partnerships.

Keywords: social enterprise, cross-sector collaboration, private sector partnerships, public sector partnerships

1. Introduction

In 2011, European Commission launched the social business initiative that aims to introduce a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation focusing on helping social enterprises to obtain funding, increase their visibility and make the legal environment friendlier for social enterprises. However, the different traditions, public policies, legal and institutional frameworks that each member of European Union follows for its interior affairs, do not promote the visibility of social enterprises. It is also quite common that even social enterprises do not identify themselves as so. Considering the country reports, it seems that since 2014, social enterprises gain more visibility and have grown in numbers (European Commision, 2020). Specifically, the social enterprise sector in Baltic states is very young and is still in the stage of development. There are currently about 120-180 social enterprises in Latvia (Oborenko, Rivza, Zivitere, 2018), in Estonia - about 125 (Reimann, 2019), in Lithuania it is indicated that such enterprises, which have the status by law of a social enterprise, are 186 (Pranskeviciute, Okuneviciute Nevarauskiene, 2018). These enterprises usually are small and medium-size enterprises, which lack resources (Urmanavičienė, Raišienė, 2017, Urmanaviciene, 2020). For social enterprises as young companies, cross-sectoral cooperation is particularly important as it can help to mobilize resources, gain complementary capabilities, and capture synergies in order to grow and increase the social impact they generate (Schirmer, Cameron, 2012). Collaboration with private and public sector organizations can provide access to the financial and other resources needed for sustainable growth of this young sector. Partnerships with the NGO sector give the opportunity to social enterprises to widen their network, build trust and scale their social impact that can benefit the
organisations involved and the society. As most social enterprises originate from the NGO sector in the Baltic states (Safege, 2020), the collaboration between social enterprises and NGOs as part of social enterprises’ cross sectoral collaboration will not be part of the scope of the study.

Collaboration with different sector organizations also help to generate new ideas, feasibility and design thinking. However, social entrepreneurs do not sufficiently exploit opportunities for cross-sector cooperation and struggle to establish and maintain a collaboration. Scholars are seeking to understand and theorize social enterprise collaborations (Schirmer, Cameron, 2012, Sakarya, Bodur, Yildirim-Öktem, Selekler-Göksen, 2012, Fu, 2019, Weber, Haugh, Göbel & Leonardy, 2021). However, in the Baltics, the social enterprises scientific findings started arising after 2014 (European Commission, 2018). Researchers of the Baltic States in the field of social enterprises focus mostly on the concept and social business models (Urmanavičienė, 2019), which is why there is a significant lack of research of partnerships in the Baltic states. This paper aims to fill the gap in literature by answering the following research questions:

- Which main challenges do social enterprises face when establishing collaborations with the private and public sector in the Baltic States?
- What are the benefits of collaborating with the private and public sector for the social enterprise and the private and public organisation respectively from the perspective of the social entrepreneurs?
- What are the best practices for establishing and maintaining successful collaborations according to social entrepreneurs in the Baltics?

The methods of research are an analysis of scientific literature, social entrepreneurs interviews, content analysis.

This paper is organized as follows: the first section with the title “Cross sector collaboration between social enterprises and private sector” will present the literature analysis regarding the collaboration between social enterprises and private sector. The second section with title “Cross sector collaboration between social enterprises and public sector” refers to the theoretical framework of cross sector collaboration between social enterprises and private sector. The third section of this paper will describe methodology adopted by the researchers, the characteristics of the sample and the data collection methodology. Additionally, the following section will reveal the main results of study. Finally, the last section will present discussion and conclude the paper”.

1.1 Cross-sectoral collaboration between social enterprises and private sector

Cross-sector collaboration assists in bringing solutions to address complex challenges as various actors with different perspectives collaborate. Barth et al. (2018) identifies the variety of cross-sector collaborations between social enterprises and different sectors (private, public, and so-called third sector) in Europe by presenting case studies. From the cases presented, social enterprises can collaborate with private sector organizations in many ways. Private sector can establish collaborations with social enterprises by offering funding, as infrastructure partners, shareholders, philanthropic investors, delivery partners and beneficiaries, investors building knowledge and providing support and help for interventions.

The collaboration between social enterprises and the private sector is oriented mainly around mutual benefit. By collaborating with the private sector, social enterprises can benefit from the scale, the expertise in manufacturing and operations, financing (Volkmann & Tokarski, 2012) as well as in scalable and sustainable development (Reporter, 2012). Also, their collaboration offers access to finance and capital for specific projects and developments. So, collaboration enables some social enterprises to maximize their chances of obtaining financial resources by combining their social purpose with a private sector partner’s business skill. Working collaborations with private sector partners can be a catalyst for change, providing the means for social enterprises to grow, restructure or reshape themselves going forward as the private sector enables prompt change.

