

ReinFORCE SOCIAL Entrepreneurial Spirit through setting up Innovative Support Structures in the cross-border Territory “Social Forces”

TASK	4.9.2: Design and Development of the Training Material
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Introduction

This Deliverable entitled "**Design and Development of the Training Material**" is the **Deliverable 4.9.2.** in the context of the ReinFORCE SOCIAL Entrepreneurial Spirit project through the establishment of Innovative Support Structures in the cross-border Territory, on the Priority Axes below: Priority Axis 4: A Socially Inclusive Cross Border Area, Thematic Objective 9: any discrimination, Investment Priority 9c: Providing Support for Social Enterprises, Specific Objective 9: To expand the social entrepreneurship in the cross-border area, INTERREG GREECE-BOULGARIA, 2014-2020.

Specifically, it refers to a training package for the target group's education and training needs in order to acquire new knowledge on social economy and innovative social entrepreneurship, in particular, in the following fields:

- Social Enterprises Management
- Organizational Behavior
- Marketing
- Exports

1 Introduction in the Social Entrepreneurship concept

1.1 Conceptual definition of Social and Solidarity Economy and of Social Entrepreneurship

1.1.1 Conceptual approach of Social and Solidarity Economy

“Social and Solidarity Economy” is a different model of economic development, both at national and European level, which emphasizes the social impact and the cultivation of social solidarity (Special Secretariat of Social and Solidarity Economy, 2017). Social and Solidarity Economy includes all economic activities based on an alternative way of organizing relations of production, distribution, consumption and reinvestment. Democracy, equality, solidarity, cooperation, and respect for man and the environment are among the principles governing it (Law 4430 / 2016).



As an ideology, Social and Solidarity Economy is a combination of two different perspectives: Social Economy and Solidarity Economy. **Social Economy**¹ is a concept that is not used in the same way at national and supranational level, as national tradition and culture contribute to its differentiation. In practice, Social Economy has accepted the basic institutions of capitalism, but has sought complementarity from organizations and enterprises focused on people such as cooperatives, foundations, etc. The terms **"Third Sector"** and **"Non-Profit Sector"** are sometimes used as an alternative for the term "social economy", focusing on voluntary and community organizations, registered as charity organizations or NGOs (Utting, nd). Types of social economy bodies are shown in the table below:

Social Economy bodies

- Non-profit organizations
- Unions
- Foundations
- Mutual Insurance Companies
- Cooperatives
- Social enterprises that have not the form of cooperative (commercial ventures that do not distribute profits or significantly limit profitability and re-invest all or most of their profits to achieve a social goal).

According to Defourny and Develtere (1999), organizations operating in the field of the social economy are governed by the following principles:

1. Provision of services / goods without the exclusive pursuit of profit.

A common feature of the social economy bodies, which separates them from the conventional enterprises, is the general purpose of their activities. These bodies do not aim

¹ The identification of the social economy, as it is known today, took place in France in the 1970s when organizations representing cooperatives, mutual societies and associations established the National Liaison Committee for Mutual, Cooperative and Associative Activities (CNLAMCA).

at profitability and its distribution to shareholders, but at providing goods and services (including employment opportunities) to their members or their community and at pursuing, as well, general interest objectives (i.e. activities that benefit the broader society, such as the provision of services of general interest). The potential surplus may be a means of efficient services production but under no circumstances may it be the dominant motivation of the body's activity.

2. Independent administration. Independence in the administration of social economy bodies is a criterion for distinguishing it from the public sector services.

3. Democratic decision-making. Social economy organizations are generally characterized by democratic decision-making processes. The critical decisions that affect them are taken by voting of all of their members. This collectivity is the basis of the Social Economy. In particular, the 'one person - one vote' technique (and not 'one corporate share - one vote') applies or at least there is a strict limitation on the number of votes per person in the decision-making bodies. In addition, it is important to ensure the participation of employees', users', volunteer's, donors' representatives in the management board of the bodies.

4. Priority to people and labor, and no to capital when distributing income. In the distribution of revenue man and labor come first, while capital follows. This principle covers a wide range of practices applied by social economy organizations, such as:

- ⇒ Limited return of capital.
- ⇒ Distribution of the surplus among employees or members/users in the form of a bonus.
- ⇒ Creation of reserve for business development.
- ⇒ Direct use of the surplus for social purposes.

The above principles reflect common features that can be identified in different types of social economy organizations and in different European countries.

Solidarity Economy includes those economic activities that aim at democratizing the economy on the basis of civil participation and are characterized by a dual target:

- Economic, because they try to create economic relations based on reciprocity.
- Political, because they try to create and maintain autonomous public places where objectives and means to achieve them are discussed (Moulaert & Ailenei, 2005).

The solidarity-based economy has fundamentally faced many basic institutions of the capitalism and sought alternative solutions focused on redistributive justice, deep sustainability, active citizenship, and redeployment of power relations. Indeed, it is referred as "the only way of thinking and provision of effective and deep transformational processes" capable of dealing with a wider "civilization crisis" (Utting, nd). Its objectives are related to the concept of general or social interest and its theoretical conception is based on the redistribution of public wealth and the restoration of social inequalities. At this point, it is partly differentiated from the social economy or the alternative economy.

The combination of these two perspectives as a "Social and Solidarity Economy" has both a conceptual dimension, given its many common principles and practices, and a strategy

seeking to build a more effective movement for change, with the participation of a wider coalition of bodies.

1.1.2 Conceptual Approach to Social Entrepreneurship

Social Entrepreneurship is a distinct form of entrepreneurship that focuses on achieving a social purpose through creating social value (Stokes, Wilson, & Mador, 2010). A social enterprise must provide services that promote social values such as the preservation of the cultural environment, the care of people with special needs and the development of local communities. Social enterprises should aim at resolving social problems related to environmental protection, education, health services, poverty, energy, water resources, etc., in an economically viable way. They also have the potential to take both profit and non-profit form, without changing their ultimate purpose, which is to achieve a social purpose.



Social entrepreneurship becomes a reality with the creation of **social enterprises**, which operate as conventional enterprises having a regular structure, planning, organization, administration, and control. The main difference between a social and a conventional enterprise is that the primary one does not have the goal to achieve economic output and return it to the owners of the capital (partners, members, shareholders), but to achieve a positive social impact (contributing to problem solving or meeting the needs of the wider community), aiming at strengthening social cohesion. The financial results are used as a means of sustainability and success of their purpose.



Social enterprises have two crucial **competitive advantages**:

1. Ability to *find innovative and dynamic solutions* to complex problems or complex needs of society
2. They contribute to social dimensions promotion of economic development in a way that fosters social cohesion.

What distinguishes social enterprises from conventional associations or charity organizations is the fact that they earn a significant part of their revenue through trade, instead of being dependent on grants or donations. The number of enterprises that aim at improving quality of life, providing equal opportunities and social change are steadily increasing, and there are many cases that show their importance.

The following table shows the features that are needed to characterize an enterprise as social, according to the Organization of the Emergence of Social Enterprise in Europe.

Social Enterprises features

- i. Continuous production of products and services
- ii. High degree of autonomy
- iii. High degree of economic risk
- iv. Limited salary
- v. Prominent purpose of benefiting society
- vi. Initiative promoted by the population groups of society
- vii. Active participation of all people affected by the enterprise's activity
- viii. The decision making relies on those members who are not the owners of the capital
- ix. Limited profit distribution - Reinvestment of profits

Table 1: Social Enterprises features

In the category of social enterprises, there is a wide range of ventures that undertake entrepreneurial initiatives, such as Non-Governmental Organizations (NGOs), non-profit organizations, cooperatives, foundations, associations and social speculative enterprises.

Social enterprises are established by people with vision and insistence to achieve the goal of social change and provide solutions that apply basic principles of entrepreneurship. In practice, the **social entrepreneur** recognizes social problems immediately, and tries to understand the wider context of a problem that falls in a variety of scientific specificities, areas and theories.

Social entrepreneur features

- | | |
|-----------------------------|------------------------------|
| 1. Tolerance in Uncertainty | 2. Need to achieve goals |
| 3. Administrative Capacity | 4. Social-moral motivation |
| 5. Commitment | 6. Collaborative-team player |
| 7. Vision | 8. Increased understanding |
| 9. Leadership Skills | 10. Search for opportunities |
| 11. Creativity | 12. Risk taking |

Table 2: Social entrepreneur's features

The social entrepreneur:

- ✚ Recognizes the mismatches of needs and benefits and the necessary opportunities.
- ✚ Employs creativity, imagination and vision when making proposals.
- ✚ Introduces new approaches to existing structures and systems.
- ✚ Motivates people to achieve the desired objective and creates the necessary social networks.
- ✚ Assures the resources that concern people, money and facilities that are needed to realize the project.

- ✚ Faces obstacles and challenges and manages the inherent risks.
- ✚ Introduces appropriate systems to control the project.



The abovementioned skills, do not need to be features of one person. The one who track opportunities and the one who defends the project can be a different person, creating a potential business team.

1.2 Social Economy and Social Entrepreneurship in Europe

The long path towards institutional and legal recognition of the social economy within the European Union (EU) has lasted for more than three decades. Since the 1980s, various EU institutions and legislative bodies have contributed to the social economy promotion through a series of policy initiatives. These include, the European Commission, the European Parliament, the Council of the European Union and the European Economic and Social Council. Increasing support for the social economy reflects the growing recognition of its role in job creation, social services, local economic development and social cohesion.

European Commission

In 1989, the European Commission funded the 1st European Social Economy Conference (Paris) and established a Social Economy Unit in the context of DG XXIII as the first specialized body for the social economy in the EU. Throughout the 1990s the European Commission organized many European social economy conferences in Rome, Lisbon, Seville and Brussels.



In 1997, the Social Economy Unit launched the "Third System and Employment" pilot action (1997-2001), with the social economy as the reference sector. The pilot project aimed at exploring and then promoting the role of the social economy in local development and at creating jobs.

In 2006 a Manual for drawing up the Satellite Accounts of Social Enterprises was carried out by social economy enterprises aiming at the statistical recognition of the sector and the mapping of its contribution to national economies (CIRIEC, 2006).

A more substantial action in the context of the social economy took place in April 2011 by the European Commission, with the adoption of the Single Market Act I - SMAI. SMAI is a set of measures to stimulate the European economy and create jobs with an emphasis on social entrepreneurship as a new business model with which, "social concerns override the exclusive goal of economic profit".

An important step is also the Social Business Initiative (SBI) announced in October of the same year. The initiative proposed a short-term action plan to strengthen the role of social enterprises in the single market and support the development of social enterprises. The project consisted of 11 measures or priority actions that were organized around three subjects: (i) facilitating the social enterprises funding; (ii) increasing the visibility of social enterprises; and (iii) improving the legal environment for social enterprises. Within these three subjects, the European Commission has undertaken several actions with particular emphasis on the development of investment mechanisms.

The SMAII which succeeded the SMAI, defined a second set of actions to further develop the single market. The SMAII recognizes the social economy and social enterprises as "key factors in achieving social innovation, participation and trust".

The European Commission is developing a number of studies, both independently and in collaboration with the OECD; publishes practical guides and other reports on social entrepreneurship, and organizes relevant conferences.

The European parliament



In 1994, the European Parliament adopted the resolution on the alternative social economy recognizing the vital, pioneering role of alternative and social economy programs in EU countries.

European Parliament In 2006, the "Report on a European Social Model for the Future" considered the social economy, which includes cooperatives, mutual insurance companies, associations and foundations as one of the cornerstones of the European social model and a factor for growth, sustainability and efficiency in the future.

In 2009 the European Parliament adopted a resolution on the social economy responding to the demands for better integration of the social economy into EU policies and strategies. This resolution recognizes the social economy as a key player in achieving the objectives of the Lisbon strategy, while in 2015, with a new resolution the role of social entrepreneurship and social innovation in the fight against unemployment is emphasized.

The regulations governing the operation of the European Structural Funds for the period 2014-2020 provide for the promotion of the social economy and social entrepreneurship as a specific investment priority (European Commission, 2013).

In December 2013, the European Parliament and the European Council adopted the Regulation on a "European Employment and Social Innovation Program" (EaSI) and a Regulation for amending Decision No 283/2010 / EU to set up a European Progress Microfinance mechanism for Employment and Social Inclusion. With a budget of approximately €920 million, this financial instrument supports the program for microfinancing and social entrepreneurship.

The Council of the European Union

In 2003, the EU Council adopted a regulation on a statute for a European cooperative society to support and facilitate transnational cooperative activities (European Commission, 2013).



In December 2015, the Presidency of the EU Council of Luxembourg organized an expert conference entitled "Strengthening social enterprises in Europe" to examine the ecosystem that is best suited to promoting social innovation and social enterprises. The conferences were completed with the Luxembourg Declaration - a road map towards a more integrated ecosystem for social economy enterprises, signed by the governments of France, Italy, Luxembourg, the Slovak Republic, Slovenia and Spain. The signatories confirm the importance of the social economy as a means of job creation and social innovation and describe various policy recommendations for promoting the social economy within the EU. On the basis of the recommendations of the Luxembourg Declaration, the EU Council endorsed the promotion of the social economy as a key factor in economic and social development in Europe. In this context, it invited EU Member States and the European Commission to establish and develop further European strategies and programs at regional, national and local level to strengthen the social economy in four key areas:

1. Intervention, awareness, recognition and education for the social economy.
2. Strengthening social innovation.
3. Promoting an appropriate regulatory environment.
4. Facilitating access to finance.

European Economic and Social Council

The European Economic and Social Committee (EESC) has helped to promote the social economy within the EU through successive opinions and initiatives since the 1980s.



In 1999, the EESC's first civil society conference at European level highlighted the role of the participatory social model and of the social economy bodies' contribution (European Commission, 2013).

Several EESC's actions include the issuing of various opinions, resolutions and reports (e.g. an opinion "on the external dimension of the social economy" (2017 / C 345/09)) and the organization of conferences and seminars.

The initiatives of the EU institutions are not binding, as they do not have institutional competence. Therefore, the development of the social entrepreneurship depends only on the **Member States**.

1.3 The institutional framework and forms of social entrepreneurship in Greece

1.3.1 Historical review of the institutional framework of Social Entrepreneurship

Law 602/1915	The first structured and institutionalized effort for the development of Social and Solidarity Economy in Greece refers to the cooperative economy with Law 602/1915 and has been particularly developed through the agricultural sector. Law 602/1915 encourages the creation of cooperatives and allows cooperative bodies operating in another legal form to acquire the legal form of the cooperative.
Article 12 of the Constitution of 1975	Article 12 of the Constitution of 1975 provides for the institutional establishment of cooperatives and their differentiation from associations and enterprises.
Law 921/1979	In 1979 the Law 921/1979 is adopted, 1979 providing the creation of the first female cooperatives, which promote local development and culture.
Law 2076/1992	In 1992, a specialized institutional framework for cooperative financial institutions is created (Law 2076/1992), but no overall public policy for Social and Solidarity Economy is established.
Law 2716/1999 (Article 12)	In 1999, the Greek Government adopts the Law 2716/1999 aiming at the de-institutionalization of psychiatric patients through Social Cooperatives of Limited Liability.
Article 741 of the Civil Code	According to the Article 741 of the Civil Code, that NGO is a contract between two or more parties, which are mutually obliged to pursue a common purpose with joint financial contribution.
Law 4019/2011	In 2011, the first law focuses on Social Economy and Social Entrepreneurship is introduced. Law 4019/2011 provides the establishment of the Social Cooperative Enterprise as a new type of enterprise.
Law 4430/2016	In 2016, there was an effort to update the legislation on social economy and social entrepreneurship. Law 4430/2016 provides a new framework for different types of non-profit organizations and enterprises of Social and Solidarity Economy that implement a democratic decision-making system and have a clear collective social impact while at the same time covering social needs offering in this way an alternative to the market.
Law 4542/2018 (Article 12)	Article 12 of Law 4542 that adopted in 2018 modifies the institutional and organizational framework of Social Cooperatives of Limited Liability.
Articles 78 to 106 of the Civil Code	Articles 78 to 106 of the Civil Code provide that associations are non-profit-making.
Article 108 of the Civil Code	Article 108 of the Civil Code defines foundations as entities using their own resources to serve a specific purpose.

1.3.2 Law 4019/2011

Law 4019/2011 “Social and Solidarity Economy and development of its bodies and other Provisions”

In September 2011, with the adoption of the Law 4019 Government Gazette A216 / 30.9.2011 “*Social Economy and Social Entrepreneurship and Other Provisions*”, the first step for the development of social entrepreneurship in Greece, was made. Law 4019/2011 introduced for the first time in Greece the concept of social economy, without, however, standardizing - by restrictive or even indicative criteria - the institutional forms of social economy. It set some provisions, which provided that social economy bodies could be considered as:

- (a) legal persons or associations (without distinct legal personality),
- (b) whose statutory purpose is the pursuit of collective benefits and the general social interests’ services,
- (c) when promoting a specific network of economic, business, productive and social activities.

The law provided for a new form of social enterprise, the Social Cooperative Enterprise, which was divided into three categories based on the main reason for which they were created:

- I. Social Cooperative Enterprise of integration**, where at least 40% of their employees, come from the vulnerable social groups.
- II. Social Cooperative Enterprise of social care**, with the aim to provide health and welfare services to specific population groups.
- III. Social Cooperative Enterprise of general productive purpose**, which included a wide range of activities and goals.

Law 4019/2011 provided for the following:

- ⇒ The registration of the established Social Cooperative Enterprises in the Register of Social Entrepreneurship.
- ⇒ Collective ownership and democratic administration of the Social Cooperative Enterprises, without imposing barriers on the number of founding members.
- ⇒ The distribution of profits only to employees and not to the members of the Social Cooperative Enterprise, who were not employees in it.
- ⇒ No specific initial capital was required.
- ⇒ Membership did not entail any insurance or tax obligations or cut off of welfare or unemployment benefit.
- ⇒ The financial resources may come from the enterprises’ activities, from third party donations and contributions from public bodies.

1.3.3 Law 4430/2016

Law 4430/2016 "Social and Solidarity Economy and development of its bodies and other Provisions"

Five years after the adoption of Law 4019/2011, the Law No. 4430 Government Gazette A205 / 31.10.2016 "*Social and Solidarity Economy and Development of its Bodies and Other Provisions*" is adopted, aiming to improve the previous legislation, seeking to redefine the field as a form of alternative organization of economic activities, and to regulate horizontally the operation of the Social and Solidarity Economy Bodies in the country.

This law provides for adjustments for different types of bodies or enterprises with clear collective and social impact (Social and Solidarity Economy Bodies), which at the same time respond to a social need.

In particular, the law aims to:

- ✓ The clear institutional reconstruction and renewal of the ecosystem of Social and Solidarity Economy with emphasis on the creation of collective and social benefit by the body, and not on the legal form by itself.
- ✓ The dissemination of Social and Solidarity Economy practices in all possible sectors of economic activity, in particular those described in the law as "sustainable development".
- ✓ The strengthening of productive self-management projects and of collective social entrepreneurship, through the promotion of synergies between Social and Solidarity Economy bodies, and also the strengthening of collective consultation, both among bodies and among the governmental institutions and Social and solidarity Economy bodies.

The existing institutional definition of the Social and Solidarity Economy in Greece (Article 2 of Law 4430/2016)

"Social and Solidary Economy" is defined as all economic activities based on an alternative way of organizing relations of production, distribution, consumption and reinvestment, based on the principles of democracy, equality, solidarity, cooperation, and respect for man and the environment.

In short, with the new institutional framework:

- The most critical concepts in the fields of social economy and social entrepreneurship are defined, ensuring the access of stakeholders to the respective institutional framework.
- The procedures for the establishment of the Social and Solidary Economy are simplified.
- Issues related to their operation are clarified and rationalized:
 - a) the obligations of Social and Solidarity Economy bodies (e.g. the voluntary contribution of members and non-members to their activities).

- b) the wage quota of members and non-members.
- c) the state funding, they may receive.
- a series of supportive measures is triggered, such as:
 - I. The ability to conclude contracts with the public sector for projects and studies that are explicitly mentioned in their statutory purposes.
 - II. The grant of the use of immovable public property.
 - III. Tax incentives (Annual Report 2017 & Action Plan for the Development of the Ecosystem of Social and Solidarity Economy 2017-2023).
 - IV. The favorable access of Social and Solidarity Economy bodies in public procurement, through Law 4412/2016 (A147)

Social and Solidarity Economy bodies

According to the provisions of Law 4430/2016, the Social and Solidarity Economy bodies are no longer defined by their legal form, but by their legal status. So, any legal form may be accepted, if it fulfills the criteria set by the law. These criteria are the following:

- business activity in the private market (revenue from public bodies should not exceed 65% of total turnover / turnover into a three-year period),
- democratic decision-making (according to the principle one member-one vote),
- a well-defined social purpose, with profits distributed in favor of collective and social benefits (up to 95% of the annual profit).

