

## **THE ROLE OF INNOVATION AND CREATIVITY AS KEY FACTORS FOR THE DEVELOPMENT OF SOCIAL ENTREPRENEURSHIP IN BULGARIA**

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### ***Abstract***

*Social entrepreneurship is a comparatively new phenomenon in the sphere of economics not only in Bulgaria, but in the world as a whole. This is the reason why the research on its development in time as well as the problems connected to it are of a great importance. Innovation and creativity are one of those terms that are often related to entrepreneurship as a whole and moreover with social entrepreneurship. In actuality the aim of this paper is to track and evaluate in certain terms the relationship between innovation and creativity as key factors needed for the development of social entrepreneurship in the future. Some of the used methods include: comparative and theoretical method; adaptive methodology, deductive-empirical method and statistical-analytical method.*

**Keywords:** *social entrepreneurship, innovation, creativity*

**JEL Codes:** *A10*

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### **INTRODUCTION**

The development of entrepreneurship plays an indispensable role in achieving economic success of the individual enterprises, as well as the high growth of the economy as a whole (Yordanov, 2019, p.14). The concept of an entrepreneur is refined when principles and terms from a business, managerial, and personal perspective are considered (Stamevska, Stamevski and Stankovska, 2018, p. 174). In order to stand steadily on the market, the enterprises should position themselves in a way enabling them to obtain a competitive advantage as compared to the other participants on the market in the particular branch (Logodashki, 2019, p.20). An important condition for achieving market success, retaining market share, conquering new markets, taking the lead in the industry, and enhancing the competitiveness of entrepreneurial business is innovation in

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entrepreneurial activity (Kyurova, 2015, p. 195). Innovation is a process that needs to have a structured and organized approach and this process to be managed. Assuming the innovation process is cyclical and there is some link in successive innovation intentions and projects in the context of the company's complex marketing mix, the analysis and evaluation of the results are extremely important (Filipova and Yuleva, 2018, p. 216).

Social entrepreneurship contributes not only for the economy, but also for societies all over the world – a tendency, expected to continue and to lead to an increased interest from political forces. The research on the topic at an academic level is still in its beginning, and as some of the authors believe - a more specific scientific literature on social entrepreneurship in particular is needed (Hu, Frank and Cohen, 2011, pp. 466-475). At the same time, the constantly increasing number of the created social enterprises all over the world should be noted.

According to Moss, Lumpkin and Short (2009, pp. 161-194) in order for a theoretical basis related to social innovation to be created, having in mind the diverse economic and cultural environment for many enterprises, a great amount of effort aimed at qualitative and quantitative research and cases is necessary.

## **DEFINING SOCIAL ENTREPRENEURSHIP**

Before we discuss the core values of social entrepreneurship and its relation to innovation and creativity, it is important to outline some definitions for entrepreneurship, as discussed in the work of Dees (1998), attributed to the French economist, Jean Baptiste Say, who in 19<sup>th</sup> century considers it to be consisting of the transformation of resources from one to the another, more favorable one, during which it is possible for a positive result to occur. Moreover, Joseph Schumpeter adds to this definition in 20<sup>th</sup> century the function of improving or totally changing the model of production at the time.

Social entrepreneurship appears at the end of the '70s of 20<sup>th</sup> century which coincides with an increase in unemployment and a drop of the levels of economic growth, which are noted at the time (Borzaga and Defourny, 2004, pp. 352-353). Certo and Miller (2008) argue that the strongest element that defines social entrepreneurship is the ability to combine traditional business elements with voluntary work, which at the same time, could also be the biggest issue for the very definition of the term.

Generally, the defining social entrepreneurship begins with the definition for commercial entrepreneurship, to which we should add the social mission and the balance between economic and social aspects (Dees, 1998).

Entrepreneurship has been the driving force behind business' growth for the last decades and social entrepreneurship plays its role in addressing social matters by enabling the solving of problems that are not addressed by governmental initiatives (Noruzi, Westover and Rahimi, 2010, pp. 6-10), by generating impact in a sustainable way (Dees, 2007) in areas such as healthcare, education or house building (Urban, 2008) as it causes changes in the prevailing governmental policies through protection of favorable job positions or proclamation of ethical actions (Davis, 2002).

The profile of the social entrepreneur, in addition to the typical characteristics of an entrepreneur (in terms of innovation, talent and looking for opportunities to create change through added value), is specific, having in mind the necessity of their mission to be a social one (Dees, Emerson and Economy, 2001, p. 330). We see that, in fact, a social entrepreneur can be described as an entrepreneur whose focus is directed at social goal and missions, and not just at profit as such.