Collaboration with the private sector, strengthen the social enterprises’ market position by making them more competitive in the market, build up their network, as social enterprises are searching and planning to create further partnerships to create new revenue streams and improve their scale as well as attract management commitment and advice from their commercial partners. Having improved cash flow is an advantage and for that reason social enterprises set up contracts with the private sector to provide greater flexibility to forward, plan and underpin the sustainability of their businesses. Many of these collaborations involve either fixed-term contracts, fixed-price contracts, or both. Working with commercial partners encourages greater business involvement and investment in the local community (CAN, 2005) as the capital flows are invested in the development and improvement of the local community by supporting social enterprises to have an impact in the community by solving current social problems. It brings together stakeholders, raises awareness and provides opportunities for further
involvement and participation in the community. A great example that proves the impact that a collaboration with the private sector can benefit the social enterprise, is the case of Generationsbrücke Bridging Generations (hereinafter referred to as GBD) in Germany. Their mission is to connect young children with the growing elderly population in nursing homes to promote social inclusion for the elderly while creating awareness for young children on the challenges of current and future demographic changes. By establishing a partnership with BMW Foundation and the German Caritas, GBD developed benefits in terms of increased outreach, visibility, and access to networks. Drawing on the networks of its partner institutions was the multiplier that GBD needed to grow its intervention quickly. With the initial help of the BMW Foundation, GBD started building a partnership with the German Federal Ministry for Family Affairs, which is one of their main financing partners. GBD has since then experienced significant growth and adoption throughout Germany. To date, GBD has successfully established 75 partnerships in which approximately 4,000 children and eldercare institutions are engaged. At the same time, it continued and established partnerships with many important German players (Barth et al. (2018)).

Besides social enterprises, the private sector businesses gain great benefits by establishing cross-sector collaborations with social enterprises. Through collaboration with social enterprises, corporations can have access to markets and supply lines, that without the local know-how and deep understanding of customer’s needs wouldn’t be easy to enter. Corporations benefit as they offer their staff a greater sense of useful engagement such as contributing their skills to problems in their own community and increasing their reputation in society. Establishing collaborations with social enterprises is a great way for corporations to engage Corporate Social Responsibility initiatives as corporations are called to take action to prevent or mitigate the negative impact that may be caused by their operations (Seferian, 2019). PepsiCo for example, supports e-coins in Costa Rica, a virtual e-currency that gives value to sustainability. It is granted in exchange for recoverable waste that is taken to recycle through a system of incentives that can be exchanged for discounts on products and services of participating businesses (e-coins). Even though PepsiCo is listed among the top global polluters (Greenpeace Philippines, 2019), by supporting eco-sustainable projects they mitigate the negative impact that they cause by their operation and make a positive impact in the communities. Furthermore, it enables them to form a strategic alliance with a social enterprise partner who can ‘speak the language’ of the market or communities they are trying to reach and offers potential CSR spin-offs (CAN, 2005).

The problems that a social enterprise tackles affect the society as a whole and the environment and can benefit not only the beneficiaries but also the corporations that support these initiatives, as by tackling some of these social or environmental issues, their customer base will grow, and they will be able to lead them to their commercial mission by providing them their services or products (Seferian, 2019). For instance, PwC in Netherlands, has launched the Social Impact Lab – an annual challenge for start-ups with a social or environmental mission. 100WEEKS, a social enterprise that fights against extreme poverty in Africa by supporting women with microfinancing services, using an innovative technology and data-based business model, has won the PwC Netherlands Social Impact Lab Award in 2016 and PwC pledged to support them for 24 months by offering their expertise. PwC offered numerous hours of professional services to 100WEEKS across the service lines of core audit, accounting advice, financial consulting, deals, digital, legal and tax (PricewaterhouseCoopers, 2019).

As with every collaboration and partnership, the relationship between social enterprises and private sector involves potential risks and challenges. Social entrepreneurs should examine each collaboration with potential private sector partners by the criteria “cost and benefit” as they invest substantial time, energy, and resources into establishing relationships, which at the end do not necessarily contribute to creating social impact or to scaling a social innovation. The cost of maintaining the partnership must be analysed accurately. Furthermore, for social enterprises, the social aims are primacy and collaboration with private sector partners should be assured that it won’t compromise the organisation’s social purpose. The comparability of the values of the involved organizations influences the success of a collaboration as well as the communication style should be compatible and not lead to misunderstandings that can affect the outcomes of the collaboration (CAN, 2005). There is always the risk that the other organization is using the know-how for its own gain; for example, using information of beneficiaries to market additional services or products which are not part of a collaboration.

In order to achieve a successful partnership with the private sector, the social entrepreneur should be aware of cultural differences and ensure the outcomes of the collaboration by written agreements with defined deadlines and deliverables, including clear expectation management. In order to gain any business confidence, the social entrepreneur should be able to speak a business language and present a professional image (CAN, 2005). Business leaders said the social enterprises most able to pitch a clear, concise and persuasive business case were the social enterprises with whom they would most readily partner (Volkmann & Tokarski, 2012).
Cross-sector collaboration between social enterprises and private sector enterprises provides mutual benefit to the organisations involved as they work in a complementary way. In other words, social enterprises benefit from the expertise, the networking, and the finance that corporations and private sector can offer to them, to achieve their social mission easier than if they were acting individually. Similarly, the private sector benefits from the knowledge regarding customer needs, access new markets where the corporation language does not apply and needs different treatment and facilitates the corporations to give back to the society by promoting CSR policies. As in every collaboration, so that in cross-sector collaboration there are potential risks and challenges. The stakeholders have different goals and expectations from the collaboration they are establishing, and it should be clear why they are collaborating and what should be the outcomes for each side. The collaboration should be evaluated according to the balance between cost and benefit to identify if the collaboration is worth establishing and the expectations should be clear from the beginning so neither the social aim from the social enterprise’s side, nor the profits and the status from the private sector’s side will be harmed.