Social and Solidarity Economy Bodies (Article 3, Law 4430/2016)

- 1) The **Social Cooperative Enterprises** of Article 14
- 2) The **Social Cooperatives of Limited Liability** of article 12, Law 2716/1999, in addition to the provisions of Law 1667/1986, of Article 12, Law 3842/2010 and of the present Law,
- 3) the **Employees' Cooperatives**, set up by Article 24,
- 4) **any other non-single legal person, having acquired legal personality, such as agricultural cooperatives of Law 4384/2016, Urban Cooperatives of Law 1667/1986, Enterprises of articles 741 of the Civil code, given that the following cumulative conditions are satisfied:**
 - 5) It develops activities of collective and social benefit as defined in par. 2 and 3 of Art.2.
 - 6) It implements a democratic decision-making system, according to the principle of one member-one vote, regardless of the contribution of each member.
 - 7) Its statutes provide for restrictions on its profit distribution as follows:
 - a minimum of 5% is available to form a valuation reserve*
 - up to 35% shall be attributed to the employees, unless two-thirds of the General Assembly members reasonably decide to allocate that proportion to the activities of the item iii,*
 - the rest is allocated to new jobs creating and expanding its productive activity.*
 It applies a convergence system to the payment, in which the maximum net wage may

not exceed more than three times the minimum wage, unless two-thirds of of the General Assembly members decide differently. The obligation under the preceding paragraph also applies to any form of partnership between two or more Social and Solidarity Economy Bodies.

- 8) It aims to strengthen its economic activities and maximize the social benefit through horizontal and equal networking with other actors.
- 9) It has not been established and is not directly or indirectly governed by Legal Entity of Public Law or Local authorities or another public-sector legal entity.

Law 4430/2016 "*Social and Solidary Economy and development of its Bodies and Other Provisions*" introduced a new regulatory framework for Social Cooperative Enterprises (which **replaces the previous provisions of Law 4019/2011, which is no longer in force**), providing in Article 14 that:

"Social Cooperative Enterprises are the urban cooperatives of Law 1667/1986, which have as constitutional purpose the collective and social benefit, as defined in paragraphs 3 and 4 of Article 2, and have legally commercial activity".

According to their specific purpose, **Social Cooperative Enterprises, are divided into the following categories:**

1) **Social Cooperative Enterprises of integration**, which are divided in two sub-categories:

1a. Social Cooperative Enterprises of Integration of Vulnerable Groups, seeking to integrate vulnerable people into the economic and social life. A minimum of 30% of the members and employees of these enterprises belong mandatory in these categories. The participation of persons belonging to Vulnerable Population Groups, which are counted in the above percentage, must be carried out for a certain period of time, which is specified in the Social Cooperative Enterprise Statute. If for any reason this percentage ceases, the Bodie must within three (3) months make the necessary subscriptions of members or recruitment of employees. Otherwise, it is transformed to Social Cooperative Enterprise of collective and productive purpose.

1b. Social Cooperative Enterprises of Special Groups, seeking to integrate people belonging to Special Population Groups into the economic and social life. A minimum of 50% of the members and employees of these enterprises belong mandatory in these categories. The participation to these enterprises of natural persons belonging to the Special Population Groups, which are counted in the above percentage, must be carried out for a certain period of time, which is specified in the articles of Social Cooperative Enterprise. If for any reason the above percentage ceases, the Bodie must within three (3) months make the necessary subscriptions of members or recruitment of employees.

1c. The Social Cooperatives of Limited Liability of article 12, Law 2716/1999 are automatically considered to be Social Cooperative enterprises of Integration.

2) **Social Cooperative enterprises of collective and social benefit**, which develop "sustainable development" activities, or provide "general interest social services".

Other regulations of Law 4430/2016

Members of a Social and Solidary Economy body are not entitled to the distribution of profits. The members of the Civil Cooperatives of Law 1667/1986 (A '196), which have acquired the status of a Social and Solidary body are excluded for the profits resulting from the transactions between the members and the cooperative, which are called surplus. A discrete account is kept for the surplus.

At the same time, the Social and Solidary Economy body is obliged, **from the second year of its operation, to present an annual salary equal to at least 25% of its previous year's turnover**. This obligation concerns the bodies with turnover and grant revenues of the previous year of more than 300% of the annual payroll cost of a full-time employee based on the lowest statutory salary.

1.3.4 Establishment of Social Enterprises in Greece

The establishment of Social Cooperative Enterprise and its affiliation to the provisions of Law 4430/2016 are performed by its registration in the Registry of Social Entrepreneurship, so it acquires legal personality and commercial status.

Establishment of a Social Cooperative Enterprise of Collective and Social Benefit requires the participation of at least five persons, natural or legal, and at least seven persons, in the case of a Social Cooperative Enterprise of Integration.

The **Social Cooperative Enterprise statute** must include:

- ✓ The legal name, headquarters and objective of the Social Cooperative Enterprise. The headquarters is defined by the Municipality in the region of which, the organization has its headquarters. The name of the Social Cooperative Enterprise is defined by its objective and the type of Social Cooperative Enterprise,
- ✓ for natural persons: names, addresses, VAT numbers of the founding members and, respectively, of the legal persons: the name, the head office, the VAT number and the Register number,
- ✓ the conditions of exit and entry of members and the reasons for the expulsion of a member,
- ✓ the extent of the members responsibility,
- ✓ the amount of the cooperative share,
- ✓ τον ορισμό της προσωρινής Διοικούσας Επιτροπής που θα μεριμνήσει για την έγκρισή

του καταστατικού και τη σύγκληση της πρώτης γενικής συνέλευσης για ανάδειξη των οργάνων διοίκησης της Κοιν.Σ.Επ.

- ✓ the appointment of the temporary Administrative Committee to ensure the approval of the statute and the first General Assembly for electing the Social Cooperative Enterprise administrative bodies

The **establishment procedure** is described in detail in M.D. 61621/δ5/2643/30-12-2016 (Government Gazette 56 / B / 2017) and includes the following:

Stage 1st: Submission of registration request

The Social Cooperative Enterprise submits to the Registry of the Social Economy²:

- ❑ The Social Cooperative Enterprise's statute, signed by the founding members.
- ❑ Registration application completed.
- ❑ Declaration of honor, signed separately by each founding member, related to whether or not is there participation in another Social cooperative Enterprise.
- ❑ A declaration of honor for the criterion of employment of at least 40% of people from vulnerable groups.
- ❑ Other relevant supporting documents (where applicable).

The Registry checks the submitted data and proceeds to:

- i. Registration of the Social Cooperative Enterprise in the Registry
- ii. Certificate of Registration which is valid only for the business activity commencement at the tax authority
- iii. Marking of the statute and sending it to the Social Cooperative Enterprise

Stage 2nd: Work registration statement at the Tax Office

The necessary documents that must be submitted to the Tax Office are the following:

- ❑ Statement of taxable person information M7
- ❑ Statement of members of a non-natural person M8 (in the case of legal entities participating in the enterprise)
- ❑ Proceedings of the first Steering Committee
- ❑ Valid and Certified Statute
- ❑ Certificate of registration of the Social Economy Registry
- ❑ Lease of concession for the premises of the company

Stage 3rd: Submission of additional data

The Social Cooperative Enterprise submits:

² Ministry of Labor, Social Security & Social Solidarity, Special Secretariat for Social and Solidarity Economy, Directorate of Social and Solidarity Economy

- ❑ Application for the registration of additional data (exact address of the company's headquarters, the tax authority to which it is affiliated, VAT and Codes of Activity, the annual program of activities and the composition of the Managing Board)
- ❑ The three books for approval, described in the statute
- ❑ Certificate of Work registration statement at the Tax Office
- ❑ The minutes of the first General Assembly
- ❑ Minutes of the Managing Board election

The Registry checks the submitted data and proceeds to:

- ✓ Approval of the request for additional information,
- ✓ Certificate of Registration (valid until the submission of the first Annual Program of Activities, when it is replaced by the Certificate of Registry Member),
- ✓ Minute of the Managing Board election.

Upon completion of the second stage of the Social Cooperative Enterprise registration process in the General Registry of Social Economy (approval of the request for registration of additional data and certificate of Registration), the establishment of the company is completed.

If the supporting documents are incomplete or incorrect, the Department of Registry asks for additional information or corrections to be submitted by the Social Cooperative Enterprise within a specified time. *Deletion of the Social Cooperative Enterprise from the Registry or rejection of the request for registration could be implemented by the Registry.*

1.4 The Bulgarian legal framework on Social Economy

Till the adoption of the *Social and Solidarity-based Enterprises Act No. 240/2018*, there was no relevant legislation referring to the legal form of the social economy organizations in Bulgaria. Nevertheless, laws were enacted to link enterprises with the social economy.

In particular, the historical development of the legal framework for the social economy in Bulgaria is characterized by the following **legal instruments**:

Cooperatives Act of 1999

According to the Cooperatives Act of 1999, cooperatives' primary objective is to serve the mutual interests of their members. Not all cooperatives in Bulgaria have a social or altruistic mission. The main operation of cooperatives is to promote the financial interests and income of their members. Almost any business group has the potential to establish a cooperative in order to protect certain common interests or to develop their activities. In this context, only the cooperatives of people with disabilities may be considered to pursue a social mission³, as they generate social impact through people they employ, especially for people with disabilities.

³ They must have a specific percentage of people with permanent disabilities.

Non-profit Legal Entities (Act of 2000)

The Not-profit Legal Entities Act of 2000 defines two types of non-profit legal entities (NPLEs) - *associations* and *foundations* - and allows them to engage in **economic activity, subject to certain conditions:**

- The economic activity must be **supplementary to the main** non-profit activity;
- The economic activity should be **related to the non-profit objectives** of the entity;
- The scope of the economic activity must be **explicitly stated in its statute;**
- The **economic activity must not be restricted by another legal act;**
- The income from economic activity must be **reinvested for achieving the non-profit objectives of the NPLE** and cannot be distributed in any way.

The **main points** of the Law are as follows:

- ⇒ NPLEs are established to support non-profit purposes and to perform non-profit activity.
- ⇒ The NPLEs are entitled to self-determine their specific non-profit objectives.
- ⇒ Associations – either acting in private or in public benefit - must have a two-level governance structure consisting of one supreme collective body (General Assembly) and one management body (Management Council/Manager). Foundations acting in private benefit should at least have one managing body, while Foundations in public benefit are required to have a two-level governance structure.
- ⇒ Only associations have members that constitute the Supreme Body (General Assembly) and can vote for any decision taken by this body.
- ⇒ The NPLEs can be in liquidation on the expiration of their term, upon a decision of its authorized body and upon a decision of the competent district court.

Cooperatives and specialized enterprises for people with disabilities (Act 81/2004)

The **Law for Integration of People with Disabilities**⁴ is the first approach in the Bulgarian society that regulates the establishment of an enterprise by people with disabilities, aiming to provide conditions and guarantees for:

- **Equality** for people with disabilities;
- **Social integration** and exercising the rights of people with disabilities;
- **Support** to people with disabilities and their families;
- **Integration** of people with disabilities in the working environment.

⁴ Act No 81/2004 came into force on 1 January 2005, http://adapt.it/adapt-indice-a-z/wp-content/uploads/2014/11/DISABILITIES_2005.pdf

Act 81/2004 provides for the establishment of **Cooperatives for People with Disabilities** and introduces the **specific legal form of specialized enterprises and cooperatives for people with disabilities (SEPDs)**.

The main points of Law 81/2004 for **Cooperatives for People with Disabilities** are the following:

- ⇒ To establish a cooperative of people with disabilities, at least seven founders must make initial contributions to the share capital of the cooperative.
- ⇒ Members have shares, but every member only has one vote.
- ⇒ Cooperatives are required to have a Managing Board and a Control Council.
- ⇒ The General Assembly shall meet at least once a year.
- ⇒ Dividends are distributed on paid-up share capital.
- ⇒ It is obligatory for each cooperative member to pay an affiliation fee and a share instalment
- ⇒ A Cooperative can be dissolved by a decision of its General Assembly and the remaining assets on dissolution are, unless the Statute provides otherwise, distributed among the cooperative members in proportion to their share installments

Article 28 of the Law introduced **the specific legal type of specialized enterprises and cooperatives for people with disabilities**, which are defined as legal bodies which:

1. Are registered under the Commercial Act or the Cooperatives Act, as well as the registry of the Agency for People with Disabilities;
2. Produce goods or provide services;
3. Have a relative share of persons with disabilities, in particular:

Specialized enterprises and Cooperatives for	Specialized enterprises and Cooperatives for
Blind people	At least 20%
Deaf people	At least 30%
Other disabilities	At least 50%

The **main points** of Article 28 of Law 81/2004 for **SEPDs** are the following:

- ⇒ SEPDs can be established under one of the following legal forms:
 - limited liability company/single member limited liability company;
 - joint-stock company/stock company with one owner;

- general partnership company;
 - limited partnership by shares;
 - limited partnership;
 - sole traders
- ⇒ There is no legal regulation on the purposes that a SEPD may have.
- ⇒ SEPDs are required to have at least one manager.
- ⇒ Ultimate control of the company rests with the shareholders. The shareholders have the right to vote in the General Assembly and this right is bound with the number of shares.
- ⇒ The members are represented at the meetings of the General Assembly.
- ⇒ Dividends are distributed on paid-up share capital.
- ⇒ SEPDs can attract internal investment by increasing the registered capital.
- ⇒ The SEPD can be dissolved on the expiration of its term, upon decision of the shareholders, through a consolidation or merging with another company, upon being declared bankrupt, upon a decision of the District Court.
- ⇒ The surplus assets and capital are distributed among the shareholders.
- ⇒ The SEPD can convert to a different type of legal form.

Law 240/2018 for Social and Solidarity-based Enterprises

Law 240/2018, passed by the National Assembly on 18 October 2018, and is the latest Bulgarian law on the recognition of social enterprises.



The aim of this law is to promote the development of a social and solidarity economy as a sector of the economy with rules for:

- ✓ Improvement of access to employment and training to acquire or improve professional qualification aimed to raise the living standard of people with disabilities;
- ✓ The creation of conditions for support of the social inclusion and independent lifestyle of people with disabilities;
- ✓ Reduction of social inequality and sustainable territorial development.

Social and solidarity economy is defined as *“a form of entrepreneurship aimed at one or several social activities and/or social goals, including by the production of various goods or the provision of services in cooperation with state or local authorities, or independently”.*

Social and Solidarity Economy is based on the following **principles**:

- Advantage of social before economic goals;
- Association for public and/or collective benefit;
- Publicity and transparency;
- Independence from state authorities;
- Participation of the members, workers or employees in managerial decision-making.

2 Key Issues of Social Enterprise Management

2.1 Basic Strategic Management Concepts

According to Koontz & Weihrich (1990), **Management** is the process of designing and maintaining an environment within which, people, working in groups, effectively achieve the implementation of specific goals.

Strategic Management is the way in which a company's strategic decisions are taken, implemented and evaluated. These strategic decisions are defined by all executives operating at various levels in the enterprise, and are crucial about its course.

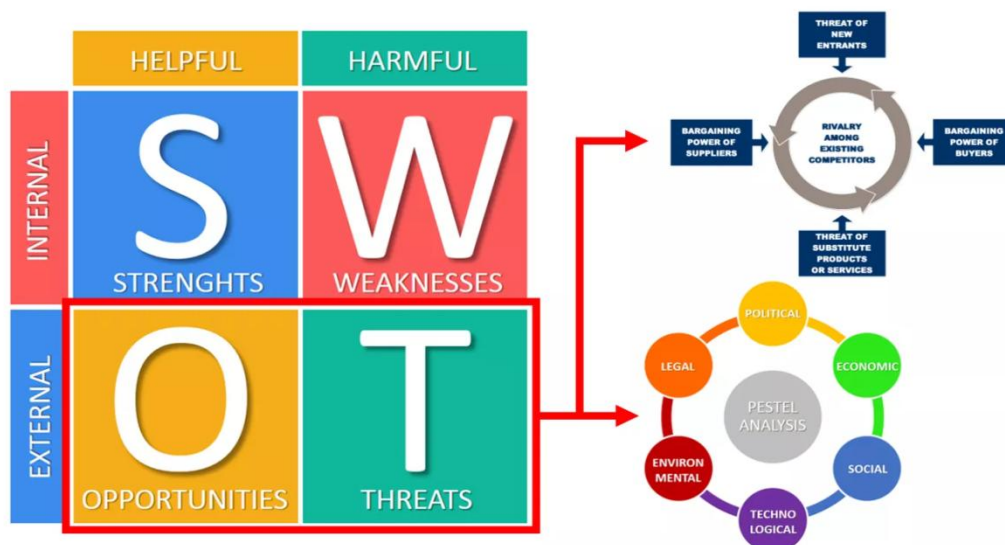
Therefore, strategic management is an important management tool for clarifying the situation in the enterprise's internal and external environment, in order to facilitate the achievement of its objectives.

The first phase of strategic management is to **analyze the business environment** in order to identify:

- ☑ The **opportunities** and **risks** of the **external** environment
- ☑ The **forces** and **weaknesses** of the **internal** environment.

SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), as a tool of strategic planning, is used to identify and describe the strengths and weaknesses within an organization as well as the opportunities and threats that exist in the external environment in which it operates.

Through the evaluation of these factors, the enterprise **understands its position in the market**, and thus can shape its **corporate mission** and its overall **business strategy**.



The business environment that a business operates is divided in both **internal** and **external**.

☑ External Environment

External Environment includes:

- ▶ **Task Environment or Industry:** Refers to the data that directly affect the enterprise.
- ▶ **Societal Environment:** Refers to the data that indirectly affect the enterprise.

For the *analysis of the Task Environment or Industry* of the enterprise, the **Five Forces Porter's Framework model is used**. According to Porter, M. (1979), each organization is primarily concerned for the intensity of competition within the industry in which it belongs (Direct Environment). The level of this intensity depends on the main competitive forces:

- *Industry rivalry.*
- *Bargaining power of suppliers.*
- *Bargain power of buyers.*
- *Threat of new entrants*
- *Threat of substitutes.*

For the *analysis of the Societal Environment* of the enterprise, the use of the **PEST analysis (Political - Economic - Socio - Cultural - Technological)** which is a tool of strategic management planning that describes the political, economic, socio - cultural and technological environment of the enterprise, is common.

☑ Internal Environment

The **internal environment** of the enterprise consists of data that can contribute to its development, such as:

- ❖ the **organizational structure**,
- ❖ the **culture**,
- ❖ **Resources** (physical, financial, human, immaterial).

The **second phase** of strategic management is the formation of the enterprise's strategy, which defines **mission, objectives, strategies, and various policies** that are to be followed.

Business strategy is divided into **three levels**:

- ⇒ **Corporate strategy:** includes the assessment of individual business units and identifies the context of development.
- ⇒ **Business strategy:** refers to the strategy that each business activity will follow to gain a competitive advantage.
- ⇒ **Functional strategy:** aims to achieve the objective of the enterprise combined with more efficient use of available resources (Robbins et al., 2012).

After the **strategy planning**, its implementation is followed, which is the **third phase** of strategic management. The means of implementing the enterprise's strategy are the **Programs**, the **Budgets** and the **Procedures**.

The final phase of the strategy is its **evaluation** and **control**. This process is very important because it ensures the compatibility of the enterprise's activities with the chosen strategy. If problems are identified at this stage, then the decisions and actions of the enterprise are redefined. It is worth noting that the control should be carried out at regular intervals to avoid any problems.

2.2 Organizational Structure of Social Enterprises and Introduction to Business Administration Principles

2.2.1 Human Resources Management in Social Enterprises

❖ Greece

Law 4430/2016 "Social and Solidary Economy and development of its Bodies and Other Provisions" introduced a new regulatory framework for Social Cooperative Enterprises which replaces the previous provisions of Law 4019/2011, which is no longer in force. According to this law, social enterprises are obliged to manage their human resources in a specific way.

In particular, the Social Cooperative Enterprises may have **working** and **non-working members** as well as **working non-members** who do not exceed the 40% of all their employees. There is also the possibility of using volunteers and non-workers whose employment **cannot exceed 16 hours per week**.

Additionally, **depending on the category** to which each Social Cooperative Enterprise belongs, it should have a specific number of members from specific population categories:

- In **Social Cooperative Enterprises of Integration of Vulnerable Groups**, a minimum of 30% of the members and employees of these enterprises belong mandatory in these categories. If for any reason this percentage ceases, the Body must within three (3) months make the necessary subscriptions of members or recruitment of employees. Otherwise, it is transformed to Social Cooperative Enterprise of collective and productive purpose.
- In **Social Cooperative Enterprises of Special Groups**, a minimum of 50% of the members and employees of these enterprises belong mandatory in these categories. If for any reason the above percentage ceases, the Body must within three (3) months make the necessary subscriptions of members or recruitment of employees.

Another specificity related to the management of human resources in social enterprises according to Law 4430/2016, is that the non-working members of a Social and Solidarity Economy body **are not entitled to the distribution of profits**.

The members of the **Civil Cooperatives of Law 1667/1986 (A '196)**, which have acquired the status of a Social and Solidary body **are excluded** for the profits resulting from the transactions between the members and the cooperative, which are called surplus.

At the same time, the Social and Solidary Economy body is obliged, from the second year of its operation, to present an **annual salary equal to at least 25%** of its previous year's turnover. This obligation concerns the bodies with turnover and grant revenues of the previous year of **more than 300%** of the annual payroll cost of a full-time employee based on the lowest statutory salary.

❖ Bulgaria

In Bulgaria the human resources management in social enterprises presents specificities, unlike with the other types of enterprises.

Social enterprises in Bulgaria are categorized in **two types: Class A and Class A+**.

