

IMPORTANCE OF SOCIAL ENTREPRENEURSHIP IN PRESERVING NATURAL CAPITAL IN LATVIA

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ABSTRACT

With the increasing focus being placed on climate problems, the role of social entrepreneurship in the protection of nature and the environment becomes increasingly important in the world. The activities specified in the Sustainable Development Strategy of Latvia about the preservation of natural capital are performed by several social enterprises. The research aims to identify the role of social enterprises in performing the activities specified in the Sustainable Development Strategy of Latvia. The research has found that the Latvia 2030 strategy emphasizes the importance of fostering entrepreneurship about the preservation of natural capital as well as promoting sustainable lifestyle activities. The mentioned activities are relevant to social enterprises that are engaged in preserving and protecting the environment, as social entrepreneurs not only contribute to green entrepreneurship but also make significant investments in education and informing the public, as well as in the development of innovative entrepreneurship.

Key words: social entrepreneurship, sustainable entrepreneurship, environment

JEL codes: L31, Q01, Q50

INTRODUCTION

Because of rapid development in the early 2000s, social entrepreneurship has become a field of science for researchers and several shortcomings have been identified in the sector, such as lack of definition, legislative gaps, and fragmentation in the industry due to the lack of knowledge about the long-term effects (Sassmannshausen and Volkman, 2013; Macke et al., 2018). Social entrepreneurship involves identifying, assessing, and using business opportunities in a way that creates social value for meeting the basic and long-term needs of society (Austin, Stevenson and Wei-Skillern, 2006).

As the number of social enterprises in Latvia increases, the kinds of economic activity the enterprises are engaged in are captured by statistics. Most of 58% of the social enterprises are engaged in the fields of labour integration and education, while only 4% of them are engaged in environmental protection and nature preservation. Although the strategy Latvia 2030 sets out courses of action and activities for the preservation of natural capital, which also specify support for entrepreneurs performing this function, little is still known about the environment for social entrepreneurship. Social enterprises engaged in the preservation of natural capital represent various fields: clothing processing, zero-waste catering

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services, building management, and in addition, they tackle various socio-economic problems related to labour integration and regional and urban development (Līcīte, Perkune and Auziņa, 2020). The various innovative solutions developed locally by social entrepreneurs are often implemented not only regionally but also globally, thereby contributing to dealing with climate change impacts (Zahra et al., 2008).

In the European Union criteria for establishing social enterprise differs significantly, so European Commission publishes reports of 27 Member States about the country's situation in the field (European Commission, 2020). It should be emphasized that only two of the Member States, Denmark, and the Czech Republic, have included environmental factors in the development of social entrepreneurship in the country as well as given support instruments for developing this sector.

MATERIALS AND METHODS

The research aims to identify the role of social enterprises in performing the activities specified in the Sustainable Development Strategy of Latvia. The following specific research tasks were set: to perform an analysis of the Sustainable Development Strategy of Latvia (Latvia 2030) in the field of natural capital preservation; to perform an analysis of the environment for social entrepreneurship in the field of nature preservation; to determine which of the activities of the Latvia 2030 strategy could be performed by social enterprises engaged in environmental protection. The monographic and descriptive methods were used to make a theoretical discussion on strategy. Analysis and synthesis were employed to examine various elements of statistics on social entrepreneurship. Induction and deductions were used to identify causal associations and explain the data. The case study method was used to examine those social enterprises in Latvia whose priorities are related to nature preservation. The interview was used to identify challenges that face social entrepreneurs. In the expert interviews, three social entrepreneurs were selected using a targeted selection method: knowledge, work experience, relationship with the studied phenomenon (Babbie, 2005).

RESEARCH RESULTS AND DISCUSSION

The Sustainable Development Strategy of Latvia (Latvia 2030) sets the goal of sustainable management of natural values and services – 'to be the EU leader in the preservation, increase and sustainable use of natural capital'. The strategy stipulates that Latvia, as one of the 'greenest' and least urbanised territories of the EU, should become a model for the management of natural capital. A significant emphasis is placed on the fact that Latvia's forests absorb more CO₂ than its economy generates, as well as Latvia, is one of the leaders in the European Union in terms of biomass use and biodiversity, which indicates the good state of the ecosystem in the country (Latvia 2030, 2010).

The long-term courses of action set out in the strategy include: natural capital management, development of market instruments, capitalisation of natural assets, promotion of a sustainable lifestyle.

Natural capital management. It has been stressed that the current support programmes, market mechanisms, and policy strategies have not been effective in preserving natural capital; therefore, it is necessary to apply a management approach to natural capital risk assessment. Such an approach contributes to the sustainable management of natural resources through reducing pollution and waste flows, as well as ensuring the development of ecosystem services, which allows combining basic environmental and economic findings, thereby promoting the management of natural capital using economic decisions (Latvia 2030, 2010).