1.2 Cross-sectoral collaboration between social enterprises and public sector

Cross sector collaboration between social enterprises and the public sector aims to solve social issues. The collaboration between social enterprises and the public sector is characterized by a mutual goal to provide goods or services (public sector) and to solve a social issue within the state or municipality (social enterprise). Social enterprises' main goal is to make a social impact however, they need partnerships or collaborations to facilitate the actualization of their goals. Establishing collaboration with the public sector is a gradual process with certain prerequisites the social enterprise must follow. This chapter analyzes the forms of collaboration between social enterprises and the public sector and the tools of collaboration such as public procurements, contractual agreements and delegation agreements. And the challenges associated with establishing collaboration with the public sector and the benefits of the collaboration.

Social Enterprises contribute to economic growth and the growth of the European economy is dependent on its “ability to support the growth of enterprises” (Bovis, 2015). Collaboration between the social enterprise and the public sector can be in the form of long term contractual agreement. The social enterprise and the public sector share resources and risks proportionately (Volkmann & Tokarski, 2012). The basis for establishing contractual agreement is to provide better services for the citizens and individuals in certain social groups. The social enterprise and public sector can also collaborate even if there is no mutual interest directly related to a particular social issue the public sector would have it’s goals to achieve and the social enterprise would have their goals to achieve (Volkmann & Tokarski, 2012). An example of this kind of collaboration exists with Discovering Hands and the public health insurance company (Volkmann & Tokarski, 2012). Discovering Hands is an organization located in Germany that creates social impact by providing services that contribute to the early detection of breast cancer. They collaborate with public health insurance companies by contractual agreement. The terms of the collaboration require that the public health insurance company covers the bills of the clients registered with the insurance company at a cheap rate, encouraging more women to get access to quality service at low cost. The benefit for the public health insurance company is they are able to acquire more customers to register for their service.

Social enterprises can also be owned by the public sector. When the social enterprise is owned by the government, the government recruits the services of the social enterprise for any project that will be carried out. Such social enterprise usually gets first consideration when services are required. However, the government owned social enterprise can form some partnerships with either the private sector or the third sector depending on the project or service that is needed. Government owned social enterprises are also referred to as state owned enterprises. These enterprises are under significant sector of the municipality and contribute to the economy of the state or country examples are electricity providing organisations which are responsible for train/ railway services within the municipality.

Social enterprise and the public sector initiate and establish collaboration by public procurement. Public procurement is the process of purchasing goods or services between the public sector and social enterprises. The government makes provision regarding public procurements in their national budget. In the national budgets, public procurements account for an important share of national budgets (OECD/EU, 2019). Public procurement is a means of revenue generation for social enterprises that
have a goal for making social impact and provide services in a cost-efficient manner (OECD/EU, 2019). Public procurement is regulated by state laws and policy. The laws regulate the actions of municipalities (Bovis, 2015). In Germany, public procurement is acquired by social enterprises through the process of bidding. The body in charge are referred to as contracting authorities which are required to “split contracts” to smaller sub-contracts to allow SMEs bid for a position (Bovis, 2015).

The procurement process is orientated on mutual benefit for the social enterprise and the public sector. The public sector solves a social issue, and the social enterprise generates revenue. Social enterprises have an edge over the public sector in relation to having access and full knowledge of some of the social issues individuals are facing within a society. With this knowledge they can create and render services that are innovative and efficient to solve these social issues. The public sector purchases the innovative products that are made available by the social enterprise to solve social issues through the procurement process. The financial resources acquired through the public sector purchase is used to keep the social enterprise financially sustainable and also the social enterprise can grow their market and customer base and generate more revenue.

Social enterprises establish collaboration with the public sector by bidding for government contracts for the purpose of executing specific projects. The contracts are made available by the public sector however, getting the right to execute the project attached to the contract requires the process of bidding. Bidding for a contract by a social enterprise means that several social enterprises put in an application(bid) to be picked for collaboration and project execution within a country or specific municipality. Contracts for the purpose of collaboration are done in accordance with the public procurement procedures within a state or under the requirements or directives put in place by the European union directive for contracting authorities and public institutions. Contracts are usually issued or approved by a contracting authority to social enterprises. Social enterprises seeking contracts have to go through the bidding process, the outcome could be that the contract could be given to a particular social enterprise for execution, or it can be split into several sub-contracts and divided among the bidders (Trybus & Andrecka, 2017). Contractual relationships between the public sector and social enterprises can either be vertical or horizontal (Lyon, 2009). Lyon explains that vertical form exists between the commissioners of the contract and the enterprise that delivers the goods and services, and the horizontal exists between the two parties providing the service (Lyon, 2009). Furthermore, Lyon (2009) identifies the two kinds of contractual agreements that exist between the public sector and a social enterprise. The contracts could be formal with a legally binding agreement based on the European Union procurement rules. The public sector and social enterprises contractual agreement benefit social enterprises because, when social enterprises are able to acquire long term contracts to render services to the public sector, financial revenue is constantly generated for the social enterprise. Also, long term collaboration with the public sector improves the image and validity of the social enterprise. Increased validity creates legitimacy and more opportunities for investors and funding for the social enterprise.