In a **Class A social enterprise**, at least **30%** of its employees (and at least three people) should be⁵:

- ⇒ people with permanent disabilities;
- ⇒ long-term unemployed eligible to receive monthly social aid according to the Social Assistance Act and the Rules of Implementation thereof;
- ⇒ persons under 29 years of age without previous professional experience;
- ⇒ persons accommodated outside their families under the procedure of Article 26 of the Child Protection Act, including after their accommodation has ended;
- ⇒ unemployed persons over 55 registered at the Labor Exchange Directorate;
- ⇒ persons raising children with permanent disabilities and receiving aid pursuant to Article 8e of the Family Allowances for Children Act;
- ⇒ persons who have served a prison sentence for a period of no less than 5 years where their penalty has expired in the last three years after employment;
- ⇒ persons with alcohol or drug addiction who have successfully completed treatment or a psycho-social rehabilitation programme in the last two years prior to appointment to a job, which is attested by a document issued by the persons where the treatment of psych-social rehabilitation occurred;
- ⇒ homeless persons in the sense referred to by section 1 of § 1 of the Supplementary Provisions;
- ⇒ aliens who have been granted asylum in the Republic of Bulgaria under the procedure of the Asylum and Refugees Act in the last three years after employment;
- ⇒ persons who have been granted special protection status under the procedure provided by the Fight against Human Trafficking Act;
- ⇒ persons victims of domestic violence in the sense referred to by the Protection from Domestic Violence Act.

In **Class A+ social enterprise**, at least **30 employees** should belong to one of the above specific categories of Class A social enterprise, and should have worked for the past six months in the social enterprise.

⁵ point 4 of art. 7 of Social and Solidarity-based Enterprises Act No. 240/2018

Furthermore, the following apply to the human resources management in social enterprises:

- ⇒ **Foundations acting in private benefit** should at least have one managing body.
- ⇒ **Foundations acting in public benefit** are required to have a **two-level governance structure** consisting of one supreme collective body (Board of Trustees) and one managing body (collective or not).
- ⇒ **Only associations have members.** The members form the Supreme body (General Assembly) and they can vote for any decision that should be taken by that body.
- ⇒ Associations are required to have **Management Board** and **Audit Board**.
- ⇒ Specialized enterprises for people with disabilities are required to have at least one **manager**. They are also able to appoint a supervisor to oversee the management of the company. The manager/s and the supervisor/s of the company are appointed/removed by the General Assembly.

2.2.2 Business ethics in the social economy

Business ethics is a general culture that should be disseminated through practices in the enterprise's internal environment, namely to the working force, and subsequently manifests itself in the external environment as business ethics concerns both natural, legal persons and the environment.

In the era of sustainable development, climate change and environmental degradation, the need to apply business ethics becomes major, as it produces a number of advantages stemming from the application of the Business Ethics principles to the workplace and the natural environment. These advantages are as follows:

- ⇒ Development of a climate of confidence and meritocracy among employees.
- ⇒ Strengthening relationships between the company and its customers and suppliers.
- ⇒ Enhancement of corporate culture.
- ⇒ Protection and maintenance of corporate reputation.
- ⇒ Volunteering promotion.
- ⇒ Contribution to sustainable development.
- ⇒ Assessment of Social Responsibility.
- ⇒ Acquisition of credibility as regards shareholders.

The economic crisis has resulted a number of challenges that enterprises must face, given that maximizing profits, while at the same time disregarding social problems, will test social cohesion and the enterprise's sustainability and development.

The two axes of Business Ethics are **Corporate Governance** and **Corporate Social Responsibility**. Corporate Governance, together with Corporate Social Responsibility and Sustainable Development, are the three pillars of modern entrepreneurship that aims at sustainability for any business with the goal to grow on solid social ground.

The Organization for Economic Cooperation and Development (OECD)⁶ defines **corporate governance** as the system by which enterprises are controlled and rights and obligations among the Management Board, senior executives, shareholders and other stakeholders such as employees, suppliers and customers, are specified. Moreover, corporate governance defines the company's structure, and the strategy to be followed in order to achieve the objectives. It also identifies the risks and how to manage them, and gives the opportunity to the stakeholders to monitor the performance of the management body.

Corporate Social Responsibility refers to the ethical behavior of an enterprise in relation to society. Because of the complexity of this concept, there is no commonly accepted definition, although it is widely used in public debate internationally. The differentiation of the definitions is linked to the philosophy, the level of development of each country and the priorities that exist in the various regions, resulting that various bodies have formulated their own definitions.

Social enterprises are bodies integrating the principles of ethical entrepreneurship and their main statutory purpose is the pursuit of collective benefits and the serving of general social interests.

In particular, through the following targets, social enterprises **serve to a significant extent the concept of business ethics**:

- ⇒ Local and sustainable development.
- ⇒ Social inclusion: Creating jobs and promoting entrepreneurship among vulnerable population groups.
- ⇒ Prevention of social inequalities.
- ⇒ Strengthening of the social fabric / cohesion / solidarity and social capital empowerment.
- ⇒ Development of democratic and participatory structures.
- ⇒ Priority to people and labor and not to capital / profit.

2.3 Tax and insurance issues

2.3.1 Tax and insurance issues in Greece

❖ **Tax obligations**

According to Law 4430/2016 Social Cooperative enterprises have **the same tax obligations** with any private entities in Greece, regardless of their social nature. They are obliged to issue the documents defined by the Transaction Tax Reporting Code, to keep records of all transactions and be subject to income tax.

Social cooperative enterprises have the same tax obligations (income tax, VAT reimbursement, etc.) as any other private entities. The enterprises' profits are taxed at a

⁶ <http://www.oecd.org/>

rate of 29% and can apply a single-entry or double-entry bookkeeping system depending on their gross revenue.

Regarding the tax obligations and exemptions related to their members' subscriptions, social enterprises must issue proof of receipt and do not pay tax. Moreover, donations and sponsorships received, are not subject to taxation. They are also exempted from VAT for income that derives from occasional events when they organize them for their financial support, provided that these events do not exceed two per year and there is a written permission from the competent tax authority.

With the new tax Law 4110/2013, the exemption of the Social Cooperative Enterprise from taxation on the percentage of its profits made available for the formation of a reserve and its activities, is abolished. With this new regulation, Social Cooperative Enterprises are taxed **for all profits without any exemption.**

A **withholding tax** is applied to the **distribution of profits** to employees, as well as for any other **legal entities** under Article 101 of the Income Tax Code. The profits distributed to the employees of the Social Cooperative Enterprise are added to their salary and taxed in accordance with the applicable **tax rate for natural person income.**

The way of profit distribution of Social Cooperative Enterprises is as follows⁷:

- 5% for tactical reserve
- **Up to 35%** to employees
- **The rest mandatorily remains** to the Social Cooperative Enterprises to achieve its objectives.

The annual business tax is set at € 500. During their first 5 years of operation Social Cooperative Enterprises are exempted from the payment of the business tax.

It should be noted that both at European and national level the relevant provisions and legislation, reinforce social enterprises and social economy bodies by offering institutional advantages, which provide incentives for establishing social enterprises, through the formation of a friendly tax environment, the financial support and the creation of investment tools and funds.

The main reason for creating this special tax regime is the understanding that the social enterprise is a social and solidarity economy body, with main aim to resolve social problems, support weak social groups, distribute profits and create jobs.

❖ **Insurance Obligations**

According to Law 4430/2016, the members of the Social Cooperative Enterprise may also be employees with an employment relationship.

Employees in Social cooperative Enterprises are paid for their services and have all the rights and obligations arising from labor and insurance legislation⁸. The Social Cooperative

⁷ Article 21, Law 4430/16

Enterprise is obliged to pay to social security organizations all the legal social security contribution.

Members of the Social Cooperative Enterprise are not required to be insured only with the cause of participation to the social enterprise (Circular 49/16-10-2012). Members can offer their services "without charging" and without insurance obligations for themselves and the enterprise under the Article 713 of the Civil Code (Article 17 par. 9 of Law 4430/16).

Moreover, the Management Board members are not obliged to have "special insurance scheme" due to representation of the Social Cooperative Enterprise.

The number of employees (non-members) of Social Cooperative Enterprise **may not exceed 40% of all employees**. This percentage may be **increased up to 50% of the total percentage of the employees** of the Social Cooperative Enterprise, if there is a decision of the Registry Department after a request from the Social Cooperative Enterprise to deal with exceptional seasonal needs for a period not exceeding six (6) months per year⁹.

Also, for the first time Law 4430/2016 provides the opportunity to use volunteers and non-workers, but the employment cannot exceed 16 hours a week. In this case there is an obligation to be concluded a contract of employment between the individual and the Social Cooperative Enterprise, which clearly describes the service provided.

A Social Cooperative Enterprise **must keep a Volunteer Registry**, in which volunteers-nonmembers who support its actions are recorded. Moreover, a Social Cooperative Enterprise has no insurance obligations towards volunteers-nonmembers, provided that voluntary actions do not **generate revenues** and **are pre-decided** by the Management Board of the Body.

2.3.2 Tax and insurance issues in Bulgaria

❖ Tax obligations

In Bulgaria, tax obligations and charges, tax reliefs and tax status of legal persons, including social enterprises, are regulated by the rules of **Corporate Income Tax Act**.

According to the above Act the profits of all domestic and foreign legal entities whose activities are concentrated in Bulgaria are taxed in accordance with Bulgarian tax legislation. The rate of income tax **is 10%** and it is a single tax for all enterprises.

The different types of taxpayers refer to all **domestic and foreign legal persons** whose main activity is in Bulgaria or their income derives **from a source in Bulgaria**. In addition, foreign and independent entities engaged in an **independent business activity** are subject to taxation, provided that the owner of the income cannot be identified.

However, there are **different rules** referring to the taxation of domestic and foreign legal entities. **Domestic legal entities** are taxed on profits from domestic and foreign sources, while **foreign legal entities** are taxed on profits related to their activities in Bulgaria. The

⁸ Article 17 par. 8, Law 4430/16

⁹ Article 18, Law 4430/16

taxable income is declared until 31 March of the following year and the corporate tax in Bulgaria is annual.

The law provides for the payment of **two types of advance tax payments**: monthly and quarterly advances payments. Exempted enterprises from advance tax payments are the following:

- Enterprises whose net income from sales for the previous year does not exceed 300,000 Bulgarian Leva.
- Established enterprises, other than those created as a result of a modification in their legal status, under the Commerce Act (CA).

Moreover, concerning the **social cooperative enterprises**, there are two legal acts that are of particular importance with regard to the taxes and duties of the cooperative - both the Cooperatives Act and the Corporate Income Tax Act

According to Article 35 of the Cooperatives Act: "Cooperatives **are not subject** to taxes for their establishment, reorganization, termination and liquidation". Under the Corporate Income Tax Act, certain types of cooperatives (mainly agricultural) **are partially exempt** from business taxation - 60% of the tax / tax is 10% of the annual corporate income. There is also income tax **exemption** for enterprises employing people with disabilities. This tax incentive consists of the exemption from income tax of legal persons, specialized enterprises or cooperatives, within the context of the Law on the Integration of **People with Disabilities**.

These tax reliefs are an indication of state support for cooperatives, with a **clear social incentive**. This favorable tax regime helps them to be competitive on the market and focus on other key issues such as ownership issues, production costs, product placement, etc.

❖ **Insurance Obligations**

The Bulgarian social security system covers all the risks that can affect the health of the individual, such as accidents at work and their consequences, illness, unemployment, aging and the need for nursing care¹⁰. The Bulgarian social security system covers all the above risks for all types of enterprises, including social cooperatives.

The general principle is that every employee is automatically **required to be insured**¹¹. One of the characteristics of the employer-employee's relationship is that the employer is the economically powerful part, with the employees depending on him. The employer is required to report the conclusion of the employment contract within three days to the competent tax office. In addition, the employer must pay the social security contributions by the 25th of the following month (Article 7, par. 1 of the Social Insurance Code).

¹⁰ The Bulgarian social security system covers the following risks: General illness, accidents at work, occupational illness, maternity, unemployment, aging, death.

¹¹ <http://www.bulgaria-labour-law.bg/social-security.html>

- ⇒ **“Insured person”** is a person who carries out an occupational activity for which he is subject to compulsory insurance in accordance with Articles 4 and 4a, par.1 of the Social Insurance Code.
- ⇒ **“Contributor”** is any natural or legal person, as well as other organizations legally obliged to pay social security contributions for other persons.

The State contributes to the social security contributions through money transfers to the Pension Fund with a fixed amount and in accordance with the procedure defined to Article 21 of the Social Insurance Code (money transfers from the state budget amounting to 12% of the total income from the insurance of all insured persons for a year).

Basic Social Security is 17,3% of gross salary, pension insurance is 5% of the gross salary, health insurance is 8% of the gross salary. The employer must pay 60% of the insurance contributions and the employee the remaining 40%. In addition, the employer must bear the cost of professional accident insurance ranging between 0,4% and 1,1% of the gross salary, depending on the job.

Employee’s social security contributions are calculated according to the gross monthly salary or the gross unpaid labor salary for one month (Article 6, par. 3 of the Insurance Code)¹².

With regard to grants or incentives available for employment, they are categorized based on various criteria (e.g. employment of persons under 29 or over 50, permanently unemployed, unemployed with permanent disabilities) taking the form of state grants. Grants may cover both the monthly pay installments and the social security payable by the employer for up to 12 months.

Each year, the National Action Plan for Employment determines the amount of funds distributed in the context of programs and measures to promote employment.

Thus, employers who employ special categories of unemployed for at least 12 months (for example, workers over 50 with reduced working capacity) are entitled to a tax exemption until the end of these twelve months of employment¹³.

2.4 Financial management – Microcredit exploitation



According to Solomon and Pringle (1997), **Financial Management** refers to the efficient use of significant financial resources, especially investment funds. This definition focuses on the efficient and optimal use of limited funding resources. On the other hand, Weston and Brigham (1979) define Financial Management, based on the operations and responsibilities of financial managers which

¹² <http://www.bulgaria-labour-law.bg/social-security.html>

¹³ [https://uk.practicallaw.thomsonreuters.com/8-503-3652?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&comp=pluk&bhcp=1](https://uk.practicallaw.thomsonreuters.com/8-503-3652?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1)

focus on “designing, acquisition and use of funds in ways that maximize the efficiency of each organization / enterprise operations”.

The management of enterprises’ financial resources focuses on the following:

- ✓ **Minimization of working capital**, through direct collection of debts, correct use of the method of discount in case of direct payment, etc.
- ✓ **Investing short-term cash equivalents** in good private placement programs that can give high returns.
- ✓ **Risk management** of exchange rates.
- ✓ **Minimization of borrowing costs** through cash-flow forecasting, through the use of future sale contracts, and selection of the best lending instruments, etc.
- ✓ **Minimize bank charges**. Through a periodic cost and benefit analysis of various banking services, a review of banking services quality, and renegotiation of loan terms, etc.

Proper financial management acts as a shield for small and medium-sized enterprises in the middle of a recession and is a crucial factor for its growth.

Dobbs et al (2002) concluded that enterprises operating with a low financial leverage index can cope better with periods of recession. In the short term, enterprises should focus on reducing the risks they face and increasing their sustainability. This requires proper liquidity management and control of the "Break Even Point".

The main strategies that an enterprise can follow to secure and / or improve its financial position are as follows:

❖ **Strengthening liquidity**

Liquidity sufficiency is one of the most important problems faced by small and medium-sized enterprises during an economic crisis. Liquidity disruption occurs when the enterprise is unable either to meet its financial obligations or to collect accounts receivables.

To **deal with liquidity problems**, enterprises must follow the following steps:

1. **Record the current financial situation**. It is necessary to record all assets (buildings, machinery, cars, stocks, etc.) and to prioritize future receipts and payments.
2. **Strategic Planning** for the definition of long-term and short-term goals, as well as the prioritization of any problems that have arisen.
3. **Find and record funds to meet their financial obligations**. In case of failure to cover payments, sale of liquid assets.
4. **Efficient management of accounts receivables**. In order for the enterprise to minimize the revenue collection period, it can rely on two pillars: **(a)** incentives through discounts; and **(b)** negotiation with its customers. Customers’ credit monitoring system contributes to a clearer outline of their trading profile and more effective credit risk management.

5. **Addressing liabilities and payments.** Negotiating with creditors and listing the problems faced by the enterprise is the best strategy. It is necessary that the suppliers understand that a possible cessation of enterprise's activity runs the risk of not collecting their accounts receivables.
6. **Negotiating borrowing terms and lengthening of the repayment time of debt obligations** by reducing the amount of the installments, creating liquidity.
7. **Searching for ways to raise revenue.** This effort should be combined with other growth and marketing strategies. Price reductions should be done with caution especially in the case of goods with inelastic demand.
8. **Partnerships with enterprises of similar or different sector.** These partnerships, may lead to mergers or acquisitions, improve enterprise's liquidity, but also in other fields like increasing its sales and know-how, etc.
9. **Verticalization forward and backward**, in order to reduce the costs of suppliers and intermediaries but also to create liquidity.
10. **Review and reduction of reserves at all stages of the production process.** This will create liquidity and reduce storage cost.

❖ Cost reduction

One of the first steps taken by enterprises in time of recession is the **cost reduction**.

Although redefining and reducing operating costs are necessary and contribute to enterprise's financial situation, it is necessary to be targeted and careful.

For example, **employees' dismissal** does not always provide a solution to the problem, as trained staff is essentially property of the business and dismissal should be the ultimate step for enterprises, especially in the service sector.

It is necessary for enterprises to use their staff in the best possible way and motivate them to express their ideas to better serve the customer. Open processes, mutual trust and participation in problem solving enhance employee performance.

Only when there is a stable working environment and employees feel like owners of the enterprise, then **the long-term growth and further development of the enterprise are ensured**.

Otherwise, employees' performance is limited and business growth is **steadily declining**. Considering that employees are also consumers, if all enterprises reduce their workforce, total consumption expenditure will be reduced and then consumption will be also reduced, companies' sales as well, and that will lead to more and more employees' dismissal.

Reducing the cost related to development and promotion issues, can further exacerbate the enterprise's problems. Growth will bring revenue. After all, when in times of economic crisis, some enterprises stop their promotion, there is an opportunity for others to make their presence more visible in the market. In addition, ways to promote technology-related and low-cost products, are offered.

In general, cost reduction can be achieved by:

1. **Simplification of products.** Any enterprise should focus on the products that produce added value. If there is a sharp downturn in all its products, it is needed to look for new products that meet the market needs.
2. **Simplifying and reorganizing** enterprise's structure and internal processes.
3. **Outsourcing.**
4. **Reduction of operating costs**, through flexible forms of work, rent renegotiation, reduction of administrative costs, etc.
5. **Converting the variable cost to fixed cost**, where possible.

In any case, costs reduction should not degrade the quality of the products and services offered and adversely affect business operations.

In order for enterprises to be prepared to deal with economic crises, part of their strategy should be to **carry out "what if" scenarios**, so that they are ready to defend themselves in times of economic recession.

2.4.1 Microcredit Exploitation

In today's economic situation, the crucial role of small and medium-sized enterprises as drivers for the recovery of the economy, both locally and at European level, seems to be commonly accepted. So, as a result the European Union, the Member States and the major European financial institutions are focusing on policies, resources and efforts aiming at strengthening small and medium-sized enterprises through micro-credit.

Alternative funding types, such as microcredit, are now established as a useful tool in the operational support of small and medium-sized enterprises, including the social ones. In addition, they create a window of opportunity for enterprises that do not have access to traditional funding types (bank borrowing).



The **European Commission** designed and launched through the European Investment Fund in 2010, the European Progress Microfinance Facility which is part of the EaSI Programme. The EaSI programme, which is managed directly by the European Commission, brought together three distinct European Union programmes (PROGRESS, EURES and Progress Microfinance Facility).

In particular, the **European Progress Microfinance Facility**, established in 2010, increases the availability of micro-credit, i.e. small loans of less than €25,000, for the establishment or expansion of small enterprises.

This mechanism does not directly finance entrepreneurs, but gives the opportunity to micro-credit providers in the European Union to increase the amounts they borrow with the following actions:

- ✓ It provides guarantees to microfinance providers, and therefore, there is a joint undertaking of risk.
- ✓ It increases the amounts available for micro-loans.

Micro-credit providers may be private or public banks, non-bank micro-credit institutions and non-profit organizations. The conditions for granting micro-loans to entrepreneurs, i.e. the amount, the duration, the interest rate, the expenses and the payment period for a loan, depend on the individual micro-credit provider.

For the programming period 2021-2027, a consolidation of all European Union financial instruments to a unique European Fund, is planned (InvestEu).

In Greece, microcredit was the last of a series of financing tools approved for the 2014-2020 NSRF budget. Micro-credit, with the current data in Greece, refers to **loans up to €25,000**, with interest rate below that of other European countries (the three-month Euribor interest rate 7% and 0.60 special levy) and with amortization payments depreciation, **without grace period and 4-year duration**. It is worth noting that no physical collateral is required, but only the provision of personal guarantees by the bodies or natural persons of the company.

In addition, in Greece, unlike in other European Union countries, credit institutions are the banks, with Cooperative Banks having the biggest share.

A typical example is the **NGO AFI (Action Finance Initiative)**, which aims to promote microfinance in Greece and its mission is to:



AFI
Action Finance Initiative

- ✓ **Introduce** microcredit in Greece in order to combat social and economic exclusion and help the unemployed to create their own jobs.
- ✓ **Educate and consult** micro-entrepreneurs and unemployed.
- ✓ **Restore** the basic principles of the social economy.
- ✓ **Improve** the legal and institutional environment of self-employment.