## **INNOVATION, CREATIVITY AND SOCIAL ENTREPRENEURSHIP**

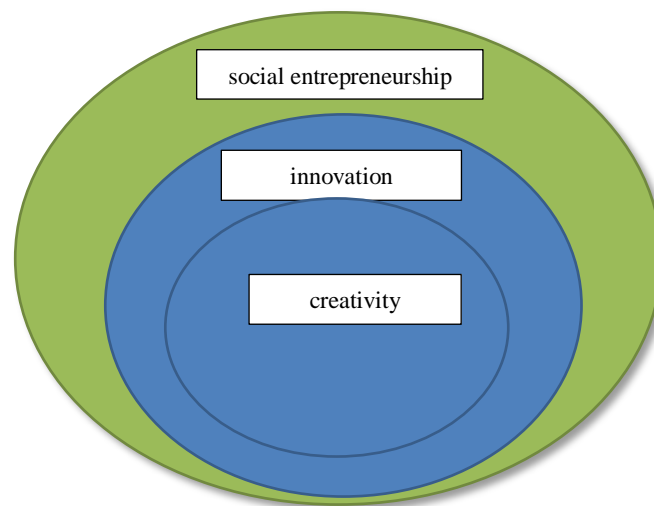
A social innovation is social both in terms of the means used and its aim as well, including new ideas which are better than the alternative when satisfying social needs and creating value (Hubert, 2010, pp. 21-34). By creating innovation and entrepreneurship, innovation can be regarded as a means, characteristic for entrepreneurs, allowing them to transform changes into opportunities for new businesses, products and services (Drucker, 2006, p. 16). Drucker (1987) drives attention to the need for managers to be more careful with social innovations and their effects.

The constantly growing number of the population and the lack of resources and infrastructure, characterizing developing countries, provide opportunities for social innovations (Wang, 2012, pp. 305-317). Social innovation occurs as a response to the transfer of responsibility onto communities (by governments such as the one of the United Kingdom) which are expected to solve their social problems themselves (Chalmers, 2013, pp. 17-34).

Clients are always looking for innovative products or services, which is the case for both social entrepreneurship or entrepreneurship in general. Some scientists, creators of policies and practices argue that social entrepreneurship requires innovative solutions and approaches due to the fact that the social issues it is aimed at would not exist in the first place, in case generally accepted approaches could be applied for them.

Fig.1 below clearly shows the relationship between creativity, innovation and entrepreneurship. When there is an idea, which is new and unknown at the moment for the group of consumers it is aimed at and also for the providers of the services and/or products, then it would be a working ground for a person or people who would take advantage of it i.e. the innovators. The presence of an innovation, under good management, quickly leads to the creation of a new enterprise whether it being a social one or not. If we look at social entrepreneurship as a recipe, then the main and most important ingredients would be creativity and abundance of new ideas.

**Figure 1.** Interconnection between social entrepreneurship, innovation and creativity



**Source:** Own Source

Innovation and entrepreneurship are two very tightly connected concepts. New businesses break the status quo of the market through the process of “creative destruction” when they introduce new combinations in terms of the relation between a product and a market, which henceforth create greater value for consumers and/or take advantage of resources in a more effective way. The competitiveness of the national economy depends on the level of the innovative activity support of the business entities of all forms of ownership and size and primarily those related to the small and medium-sized entrepreneurship sector, which currently requires the maintenance of the state (Kolisnichenko, 2018, p.

157). What drives innovation to success is not only the creative nature of the entrepreneur, but also their ability to position and sell their products/services on the market. Consequently, innovation is an instrument enabling the success of all new business endeavors. Innovation in business is also an instrument that helps build competitive advantages and increases competitiveness as a whole (Madgerova, Kyurova, Atanasova and Koyundzhiyska-Davidkova, 2016, p. 195). These statements apply to both commercial and social entrepreneurs, with the difference being the willingness of the social entrepreneur to focus their attention on the social mission of the enterprise and not just on its turnover or profit.

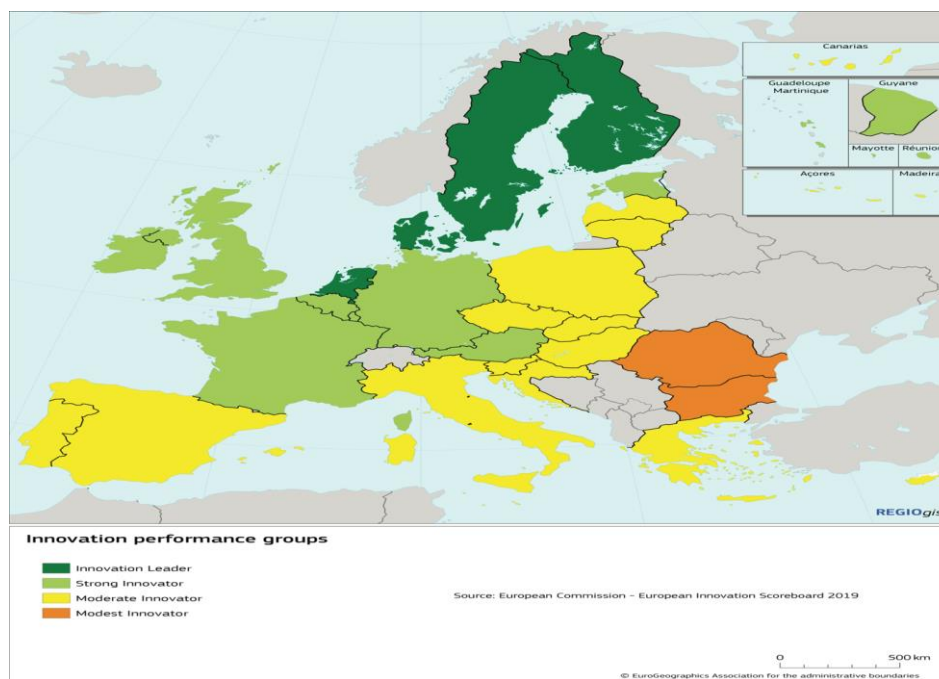
GEM (Global Entrepreneurship Monitor) measure the innovativeness of the social entrepreneur according to a positive self-assessment answer (i.e. to a certain degree agree or strongly agree) to the following statements: “My organization offers a new product or service” and “My organization offers a new way of producing a service or a product” in their report on social entrepreneurship. The data from 2018 shows that the average innovation level is 1.6%, varying from 0.1% for Bulgaria and Iran and reaching 4% for the Philippines and Israel. A further research shows that social entrepreneurs who classify as creating added value are inclined to define themselves as more innovative than the ones who can call themselves catching value opportunities.