With any collaboration, the partnership between social enterprises and the public sector has challenges. The challenges related to obtaining public procurement for social enterprises are lack of clarity concerning a public service (OECD/EU, 2019). The challenge with clarity is due to a lack of legal framework and policies that give legitimacy to social enterprises and the service they provide (Reimann, 2019). When there is lack of recognition in a state for a new social enterprise, the public sector or potential collaborator may find it difficult to fully understand their purpose and what kind of service the social enterprises claim to provide. Additionally, the smaller the social enterprise the lower the possibility of winning a bid for a contract compared to a higher more recognized social enterprise.

Also, social enterprises face challenges with contracting authorities. Contracting authorities not recruiting the services of small and new social enterprises (OECD/EU, 2019). Contracts awarded to the small social enterprises compared to the high enterprises are relatively low. (OECD/EU, 2019), therefore this creates an imbalance as most of the contracting is directed towards larger more established social enterprises. Social enterprises also face the challenge of the possibility of contract termination from the contracting authority due to non-compliance to the clauses that are stipulated in the contract document (OECD/EU, 2019). The clause may be passed into the procurement specifications by the municipality. Social enterprises need to take into consideration the clauses when bidding for a contract or rendering services through the procurement process. When the clauses are not met the process of collaboration and rendering of service to the public sector can be terminated. The termination can result in a loss of revenue for the social enterprise.

The clauses are criteria for defining the nature of the product or service required by the public sector. An example is the specification of the individuals or groups that the product or service is directed at certain social groups (OECD/EU, 2019). When the social enterprises bidding for a contract to establish collaboration with the public sector meet the requirements and follow the guidelines for the clauses provided then they can proceed to bid. An agreement made by the social enterprises and
the public sector to collaborate is referred to as a service agreement or a delegation agreement. Service agreement means that the social enterprise has a contract to carry out a particular project or provide a particular service based on what is required by the municipality for the recipients at a particular time. The second form of agreement is the delegation agreement. A delegation agreement between the social enterprise and the public sector means that and the social enterprise has a longer-term agreement to provide long term service to a particular area or particular recipients.

Cross-sector collaboration between the public sector and social enterprises provides mutual benefit to the public sector and to the social enterprise. Social enterprises gain financial benefit from the public procurement process when the public sector purchases the goods and services they render. And the public sector benefits from the collaboration by having access to innovative service and ideas that can be used to meet social issues and improve legitimacy and trust with the recipients of the service. Also, the collaborative process enables the social enterprise to achieve their goals and vision which is social impact. Cross sectoral collaboration with the public sector has potential challenges for social enterprise. Challenges such as lack legitimacy despite the services they provide. New social enterprises face the legitimacy challenge as the service they provide may not be viewed as relevant or beneficial. As a result, the challenge of being overlooked when contracts are awarded for project execution occurs. Also challenges related to loss of revenue due to contract termination. A social enterprise that has been allocated a contract to execute a project through collaboration with the public sector has to follow the regulations binding the contract. Non-compliance results in collaboration being terminated and difficulty regaining the trust of the public sector for future collaborations. The collaboration with the public sector will create opportunities for social enterprises to expand and grow while creating and offering solutions to societal issues.

2. Methodology

The aim of this research is to identify the main factors for social enterprises to create successful collaboration and partnerships with private, and public sectors by focusing on the challenges that social enterprises face in their collaboration with the private and public sector. To answer these questions, a qualitative research approach was followed. Qualitative research was considered as suitable for the research as it focuses on the exploration and the understanding of the meaning that individuals ascribe to a certain problem (Creswell, 2014). Furthermore, a qualitative research approach facilitates inductive analysis that allows to focus on the meaning that the participants give to their experience, interpret their insights, and reach general conclusions from particulars (Creswell, 2014).

For this research, semi-structured qualitative interviews have been used via videoconferencing. Qualitative interviews is a tool that elicits views and opinions from the participants (Creswell, 2014) and seeks for meaning of central themes of the subjects’ lived world. In addition, it gives the possibility to the researcher to register and interpret the meaning not only of what is said, but also in the way that is said and register the reactions of the subjects.

2.1 Sampling and data collection

The paper is built on the analysis of scientific literature regarding the benefits and the challenges that cross-sectoral collaboration between social enterprises with private, public and third sector has and an empirical analysis of social entrepreneurs in Baltic States. The study was conducted by using a sample of Estonian, Latvian, and Lithuanian social enterprises as Baltic States are the focus of this research. Semi-structured interviews with social enterprises’ representatives were conducted to identify the differences between the three countries and the social enterprises’ cross-sectoral collaboration. The social enterprises’ representatives were invited to discuss about:

- Their collaboration with private, public (the motives that led them to establish collaboration with the specific sector, the benefits that they gain by collaborating with this sector, their strategic partners, and the most important partners they have from this sector, the goal of the collaboration and the initiators of this collaboration)
- Challenges for establishing and maintaining the collaboration with private, public or third sector (what they had to invest to establish/maintain the collaboration, what were the challenges that they had to overcome to establish a collaboration, if they were any obstacles that prevented them from having a successful collaboration or partnership with the private, public or third sector.
• Best practices and recommendations for young social entrepreneurs that will help social entrepreneurs to establish successful partnerships with the private/public/third sector.

A total of 7 experts were interviewed, 4 of them with 20 to 40 minutes interviews via video conferencing and 3 of them conducted via email communication. Table 1 gives more information about the interviewees. Most of the social enterprises interviewed have past and active projects in more than one sector. However, we have focused only in one sector to be analysed per interview. The selection of the enterprises was done with the following criteria:

* The social enterprises fulfil the prerequisites that the European Commission social enterprise definition has “Social enterprises are those type of businesses that the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation, those whose profits are mainly reinvested to achieve this social objective and those where the method of organization or the ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice”.