AFI provides access to funding with micro-credits to potential entrepreneurs who do not have access to the necessary funds. At the same time, it helps start-ups and / or existing enterprises, by providing free education and support. In particular, it provides **micro-loans up to €12,500** regardless of activity, level of innovation and type of investment. The geographical range of the funding extends to the **prefectures of Attica, Boeotia, Evia, Corinth, and Crete**.

AFI's founding partners are **ActionAid Hellas**¹⁴ and the French organization **ADIE**¹⁵, while AFI's bank partner is the **Pancretan Cooperative Bank**¹⁶.

¹⁴ <http://www.actionaid.gr/>

¹⁵ <https://www.adie.org/>

¹⁶ <https://www.pancretabank.gr/>

Through support for entrepreneurship, AFI promotes self-employment, reduces unemployment and helps entrepreneurs to achieve economic independence, and as a result, entrepreneurs offer social and economic support to Greek society as well.

Legislative adoption of a specific regulatory framework by the Ministry of Economy and Development is in the final preparatory phase and provides for the creation of a Microfinance Fund, where funding will be provided by Special Purpose Entities (micro-credit providers) supervised by their Bank. At present, these entities limit their services to counseling, information, collection of supporting documents, etc.

In Bulgaria there is the funding tool "**Small credit at common risk**" the budget of which amounts to 53 million Leva of Bulgaria and is the main micro-credit access mechanism for local enterprises.

This financial instrument is managed by the **Microfinancing Institution EAD** in Bulgaria, which provides loans to intermediaries, which it is possible to extend at zero interest rate under certain conditions. The amount of individual micro-credits ranges **from 5,000 to 48,895 leva in Bulgaria**. The loans are intended for the establishment or exploitation of existing social enterprises.

2.5 Business networking - Partnerships

According to international literature, **business networking** can be a crucial factor for the survival of enterprises in the modern competitive business environment, providing the potential to acquire knowledge and develop business relationships with other organizations and enterprises.

Participation in **networks** is crucial for the survival of a business in the modern business environment, in order to acquire knowledge and develop business relationships with other organizations and enterprises. (Hakansson & Snehota, 2006; Ricciardi, 2014).

Partnership (business networking) is a **business strategy** that enterprises implement to address the growing competition of the globalized market.

The basic prerequisites for **developing a smooth co-operation** among enterprises of a network are as follows:

- ⇒ Joint programming.
- ⇒ Exchange of information.
- ⇒ Terms of cooperation based on the preferences of the consumer.
- ⇒ Long-term cooperation and trust between the parties.
- ⇒ Fair sharing of risk and benefits.
- ⇒ Common vision and corporate culture.



The main reason for the failure of a strategic partnership stems from the persistence of several enterprises **to rely on the principle of competition**. Consequently, collaborating enterprises need to demonstrate confidence and commitment in advance, so that their partners behave accordingly in such a way that both efficiency and effectiveness are made possible (Ritter et al., 2004; Gronroos, 2004; Lambe et al., 2008; Hoang & Yi, 2015).

Business collaboration is achieved through networking that leads to strategic interactions among enterprises as they strive to achieve common objectives, thereby gaining mutual benefits.

The **joint creation of value** through collaboration is achieved by the joint use of **supplementary resources and abilities**.

The **key features** of business networks are identified in the following (Halinen & Tornroos, 2005; Moller & Rajala, 2007):

- **Joint strategy:** *Network members must have a common strategic goal. Business networks' objective is the sustainability and profitability of their members, as well as tackling competition.*
- **Basic skills:** *Any business participating in a business network, depending on its expertise and skills, can contribute to the increase of the added value in the final product.*
- **Clear agreement:** *The type of agreement can be determined by a formal and strict contract or an informal oral agreement.*
- **Trust:** *A basic prerequisite for cooperation is the development of mutual trust among enterprises. In particular, there should be a belief that any business moves or actions are carried out in the context of the common interest, which are not opposed to the 'individual' interest.*



The main types of business networks include **vertical networks**, **horizontal networks** and **complementary networks**.

In Vertical Networks, members develop specialization in specific areas of the production chain. These networks are based on input-output relations where each member develops a specific expertise in its field, aiming at the efficient production and distribution of a particular product category to the final markets.

On the other hand, **Horizontal Networks** include enterprises that produce same or similar products and compete with each other. They are usually created, aiming at joint promotion, research and development of new products, joint procurement of raw materials, etc.

In addition, **Complementary Networks** consist of enterprises that do not compete with each other, and are not linked by a common production chain. Typically, they are organized to produce integrated packages in order to promote common interests of different business sectors.

Indicatively, some types of networks are the following:

- **Vertical supply alliances, vertical market networks, or value-adding partnerships.**
- **Co-marketing alliances.**
- **Intra-industry strategic alliances.**
- **Inter-industry strategic alliances, or intermarket network.**
- **Internal market network, or “deconstructed firm”.**
- **Opportunity network or “virtual corporation”.**
- **Intra-national and International.**

The areas where there is a strong growth in social enterprises are: *Social care / assistance, targeted health services, education, vocational training, supplementary learning courses, social inclusion, social housing, environmental protection (recycling, energy saving), agricultural production, nutrition, moral and / or solidarity trade, transportation, social tourism, cultural heritage protection, etc.*

Indicatively, it is reported that in Greece, according to Law 3852/2010, Social Cooperative Enterprises **may participate** in:

- ✚ **Networks with other social enterprises:** *e.g. Social Cooperative Enterprises’ Network (<http://koinsep.org/>), OMIKRON Programme (<http://omikronproject.gr/>), Social Economy Institute (<http://socialeconomy.institute/>), IMPACT HUB (<http://www.impacthub.net/>), ASHOKA (<https://www.ashoka.org/>), <http://greece.ashoka.org/>).*
- ✚ **Upper Social Cooperatives:** *e.g. Panhellenic Association of Social Cooperatives Enterprises (PoKoinSEp), Panhellenic Association of Social Cooperatives of Limited Liability (<http://pokoispe.gr/>)*
- ✚ **Contracts with the public sector:** *e.g. Municipalities, Regions, Municipality Associations, Regional Associations of Municipalities, Central Union of Municipalities of Greece and Union of Regions, legal entities of public law, etc.*
- ✚ **Development Partnerships** for Operational Programme Actions, which include partners such as: legal entities of public law, local authorities and their public utility companies, public organizations and enterprises, development companies of Law 3852/2010 and Law 3463/2006, legal entities of private law (profit and non-profit), trade unions of employees and employers.

Undoubtedly, business networking can **bring multiple benefits** in social enterprises which are summarized as follows:

- ✚ **Timely access** to up-to-date market information, that contributes to business adaption to the changing business environment.
- ✚ The **acquisition of technological knowledge**, that contributes to the monitoring of technological progress and the introduction of innovation in products / services as well as in production or management processes.

- ✚ **Searching for and raising capital**, through partnerships, that contributes to the enterprise's sustainability and development through the exploitation of business opportunities

2.6 Methods for investment evaluation

The social footprint of social enterprises is directly linked to the provision of social services of general interest and to sustainable development. In particular, social enterprises' activities are expected to have a social impact that will result from the following actions (Kalimeri, E. 2016):

- ☒ Protection and restoration of the natural environment and biodiversity.
- ☒ Sustainable agriculture and livestock farming, which emphasizes the conservation and dissemination of threatened local traditional varieties or "races" and the prevention of penetration of genetically modified organisms.
- ☒ Local and regional supported farming or livestock farming, which contributes to the development of trade relations between producers and consumers, and enhances the accessibility to basic necessities, especially of the poorest population groups, through their direct distribution.
- ☒ Fair trade.
- ☒ Production, processing, promotion and conservation of the productive or cultural heritage.
- ☒ Generation of collective and social benefit at economic, environmental and social level.

2.6.1 Method of Measuring Social Return on Investment

The methodology of **Social Return on Investment (SROI)** measures the **social, environmental and economic value** of a project / programme.

Social Return on Investment (SROI) is considered as a framework for measuring and calculating the value created or lost due to an enterprise's activities, where the value concept is much wider than the one that is reflected from market prices.

It differs from other methods because it takes into account the experiences of those that are involved in this project and provides the framework to attribute monetary value to **non-marketable goods** such as **quality of life, well-being, interpersonal relationships**, etc.

SROI methodology can be used by **non-profit and social enterprises** of public and private, sector, regardless of their size, including both young and experienced people.

Social enterprises can use SROI as a management tool for:

- ✚ Improving performance.
- ✚ Updating of expenditure.

- ✚ The emergence of added value.
- ✚ The analysis of value arising from commercial activities.

SROI is based on **seven principles**:

1. **Direct involvement of all stakeholders:** *Provide information to all stakeholders¹⁷ about anything that can be measured and how it can be calculated and evaluated, as well as ensuring their direct participation.*
2. **Understanding the theory of change:** *Specification of the way that the change is triggered and evaluation through evidence, by recognizing positive and negative changes, as well as those that occur either deliberately or inadvertently.*
3. **Book value in matters of importance:** *Use of financial terms so that the value of the results can be recognized. Many results are not traded on markets and therefore their value is not recognized.*
4. **Selection of important results:** *Definition of the information and evidence that should be included in the reports in order to promote a true and fair view, so that interested parties can come into reasonable conclusions about the expected implication.*
5. **Avoid excessive claims on results:** *Claiming only the values that were created by organizations.*
6. **Transparency:** *Proof of the basis on which the analysis can be considered accurate and honest and to be reported and discussed with all interested parties.*
7. **Verification of results:** *Ensure proper, independent assurance.*

Social enterprises can be benefited greatly from methods such as measuring of Social Return, as they have the ability to:

- Facilitate** their strategic discussions by understanding and maximizing the social value of a project.
- Illustrate** effectively the social impact created by the project, by improving their image.
- Increase** funding opportunities by providing reliable data on their actions.
- Understand** the impact that has been created on all interested parties to make their operations more efficient.
- Identify** potential weaknesses in order to make strategic planning effective.
- Strengthen** monitoring and management systems to achieve optimal allocation of limited resources.

¹⁷ Stakeholders are the environment (direct and indirect), which interacts with the enterprise and is interested in its activities. Stakeholders are those individuals, or groups of individuals who expect an organization to fulfill its objectives, and to those individuals the organization relies its operation. Stakeholders are shareholders, executives, employees, customers, suppliers, the local community, etc.

In addition, SROI is an **important tool for evaluating investments** as it provides an integrated and credible picture of the social value generated by the funding of a project or venture. Therefore, investors are able to:

- ↳ Support **future investment decisions** based on the information they receive from the SROI analysis in order to ensure the effectiveness of their funds.
- ↳ Schedule **investment funding** effectively.
- ↳ **Improve their image or their Social Corporate Responsibility** by funding activities that have a significant impact.

3 Organizational Behavior

3.1 Introduction – Human behavior theories

The behavior of an organization and its people are determined by various factors from its **indirect** or **direct** external environment or from its **internal** environment, combined with modern challenges.

Indirect external factors that are able to affect an organization and its behavior are divided into (Chitiris L., 1996):

- Political - legal.
- Economic.
- Social - cultural.
- Technological.
- Natural - environmental.
- Ethical and demographic.

On the other hand, the direct external factors are as follows (Chitiris L., 1996):

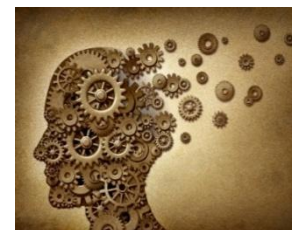
- Shareholders.
- Competitors.
- Factors of production.
- Suppliers - Clients - Partners.
- State institutions - associations.

The internal environment factors of an organization, that determine its behavior, are the following (Chitiris L., 1996):

- The Management Board.
- The vision, the mission.
- The organization's objectives.
- The competitive advantage.
- The organizational culture.
- The financial situation.
- The product / service produced.
- The facilities of an organization.

Finally, the behavior of an organization is greatly influenced by modern challenges, such as continuous and rapid technology changes, globalization, sharp competition, informed and demanding customers, stress situations, etc.

Organizational behavior science studies the attitude of individuals and how they affect the organization's operations. In order to understand the individuals' attitude, the main theories of human behavior should be noted. These are as follows:



⇒ **Freud's approach**

This specific approach to human behavior was formulated by Freud and argues that the man's character and his activities are determined by three factors: The Unconscious, the Ego and the Superego. In particular, when someone is in pressure, the automatic reaction of the unconscious is to rebel, to balance and restore the person to normality. A realistic relief comes from the Ego, and finally, Superego is likely to propose a modification of the solution proposed by the Ego.

⇒ **The Homeostatic theory of Stagner**

The Homeostatic theory of Stagner (1988) refers to a person's desire to maintain on a level of biological functions. Man seeks to achieve and maintain stability. This stability includes the image that he/she has for him/herself, his/her internal and biological needs, his/her natural and social environment. People who are familiar to him/her are both desirable and acceptable, while those who are unknown to him/her, are associated with a potential disturbance of balance, obstruction of his/her satisfaction, creation of pressure, insecurity and discomfort.

The environment in which the person is active is not static, but it changes gradually, as a result of new experiences and change of different situations. Sometimes the desire to maintain stability in an environment where the individual is active, can cause conflicts within him. Nevertheless, the individual seeks to maintain a sense of stability in his perception of himself and his environment. This trend towards balancing is the key factor in the approach of this psychological theory to human behavior and how it manifests in case of changes and conflicts in workplace and society (Chitiris L., 1996).

⇒ **Theory of Sheldon (Somatotype Theory)**

Sheldon developed the theory of Somatotype (1988), claiming that the temperament and character of man, as well as his behavior, are directly related to his somatotype, the construction of the skeleton.

⇒ **Theory of successes and failures**

This theory was developed by Combs & Snygg and argues that previous experiences of success and failure affect the perception of individuals and determine how they behave. A successful person is open to new experiences, able to face difficult situations, independent, safe and creative, and seeks to gain new experiences. On the contrary, the person who, due to negative experiences, has the impression that he/she is unsuccessful, he/she forms for himself/herself the image of the unacceptable, undesirable and incompetent. He/she has a bad opinion about himself/herself and considers it impossible, due to the ugly experience he has gained, to be confirmed and established within his environment (Chitiris L., 1996).

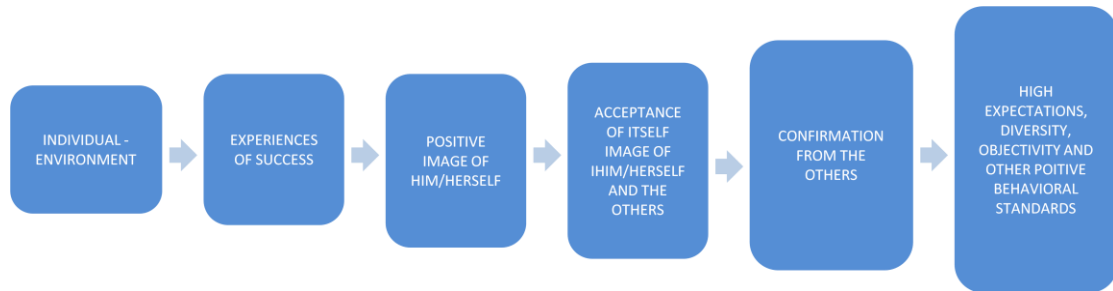


Figure 1: Positive perception for individuals for themselves

Source: "Managing People at Work", Harris O.J. (1984)

⇒ **Theory of individual initiative**

Rogers (1988) developed the theory of individual initiative, claiming that each man's personality is developed from his/her interaction with the environment. Individuals are creative entities, experiencing facts, rather than passively reacting to environmental pressures. On the other hand, they influence the environment and are influenced by it.

⇒ **Theory of personal productivity**

This particular theory developed by Rogers C. and studies man's behavior at the workplace and factors that play a decisive role in his/her decisions, attitude and performance, as well as the interactions that facilitate the understanding of the person's behavior in this field. Sutermeister (1986) argued that there are at least 32 factors that play a decisive role in the actions and behavior of the individual, e.g. technology, willingness, ability, motivation, skills (Chitiris L., 1996). The actions undertaken by the individual help him/her achieve his/her objectives and are consistent with his/her aspirations. The self is not guided fatally, but the individual undertakes initiatives to improve the conditions he/she faces in his/her environment, so that the "self" can maintain his/her values.

⇒ **Theory of incentives**

This particular theory analyzes the reasons of specific behaviors. What is the data that motivates a person to behave in a certain way?

"Incentive" is the person's *activated mood* for a *particular behavior*. Activation takes place through an *incitement*, which affects the person's behavior, according to his/her way of living, the person's *placement* and the environment. Permanent placement means that the individual has a steadily-shaped opinion, belief and/or bias. If the placement is temporary, the person does not have a complete opinion, because as a receiver of various messages from the market, he/she tries through received information to form a steady "internal image" of what he/she wants (Ruttinger & Rosenstiel, 1994). In an attempt to explain human behavior, the following theories were developed (Thomae, 1995):

- ✔ **The single-disciplinary incentive theory of motivation.** The single-disciplinary theory explains the behavior of a single motive in one level.

- ✔ **Multi-disciplinary incentive theory of motivation.** Multidisciplinary theory seeks on many levels the explanation for behavior resulting from more than one incentive. Maslow (1954) developed a theory, which distinguishes five categories of needs:
 - ❖ Basic physical needs.
 - ❖ Security needs.
 - ❖ Social needs.
 - ❖ Needs for recognition and reward.
 - ❖ Needs for self-creation.

Maslow distributes needs categories hierarchically, so the individual initially tries to meet his/her basic physical needs. The next category is triggered when requirements of the individual are modified.

- ✔ **The no disciplinary incentive theory of motivation.** This theory notes that a theory of human behavior should not refer to general motives, but those that are up to date.

3.2 Attract and select candidate members and / or employees

The most important factor of production in a social enterprise is its human resources, especially when it is created in a situation of capital shortage. Therefore, the formation of the founding group is of crucial importance for the whole project.

Social enterprises members can be:

- Natural persons who are aware of the principles and ambitions of the Cooperative.
- Legal persons, who are inspired by the same principles and want to combine their social activity with the Cooperative objectives, provided that the restrictions of Law 4430/2016, Article 14, are observed.

Regarding the Greek social enterprises, the following apply:

- In Social Cooperative Enterprises, legal entities of public law and legal entities of private law can participate, with the approval of the public Body that oversees them.
- Legal or natural persons who participate in another Social Cooperative Enterprise with the same activity, cannot become member of the Cooperative.
- At least 30% of the members (participation criterion) should belong to Vulnerable Social Groups.

What is quite different in the recent social enterprises is the involvement of various partners or categories of participants: paid employees, volunteers, users, supportive organizations and local authorities are often partners in the same venture, while in the traditional social economy, organizations consisted of more homogeneous social groups (Defourny, 2001).

A feature of social enterprises, and in particular of cooperatives, is the willingness of their employees and members to make short-term sacrifices by absorbing any damage that may result from, to allow enterprise's sustainability. This willingness may be relied on both the enterprise long-term business strategy and the enthusiasm of members for the moral status of the enterprise.

Although social enterprises have been criticized for their trend towards creating jobs that are very low paid and occupied by unskilled people, its contribution extends beyond job creation. Given that the social enterprise is related to the development of a Community economy, its programmes should aim to improve the efficiency of all forms of labor, whether paid or not, contribution in cash or in kind, by strengthening and assisting various forms of creative activity in which local residents can be employed, under any employment status. The contribution of the social enterprise also includes its participation in the enhancement of vocational training and of personal skills.

It can also be stated that the employee's traditional position can be "enriched" when employees are recognized as members, with rights to participate in the Management Board of the social enterprise, having the opportunity to participate in the decision-making process and to control the decision-making bodies (Defourny, 2001).

The characteristics of the social enterprise in terms of employment can be summarized in the following (Leadbeater, 2007):

- ↳ Include in the labor market, people from vulnerable social groups.
- ↳ Enhance and restore the employee skills.
- ↳ Promote equality and combat all forms of discrimination.
- ↳ Develop the creative and productive capabilities of individuals.
- ↳ Social bodies can be introduced to the market through labor-intensive activities (and to a lesser degree through capital-intensive activities)
- ↳ Create a new field of collaboration among people from vulnerable social groups, public bodies at national, regional and local levels, private sector and NGOs.
- ↳ Pay special attention to people and to the quality / stability of employment.

3.2.1 *Attracting candidate-members or/and employees*

Attracting employees is a process in which enterprises are looking for candidates to fill job vacancies. It is a complex process, because the selection of the right person for the job requires specific steps to be taken from the Management board. Attracting employees is the process by which organizations identify and attract individuals to fill vacancies (Fisher, Schoenfeldt & Shaw, 1999).



According to Sakka and Haidou (2009), crucial factors of how and how long the process will last, are the size of the enterprise, the sector in which it operates, the type and quality of the human resources it wants to attract, the administrative practices, the organizational business culture, the labor market to which it is addressed, and the competitive environment. Moreover, any changes in the legal framework of the enterprise's operation, the social and demographic conditions and the financial situation, should be taken into account. According to Papaleksandri and Mpourantas (2003), the process of employee attraction shall be effective, if the following apply:

- ❖ Accurate knowledge of human resources requirements.
- ❖ Knowledge of promotions - movements within the organization, so that no position is to be announced that is going to be covered internally.
- ❖ Forecasting of any future changes, internally and externally, based on past experience and expectations for the future.
- ❖ Decisions on whether to use internal or external sources of attraction and a thorough knowledge of the employee type that seems to be more appropriate to the specific position of the organization. Also, the exact tasks of the position shall be clearly defined.