GEM’s data also shows a comparison between the level of innovation in Bulgaria among entrepreneurs in their early stages of development and the corresponding groups, considered to be a standard at a European level. They show that only 17.5 % (14.5% in 2015) of Bulgarian entrepreneurs consider their products to be new for all or for some of their clients. In terms of the innovativeness criterion, Bulgaria falls in the group of economies with a low rate of innovative activity at the early stages of their endeavors. More specifically, Bulgaria ranks the 52<sup>nd</sup> place out of 65 world economies in GEM’s ranking for innovativeness at an early stage of development. This actually shows that there are very few businesses that work towards innovative activities in the beginning. This is a major restriction for the competitiveness of new businesses in Bulgaria that has to be urgently addressed as it limits competitiveness of the whole national economy. We should, of course, keep in mind that achievements in the innovative field do not solely depend on emerging entrepreneurial activity and according to the index of the World Economic Forum for global innovation in 2017, Bulgaria is among the best achievers, when it comes to efficiency of innovative activity, in the group that it is in (countries with an average level of income). One of the explanations for this phenomenon is that there is a small, but energetic group of businesses in Bulgaria oriented towards innovation where the level of innovative

efficiency is at a quite high level. Actually, this model of “elite” innovators supposes the existence of a two-tier group of innovators - a small group that introduces innovation at an early stage and a significantly larger group of businesses that does not engage in such activity.

In this case, one of the challenges before the state policy would be the distribution of a culture of innovation among the second group of businesses and thus expanding the basis upon which lays the competitiveness of Bulgaria’s national economy. It is also important to note that in comparison to the standard for the group in which the country falls the self-defining innovative companies at an early stage are very few. We must not also exclude the possibility for biased responses in the research which would explain the negative prognosis for the economics growth in short-term perspective. However, there is already evidence in Bulgaria for the shift of attitude towards a positive direction of innovative entrepreneurial activities. The figure below shows that Bulgaria and Romania fall into the group of moderate innovators as compared to other three groups of countries in the European Union.

**Figure 2.** Innovation performance groups



**Source:** European Commission – European Innovation Scoreboard 2019

As far as internationalization, to which innovation activity is undoubtedly connected, GEM report that with 25% or more of the entrepreneurial sales come beyond the boundaries of the national economy. According to previous statistics the development, driven by innovativeness shows higher levels of internationalization that somehow decreases for economies based on efficiency and decreases even more for economies, driven by production factors.

## **CONCLUSION**

Following the research goals of this paper, we can conclude the following: social entrepreneurship is a comparatively new phenomenon on the economic scene and further research is important to understanding the mechanisms of the concept in general. However, there is a growing interest to both research and establishment of social enterprises all over the world. Previous research and the following one show that one of the most important building blocks for success when it comes to entrepreneurship, and social one in particular, is the innovation activity of the enterprise. Innovation and entrepreneurship are inseparable key factors for the success of an individual who wants to work in the sphere of social entrepreneurship. The presence of an innovation, under good management, quickly leads to the creation of a new enterprise whether it being a social one or not. The more innovative an enterprise is, the higher the chances of its success are. Innovation drives forward growth and competitiveness.

Moreover, when we compare Bulgaria to other European countries research shows that we are still at the end of the rankings in general. Despite, when it comes to the efficiency of innovation activity of those who have decided to participate in such endeavors, Bulgaria's performance is high in comparison to other countries in similar positions. There is a small, but energetic group of businesses in Bulgaria oriented towards innovation. Their level of innovative efficiency is at a quite high level. Yet, entrepreneurs as a whole in Bulgaria should focus more of their attention to undertaking innovative practices, as this will inevitably lead to the increase of the competitiveness of both businesses and the national economy as a whole. The government should also be more involved with encouraging commercial and social entrepreneurs through different policies and programs, specific legal framework for social enterprises, transparency and visibility when it comes to providing additional funds for young entrepreneurs. One of the challenges before the state policy would be the distribution of a culture of innovation among all stages and sizes of businesses in the country.

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