* are part of their National Social Enterprise Network.

* have at least one cross-sectoral collaboration either with private, public or third sector.

**Table 1:** Description of companies that participate in the research

<table>
<thead>
<tr>
<th>Company’s Name</th>
<th>Interviewee’s Name</th>
<th>Position Held in the company</th>
<th>Country</th>
<th>Cross-sectoral collaboration</th>
<th>Founded in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edumus</td>
<td>Maria Rahamägi</td>
<td>CEO</td>
<td>Estonia</td>
<td>Private Sector</td>
<td>2018</td>
</tr>
<tr>
<td>Tagasi Kooli</td>
<td>Teibi Torm</td>
<td>CEO</td>
<td>Estonia</td>
<td>Private Sector</td>
<td>2012</td>
</tr>
<tr>
<td>Visas Iespējas</td>
<td>Gustavs Mārtiņš Upmanis</td>
<td>CEO</td>
<td>Latvia</td>
<td>Private Sector</td>
<td>2018</td>
</tr>
<tr>
<td>Miesto Laboratorija</td>
<td>Goda Sosnovskiene</td>
<td>CEO/Manager</td>
<td>Lithuania</td>
<td>Private Sector</td>
<td>2015</td>
</tr>
<tr>
<td>Samaritan Association of Latvia</td>
<td>Andris Berzins</td>
<td>CEO/Manager</td>
<td>Latvia</td>
<td>Public Sector</td>
<td>1992</td>
</tr>
<tr>
<td>Communicare</td>
<td>Norman Vester</td>
<td>CEO</td>
<td>Estonia</td>
<td>Public Sector</td>
<td>2019</td>
</tr>
<tr>
<td>Socialinis Taksi</td>
<td>Solveiga Ratkevičiūtė</td>
<td>CEO</td>
<td>Lithuania</td>
<td>Public Sector</td>
<td>2013</td>
</tr>
</tbody>
</table>

Source: Authors’ elaboration.
(All the interviews were recorded with permission and subsequently transcribed for data analysis)
3. Empirical findings

The aim of the study is to find out the main challenges that social enterprises face to establish collaborations with the private and public sectors and the benefits of collaborating with them and to reveal the best practices for establishing a successful collaboration in the Baltic states. Firstly, the study presents findings about SE partnerships with the private sector. Secondly, findings about SE partnerships with the public sector. Finally, the study will provide the discussion based on the empirical findings.

3.1 Cross-sectoral collaboration between social enterprises and the private sector

The collaboration between the private sector and social enterprises differs from country to country regarding the form of cooperation and the reasons that both parties come to an agreement to collaborate. In every form of collaboration, there are challenges for the social entrepreneur that can be classified in three different stages:

- challenges prior to the collaboration;
- challenges in the initial stage of the collaboration;
- challenges for maintaining the collaboration.

The following Table 2., describes the ways in which social enterprises collaborate with the private sector per country, the establishing factors that led to this collaboration for both parties as well as the challenges that the social entrepreneur faces in the 3 stages (prior to the collaboration, during the initial stage of the collaboration and challenges that he/she faces during the collaboration for maintaining it).

Table 2: Empirical findings for the collaboration between social enterprises and private sector

<table>
<thead>
<tr>
<th>Social Enterprise</th>
<th>Forms of cooperation</th>
<th>Establishing factors</th>
<th>Challenges</th>
</tr>
</thead>
</table>
| ESTONIA Edumus    | Financial support and human resources. | Private company: -Support an initiative that will benefit the social enterprise, their organisation and the society as a whole -Increase the employees' engagement level in society.  
Social Enterprise: -Funds. -Human resources. -Free marketing. | Prior:  
-Find the right partners to establish collaboration to meet the social enterprise’s needs and goals.  
-Ensure that the company will be financially sustainable in the near future and will not be constantly asking for financial support.  
Maintaining stage:  
-Keep them interested and encourage them to continue further with the project.  
-Provide reports about what has been done and what is going to happen in the future.  
-Keep reminding the benefits of the collaboration. |
<table>
<thead>
<tr>
<th>Country</th>
<th>Company</th>
<th>Collaboration Type</th>
<th>Prior</th>
<th>Initial Stage</th>
<th>Maintaining Stage</th>
</tr>
</thead>
</table>
| ESTONIA Tagasi Kooli | Strategic partnership based on financial support (but also marketing, communication support, legal support, usage of company’s resources e.g. buildings or advertisement spots). | Private company:  
- Communication.  
- Employees involvement and engagement.  
- Contribution to the society.  
Social Enterprise:  
- Funds.  
- Human Resources.  
- Legal and communication support.  
- Marketing support.  
- Advertisement. | Prior:  
- Find partners that address the topic in their agenda and SCR policies.  
- Get in contact with someone from the communication or SCR department to test if the goals are matching.  
- Get in contact with people who are on the boards as they are decision makers.  
- Have established prior collaboration with the public or third sector to ensure trust. | - Devote time and effort to gain trust. | - Keep them involved, interested and informed. |
| LATVIA Visas Iespējas | Provide services to companies, corporations and private organisations. and establish a relationship “business as usual” with them, as a service provider (social enterprise) and a client (private company). | Private company:  
- Socially beneficial image and marketing bonuses as they communicate the message locally and globally that they support social enterprises.  
Social Enterprise:  
- Credibility.  
- Legitimacy.  
- Marketing. | Prior:  
- Get as much recognition as possible from other organisations (public or third sector) so that the social enterprise can use it in its marketing communication.  
- Place the societal cause as a baseline for the collaboration.  
- Invest time to talk with different companies and establish yourself in the environment. | - Devote time and effort to gain trust. | - Keep them involved, interested and informed. |
| LITHUANIA Miesto Laboratorija | Providing expertise, skills or products without asking something in return (this mostly happens in collaborations with small companies that | Private company:  
- Contribution to the local society by helping a local cause.  
Social Enterprise: | Prior:  
- Make research in advance to find companies that match with the social enterprise’s goals. | - Devote time and effort to gain trust. | - Keep them involved, interested and informed. |
<table>
<thead>
<tr>
<th>the owners can easily make personal decisions compared with big companies.</th>
<th>-Resources that are needed.</th>
<th>-Make a proposal that will be interesting and beneficial for both parties.</th>
</tr>
</thead>
</table>
| | | **Initial stage:**
| | | - Be responsive and responsible in communication to ensure trust.
| | | **Maintaining stage:**
| | | - Being responsible and holding a good collaboration for the future deals that may come up for other social enterprises in the future.