According to Chitiris L. (2001), one of the main objectives of the employee attraction process is to attract a sufficient number of appropriate candidates in time and at the lowest possible cost. In order to achieve the above objective, people responsible for attracting candidates should directly inform the appropriate sources of employee attraction for the job vacancy. At the same time, it is important to provide enough information for the job vacancy so that candidates can decide whether the job meets their expectations. Papaleksandri and Bourantas (2003) argue that a successful attraction process can serve many and sometimes conflicting objectives. A common objective is to attract a significant number of candidates, but if there are many candidates, then the cost of the data processing will be much higher. Another objective is to attract highly qualified candidates who are willing to accept the job, while the main goal of managers is to support and promote high-performance employees willing to stay in business for a long time. An additional objective is to enhance the enterprise's image through the attraction process, so that even rejected candidates can create a positive opinion for the enterprise and its generated products or services. All these objectives are to be achieved at the maximum speed and minimum cost. However, it should be pointed that attraction objectives are directly related to business objectives and depend on the enterprise's strategic plans.

Equally important for the employee attraction planning is also the decision that the enterprise has to take on either to fill the job position from internal or external sources or there will be a combination of both. (Terzidis - Tzortzakis, 2004).

Internal employee attraction

Internal employee attraction refers to filling the vacancy by existing staff or by recommendations of it. A fact showing that the enterprise trusts its employees to suggest someone they know that might fill the vacancy.

The advantages of Internal employee attraction are as follows (Papastefanaki, 2006):

- Knowledge of the enterprise's employees' skills that increases the chances of successfully filling the position.
- Internal employee attraction is a process that motivates employees to be more efficient, because, considering that they can fill another internal position in the future, they will upgrade their performance.
- Reduced period of training.
- Lower cost of employee attraction.
- Fastest time of filling the position.
- Creation of a sense of security and satisfaction for employees.

The disadvantages of Internal employee attraction are as follows (Papastefanaki, 2006):

- Lack of flexibility.
- Filling the vacancy may be a time-consuming internal process in some organizations, due to bureaucracy.
- The employee who fills the vacancy, leaves his/her previous position, so there is a new vacancy to be filled as well.

External employee attraction

External employee attraction is a process, by which, the enterprise is looking for people that have no relationship with it, to fill the vacancies. This process requires careful planning by Human Resources executives, and seems to be necessary when position requires knowledge and skills that existing employees do not meet and when the enterprise needs employees with new ideas and a different background. The advantages of External employee attraction are as follows (Papalexandri & Bourantas, 2003):

- New ideas that can introduce significant changes to the enterprise.
- Training cost saving, due to the candidate experience from his/her previous work.

The disadvantages of External employee attraction are as follows (Papalexandri & Bourantas, 2003):

- Creates greater business costs than the internal employee attraction.
- There is a risk of unsuccessful employees' selection, that do not meet the enterprise's expectations.
- Requires more time than internal employee attraction.
- Possible lack of satisfaction by existing employees, because chances of promotion within the company are being reduced.

Sources of external employee attraction

The main Sources of external employee attraction are the following:

- ❑ **Calls for proposals.** A method primarily used by the public authorities, public bodies and banks.
- ❑ **Press ads.** It is the most common method of employee attraction. Some specific data such as job description, qualifications, wage, and business contact information should be reported in the ads.
- ❑ Through **Manpower Employment Organization and Job Search Offices**, which are sources of qualified staff.
- ❑ **Job Search Offices in Universities and Technological Educational Institutes**, which bring together students with enterprises.
- ❑ **Via the Internet, with ads posted on web sites.** With this method, the enterprise directly receives CVs via email or on-line forms.

3.2.2 Human resources selection

An advertisement leads the candidate to complete an application. The application may be available on the website of the organization or on its headquarters. In the application it is asked to complete what is considered necessary for the selection of the candidate employee for an interview and communication.

Thus, in addition to personal data (name, address, contact details), information about studies, professional and/or voluntary experience, specific qualifications (e.g. foreign languages, computers, driving license etc), availability in time and sector of interest, may be requested. Some organizations may ask for a full curriculum vitae and a motivation letter.

An interview is the safest way to select and place a candidate/employee in a job, and the most critical phase in the whole process, especially when the job position concerns particular requirements.

The person responsible for the interview should be characterized by special qualifications and education. If there is a human resources manager, she/he should be the interviewer. The objective of the interview is the identification of the candidate's interests, skills, incentives, values, habits, emotional status, the successful placement in the enterprise or the disapproval. It is a serious mistake to recruit an employee whose qualifications and desires are not aligned with the job vacancy.

A major issue is to understand that the interview does not only protect the organization from an unsuccessful collaboration, but also the candidate employee from a wrong choice. The inability to cope with a job position that is above his/her potential can disappoint the employee. Disapproval of a candidate should be done in a soft way and be accompanied by alternative proposals for job vacancies. It is advisable that, the number of employees needed to fill each post, be announced in advance so that there is room for rejection, not because of the inappropriateness of the candidate for the job position, but because of the suitability of

another candidate. It should be noted that the interviewer needs to be able to directly make a decision, however the candidate may feel like he/she is being examined or shy and not comfortable with being interviewed.

Some notable advice for the interviewers is the following (Kouvaras, 2015):

- The duration of the interview should not exceed 30 minutes (15 to 20 minutes is the suggested time).
- The presentation of the interviewer should be brief.
- During the interview, the phone should not be active.
- The interview should take place in a pleasant environment.
- It is important to have a pleasant mood.
- The candidate must have all the necessary time to present his / her skills.
- Pre-planned or rhetorical questions should be avoided.
- Note-taking
- Accept the candidate's questions, as long as necessary.
- The best way of self-assessment is to record the interview and listen to it carefully (with the agreement of the i interviewee).
- Use of the candidate's application.

After the end of the interview, the notes that have been held should be attached to the application and the personal record of the candidate. A copy of the application and notes, and a briefing to the general manager should be made by the human resources manager. Finally, it is important that all candidates interested in the job position of the organization, be informed about the approval or disapproval of their application, with a thank-you message as well.

3.3 Recruitment, management and mobilization of volunteers

Volunteering is a manifestation of social behavior where *the person without the incentive of reward offers his/her spare time for a purpose of public benefit* either on his/her own initiative or in the context of being a member of a group or body.

Volunteering, compensates the trend in modern societies to evaluate everything according to their monetary value. Modern volunteering besides its traditional forms (philanthropy, mutual societies), involves a dynamic active participation of volunteers-members of bodies or organizations.

A mix of donations, volunteering and conventional commercial activity, as well as the creation of social benefit as a primary objective, characterizes a social enterprise and contributes to its sustainability (Chell, 2007).

Social enterprises can combine monetary and non-monetary resources, volunteers and paid employees. Nevertheless, the activity carried out in social enterprises requires a minimum



level of paid work, which in social enterprises takes many innovative forms. Many social enterprises have introduced informal forms of employment: absorption into employment programmes, development of semi-voluntary employment, semi-employment, etc. Social enterprises have the ability to mobilize volunteers, which are a significant proportion of employees in social enterprises. This type of employment can be provided at the starting phase of an enterprise operation, to reduce the cost of initial investment or maintain the perspective of social benefit. Volunteer work always characterizes social economy and is a proof of human solidarity in this sector.

Even paid employees can contribute to volunteer work. In particular, they would prefer to receive a lower remuneration in exchange for obtaining specific non-monetary benefits. The mobilization of such resources would not be possible without the existence of social capital (Laville & Nyssens, 2001).

3.3.1 *Volunteers recruitment*

The starting point of volunteers' attraction is to inform the general population and to change it into an informed audience.

The main methods of volunteers' recruitment are the following three (European Expression, 2006):

⇒ **Warm Body Recruitment**

It is used when the work for which volunteers are sought, have one of the following characteristics:

- It is a special event that requires a significant number of volunteers for a short period of time.
- No special skills are required and anyone can do it if he/she is trained.

The basic methods for this type of recruitment include simple dissemination of appropriate project information such as:

- Distribution of information material.
- Advertising posters and brochures.
- Advertising in Media.
- Word of mouth dissemination.

⇒ **Targeted Recruitment**

It is a process of planning a campaign, the result of which is to disseminate the message about an action to a specific and qualified target group. It is the appropriate method if the position for which volunteers are looking for, requires special skills or features that are not easily found.

Planning of this type of campaign answers the following questions:

- What do we need?
- Who can give it to us?
- How can we communicate with him/her?
- What would motivate him/her?

⇒ **Concentric Circles Recruitment**

This method involves identification of groups of people who already are in contact with the organization which is seeking volunteers. For example:

- Beneficiaries of the organization employees, their families and relatives.
- Friends of the organization employees.
- People who are close to the region where the organization is active.
- People who are affected by the problems the organization is dealing with and the solutions it is intended to offer.

The advantage of this method is that the target-group is already familiar with the organization or its objectives, and that volunteers are recruited through trusted friends or people.

3.3.2 *Volunteer management*

The human resources management concerning a project implementation, refers to the way in which groups of people responsible for completing a project, are managed. The way in which employees are managed is quite important to achieve the organization's goals. Human resources managers should inspire them to give their best they have for benefiting both other people and themselves.

The objective of volunteer management procedures is to be effectively maintained, in order to ensure the quality of the services provided.

Effective volunteer management is a key factor in a project implementation. It is important, therefore, that the organizational structure to which the volunteers belong, their responsibilities, and people who will support and supervise them, are clear. Aiming at the proper organization of the whole project and the effectiveness of the volunteers' actions, the following tools shall be used (European Expression, 2006):

- ❖ Meeting Minutes.
- ❖ Paper on attendance of volunteers.
- ❖ Volunteer shift schedule.

In addition, the volunteer's first contact with the organization plays an important role. A short program of welcoming, orientation and basic education, which should include the following, would be a wise choice (Kouvaras, 2015):

- ⇒ Historical review of the organization.
- ⇒ Mission, vision and philosophy - ideological framework of the organization.
- ⇒ Organization's objectives.
- ⇒ Current programmes and services.
- ⇒ Future plans.
- ⇒ Groups of people involved.
- ⇒ Organizational structure.
- ⇒ Policy, various procedures, and ways of communication.
- ⇒ Funding sources.
- ⇒ Importance of volunteering and presentation of outputs they produce.
- ⇒ Obligations and rights of volunteers.
- ⇒ Privileges of volunteers.
- ⇒ Any practical details.
- ⇒ Piloting to the organization facilities.
- ⇒ Recommendations of people that the volunteer will cooperate with.

There are many alternative ways both to inform volunteers with the required information and to transfer the necessary enthusiasm to the new volunteer. A meeting that welcomes young volunteers and involves the organization's administration employees and its volunteers is the most appropriate way. The coordination of this meeting is undertaken by the manager of the volunteer programme and should be organized whenever a new group of volunteers wishes to work in the organization. To meet the fifteen points mentioned above, along with the meeting, a number of tools can be used, e.g. printed material and videos for presenting the organization action.

An important tool is the volunteer manual that may involve everything the volunteer needs to know or record, in brief description. The manual includes, apart from the necessary theoretical and practical information about the organization, the volunteer's rights and obligations.

Regarding the volunteer education, it is a critical factor to meet the work requirements. The volunteer's training plan for taking a role in the organization should answer the following questions (Kouvaras, 2015):

- What information does the volunteer need to take a specific role?
- What skills does he/she need to meet?
- What is the desired approach to the role?

Special training can be provided either before taking a volunteer position in the form of a seminar or study, or directly at the workplace close to a more experienced volunteer or a paid employee.

Special training of the volunteer is a responsibility of the paid employee who is responsible for the cooperation with the volunteer, i.e. the direct supervisor. To increase the chances of successfully training a volunteer, the best way is to follow the model: "I notice, I recognize, I analyze, I generalize, I experience." The relationship between the supervisor and the

volunteer must be a relationship of interdependence, and in particular, this role is the role of the mentor, which necessitates the following principles (Kouvaras, 2015):

- ❖ Relationship of trust and mutual respect.
- ❖ There is a time commitment.
- ❖ Development of the volunteer’s skills.
- ❖ Rely on agreed goals of both sides.
- ❖ The mentor acts as an example and model of behavior.
- ❖ The mentor qualitatively evaluates the volunteer.
- ❖ The volunteer is continually trying to be improved.
- ❖ The volunteer gradually becomes independent of the supervisor.

3.3.3 Mobilizing and motivating volunteers

Motivation refers to the emotional state that motivates the employee to act in a certain way (Mouza-Lazaridi, 2006). Graig Rider defines the employee's mobilization as "... a set of forces that are both due to themselves and to external factors that affect work behavior, and these forces determine the type, direction, intensity and duration of work behavior"(Mantzaris, 2003).

Motivation theories also answer the question: why are we working? The answer is "to satisfy our needs".

Commitment in an ideal is the strongest incentive for change. It may be difficult for some people to work voluntarily as members of an organization, believing that they cannot make any changes by themselves, but they must not forget that they are just units of a much larger community and all together have the power to make a difference in any field they offer their volunteer services.

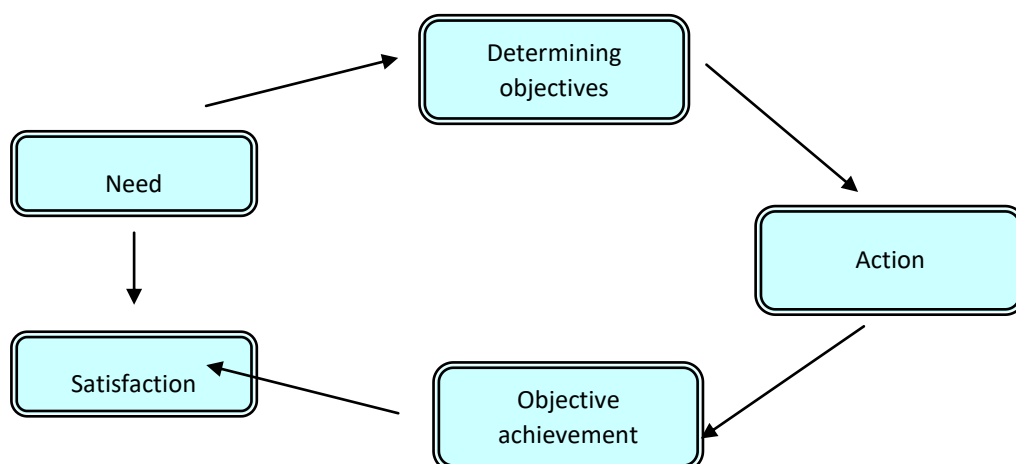


Figure 2: Figure of motivation route: systemic approach

Source: Armstrong 1999, p. 107

3.4 Investigating training needs and counseling for employees, volunteers and members

3.4.1 *Investigating needs and providing counseling for professional and entrepreneurial development in social enterprise*

In any official EU document, the provision of consulting services in both establishment and development of a social enterprise is a clear recommendation (EC, 2013). In addition, the provision of qualitative information and counseling to employees, volunteers and enterprise's members aiming at their professional development is a prerequisite for the establishment and sustainability of a social enterprise.

Model for investigating counseling needs

With regard to investigation of counseling needs, R. Astramovich (2011), using quantitative and qualitative findings of international research, formulated a model for investigating counseling needs that can be applied to any target group – e.g. students, employees, people with disabilities, etc. - and for any counseling form - e.g. personal, professional, school etc.-, often covering the process of investigating educational needs. The model includes the following steps:

1. ***Identifying guiding questions and objectives:*** By starting the process of identifying the counseling needs, the counselor is useful to identify the guiding questions that will be used to obtain the necessary information. **For example, in case when the counselor wants to investigate the needs for counseling of employees, volunteers and members of a social enterprise¹⁸, guiding questions may be:**
 - i. How do the target groups exploit vocational consulting services?
 - ii. What are the gaps in the provision of professional consulting services for people with disabilities who work in the social enterprise or people with and without disabilities who voluntarily work in the social enterprise?

Guiding questions will help to formulate specific objectives, in order through investigation of needs to result in clear and applicable data for counseling. The counselor could formulate the following objectives of investigation of counseling needs: (i) to identify counseling programs and services that can assist the target groups such as, employees and volunteers in social enterprises with and without disabilities; and (ii) to identify existing and possible accessibility barriers to counselling services by the above groups.

¹⁸ This example aims to clarify the theory of this chapter and is the basis of explanatory references in various parts of the text.

2. Identifying populations to be Investigated: Once guidance questions and investigation of needs objectives have been determined, the next step is to define the population sample from whom data will be collected. **In the previous example, the population sample consists of adults with disabilities who are to work or already work in social enterprises.** Additionally, the sample may be extended to social enterprises' executives. The number of people involved in the research will be defined, depending on the method used to collect data, i.e. quantitative or qualitative.
3. Collecting need investigation data: The most comprehensive approach to need investigation is to collect the necessary information, through perception-based measures as well as objective or archival data sources. The means for collecting need investigation data include survey instruments, focus groups, and exploring existing data sources.
4. Analysis and Interpretation of data: The final stage of the need investigation model of Agramovich (2011), involves careful analysis of the data and interpretation of the findings. The correlation of findings with the demographic data of the population sample can provide further information on the counseling needs population sub-categories. For example, there may be differences in the counseling needs' services depending on the type of disability or the gender. When identified needs are translated into objectives and content of programmes and services, then services are adapted to the needs of the beneficiaries and their assessment is strengthened.

It is worth noting that the counseling needs for professional development of population groups may converge to some general characteristics, but they will be clearly differentiated if individuals belong to the general population or to people with disabilities, as well as if they are employees or volunteers in the social enterprise.

Thus, potential counseling needs that may arise are:

- Common categories of needs for both groups (employees and volunteers): Career skills development -e.g. targeting, decision making, problem solving, communication, etc.- which may be partial differentiated depending on the competences of individuals. Job search techniques - networking skills, drafting a CV / cover letter and interview preparation.
- For employees with disabilities: Strengthening of self-esteem and of their self-sufficiency in their ability to earn a paid job. Needs will be partial differentiated, depending on the type of disability, e.g. people with autism need special support for their social skills. In addition, if the business executives are people with disabilities, leadership skills need to be met, e.g. persuasion, negotiation, communication, etc.
- For volunteers in the social enterprise, if they are young people, there should be counseling on the importance of their role in personal and professional development, also for their future paid work.

3.4.2 Methodology of providing consulting services

In any enterprise - and especially in social - the personal and professional well-being and satisfaction of the people involved in it, is a field of particular interest. When the workforce (including volunteers and simple members) is satisfied at an individual and professional level, that results in the enterprise's well-being. Both for paid employees and for unpaid individuals in the enterprise, it is important that they know and experience that enterprise cares for them. Then, their dedication to it is increased, and their actions aim at the enterprise's sustainability. It is therefore up to the business leaders to provide those services that will promote the development of human resources on personal and professional level (Heinecke, Kloibhofer & Krzeminska, 2014).



Career counseling is governed by uniform principles and objectives that are tailored to the specific needs of the target population. Thus, the objective of counseling services to support individuals, in order to be able to make responsible decisions on education, training and employment (Council EU, 2008) is common, whether it is addressed to students, unemployed, disabled people or social entrepreneurs. The same applies to the methodology of vocational counseling, resulting in uniform models and approaches, that can be tailored to the needs of beneficiaries.

A model of consulting services provision and an example of an implementation tool, focusing on counseling support for people involved in social enterprises, are presented below.

Vocational and entrepreneurial counseling model for social enterprises

Papavassiliou-Alexiou and Lazaridou (2016) proposed a three-stage and six-step vocational and entrepreneurial counseling model for groups of people which are willing to create a social co-operative enterprise. The brief description below, gives a comprehensive overview of the overall structure and methodology of career counselling, supplemented with social entrepreneurship data:

1st Phase: Intervention of the Professional Consultant¹⁹

Stage 1: Investigating needs and concluding contract

Counseling starts when the group of social entrepreneurs is addressed to the career counselor. The main components of the first stage are the needs investigation of the group/ individuals and the contract conclusion. The counselor aims to collect basic data on the

¹⁹ In this model, the terms career counselor and professional counselor are used as synonyms as opposed to the business consultant (see EOPPEP 2013 & 2015).

personal, professional and social profile of the participants, and focus groups are recommended as a tool to achieve this goal. The conclusion of a contract between the counselor and the group of entrepreneurs includes the expectations of both sides regarding the cooperation, the services provided, the frequency and duration of meetings, as well as ethical issues (confidentiality, trust, etc.). At this stage, an overview of the group and its members is made available to the counselor, as well as the possible role of the members into the social enterprise.

Stage 2: Developing skills and building the group of social entrepreneurs

At this stage, the collection of group members' information about their skills is active, and the use of SWOT analysis can be an effective tool. In particular, SWOT analysis can be a comprehensive tool for individual and group career guidance, on the basis of which the counselor can "build" the entire intervention, starting from self-awareness (strengths and weaknesses), moving on to the factors (Pluchevskaya, Varlacheva & Adrienko, 2017; Tsoli, 2019) which may obstruct the achievement of these goals. During the intervention, group members have the opportunity to discover details of their personal/professional profile and of their role as members of social entrepreneurs' group. Skills is achieved only through active participation of the members, therefore, role playing, experiential workshops, case studies as well as exercises of targeting and identifying support sources or obstacles are effective techniques for achieving the goal (Nathan & Hill, 2006; Papavassiliou-Alexiou, 2005).