In natural capital management, the strategy plans to perform a comprehensive gap analysis of Latvia's natural capital and compare the current situation with the reference level. The analysis results could set long-term goals for the sustainable use, management, and protection of natural resources, as well as identify ecosystems needing restoration. This kind of analysis would serve as a basis for a natural capital development programme aimed at avoiding natural capital-related risks and ensuring the integration of development goals into other sectoral policies (Latvia 2030, 2010).

Development of market instruments. It would contribute to the eco-efficiency of the economy. The development of such instruments would lead to new

products and services that foster entrepreneurship (Latvia 2030, 2010).

Capitalisation of natural assets. It could be achieved through actively implementing business support policies and creating the image of Latvia as a 'green' country. This would contribute to the development of the export sector and the foundation of new enterprises and new industries (Latvia 2030, 2010).

Promotion of a sustainable lifestyle. The strategy emphasizes that climate change is largely driven by human economic activity and overconsumption, thereby leading to new threats to natural capital and adversely impacting the climate. To avoid threats to natural capital, the final consumer should be involved in preserving the ecosystem (Latvia 2030, 2010).

Although the strategy repeatedly emphasizes both the social factor and the environmental protection and natural capital preservation factor, it does not specify the promotion of social entrepreneurship about the environment. Supporting social entrepreneurship to deal with environmental problems could address the various challenges outlined in the strategy, including enhancing the entrepreneurial environment, fostering innovation, and stimulating the green economy.

The number of social enterprises in Latvia increases very fast. In 2018, 27 social enterprises were registered, in 2019 their number increased to 81, and 91 enterprises were registered as of 6 February 2020. Statistics from the Ministry of Welfare (MoW) show that 149 social enterprises were registered as of 31 January 2021 (Register of Social Enterprises, 2021).

Based on the MoW register of social enterprises and available statistics, it could be concluded that in Latvia, just like in other European countries, work integration represented the largest area of social entrepreneurship (24%) as well as education (24%). Environmental protection ranked last in Latvia, accounting for only 4%. For comparison – in Lithuania, there are 2.7% and in Estonia, 7% of social enterprises develop environmental protection, while in Denmark who's one of the priorities in this field, there are 29% of environmental social enterprises (European Commission, 2020).

The increase in the total number of social enterprises and environmental-related social enterprises (both primary and secondary objectives are environmental protection) since the establishment of the register of social enterprises in 2018 and the average growth rate are shown in Table 1.

Table 1. Increase in the number of social enterprises in the period 2018–2020

Indicators	2018	2019	2020	Average growth rate (%)
Number of social enterprises	27	81	142	137.6
Chain growth rate (%)	–	200.0	75.3	
Number of social enterprises related to environmental protection and nature preservation	1	5	5	200.0
Chain growth rate (%)	–	400.0	0.0	

Source: authors' compilation based on Register of Social Enterprises, 2021.

The enterprises whose priorities related to nature preservation and environmental protection were as follows: Cafē-M Ltd, Mans peldkostīms Ltd, Zīle-zīle Ltd, Social Supply Portal Ltd, and Free Riga house guardians Ltd. However, some other enterprises, e.g. Mammām un tētiem Ltd, Brīvā skola Ltd, Upeslīči atpūtai Ltd, Home 127 Ltd, OnPlate Ltd and Kalnciema iela Ltd have listed environmental protection as one of their goals, but not a priority (Register of Social Enterprises, 2021).

Cafē-M Ltd acquired social enterprise status on 25 September 2018 and is the oldest social enterprise in Latvia involved in environmental protection. According to the data of the Register of Social Enterprises, the goals of Cafē-M Ltd are as follows: (1) environmental protection and preservation: to create a cafe that does not produce waste (zero waste or waste-free); to educate the public on environmental protection and preservation problems; to educate the public on the possibilities of generating as little waste as possible to meet their daily needs, thereby reducing the environmental burden on the environment; (2) to educate the public on the recycling and reus-

ability of various kinds of waste; (3) to promote the consumption of environmentally friendly and healthy human food (Register of Social Enterprises, 2021). The enterprise is the first zero-waste cafe in Latvia, it composts the organic waste produced by the cafe, as well as takes various measures to promote an ecological lifestyle (Baumane, 2019).

Social Services Portal Ltd acquired social enterprise status on 1 March 2019 and aims to contribute to strengthening the social environment by making it possible to donate unnecessary things to people in need through an Internet platform. The main emphasis of the enterprise is put on environmental protection and the promotion of the circular economy in the field of waste reduction (Register of Social Enterprises, 2021).

My Swimwear Ltd acquired social enterprise status on 1 March 2019 and the enterprise's goal is to reduce plastic and clothing waste in Latvia. The enterprise produces swimsuits from recyclable waste. Swimsuits are sustainable – they can withstand both chlorinated pool water and saltwater, sun exposure, and washing. The enterprise packs its products in sustainable packaging (Register of Social Enterprises, 2021). Laura Žukovska-Supe, co-owner of the company, emphasizes that Latvia sees great challenges in the field of waste management and funds should be invested in it for Latvia to become a country of green innovation. She also emphasizes the shortcomings of regulatory enactments and the lack of financial support faced by social entrepreneurs, which prevents them from becoming serious market participants.