*Source: Authors’ elaboration*

The key findings of the study regarding the challenges that the social entrepreneur needs to overcome can be divided into three chronicle stages: before establishing the collaboration, the initial stage of the collaboration and the continuance of the collaboration.

Before establishing the collaboration, the social entrepreneur needs to make a research and find those companies that are meeting his/her goals and create a proposal for them that would be interesting and beneficial for both sides. It is important to identify what motivates the potential partner to work with them. There are organisations that have certain corporate social responsibility agenda and focus on specific goals and would like to increase their positive impact in certain areas, organisations that focus on the social enterprises’ societal goal and do not seek to gain anything additional, just only to help them in their goal and organisations that look for long term partnerships and prefer to maintain a client-customer relationship. Especially, in cases when the social entrepreneur asks for financial support, the offer needs to be very concrete and clear, time based and offer to the company something more than just communication. Social enterprises receive a variety of different benefits from the private sector according to their demands. Their benefits can be either financial support, access to expertise (lawyers, marketers, communicators) and human resources (people that volunteer from the company), products (supplies that they need for a certain goal) or even access resources of the company (offer free usage of company’s space to place social enterprise’s advertisements).

Apart from the importance of the proposal from the social entrepreneur’s side and the type of assistance he/she asks for, it is quite crucial to communicate and approach people who have decision making power in the organisation, so they can easily communicate their goal, their proposal and their request for collaboration and get clear answers. It was underlined that prior collaboration with NGOs, public organisations can help the social entrepreneur to make a successful collaboration with the private sector as it gives recognition, validity, and credibility to the social enterprise. Also, an established collaboration between private sector and social enterprise, gives credibility and legitimacy to the social enterprise and can be beneficial for the scalability of the enterprise.

For initiating but also continuing the collaboration, the social entrepreneur needs to look and be trustworthy and maintain reliable communication and be responsible for the tasks that he/she needs to deliver to gain their trust and have a smooth collaboration. Especially in the initial stage, the social entrepreneur needs to invest time and effort to report everything to the company regarding financing, planning, and project management. As the time passes and the trust is gradually gained, it is important to keep the interest up the motivation of the company to be involved and informed about the social enterprise’s progress.

Analysing the differences between the three countries and the social enterprise ecosystem, it can be concluded that each country presents some differences regarding the reasons that lead them to establish collaboration with the private sector and simultaneously the challenges that they face. Specifically, in Estonia, social enterprises seek to build collaborations with the
private sector to access capital and expertise and the main challenges that they face towards this, is how to make a clear proposal that helps them achieve their goal and be attractive for their partner and how they can maintain the collaborations. In Latvia, social enterprises seek for scalability, legitimacy and validity from the private sector and their main challenge is how to help their partners to access markets and supply lines, that without the social enterprises’ know-how and deep understanding of customer’s needs wouldn’t be easy to enter. In Lithuania, social entrepreneurs’ main challenge is how to create mutually beneficial collaborations, as mainly their collaboration with the private sector is characterized by philanthropic investments or services based on expertise or products instead of funding.

To conclude, the social entrepreneurs recommend to the upcoming and fellow social entrepreneurs to invest their time and effort to search for partners from the private sector and seek for those organisations that fits their needs and match their goals. They need to make a clear and structured proposal that is based on mutual benefit and present it to people with decision making power within the organisation. Furthermore, they need to invest time and effort to gain their trust and it is highly recommended to have prior recommendations from NGOS and public authorities that previously have worked with. Once the collaboration starts, the social entrepreneur needs to maintain the communication with the private sector company and encourage them and motivate them to stay informed about the social enterprise and its achievements. As social entrepreneurship is a quite recent sector, to gain more recognition and establish itself in the market, each social entrepreneur should act keeping in mind that he/she represents the whole social enterprise ecosystem and one bad experience from one organisation can cause a negative answer for collaboration for another social enterprise in the future.