The skills development process also plays a decisive role in the group's relations strengthening. At this stage, it is necessary that the counselor extracts conclusions related to the common values, objectives and beliefs of the group. It is very likely that discrepancies and differences between members will be identified and it is the counselor's duty to indicate the potential risks for the joint venture. At this stage, there may be a need for individual counseling, and it is possible that a member of the group leaves if the identified differences are not solved.

Stage 3: Assessment and Reference

The 3rd stage is important for the evolution of counseling intervention as it bridges the 1st and the 2nd phase. At this stage, the career counselor refers the group to the business counselor. It is the point where the career counselor is processing the information collected to create a comprehensive feedback for the business counselor. In addition, the career counselor expresses his professional opinion regarding the quality and relevance of the team for the establishment and development of the social enterprise. By creating the feedback dossier which will be very helpful for the business counselor, the career counselor completes his/her intervention²⁰.

²⁰ An important criterion for the effectiveness of total counseling intervention is professional and entrepreneurial counseling to be implemented in the same organization (one stop shop).

2nd Phase: Business counselor intervention

Stage 4: Creation of Social Enterprise

If the enterprise is in start-up procedure, at the first meeting with the group of social entrepreneurs the business counselor provides information on social entrepreneurship and national legal framework to make sure that terms such as "common purpose", "vulnerable groups", "inclusion", "social care", 'social responsibility' are fully understood by the group. Regarding the legal framework, issues such as conditions and procedures for the establishment of the enterprise, members' relations, financial instruments, main sources of income, etc. are examined. The business counselor can also contribute to the drafting of the statute, the collection of necessary documents and the registration of the social enterprise in the list of social entrepreneurship.

Stage 5: Business Plan

The next step in collaboration between entrepreneurs and business counselors is to carry out a business plan. It is important to note that carrying out a social business plan is a difficult task. The brand, the enterprise's headquarters, the legal form and the economic activity are the first key elements to be clarified. Principles and objectives must be recorded with the career counselor support that was presented to the previous stages. Regarding the enterprise's operating framework, the members' skills and qualifications are recorded, as well as descriptions of the enterprise's services or products, ways to promote them, and social impact of the enterprise. The use of SWOT analysis as a strategic business planning tool is an important component of the 5th stage.

3rd Phase: Other supporting services

Stage 6: Legal, Economic and Psychosocial Counseling

The entrepreneurs are informed about the possibility of providing counseling on legal, economic, psychological and social issues and can use these services according to their needs. Especially when beneficiaries belong to vulnerable social groups, parallel psychosocial counseling can be extremely useful.

SWOT analysis exploitation in counseling- Examples

SWOT Analysis



The examples below describe the usefulness of the SWOT analysis tool for the personal and professional development of each of the employees, volunteers and/or members of the social enterprise. This method is qualified not only as a strategic business tool, but as an effective multi-tool for the personal and professional development of individuals, so it is useful not only for the counselor but

also for any professional engage in vocational counseling and human resources development (Tsoli, 2019).

1st example. Employees with disabilities:



In the context of the vocational counseling of people with disabilities, the points they need support are usually self-esteem issues as well as barriers to their integration into education and labor. Depending on the data collected from SWOT analysis, the counselor can focus on: (i) strengthening the degree of self-esteem, i.e. disabled people can be trained, step by step, by counselors who uses the Supported Employment model of people with disabilities²¹. (ii) if it is determined that an employee with disabilities faces any kind of barriers to his/her work, the counselor will focus on exercises and discussion in order to change the perception of these barriers.

2nd example. Employees without disabilities:

The counselor should support these individuals aiming at removing fears and uncertainties related to their communication and cooperation with people with disabilities in the enterprise. In addition, they can also be supported on other potential issues of professional development they face.

3rd example. Volunteers

- i. The counselor who works with volunteers in social enterprises can identify fear and insecurity of individuals about their current role, and help them to face them through specific exercises and discussion. Thus, the goal of transformational experiences is achieved through the active participation of individuals.
- ii. After identifying gaps in the way volunteers communicate with disabled employees, the counselor plans and implements a program of communication skills training related to communication with people with disabilities.
- iii. If the group of volunteers consists of young adults who are unemployed, the counselor may provide experiential learning sessions into job search techniques.

3.5 Teams development and Communication

The business environment is currently full of challenges. Its limits are continually expanding, globalization is affecting finances, social and political environment and competition; market demands are higher than ever, and technological development is rapid. In order to cope with these



²¹ This model refers to disabled people who are supported by counselors in order to gain a position in the labor market. For more information, see Beyer, de Borja de Urries and Verdugo, 2010.

conditions, enterprises are obliged to maximize their performance by exploiting their entire human resources. The teams' exploitation is one way to increase performance both of individuals and of the enterprise. Combination of employees' capabilities, skills and experience is deemed necessary as it can contribute to:

- The wider and more effective treatment of any problem.
- Making the right decisions.
- Finding the best solutions for the enterprise.

3.5.1 Definition and categorization of teams

The team is defined as "**two or more interacting and interdependent individuals who have joined together to achieve specific goals**" (Robbins & Judge, 2011).

The main characteristics which define a team are as follows:

- ❖ Determined relations between group members.
- ❖ Team consciousness.
- ❖ A sense of common purpose.
- ❖ Interdependence.
- ❖ Capability of operating like a single body.

Teams may be **formal** or **informal** (Serdaris & Iordanov, 2011):

Formal teams are typically structured and organizationally defined groups, which can take the following forms:

- Vertical groups
- Horizontal groups
- Committee
- Groups for specific categories
- Groups of specific projects

The last two types of groups are often found in social enterprises, as employees and volunteers are often asked to work for a specific project or for an independent objective.

Informal teams are natural groups that meet the need for social contact, i.e. a "social" group that is created by the need of people to meet social needs within the organization, such as a group of friends, a group of common interests, a group of specific-personal interests. In particular, the reasons for creating informal teams are the following:

- ▶ **Security:** reducing loneliness and strengthening personal power

- ▶ **Prestige:** participation into a team usually offers recognition and prestige to members
- ▶ **Self-esteem:** the value that the individual has for himself is strengthened
- ▶ **Creating social bonds:** meeting the social needs of the individual
- ▶ **Power:** “there is no strength without unity”
- ▶ **Goal achievement:** what many persons can achieve, can not be achieved by an individual.

The concept of establishing a social enterprise is conceived through the operation of an informal team that can have common and special personal interests.

Undoubtedly, individuals form teams to achieve something that they cannot achieve on their own. So, they develop cooperative behavior to gain feedback from it.

3.5.2 Team building

Whether it is a formal or informal team, the basic stages of team creation and development are common and consist of the following:

- ↪ Stage of Formulation (uncertainty, reluctance)
- ↪ Storming stage (resist to any constraints, conflicts)
- ↪ Stage of Stabilization-normalization (legalization of disputes - behaviors)
- ↪ Performing Stage (clear roles - responsibilities)
- ↪ Stage of project completion (Adjourning stage)

The teams’ effectiveness depends on a number of factors, including the team composition, the operating framework and the procedures followed.

The team composition refers to its size, the members' capabilities (e.g. problem-solving techniques, interpersonal relations, nature of the project and leadership which affect the capacity ratio), the members personalities and the role definition.

The operating framework refers to the adequacy of resources, the type of leadership and structure, the degree of trust among members, the existence of performance evaluation systems and remuneration systems.

Finally, the procedures followed refer to acceptable attitudes, common goals, conflict management, and group competence.

For the enterprise’s management, the **Team Building** is a matter of high importance. If the team that manages the entire enterprise has not achieved the maximum degree of synergy, then it is very difficult for it to survive in times of difficulties.

On the other hand, teams, as they grow, they undertake additional tasks, such as recruitment and dismissals, financial planning, and reward policies and these tasks are regulated by the members themselves. In this way, there is more time for senior

management to shape corporate strategy and organizational culture. At the same time, however, the role of the teams' members is upgraded, and this upgrade has a positive effect on both their work and their psychology, especially if they are employees or volunteers of social enterprises that may belong to vulnerable social groups.

The Team Building process is a continuous process, especially when it refers to enterprises' executives who face new challenges every day.

The essential component that is needed to team development refers to the synergy among its members. This requires the following **conditions**:

- ❑ Shared belief in "WE" and not in "I"
- ❑ Mutual trust, support and respect
- ❑ Open, honest communication
- ❑ Coordination, methodology, leadership
- ❑ Common objectives and vision

On the other hand, the **basic malfunctions** faced by teams, are the following:

- ⊗ Lack of mutual trust.
- ⊗ Lack of open communication, prevention of conflicts
- ⊗ Lack of responsibility towards the team
- ⊗ Lack of commitment to team's objectives and priority to individual goals.
- ⊗ Lack of commitment to decisions. Existence of compromise and compliance but not of consensus.

3.5.3 Management of conflicts in teams

Conflicts between among individuals and among teams are a common phenomenon in the workplace. People and teams with different values, experiences, perceptions, abilities, duties, needs and goals are required to coexist and collaborate, in a complex environment characterized by uncertainty and continuous changes. *The consequence of all the above is the conflicts.*

In past, conflicts were treated as a negative phenomenon that had to be avoided due to the malfunctions and the negative effects it created.

It was a common belief, therefore, that conflicts stem from personality problems or failed leadership, and should be avoided due to their negative consequences.

Today, however, modern management theories state that conflicts are unavoidable, mainly due to the complexity of the structures, procedures, rules, techniques and systems of the working environment, and can have negative and positive consequences as well.



Several researchers note two kinds of such conflicts. The first type is known as cognitive conflict, task-focused conflict and task conflict, and refers to member conflicts that focus on common goals. This type should be treated with discussion and further analysis rather than being avoided or ignored, because it can be very constructive and help increase the effectiveness, quality of decision making, creativity, compassion and team performance (Jennsen et al., 1999).

The second type is known as affect conflict, relationship conflict, and interpersonal conflict, and refers to disagreements arising from personality conflicts or emotional interactions among members, often perceived as personal attacks. Unlike the first type, this is considered to be detrimental because it can lead to increased mistrust, hostility, cynicism and apathy of members, while reducing team consistency and the possibility of unanimity (Kahwajy & Bourgeois, 1997).

Keys to address internal conflicts of teams are prevention and training. Disagreements about regulatory, organizational and operational issues can be avoided or directly solved with appropriate preparation and briefing of members through the first meeting.

Based on the analysis of Rayeski and Bryant (1994) for easing tensions within team, **three stages** can be followed:

- Stage 1 Cooperation:** Once a problem occurs, efforts should be made, in order to be informally resolved with open, sincere discussion and avoiding of excessive reactions.
- Stage 2 Intermediaries:** If the situation is deteriorated, a third person with experience and ability to handle tensions, such as an employee motivator, is called as an intermediary to reach agreement between the conflicting sides. The effectiveness of mediation depends on the intermediary's neutrality and the trust that the two sides have to him/her.
- Stage 3 Team meeting:** If cooperation and mediation fail, the whole team shall help to address the problem. There should be a meeting where all members are present and an analysis of the situation and arguments on both sides is carried out, while also attempts to link the problem to the requirements of the enterprise or customers are made.

3.5.4 Communication

The content of the term "communication" is reflected in the process of exchanging written and oral information, among people in the organization (enterprise), which reflects a specific importance for them.

Basic communication characteristics

1. Ability to see things not only from his own point



of view, but also from his/her interlocutor point of view, i.e. to have empathy. Empathy is considered a basic ability for effective interpersonal communication, as the employee is being able to understand exactly what the other person wants to say, without decoding and interpreting the message as he/she wants.

2. Ability to accept what his/her interlocutor says, keeping his/her critical perspective on the message content until the interlocutor come to an end.
3. Responsibility to take the "overall image" of his/her interlocutor, which means that he/she should emphasize on both the verbal and non-verbal behavior of the other.

The degree of conscious participation of man into dialogue depends on the existing circumstances. Participation is different in different situations. Participation is expressed by active, intensive listening and understanding of thoughts and feelings consciously.

Psychologists with significant experience in research, such as Albert Mehrabian, professor at the University of California Los Angeles, are convinced that about 90% of the messages transmitted during a conversation are non-verbal and only 10% of the words we use are expressed, in practice. Very often non-verbal communication transmits the loudest messages and leaves the most vivid impressions (Serdaris & Iordanov, 2011).

3.6 Leadership - Leader development-exploitation of mentors

3.6.1 Definition of Leadership

In an attempt to clarify the term "leadership", the following definitions have been established by modern scholars:

Leadership is the ability to influence a group of people, in order to realize a vision of a set of goals

(Robbins & Judge, 2011).

Leadership is the process of influencing that defines the objectives of a team or an organization, creating incentives for the realization of a project, and contributing to the maintenance of the team and its culture

(Yukl, 2002)

Leadership is the process of influencing the activities of an organized group in order to achieve its goals

(Huczynski and Buchanan, 2007)

From the above definitions, it is clear that leadership is linked to the leader's impact processes in a team. In addition, definitions show that leadership aims at serving common goals.

The most common **Leadership Impact Practices** are:

- Rationalized persuasion
- Updated Information
- Inspired Calls
- Consultations
- Cooperation
- Distraction of favor
- Personal calls
- Tactics of exchange
- Tactics of Alliances
- Tactics of power legalization
- Pressure

It is worth noting that leadership should not be confused with the term "administration" that refers to the necessary operations for the success of an organization. Leadership refers to the *ability of managers to supervise and collaborate with their employees in order to effectively and efficiently perform their assigned tasks (to achieve the goal of the organization)*. Therefore, a leader differs from a Manager in the following points:

Leader	Manager
<ul style="list-style-type: none"> ■ Highlights ■ Uses personal power ■ Passes vision, inspires, persuades ■ Earns trust ■ Emphasizes on people ■ Provides new opportunities ■ Makes changes ■ Investigates reality ■ Long-term perspective 	<ul style="list-style-type: none"> ■ Is appointed ■ Uses legal force ■ Provides instructions – gives orders ■ Monitors ■ Emphasizes on processes and systems ■ Moves to predefined framework ■ Accepts reality ■ Short-term perspective ■ Accepts and manages the status quo

Leadership in Self – Directed Teams

In social enterprises, it is a common phenomenon that, leadership behaviors such as conflict management, setting of goals, delimitation of projects, etc., are appeared by anyone in self-managed groups. As individuals take greater responsibility, they can also respond to leadership roles, while moreover, there can be other individuals in the role of a leader.

Leadership in self-managed groups is mainly a process rather than a person or a range of behaviors attributed to a person. It is the way that the team that creates the leadership

works, and the independent members of the group all have a specific role. This approach is often referred to as "democratic leadership".

3.6.2 *Development of successful leaders and exploitation of mentors*

The role of a leader in a team is of crucial importance. As mentioned in the previous chapter, teams differ from each other having their own characteristics. They present different composition of people, goals and dynamics. That is why there is no specific strategy for successful leadership. There are only some paths through which the leader acquire knowledge. Even in the same team, the role of the leader does not end in the same way that was started. The key is to understand what the team needs and what does not, and to intervene only when it is necessary.



The **principles** that a successful team leader shall follow are:

- ▶ Ensure that objectives are clear and accepted by all.
- ▶ Build loyalty and confidence in his team.
- ▶ Strengthen the team members and increase their level of skills.
- ▶ Manage external relations.
- ▶ Remove barriers that appear.
- ▶ To create opportunities for other people.
- ▶ Work hard like the other team members.

Apart from the above principles, a number of parameters influence the effectiveness of a leader:

- ☑ Personality, experiences, system of leader's values.
- ☑ Characteristics and project requirements.
- ☑ Expectations and behavior of the General Director.
- ☑ Expectations and behavior of peers.
- ☑ Structure and decision-making procedures.
- ☑ Type of enterprise and stage of its development.
- ☑ Characteristics, needs, expectations, maturity and behavior of employees.
- ☑ Typical position in the administrative pyramid and power of the leader.
- ☑ Culture and business policies.

Even if all the above is true, one question remains: Leaders are born or become through their experiences? The right answer is somewhere in the middle.

Leadership, which is a critical determinant of the efficiency and continuous success of enterprises, consists of three basic parameters that can highlight a person as a leader:

- ❖ The willingness of a person to lead.
- ❖ The ability to lead.
- ❖ The existence of opportunities.

Two approaches have been developed to foster the two basic "components" of the leader, i.e. the willingness to lead and the leadership abilities. The first approach states that the leader is born and important attributes associated with leadership are inherited or there are "genetic predispositions" (e.g. intelligence, energy, potency, temperament). The second approach, which concentrates the majority of the leadership theorists, argues that the leader, in addition to inherited skills, is being forged through the combination of working experience, difficulties, education, adoption of models of other leaders (role models), and finally, through coaching-mentoring.

Therefore, anyone can adopt leadership skills through training, and the **mentor role** can become important through the adoption of mentoring procedures.

Mentoring is a process of guidance, learning, knowledge transfer, and continuous support between two or more individuals. Usually, the mentor is the experienced person and the one who leads another who are less experienced. Mentoring is executed over a certain period of time defined by individuals.

The mentor's role presents the following three **key points, relevant to his offer**:

1. The leader inspires

The great virtue of the leader is the ability to inspire. This emotional charisma needs to be cultivated. The coach and mentor of a rising leader has to inspire his "student". There is not much difference from the inspiration a teacher has to give to a kid. Inspiration results in respect and enthusiasm. The rising leader has to be positively influenced by the inspiration impact and at the same time, learn to transmit it. Inspiration is the leader's "glue" with other people. The vision of the rising leader must be cultivated by a person who inspires and trusts him/her. Let us think of Aristotle and Alexander the Great.

2. Mentor's experiences transmission

A basic reason why leadership cannot be entirely self-conscious is the experience, which is acquired through the lifetime of the individual. The role of the mentor is to share with the rising leader all those general principles that are useful for management and decision-making. The rising leader shall exploit the mentor's experience in crisis management, the lessons he/she learned from his/her mistakes, and of course, the proper way to avoid repeating mistakes.

3. The objective evaluation of the rising leader

It is very critical for the progress of the rising-leader to hear the truth, and for this reason, the mentor needs to be objective, to emphasize the guided person what his / her indisputable skills are, what his/her weaknesses are, where he/she needs improvement, and finally, what opportunities and risks he/she will meet because of his/her character.

We can conclude that, in the case of social enterprises which are related to volunteering, the role of mentor aiming at the development of leaders within the enterprise, can be undertaken by volunteers.

4 Marketing

4.1. Concept of Marketing

Marketing includes all the actions required to reach the products or services from producers to consumers. It links production to consumption, directs the flow of goods and services and influences decision-making. These actions aim to meet the needs of consumers through the design, production and distribution of products or services.

Regarding enterprises, Marketing operations is one of the basic enterprises' processes, as it includes all the actions aimed at identifying the needs of consumers, developing the necessary products and services that satisfy them and creating the necessary demand conditions, which will lead to successful sales.

According to the American Marketing Association, marketing is **the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services, in order to create exchanges that will satisfy both individual and organizational goals** (Bennet, 1995).

The concept of marketing refers to the philosophy, which sets the principle that satisfying customer needs is the economic and social justification of its existence. Consequently, all activities must be committed to defining customer needs and to profitably meeting these needs.

According to Stanton (1984) the marketing concept is based in **two fundamental principles**:

1. Policies, business planning and business operations must be client-oriented.
2. The enterprise's objective must be to achieve profitability.

In the same direction, Kotler (2003) describes marketing as the enterprise's orientation towards the market, based on an integrated plan, in order to be satisfied and thereby achieve its business goals.

The Key principles of Marketing and its role are as follows (Dimitriadis & Tzortzakis, 2010):

- The concept of an exchange between two or more parties.
- Parallel satisfaction of the consumer's needs and the objectives of the company/ organization.
- Achievement of objectives in medium and long-term planning.

As a result, marketing uses **a set of means, methods, processes and tools** that help a company to adapt to the customer's needs and market conditions and exert influence on the market.

Concerning its content, marketing includes a **set of processes, methods and tools** (Dimitriadis & Tzortzaki, 2010) such as:

- ⇒ **Market research and analysis of consumer buying behavior.**
- ⇒ **Market segmentation, target market selection and Product Diversification.**

- ⇒ **Management of product portfolio.**
- ⇒ **Pricing policy of product.**
- ⇒ **Selection and management of intermediaries** through which the products will be sold to the final consumer.
- ⇒ **Means of communication and promotion** of products.
- ⇒ **Customer relationships management.**
- ⇒ **Organization and coordination** of all of the above actions and their costs, through a process of planning, monitoring and controlling their actions and their outcomes.

The above-mentioned activities affect companies' performance and determine their competitive and economic advantage. Marketing principles, when properly implemented, can **increase profit by creating a competitive advantage**. In other words, through marketing, a company can differentiate its products from competitors, inform consumers about its products and better meet their needs by gaining market share (dedicated consumers) and thus increasing its sales.

4.2 Marketing mix

All the decisions that are related to products, distribution networks, promotion and pricing, called "Marketing Mix". The Marketing Mix has been described by Kotler and Armstrong (1989) as *"a set of controlled marketing parameters with which an enterprise can meet needs of a target-company"*.

The Marketing Mix is the result of programming that takes place within the context of a business effort to implement the Marketing Idea (Malliaris, 2001).