Free Riga house guardians Ltd acquired social enterprise status on 2 June 2019. The enterprise is engaged in offering abandoned buildings in Riga for various projects, in agreement with their owners, so that they have an opportunity to engage in creative activities while these buildings are not in use. The goal of Free Riga house guardians Ltd is to promote, organise and develop the management and socially responsible revitalisation of abandoned and unused buildings and territories by providing a development platform for cultural diversity, a civil society, education and skills development, volunteering, and cooperation between non-governmental organisations and the integration

of socially and economically disadvantaged groups (Register of Social Enterprises, 2021).

Zīle-zīle Ltd acquired social enterprise status on 24 February 2020, and the social goal specified in the Register of Social Enterprises is: 'to reduce the amount of textile waste by creating new value-added products, as well as build up an awareness of resource reuse'. The enterprise uses recycled clothing that is purchased at a second-hand clothing store or received as a donation and creates new clothing designs (Register of Social Enterprises, 2021). In an interview, the company's founder Aiva Zīle admitted that one of the problems is attracting customers because the customers of this company are responsible, who do not buy new dresses every month. In addition, there would be a need to educate young people more in schools about upcycling design, as there is a lack of public awareness on social entrepreneurship.

Mammām un tētiem Ltd acquired social enterprise status on 20 June 2019. Although the main goal of the enterprise is to educate Latvian families on various matters, represent their interests, strengthen family values and improve demography, one of its fields is education on environmental problems. On the enterprise's website, entering keywords related to nature protection, it is possible to find various educational and informative articles on environmental problems, natural capital preservation, etc. (Register of Social Enterprises, 2021).

Brīvā skola Ltd acquired social enterprise status on 25 November 2019 – it is a school, one of the basic values of which is nature. The main field of activity of the enterprise is education, and its goal directly relates to educational activities, with a great emphasis being placed on the promotion of a healthy, environmentally friendly lifestyle, education about climate change, and raising awareness of human-environment interactions (Register of Social Enterprises, 2021).

Upeslīči atpūtai Ltd is a guest house that has acquired social enterprise status on 24 January 2020 and is engaged in the sustainable development of rural tourism, using all kinds of resources rationally. The enterprise's website does not contain information on issues related to the sustainable development of natural resources (Register of Social Enterprises, 2021).

Home 127 Ltd acquired social enterprise status on 30 April 2020. Its field of activity is the operation of Internet portals as indicated in the Register of Social Enterprises, and the goal of the enterprise is to carry out general educational activities on environmental sustainability, healthy lifestyles, as well as to employ target groups. The enterprise's website was inactive (Register of Social Enterprises, 2021).

OnPlate Ltd acquired social enterprise status on 24 July 2020 and promotes healthy eating habits, combats public delusions, pseudoscience, promotes environmentally-friendly lifestyles, and develops various projects, including ones related to environmental protection. The enterprise is managed by a team of medical professionals – nutritionists (Register of Social Enterprises, 2021). In an interview with OnPlate, Tatjana Topo emphasizes that the company faces various personal challenges, and it is important to create low impact, take small steps to promote climate change in a positive direction.

Kalnciema iela Ltd acquired social enterprise status on 22 October 2020, and one of the enterprise's goals is to 'conduct anti-pollution activities, including the reduction and sustainable use of food and other waste'. There is no information on the enterprise's website about such activities (Register of Social Enterprises, 2021).

Examining social enterprises in Latvia and the Latvia 2030 strategy, it could be concluded that several activities specified in the strategy pertained to social enterprises, e.g. a green budget reform involving tax incentives for sustainable social enterprises; natural asset capitalisation activities stimulating green entrepreneurship, support for knowledge transfer and support programmes for the development of innovative entrepreneurship; as well as activities aimed at promoting sustainable lifestyles, including engaging social enterprises in environmental education programmes, building up households' awareness and certifying sustainable products.

One of the problems associated with research on social entrepreneurship from an environmental perspective is that not all enterprises that perform a social function about nature and environmental protection are registered in the Register of Social Enter-

prises. For example, enterprises such as the association 'TUVU', which is engaged in charity, helping to find new owners for second-hand goods, or dishes and interior items created by designer Ingus Gustavsons from used glass jars (Latvian designer creates..., 2017; Who are we, s.a.).

CONCLUSIONS

The Sustainable Development Strategy of Latvia emphasizes natural capital preservation activities, yet no specific proposals have been developed on how to implement the activities.

Although the number of social enterprises in Latvia increases fast, social enterprises related to environmental protection account for only 4% of their total number.

The largest problem in environmental social entrepreneurship is the identification of enterprises that are engaged in environmental protection and perform a social function, yet for some reason have not registered as social enterprises.

The research hypothesis proved to be true – social entrepreneurship performs the function of preserving natural capital, as social enterprises related to environment protection correspond to several activities referred to in the Latvia 2030 strategy, yet the promotion of social entrepreneurship in the environmental context is not incorporated in the strategy.

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