3.2 Cross-sectoral collaboration between social enterprises and the public sector

The collaboration between the public sector and social enterprises occurs in stages. The collaboration is based on establishing factors that the public sector and social enterprise take into consideration before collaborating. The collaborative stages present some challenges for the social enterprises and the challenges can be divided into three stages. The stage prior to collaboration with the public sector, the initial stages of public sector and social enterprise collaboration, and the third stage the maintaining stage after collaboration has been established.

Table 3: Empirical findings for the collaboration between social enterprises and public sector.

<table>
<thead>
<tr>
<th>Social Enterprise</th>
<th>Forms of cooperation</th>
<th>Establishing factors</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESTONIA</td>
<td>-Providing services based on long term contract basis.</td>
<td>Public sector: -Providing support for a particular social group within the municipality. Social enterprise: -Funding and long term partnership through contracts.</td>
<td>Prior: -Making research to find key stakeholders in the public sector for the purpose of collaboration. Initial-stage: -Time spent building trust and legitimacy with the public sector. Maintaining-Stage: Maintaining trust, continuous communication to ensure</td>
</tr>
</tbody>
</table>
The findings of the empirical research show that each social enterprise presents differences regarding the reasons for establishing and maintaining collaboration with the public sector and the challenges that they face. In Latvia the main challenge is competition. Competition exists between social enterprises bidding for the procurement process to establish collaboration with the public sector. In Estonia, the main challenge is time invested in the process of identifying the key stakeholders in the public sector for collaboration and making a proposal on the services they provide and why the service is needed to the public sector. In Lithuania, the main challenge is proving validity. There is a lack of validation from the public sector when there is a continuous long term collaboration.

<table>
<thead>
<tr>
<th>LATVIA</th>
<th>Providing services through delegation agreements and contracts.</th>
<th>Public sector -Co-operation with social enterprises to solve social problems within the municipality.</th>
<th>Prior stage: Competition between social enterprises to acquire contracts. Maintaining-stage: Creating delegation agreements to continue to provide services on a long term contract basis.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvijas Samariesu apvieniba</td>
<td>-Providing services through delegation agreements and contracts.</td>
<td>Public sector -Co-operation with social enterprises to solve social problems within the municipality.</td>
<td>Prior stage: Competition between social enterprises to acquire contracts. Maintaining-stage: Creating delegation agreements to continue to provide services on a long term contract basis.</td>
</tr>
<tr>
<td>LITHUANIA</td>
<td>Selling services to the public sector.</td>
<td>Public sector -Solving the problem associated with a particular social group.</td>
<td>Prior: -Establishing contact with the public sector. -Convincing the potential partners on the importance of the service being offered. Maintaining-stage: -Competition against local organizations. -Convincing the public sector on the relevance of continuous funding through purchasing services. -Changes in the political spectrum may affect collaboration.</td>
</tr>
<tr>
<td>Social Taksi</td>
<td>Selling services to the public sector.</td>
<td>Public sector -Solving the problem associated with a particular social group.</td>
<td>Prior: -Establishing contact with the public sector. -Convincing the potential partners on the importance of the service being offered. Maintaining-stage: -Competition against local organizations. -Convincing the public sector on the relevance of continuous funding through purchasing services. -Changes in the political spectrum may affect collaboration.</td>
</tr>
</tbody>
</table>

Source: Authors’ elaboration.
change in the political spectrum, due to the possibility the importance or need for the services provided by the social enterprise is deemed non-essential.

Social enterprises are an essential part of the economic growth of any country in which they exist. The older the social enterprise, the better chances of establishing collaboration. As a result, the owners are able to provide recommendations for new social enterprises that intend to establish collaboration. The CEO Latvijas samariesu apvieniba (LV) suggests that when a social enterprise is new, the one of the main goals should be not to lose focus of their social aim and social idea or place emphasis only on marketing their products and services. Social enterprise should function in a manner that shows balance. When there is a balance between achieving social impact and establishing collaboration through providing goods and services to the public sector social enterprises are more successful. Also, with the challenges that social enterprises encounter with collaboration, social enterprises must remain optimistic and work with each other under the social enterprise network. As a new social enterprise, it is important to be registered under the social enterprise network established within the state/country. Registration enables small social enterprises to acquire recognition and legitimacy from the public sector therefore increasing the opportunities to establish collaboration.

Collaboration with the public sector for social enterprises takes time to establish. The CEO/ owner Communicare (EST) suggests consistent and continuous marketing for new social enterprises. Social enterprises should make use of all forms of advertising including social media, the importance of this form of brand marketing is to increase visibility. The public sector before making a final decision to collaborate with a social enterprise that is new is conducting background checks to see what services/ project have been executed successfully. Making this information available online increases the possibility of establishing collaboration with the public sector also the managers and CEOs of new social enterprises need to grow their network with key individuals within the municipality, creating a network of significant individuals increases the possibility of being recommended to the public sector when there is a need for a particular service or product. In the Baltic states (Estonia, Latvia and Lithuania) there is an organized social enterprise body that advocates and promotes the needs and the importance of social enterprises in solving problems within the state. However, a small social enterprise needs to put in the extra effort and time to be able to establish partnership with the public sector and be taken seriously.

4. Discussion and conclusion

Cross sector collaboration for social enterprises with the private and public sector is a means for development for social enterprises as it allows them to scale their social impact and be economically sufficient. With the support of their partners, social enterprises can create effective solutions to the social problems they are addressing and contribute positively to the economic and social development of the local society. Especially in the Baltic States, that social entrepreneurship is a relatively new field, establishing cross collaboration with the private and the public sector is a driver for development, improvement, success, and business establishment for social enterprises.