The Marketing Mix has traditionally been characterized by the 4Ps that it consists of. This theory was introduced by McCarthy in the 1960s and since then is the most popular theory to analyze marketing. In addition to these four elements, three more 3Ps have been introduced and have created the expanded Marketing Mix to better understand the role of services in modern marketing, since many enterprises offer a product that can be described as service and not as a good.



Figure 3: The 7ps of Marketing mix

The Marketing Mix consists of the following elements:

❖ **Product**

It is the product or service, which is intended to satisfy a specific customer group - market segment. In other words, development, creation of product shape with appropriate properties, testing, possible improvement, development of a new range, designation, packaging, etc., are required to 'pull' and satisfy the customers we want.

❖ **Price**

It is the amount of money the consumer is willing to pay in order to purchase a good or service. The price is usually given, but there may be price negotiation or some extra charge. The final price is the reflection of the consumer's expectation for the product.

❖ **Place**

It is the place where a product is distributed, i.e. the shop, the neighborhood, the city, the region, etc. Of course, does not refer only to the geographical location, but also to distribution channels, intermediaries, and means of transportation used to reach a product to the final consumer. It is the whole process until the final product becomes available to the consumer, in the right place, at the right time and desired situation.

❖ **Promotion**

Promotion is the effort of an enterprise to communicate with the target-market consumers, about the *appropriate product, the price and the place the product is distributed, in order to persuade them to purchase it.*

❖ **Physical evidence**

This factor covers any element of the physical environment in which a product or service can exist. It is the way in which the environment, the decoration and any other material influence the consumer.

❖ **People**

People involved in processes play an important role and can negatively or positively influence the consumer.

❖ **Processes**

This factor refers to all processes governing an organization operation. Depending on the nature of the organization, the procedures may be complex or flexible.

4.3 Marketing Strategy

Marketing activities are not randomly determined. They are defined and implemented in order to achieve a goal that is set by the company's management. Marketing activities are leading the way to the final destination of a company. This way is determined by the **Marketing Strategy**.

Marketing strategy is the choice of those marketing activities which will help a company to identify the consumers that will approach and will help to achieve to satisfy those consumers.

Strategic marketing planning consists of **four key concepts**:

- ☑ Strategic analysis.
- ☑ Strategic choice.
- ☑ Strategic implementation.
- ☑ Monitoring and control.

In order for strategic marketing planning to be effective, a market segmentation is necessary, as well as an identification of the target market and selection of the desired product placement.

Based on the above, the **strategic, regular** and **operational** objectives of marketing are defined and the **appropriate marketing mix** is formulated for each segment of the target-market (Siomkos, 2004). The enterprise must determine the marketing objectives after carrying out an analysis of the current situation and assessing future market conditions.

Marketing objectives should have **the following attributes** (Siomkos, 2004):

- ⇒ **Acceptability.** The marketing objectives should be acceptable to others and show the enterprise's values.
- ⇒ **Flexibility.** The marketing objectives should be flexible and be adapted to new environmental requirements.
- ⇒ **Motivation.** Those responsible for achieving the objectives should be informed in order to be in a position to its implementation. The marketing objective should be neither difficult nor very easy.
- ⇒ **Consistency.** Marketing objectives should be directly related to the enterprise's purposes and their achievement implies achieving the enterprise objectives.
- ⇒ **Achievability.** The objectives should be realistic in order to be achieved and shaped by an analysis of the internal and external environment.

For the **selection of the Marketing Strategy**, the following are taken into account (Vathis, 2000):

- Description of the target-market.
- Competitive market segments in which the enterprise will be placed.

- Distribution channels.
- Placement of the enterprise and its products on the market, with respect to competitors.
- Comparative advantages - product uniqueness on the market.
- Pricing strategy with respect to competitors.
- Selection of leadership position or penetration strategy in the market.
- Research and Development.
- Strategies related to cost, using market research.

The **Marketing Plan** plays an important role in selecting the appropriate marketing strategy, which contributes to the business success, as it is a part of one of the most important operations of an enterprise.

In addition to informing the enterprise's stakeholders, the marketing plan contributes to proper new executives' occupational integration, business operations evaluation, and provision of information to better understand the market's mechanisms and development of appropriate strategies for fulfilling the marketing objectives (Vathis, 2000). It is an extremely detailed report, which is evaluated by many people inside and outside the enterprise.

Specifically, the **Marketing Plan**:

- ✓ Forces the marketing department to explore the **internal environment** in order to fully understand the results of previous marketing decisions.
- ✓ Forces the marketing department to explore the **external environment** in order to fully understand the market in which it operates.
- ✓ Sets **future objectives** and defines the **directions** for future marketing efforts that everyone should understand and support within the organization.
- ✓ Is a key factor for **funding of** new initiatives.

The Marketing Plan is implemented for one of the **following reasons**:

- ☑ It is required, as part of the annual planning process, within the marketing department.
- ☑ It is required as part of a specialized strategy to introduce something new (product, market, strategy).
- ☑ It is an essential component of a general business plan.

There are many ways to develop and shape a Marketing Plan. **Its structure usually includes the following parts**:

1. **Executive Summary:** Brief overview of the proposed marketing plan.
2. **Table of contents:** Keeping reader engaged to the most interesting points of the marketing plan.
3. **Introduction:** Explanation of the marketing plan objectives.
4. **Current Marketing Situation:** Analysis of market, product, competition, distribution and other information of the macro environment.

5. **Analysis of opportunities & threats:** Identification of major opportunities/ threats, strengths and weaknesses and other product-related issues (SWOT).
6. **Objective goals:** Determination of economic and marketing objectives in the form of sales volume, market share and profits.
7. **Marketing Strategy:** Broad approach of Marketing that will be used to achieve the objectives of the marketing plan.
8. **Action Plan:** Analysis of Marketing activities that designed to achieve the company's objectives.
9. **Profit and loss determination:** Determination of the expected results of the project.
10. **Monitoring:** Determination of monitoring indicators of the project.

4.4 Consumer behavior

The study of consumer and buyer behavior is considered as the key for Marketing because it is a factor which contributes significantly to formulating an effective strategy, the implementation of which the company will eventually fail to achieve its objectives.

Consumer behavior refers to all those decisions and related actions of people that lead the purchase and use of various products or services, as well as to their rejection (Walters, 1987).

These decisions and the corresponding actions are triggered by the existence of specific needs. Therefore, the goal of any business activity should be the consumer and, in particular, his/ her needs. **Marketing focuses on satisfying the buyer's needs** to generate profit. Satisfaction is accomplished by accurately delivering product specification requirements.

The following factors have to be taken into consideration during human behavior study:

- ⇒ **Purchasing needs and wishes** of individuals by collecting data through discussions with consumers.
- ⇒ The **place and time of the purchase of various products**, the quantity purchased and their selling price.
- ⇒ The **purchase outcome and satisfaction of this purchase** that consumers got (Malliaris, 2001).

Marketing, based on the information it gathers, can help to plan the volume of production and supply of economic goods or services to consumers.

The **general model of purchasing behavior** consists of three main parts: external influences, decision making process and post-purchase behavior process. The general purchasing behavior model includes the following parts:

1. External influences:

- ▶ **Marketing stimuli:** the product offered by the company, the price offered, the distribution strategy and points of sale and the strategy of promoting the product in

the target market.

- ▶ **Social environment:** unofficial sources of information, the influence of family and friends, other non-commercial sources, and the wider culture of society and the groups to which the individual belongs.

2. Decision-making process

- ▶ Includes **need recognition** for a product, **information search and collection** (such as price, alternatives, distribution points, quality of alternatives, etc.), **evaluation of alternatives** and **final selection** of the product.

3. Post decision behavior process

- ▶ When a consumer decides which brand is closest to his needs, **purchases the product**. The purchase can be either trial or repetitive, i.e. the consumer **has tested the product during a previous purchasing decision process and because he is satisfied or because he is unable to test other alternatives, repeats the purchase of the same brand**.
- ▶ **After the purchase and use of the product the consumer evaluates his choice. This final evaluation** is the consumer's experience for another decision-making process. It is used in the previous "decision-making" stage as a previous experience.

4.5 Market segmentation

When a company promotes a product or service in the market, it is important to clearly define the specific customers profile, in other words the market segment, to which the product is addressed. This is because the product or a service cannot fully satisfy the needs of all consumers, because their need and preferences may differ. **Market segmentation** is one of the most important processes in Marketing.

During the **market segmentation**, a large heterogeneous market is divided into smaller segments (or sub-markets) with homogeneous characteristics. As a result, many market segments can be easily identified, and the company will choose those with the best prospects, i.e the so-called target markets, where marketing activities and resources are concentrated on. In addition, during market segmentation process, it is important to take into account both the potential of each segment to purchase a consumer product and the competition.

The market segmentation process includes the following **three stages**:

- ⇒ **Market Segmentation:** At this stage, the enterprise divides the market, based on certain criteria, e.g. categorization of the market in buyer segments with various common features.
- ⇒ **Target market selection:** This stage refers to the selection of one or more departments, which are considered to serve enterprises' objectives, and as a result they focus their interest and efforts on them (targets them).

⇒ **Product positioning:** At this stage, the segmentation process ends with the product "placement" on the market. 'Placement' means the procedure with which the enterprise seeks to differentiate itself from competitive enterprises, trying to put in the buyer's mind a specific message that differentiates its product from that of its competitors.

At the following table, **the steps of the market segmentation process** are presented (McDonald & Dunbar, 1995):

- ❖ **Step 1 Market map:** Determination of the value-added chain between producers and end-users (i.e. who and how is involved to the production, distribution and marketing of a product).
- ❖ **Step 2 Buyer:** Preliminary list and standardized profiling of different groups of buyers in the market map place in which is the segmentation is to take place.
- ❖ **Step 3 What is bought, where, when, and how purchased:** List of all types of competition products/ services, distribution channels and purchase methods.
- ❖ **Step 4 Who buys what, where, when and how:** Combination of steps 2 and 3 to create a series of micro-segments.
- ❖ **Step 5 Why a product is purchased:** Understanding of what is trying to achieve each micro-segment through this purchase.
- ❖ **Step 6: Segmentation (1o stage):** Concentration of similar micro-segments that having similarities
- ❖ **Step 7 Segmentation (2o stage):** Assessment of the final segments in terms of size, differentiation, accessibility and compatibility with the company.
- ❖ **Step 8 Separation of attractiveness criteria:** Identification of factors that make a market segment attractive.
- ❖ **Step 9 Performance of weighting factors in the attractiveness criteria:** Determination of the relative importance of each criterion over the others.
- ❖ **Step 10 Evaluation criteria through parameters:** Evaluation with high, middle and low score for each attractiveness criterion.
- ❖ **Step 11 Marking of each segment:** Calculation the overall attractiveness of each segment.
- ❖ **Step 12 Business Competitiveness:** Determination of the company's ability to deal with the competition of each market segment and taking decision on which segment the company will be addressed to

The **market segmentation is based** on specific **criteria**. The criteria can be grouped **into four main categories** (Malliaris, 2001):

- ✓ **Geographic** (e.g., Climate, Area, City Size, Population Density, etc.).
- ✓ **Demographic** (e.g., Age, Gender, Income level, Profession, Education level, Nationality, Religion, etc.).
- ✓ **Psychographic** (e.g., Personality, Lifestyle).
- ✓ **Product related** (e.g. Product use, Expected Benefits of Product Use, Product Price, Product Source, etc.).

Segmentation of the industrial market is usually carried out on the basis of the following criteria:

- The geographic location of the industrial consumer.
- Business activity of the industrial consumer.
- The size of the industrial consumer.
- Order size and purchase frequency.
- The use of the product.

Market segments should have the following characteristics, in order market segmentation to be effective:

- **Measurability:** ability to measure the buying behavior of each market segment.
- **Materiality:** market segments' size justifies the investment of the business.
- **Accessibility:** accessibility through mass media.
- **Differentiability:** market segments are distinguished from each other.
- **Ability to act:** marketing programmes implementation to attract market segments.

5 Exports

5.1 Basic concepts of exports

5.1.1 *The need to export*

In the current era of globalization of the economy, export activities are characterized as ambassadors of each country in the international trading environment. Factors such as:



- ✓ Foreign currency inflow.
- ✓ The growth of Gross Domestic Product.
- ✓ Increasing employment.
- ✓ Enhancement of domestic production.
- ✓ Increasing purchasing power (real income).
- ✓ Improvement of the country's welfare.

These factors are considered to determine exports at macroeconomic level. Similarly, in microeconomic level, the benefits for enterprises are even greater.

The presence on international markets leads enterprises to a gradual increase in sales, thus being a way out of a saturated domestic market. It also leads to increase in net profits, enhancement of business flexibility, risk-taking minimization and significant reduction of production and operating cost.

Consequently, entering international markets and enhancing extroversion are the objectives of any enterprise that is determined to survive in a highly competitive economic environment. However, the successful export activity is not simply implemented without an organized plan. Exports should not be based on random sales abroad, but in an organized, consistent, and continuous export marketing strategy. Strengthening export business culture, achieving export readiness and developing Strategic Planning for International Marketing are some of the key factors that lead to success.

The reasons for developing export activity are as follows:

- ⇒ **The product life cycle on the international market.** When a product is mature in the domestic market, the enterprise can find new markets abroad, where sales for this product have not reached the same level of growth.
- ⇒ **Competition in a selected target market,** which may be at a lower level than domestic competition.

- ⇒ **The use of overcapacity.** When the internal market is experiencing downward trends or saturation, enterprises can turn to foreign markets to compensate the deficit.
- ⇒ **Population dynamics and purchasing power.** Few unsaturated markets are left and China is the most populous of them. However, the consumption of a product is linked with the economic ability of individuals to pay for its acquisition, which is why export activity in developing countries involves a lot of risk.
- ⇒ **Strategic competitive advantage.** In this case, the enterprise's objective is to enter a market that has a strategic advantage over its competitors.

5.1.2 Export methods

There are two categories of export activity methods:

- ❖ Indirect exports.
- ❖ Direct exports.

The producer company decides which method to follow, considering the objectives it wants to achieve, but also its resources.

Indirect exports

Occasional sales in a foreign country, is a level of passive engagement where the enterprise either exports on its initiative, not at regular intervals, or simply responds to orders from abroad. Active exports on the other hand, take place when the company decides to expand its exports to a particular market (Kotler, 1997). The common point of both cases is that production takes place in the country where enterprise is based.

Enterprises usually start with indirect exports, i.e. they are active in the foreign market through intermediaries and independent market players. The enterprise is responsible for the production but does not control the export procedures of its products to foreign markets. Export procedures are controlled by another enterprise established and / or active on the domestic market and acting as an intermediary of trade between the producer and the foreign buyer (Hatzidimitriou, 2003). The intermediary enterprise which undertakes the assessment of risks in foreign markets may be either domestically or foreign-owned.

Indirect exports are implemented with the following **four** ways (Hatzidimitriou, 2003):

Domestic Agents. Domestic agents are independent companies that are established and operate in the country of the producing company. They represent foreign companies-buyers who are interested in purchasing products with particular specifications at the lowest possible price and have the task of choosing a producer-company that meets these necessary specifications.

Domestic Traders. They are independent companies established and operating in the country of producer-company, with the difference that domestic traders operate as local wholesalers. They purchase the products of the producer-company like any other customer,

and in addition, they undertake all marketing operations in the markets they intend to export.

Export Management Companies. These companies operate as if they were the export department of a small and medium-sized enterprise. They undertake most of the enterprise's export processes such as market research, customer attraction, contract negotiation and signing, product insurance, etc.

International Trade Company. These companies maintain commercial subsidiaries, branches and/or delegations in many places in the world, and engage in export and import activity of products and raw materials purchased from various producers in different countries. Their difference with Export Management Companies is that they do not only act as representatives of domestic producers, but also as companies exploring the needs of buyers.

Direct exports

Direct exports are direct sales to foreign enterprises or to final consumers, established on foreign markets (Albaum et al., 1998). This implies the organization of Export Department, the undertaking of market research, the development of an integrated marketing strategy, the customer approach, the negotiation, the issuance of the necessary certificates and documents and the transportation of the products abroad (Avlonitis, a., 2010). The risk is higher in this type of export, but the potential return is also higher, as no commissions are paid to intermediaries. This policy can be more profitable for the enterprise, if they increase sales abroad to a greater extent than the existing cost (Bello and Williamson, 1985).

Direct exports are implemented with the following **four** ways (Hatzidimitriou, 2003):

- ☒ **With export department.** Depending on the enterprise's organization, the export department may have limited responsibilities or autonomy, undertaking any operation associated with the export activity.
- ☒ **With representatives in the export destination country.** There are two types of representation:
 - i. With a local sales agent or representative, who is an intermediary between the enterprise and its customers.
 - ii. With a local trader or distributor who has the exclusive representation of the enterprise's products for a country or geographical area. The trader purchases these products and then resells it to his/her customers.
- ☒ **With a branch in the export destination country.** It is the natural business expansion, since company consolidates its products position on the foreign market. The role of the branch is related to carrying out tasks similar to those of the parent company, such as new customers attraction, provision of services to foreign customers, collection of local market information that is useful to the parent company, promotion of the product on the local market, etc.
- ☒ **Trading Subsidiaries in the export destination country.** It is an autonomous and fully organized local company, which provides commercial services and is foreign-owned, as it belongs to the parent exporting company that establishes it and owns 100% of its share

capital. However, it is governed by local law and may also have a different business name from the parent company.

5.1.3 *Export incentives*

Internationalization incentives, are defined as the internal and external forces that influence an enterprise's decision to start, develop or maintain its international activities (Leonidou & Katsikeas,1996).

In addition to profitability, which is the main incentive for the majority of enterprises' activities (Bilkey and Tesar, 1977), there are other incentives that mobilize enterprises to engage in export activity. These can be distinguished in two general categories: **endogenous incentives** that are related to the business operations and are affected by enterprise's actions and decisions, and **exogenous incentives** that are related to the external business environment, whether it is the domestic market environment or that of the international market, i.e. forces that the company cannot control or affect.

Endogenous incentives:

- ✓ Increase in profits and sales (Ball et al., 2010).
- ✓ Domestic markets protection (Yoder et al., 2016).
- ✓ Achieve economies of scale (Beamish & Lu, 2001).
- ✓ Differentiation of business risks through geographic expansion (Hatzidimitriou, 2003).
- ✓ Reduction of production costs by introducing cheaper raw materials and human resources (Minifie & West, 1998).
- ✓ Raw materials exploitation (Narula & Cuervo, 2015).
- ✓ Competitive marketing advantages (Hatzidimitriou, 2003).
- ✓ Qualitative and technological superiority of products (Hatzidimitriou, 2003).
- ✓ Business reputation (Ozturk et al, 2015).
- ✓ Executives with international experience and knowledge (Baroncheli & Cassia, 2015).
- ✓ Management Board's willingness for international development (Leonidou, 1998).

Exogenous incentives:

- ✓ Orders from foreign customers (Bilkey & Tesar, 1977).
- ✓ Saturation of the local market (Hatzidimitriou, 2003).
- ✓ Following the competition (Hatzidimitriou, 2003).
- ✓ Strong competitive environment in the domestic market (Hatzidimitriou, 2003).
- ✓ Hostile institutional environment and unattractive macroeconomic policy by the domestic government (Narula & Cuervo, 2015).
- ✓ Strategic position of a foreign country and access to new markets (Azaria, 2010).
- ✓ Access to qualified human resources (Ozturk et al., 2015).
- ✓ Financial incentives from foreign governments (Fletcher, 2001).
- ✓ Favorable exchange rates (Katsikeas, 1996).

- ✓ Political and economic stability in foreign countries (Ozturk et al., 2015).
- ✓ Possibility to increase sales for seasonal products (National Observatory for Small and Medium Enterprises).

5.1.4 *Problems - export barriers*

In order to achieve their goals, exporters are faced with significant problems and barriers, which depend on various factors, such as how developed is the country in which the exporting company is located, the age of the company at the time of export, the personality and the experience of the company's manager director (Maldifassi and Caorci, 2014). These barriers, apart from the economic losses they can cause, they can also create a negative image to existing and future exporters. Thus, minimizing or eliminating these barriers could contribute to company's export performance enhancement.

The major barriers related to exports are the following (Hatzidimitriou, 2003):

- ✓ The difficulty in finding customers and high competition.
- ✓ Lack of executives with the appropriate knowledge, skills and experience in exports.
- ✓ Lack of executives who speak the language of target-countries.
- ✓ Difficulties in communicating with foreign clients.
- ✓ The difficulty in finding reliable representatives and/or distributors in international markets, as well as motivating them to actively promote the enterprise's products.
- ✓ Lack of valid and timely information on foreign markets.
- ✓ Difficulties in controlling the enterprise's activities (e.g. market research, advertising, promotion, distribution) in foreign markets.
- ✓ Lack of knowledge about bureaucratic procedures in destination countries of exports.
- ✓ The problems associated with securing export funding.
- ✓ The problems associated with tariff and non-tariff restrictions introduced by each country.
- ✓ The additional cost if the enterprise is to adapt its product to preferences of foreign customers and to requirements of the export destination country's legislation.
- ✓ Problems related to ensuring adequate and reliable means of transport.
- ✓ Lack of satisfactory assistance and technical support from the competent public bodies of the parent country.

5.1.5 *Advantages and Disadvantages of Exports*

The export activity of an enterprise delivers significant benefits both to the state and the enterprise itself. Exports support the state by improving its balance of payments, trade deficit, employment rate and standard of living (Freeman & Styles, 2014). This improvement results to country's strengthening of competitiveness on international markets, so governments choose to subsidize export companies, complementing their resources and capabilities (Wilkinson and Brouthers, 2006).

Regarding enterprises, the advantages of exports can be summarized as follows (Hatzidimitriou, 2003):

- ❖ The business risks that the exporting company undertakes, are relatively insignificant as it uses the existing production facilities.
- ❖ They are a fast and cost-effective way of entering new markets.
- ❖ Export activities give the company the opportunity to understand the requirements and specificities of foreign markets.
- ❖ It is an opportunity for the company to explore the acceptance, capabilities and competitiveness of its products on the foreign market.

The most significant disadvantages of export companies, irrespective of size or sector of activity are as follows (Hatzidimitriou, 2003):

- ❖ The additional cost for promotion and movement of exported goods, such as expenses for participation in international exhibitions, commissions, bank charges, cost related to customs procedures, insurance cost, transport and storage costs of products etc.
- ❖ The direct and indirect barriers posed by many national governments to imports through tariffs, quotas, exchange restrictions etc.
- ❖ The export company, especially in case of indirect exports, does not have direct contact with the markets where its products are exported, therefore it is not sufficiently informed about the competition, preferences, expectations and requirements of its potential customers in the export destination countries.
- ❖ Some products require after sales service, which presents difficulties when distance between the enterprise and the export destination country is significant.
- ❖ Enterprises that trade branded products face additional difficulties such as monitoring of their legal or illegal use.

5.2 Export readiness-New technology and export assistance

The first challenge faced by an enterprise willing to carry out an export activity is to understand the extent to which it is prepared to successfully support such an activity. Internationalization can be a satisfactory solution to address the reduced demand of domestic market, but it is not certain that all enterprises have the required characteristics and the ability to successfully exercise export activity. In order not to waste valuable resources, both in time and money, it is important to carry out a preliminary examination of the enterprise's export readiness.



However, a diagnosis of the enterprise's current situation should be made prior to the export readiness procedures. An appropriate tool for diagnosing the current situation is **SWOT analysis**. The SWOT analysis refers to the following: **Strengths, Weaknesses, Opportunities and Threats**.

The four points to be completed for the SWOT analysis are related to product, production, available resources, time, funding sources, target market and domestic market knowledge. Having a clear understanding of the enterprise's strengths and weaknesses, this analysis provides an opportunity to respond adequately to the challenges of international markets. The "strengths" motivate enterprise to start export activities, while "weaknesses" are those that need to be corrected before export starts. Both factors are related to the enterprise's internal features and can be thoroughly be controlled by it. On the contrary, "opportunities" and "threats" are external factors that are not controlled by the enterprise and are changing according to the selected target market.

Below, an indicative SWOT analysis for an export-oriented company is presented:

Strengths	Weaknesses
Competitive products	Problematic internal communication
Good financial standing	Inability to ensure quality
Wide range of know-how	Gaps in organizational structure
Proper organization of sales	Limited export experience
Organized network of partners	Inappropriate location of the enterprise
Opportunities	Threats
Large Market (e.g. demographically)	Strong competition
Demand for know-how innovations	Restrictive regulatory framework
Attractive price levels	Substitute products or solutions
Favorable opportunities	Market that requires continuous innovation
Need for new products	Price war

If the enterprise analyzes its current situation, it is in a position to decide whether it is ready to export its product to international markets. There are several factors that determine the enterprise's export readiness. An enterprise is ready to export when it has the required production capacity, adequate resources and the Management's commitment to deliver a product or service on a global scale and at a competitive price in order to be able to secure a market share. All of the above factors that create this framework are called the "Internal Environment of an Enterprise".

The internal environment of an enterprise is determined by internal factors that are directly related to intra-corporate operations and are affected both by procedures and by enterprise's decisions. The internal environment is shaped by the following parameters (SEVE, 2012):

- *Organization and procedures*
 - Basic
 - Supporting

- *Products and clients*
 - Ranking in terms of growth and market share
 - Hierarchy in terms of competitive advantages and market attractiveness
- *Resources*
 - Human resources
 - Tangible and intangible fixed assets
- *Financial performance*
 - Financial structure
 - Profitability

In particular, the enterprise, regarding the internal factors should seek answers to questions about (SEVE, 2012):

❖ **The expectations**

- Are there clear and feasible targets for export activity?
- Is there a realistic picture of the commitment that export activity requires in terms of time and resources?
- Is there a perception of what is necessary for successful export activity in international markets?
- Has it been estimated how fast exports are expected to be made?
- Has the amount of return on invested capital from export activity been estimated?

❖ **The competitiveness**

- Are there available resources to conduct a market research, in order to investigate whether the product is ready to be exported to international markets?
- Is the product sustainable for the target market of the enterprise?
- Have the comparative advantages of the enterprise's products, which can give it a significant share per target market, been identified?

❖ **The human resources**

- Is there any commitment from the Management to implement export activity?
- Is there a capacity to manage the excess demand that will result from exports?
- Are there employees with marketing skills?
- Are there ways to tackle language barriers?

❖ **The financial resources**

- Can the enterprise gain access to the necessary capital to cover the excess demand from international sales?
- Can ways to normalize the financial risks related to international activities, be found (e.g. foreign exchange risk)?
- Is it possible to find people who will give the necessary advice on the legal and tax implications of exports?

5.2.1 New technologies and export assistance

E-commerce

Special attention should be paid to the internet and the importance of e-commerce for implementing export activity.



E-commerce describes the process of purchasing, selling, transporting or exchanging products, services and / or information through computer networks, mainly via the Internet and intranets.

E-commerce can take various forms depending on digitization degree (transformation from physical to digital) of the product (service) sold, the process (e.g. ordering, payment, finalization) and the distribution method. The possible formations of these three dimensions determine the different levels of e-commerce. A product may be natural or digital, such as its distribution method and the entire sale process as well. These alternative situations create eight cubes, each of which has three dimensions. In traditional trade all dimensions are natural and in electronic trade, digital (top right cube). Any other cube includes a mix of digital and physical dimensions.

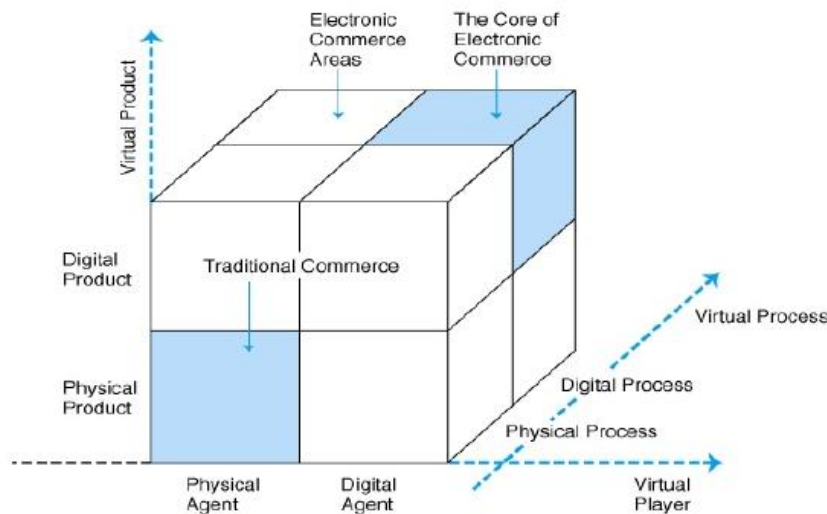


Figure 4: Dimensions of E-commerce
Source: (Choi et al., 1997)

If there is at least one digital dimension, then there is partial e-commerce. For example, buying a computer from Dell's e-shop or a book from Amazon is a partial e-commerce because the commodity is distributed in natural ways. However, buying an e-book from Amazon or a software product is total e-commerce because the product, distribution, payment and agent are digital.

An export through e-commerce is the implementation of new technology in the direction of transactions automation and flow of business operations. The ultimate objective of exports

through e-commerce is to satisfy the common desire of suppliers and customers for better quality of products and services, faster transactions and lower cost.

Regarding the categories of e-commerce related to exports, developed by enterprises, these are as follows:

B2B (Business to Business) e-commerce for exports. Kalakota & Whinston (1996) state that e-commerce between enterprises leads to improved collaboration by simplifying procurement and shipping procedures, contributing to an efficient control of the available stocks. Transactions between enterprises are usually done electronically via extranets. Extranet consists of two or more intranets linked to each other so that enterprises can share information, exchange data, execute transactions, using a global virtual network.

B2C (Business to Consumers) e-commerce for exports. Kalakota & Whinston (1996) refer to B2C e-commerce. This is the most common form of e-commerce where the enterprise uses its online store to electronically sale its product or service to a remote customer. The product can be delivered to the customer via the internet or through express mail service, even with an agent-distributor who cooperates with the enterprise in the export destination country.

B2B2C (Business to Business to Consumers) e-commerce for exports: In B2B2C e-commerce, an enterprise provides a product or service to a client-enterprise. The client-enterprise has its own customers to whom the product or service is provided, without adding any value to it.

The advantages of e-commerce are as follows (Ioannou Z.K., 2005):

- **Greater clientele**, as the enterprise is addressed to customers on the global market.
- **Cost minimization.** The storage, processing and dissemination cost is reduced, while at the same time it is possible to promote enterprise's products through the Web, which combines text, image and sound at low cost.
- **Improved supply chain** with reduced cost, stocks and delays on procedures.
- **Continuous operation** of the enterprise, without additional operating cost.
- Fast and easy **specialization and adaptation to** customer **requirements.**
- Faster introduction to the market with **less time-consuming procedures.**
- **Insignificant communication cost** with the clients.
- **Better customer service.** For several products, technology allows their direct (via the internet) delivery so consumers can obtain the product, even at the same time with the sale.
- **Keeping the customer constantly informed** about products or enterprise's operation.
- **Better prospects for small enterprises** in competition with larger ones.
- **Great reduction in distribution costs** in digital products.

In past, international trade was accessible mainly to large enterprises that were able to develop a distribution network and sales points in foreign markets. Today, however, small

enterprises can bypass, through e-commerce, barriers such as physical presence in foreign markets, creation of sales points, local bureaucracy and corruption.

Another important parameter in the export sector is the use of "robots" in production, which redefines the selection of producing countries and the quantity of production. Indicatively, in 2017, 378,000 new industrial "robots" were produced - 31% increase in production than in 2016. The automotive industry is holding on first place in robot exploitation in production, but the use of "robots" is increasing dramatically also in industries such as metal ores, electronic/electrical products and the food industry.

In addition, low-cost countries will lose their main competitive advantage and the production process will be shifted to countries that combine higher levels of consumer spending, adequate IPR (Intellectual Property Rights) protection and human resources with high-tech training. All the above will result in increased exports due to increased production.

Finally, technology and the Internet have a crucial role for enterprises in finding qualified employees with special skills from anywhere in the world. This results in reducing the production cost and gives the opportunity to enterprises which are located to disadvantaged areas -with respect to qualified workforce-, to be more competitive, after developing export activity.

5.3 Tax and Customs procedures

5.3.1 Tax procedures

Export and VAT – VAT exemption in exports to third countries (Article 24 of Law 2859/2000)

One of the VAT features which is beneficial both for the development of EU Enterprises and the EU economy, is the absence of taxation in exports.

In particular, there are:

- **Direct exemption** (VAT not included on invoice)
 - to export of products by a vendor or by another person acting on his/her behalf, to a buyer.
 - to the sale of products by a vendor subject to VAT to a buyer-exporter, when products are to be exported.

- **Indirect exemption** (In any other cases).



The buyer-exporter pays the VAT to the vendor and then after the export, is returned or follows the process of issuing a " Special Duplicate VAT Exemption Note ".

Exemption from VAT on the export of goods is granted under the following conditions:

1. The invoice related to export of goods, **shall be validated by the competent customs authority** and the entry "**EXEMPTION FROM VAT UNDER EXPORT**" shall be shown on it.
2. There is a copy of the customs export document for the exporter's file, as well as the copy no. '3' of the relevant Single Administrative Document (SAD), proving the final export of goods.
3. Documentary evidence of the intermediary bank for the introduction/clearing/legal transfer of transaction.
4. There is a confirmation of products' exit from the customs territory of the EU (electronic message from ICISnet "Completion of Export Certification").

The exemption **does not** include:

- Food products, alcoholic beverages, tobacco products.
- Goods that do not meet the personal or family needs of the buyer-traveler but are characterized by commercial nature.
- Products transported by buyers-travelers with accompanying tax items, regardless the type of transport (road, air, sea). Products transported by public or private commercial vehicles, are not subject to the exemption procedure.
- Products intended for the equipment or supply of recreational craft and private aircrafts or any other means of transport for private use.
- Products purchased by transport personnel, operating among different countries.

Export and VAT – Exemption in Intra-community supply of goods

The following conditions have to be **cumulatively** met:

1. The vendor and the buyer are subject to tax.
2. Goods shall be transported from one Member State to another.
3. Registration of vendors and buyers in the VIES system²².

If any of the above conditions is not met, the transaction **cannot** be characterized as intra-Community and should be **subject to VAT**.

Exemption from VAT on the intra-Community supply of goods is granted, if the following conditions are met:

1. Invoice which indicates, among other, the VAT number/amount of tax of the buyer and the entry "VAT exemption Article 22a of Law 1642/86" on it.
2. Copies of the documents of the intermediary bank.
3. Declaration of Honour of Law 1599/86, certifying the VAT number/amount of tax of the buyer of another Member State via the VIES system and the partial or total non-cancellation of the transaction.

²² An electronic system to which all Member States are linked. It operates by automatically exchanging of information relevant to intra-Community transactions between the tax authorities of the Member States.

4. Documentary evidence of the transport or delivery of the products from one Member State to another (loading documents of the transporter, e.g. invoice documents, or other documentary evidence of a means of transport -by sea, road, air-, tolls and other charges paid related to the passage of the means of transport from third countries, that prove this passage).
5. Registration of the act in the recapitulative statement of the intra-Community supplies of the period concerned.

It is worth noting that on 13 July 2010, the EU Council adopted the Directive 2010/45/EU, as an amendment of the Directive 2006/112/EC on the joint system of value added tax, regarding pricing rules.

The directive has been a part of national legislations since 1 January 2013 and introduces new VAT rules for electronic invoicing while removing the barriers to use it, by ensuring equal treatment between paper and electronic invoices, without additional obligations on paper invoicing.

According to the Article 233 of the Directive, enterprises are free to send and receive electronic invoices provided that they carry out "control to invoicing and delivery of goods or services" in the same way as in the case of paper invoicing.

Regarding the obligations of traders in intra-Community transactions, any enterprises established in a Member State which are subject to tax, must submit to the competent tax authority **before** the transaction:

1. Declaration of start-up – change of operations for natural person (**Form M2**) or Declaration of start-up – change of operations for non-natural person (**Form M3**), to be registered in the VIES Register, so as not to charge the customer in another Member State with VAT, but also not to be charged with VAT from the supplier of a Member State.
2. Cross-checking and **verification** of the Community VAT number/ amount of tax, and the company's name.

Furthermore:

- ✓ The VAT number /amount of tax is mandatory to be shown on the invoice.
- ✓ Transactions must be shown in the Periodic VAT statements.
- ✓ The recapitulative statement of the intra-Community supplies must be submitted to the VIES system.
- ✓ It is also necessary to submit a monthly INTRASTAT statement²³.
- ✓ The intra-community supply should be shown in the Annual Tax Clearance Statement.

²³ Intrastat online statement system has been activated since January 2003 and serves a large number of registered enterprises and accountants. The use of the system accounts for about 70% of all the enterprises subject to tax.

5.3.2 Customs procedures

Concepts such as **intra-Community movement, export, Community goods, customs office of export** and **customs office of exit** should be clarified.



- **Intra-Community movement.** The sale of Community goods by an EU Member State to another. Shipment of Community goods to other EU Member States is not considered as an export.
- **Export.** Includes the sale of goods outside the EU territory, in third countries.
- **Community goods.** They are manufactured or produced entirely in the customs territory of the EU. Community goods are those of third countries which have been released for sale in the customs territory of the EU after payment of all customs duties and tax charges.
- **Customs office of export.** The customs office where the checks and the formalities must be completed in order for goods leaving the customs territory of the Community to be assigned a customs-approved treatment or use, as well as appropriate risk-based controls.
- **Customs office of exit.** The customs office where the goods are placed before being exported from the customs territory of the EU and are subject to customs controls with regard to the implementation of exit formalities.

Operation of the export regime

The export procedure involves two stages:

The exporter/declarant shall present the goods, the customs export declaration and, where appropriate, the export authorization to the competent Customs Office of export where the exporter is established or where the goods are packed or loaded for export. The Customs Office of export where the goods and the export license are presented, shall grant an export receipt license subject to the condition that the goods leave the customs territory of the EU in the same situation as they were at the time of acceptance of the customs export declaration.

The customs export declaration and the goods shall then be presented to the Customs Office of exit, which shall verify that the goods correspond to the goods referred by the customs export declaration and supervise their exit.

It should be noted that, within the context of the export procedure there is a distinction between:

- ❖ The declarant, i.e. the person who presents the goods to the Customs Office of export and submits the customs export declaration, who may be represented by another person.
- ❖ The exporter, i.e. the person on whose behalf a customs export declaration is submitted, and who is the owner of the goods at the time of acceptance of the customs export declaration.

Final export procedure

Final export procedure shall commence by submitting a customs export declaration to the customs office of the Member State responsible for supervising the exporter or to the customs office where the goods are packed or loaded onto the means of transport, with which, the export is to take place.

Customs export declaration is required for:

1. Goods exported to countries outside the customs territory of the EU, including the countries of the European Free Trade Association (EFTA) i.e. Iceland, Norway, Switzerland and Liechtenstein.
2. Goods exported to specific territories which are part of the customs territory of the EU but not in its tax territory (Martinique, French Guiana, Guadeloupe, Réunion, Canary Islands, Channel Islands, Aland Islands).
3. Goods which are subject to the Common Agricultural Policy (CAP), i.e. subsidized products.

Regarding customs export declarations:

- ✓ These are now submitted electronically to the Customs Office.
- ✓ A system for electronic submission (and control) of customs export declarations, ICIS-Integrated Customs Information System has been developed²⁴.
- ✓ When ICIS is out of order, customs authorities accept a customs export declaration in written form (Single Administrative Document) together with a security single administrative document.
- ✓ Exporters must submit the security single administrative document of Commission Regulation 414/09, attached to the Single Administrative Document, where the unique EORI²⁵ number is required to be shown on it.

Today, the Customs Office of exit sends an e-mail to the Customs Office of export confirming the exit from the EU.

After 90 days from the acceptance of the customs export declaration, if the Customs Office of export has not received an exit confirmation from the Customs Office of exit, the exporter may notify to the Customs Office of export, the Customs Office of exit and the date of exit. After this notification, the Customs Office of export shall request to the Customs Office of

²⁴ It is an automated process of the customs export declarations between enterprises or the transport company and the Customs Office of export allowing for quick customs procedures and ability to check the validity and/or completion of the documents prior to arrival at the Customs Office of export.

²⁵ The unique identification number (EORI) is the registration and identification number of the economic bodies. It is issued by the competent customs authority of the country or by the competent authorities of the other Member States and is the unique identification in the European Community for any economic body.

exit, the “exit result message” to be sent within 10 days, in order to certify the exporter’s exit.

Export Certificates

⇒ **EUR 1 & ATR 1**

Movement certificates that prove the Community status of the goods. They shall be validated by the customs authorities of the exporting country and shall be given to the exporter as soon as export takes place. EUR 1 is necessary for exports to countries of the European Free Trade Association (EFTA) and countries with preferential agreements. ATR 1 is necessary for exports to Turkey.

⇒ **Certificate T5**

It is a document relevant to the monitoring of the movement of agricultural products and Community subsidies. It is issued by the customs office of export when the product crosses Community territories other than that of the exporting Member State, before leaving the customs territory of the Community.

For intra-Community trade, i.e. goods moving between Member States of the EU the following certificates are used:

⇒ **Certificate T2L**

Issued for any transport type of goods from an EU country to another EU country, irrespective of whether the cargo pass from non-EU countries, provided it is not unloaded on the territory of those countries.

⇒ **Certificate T2**

Issued only for land transport, in the following cases:

1. From EU country, through EU countries, to an EU country
2. From EU country, through Switzerland, to an EU country
3. From EU country, with Ferry Boat, to an EU country

The movement certificates are issued by the exporter and are validated by the Customs office of the destination. The goods must be of EU origin, shipped from EU country, and have an EU country as a destination.

Bodies that can join the ICIS customs system

The economic bodies that can join the ICIS customs system are those involved in the global supply chain and in activities governed by customs legislation. An Authorized Economic Operator Certificate is a requirement for joining the ICIS customs system, by submitting an application for an AEOC Certificate to the competent Customs Office.

The economic bodies that can apply for a certificate are the following:

- Manufacturers/processors.
- Exporters.
- Transportation companies.
- Managers of warehouses for temporary storage.
- Customs agents.

Regarding the procedures that can be electronically processed, these are as follows:

1. The customs declaration of export.
2. Pre-information document on subsidized products.
3. Requests for cancellation or correction of statements and export diversion.
4. The time of arrival of the goods at the customs office of exit.
5. The exit list of goods that states the loading of the goods in the final means of transport.
6. Notification of the final exit of the goods after the departure of the final means of transport.
7. The release of goods for export or exit.
8. Confirmation of exit of the goods from the territory of the EU.

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