It is revealed that social enterprises cross collaboration is a form of collaboration that benefits equally both parties regardless the type of organisation (public, private). Specifically, while collaborating with the private sector, social enterprises get access to financial resources, networks, expertise, gain credibility and legitimacy and it is a great way for them to market themselves and their services/products. On the other hand, as social corporate responsibility, sustainable development, and contribution to the local society become more and more popular among corporations and small and medium enterprises, the collaboration with social enterprises gives the opportunity to the private sector to contribute to the development of the local society, to increase its social image and reputation and engage its employees to take action and contribute positively to the development of the society.

Similarly, while collaborating with the public sector, social enterprises get access to funding, and it is a great opportunity for them to scale their social impact. Also, the collaboration with the public sector is characterized by long term agreements that allow the social enterprises to sustain financially and organise their activities and resources without being insecure about having insufficient funds to operate, the financial security allows them to focus on their main activities and scaling their social impact. Despite social enterprises, the public institutions benefit from their collaboration with social enterprises as they can provide to their citizens quality services and products and solve the problems that occur in their local community.
Despite the differences that the private and public sector may have in their organisational structure and operational functions, social enterprises seem to face similar challenges to establish and to maintain collaborations with any of the two sectors. The evidence from this study suggests that there are 3 different types of challenges that the social enterprises face to establish and maintain their collaboration with the private and public sector according to time criterion: prior to collaboration, initial stage of collaboration, and during the collaboration (maintaining stage). The study found that in the prior stage, social entrepreneurs face difficulties to identify the key contacts within the organisations (private or public) to start the collaboration. The competition is quite high, as there are many other providers and stronger competitors, so that social enterprises need to offer something that the others do not offer and to know the organisations’ needs, values and their social aims and interests. When the collaboration has officially started, the social entrepreneur faces different types of challenges regulated with spending time and efforts to ensure and gain the collaborator’s trust through frequent communication and detailed and analytical reports. Despite the value that trust has at first place, it needs to be maintained and developed throughout the collaboration so that it can be further extended once their type of collaboration officially ends. The social entrepreneur needs to keep the collaborators involved and informed so that they will not lose interest, they can maintain their professional relationship and extend it if required regardless of the existing competition.

From empirical research, interviewees gave their insights and suggestions of best practices for social entrepreneurs that can apply in these 3 stages so that they can enhance their results and establish successful and meaningful collaborations with the private and public sector. Following again the scheme of the three stages, social entrepreneurs need prior to collaboration to find key persons within the organisations that have decision making power, and make to them a clear, interesting, and mutually beneficial proposal considering the organisations’ needs and goals without compromising their societal goal. One key aspect regarding this stage is to pitch the proposal to the organisations’ decision makers.

Interestingly, prior collaboration with the public sector (or third sector) gives trustworthiness and credibility to the social enterprise to establish collaboration with the private sector, as well as prior collaboration with the private sector gives a competitive advantage for a successful collaboration with the public sector, as it gives credibility and legitimacy regarding their operations. Prior collaborations show professionalism, trustworthiness, network, and credibility to the social enterprise, increasing the possibilities of a successful deal. This practice confirms the importance that cross sector collaboration has for social enterprises and how the correlation between the two sectors can be beneficial for the success of the social enterprise’s upcoming collaborations. Furthermore, in the initial stage of the collaboration, by devoting time and effort to communicate, be responsible and responsible while communicating, engage and involve their collaborators and keep reminding them the benefits of their collaboration and build a trustworthy relationship that can allow them to maintain and extend their collaboration further (third stage). As the Director of Miesto Laboratorija, Goda Sosnovskiene, mentioned in her interview, “I am not just responsible for my enterprise but for the future deals for them (partners) as well. It is very important for social enterprises to understand that if you will do the deal fine, then other social enterprises will approach this company that it is more likely that they will have a positive answer and potential collaboration. You are doing a deal and you are responsible not only for yourself but also for the future”. That is a fundamental aspect that social entrepreneurs should take into consideration while searching for potential partners that they need to act responsibly and that with every collaboration and contact they represent the whole social enterprise ecosystem and by making successful deals, they facilitate the growth of social entrepreneurship and strengthen the cross-sector collaboration which is crucial for the development of this field.

The evidence from the study suggests that there are no significant differences on the challenges that social enterprises face to establish collaboration with the private sector or public in Baltic countries. However, it is important to highlight that in Estonia and Lithuania, social enterprises are more dependent on the changes that happen in the political spectrum, as they need to re-submit their offers and start the collaboration from the beginning if there are changes in the government. This study has gone some way towards enhancing understanding of the challenges that social enterprises face to establish and to maintain cross sector collaboration with the private and public sector and to reveal some practices that can help social entrepreneurs have adopted to overcome them. The study findings might be useful for any social enterprise that aims to overcome the obstacles they face and enhance their current and future collaborations. The methodological choices were constrained by limited sample size, but empirical research results are promising and should be validated by a larger sample size and even beyond the regional limits. It is beyond the scope of this research to analyse the challenges that social enterprises face to establish and to maintain cross sector collaboration with the third sector, but it can be considered as a very important aspect of cross sector collaboration for future research to have a better understanding of how social enterprises operate with each sector and provide social entrepreneurs with a toolkit of best practices that will allow them to increase their social impact.
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