

Needs analysis of social enterprises in Montenegro

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Introduction

Social entrepreneurship is increasingly seen as an alternative and innovative way to promote social inclusion, integration and employment of disadvantaged groups of the population. However, in the literature, as well as in legislative practice, there is no consensus regarding the definition of this concept. In the broadest sense, the social entrepreneurship encompasses the use of innovative practices in the sale of goods and services on the market in order to generate income to be used in attaining some general interest.

Although there is neither specific law regulating this area nor appropriate strategic document, it is noticeable that the growing number of Montenegrin non-governmental organizations is engaged in the production of certain goods and provision of services. Key actors in the performance of these economic activities are often members of marginalized groups, most often: people with disabilities, members of Roma population and women who are victims of violence.

In the broadest sense, under the social entrepreneurship is considered the use of innovative practices in the sale of goods and services on the market, in order to generate income to be used for the realization of some commonly beneficial interest

(Source: Strategy for development of NGOs in Montenegro 2014-2016, p. 22)

Considering the fact that without a detailed insight into their needs one cannot create an adequate regulatory and strategic framework for the development of social entrepreneurship, the Centre for Development of NGOs (CRNVO) initiated the cycle of visits to organizations which to its characteristics resemble the social enterprises and organizations that have established social enterprises in other legal forms. We have identified 19 such organizations so far predominantly due to their participation in our activities, but also through monitoring the work of other entities in this area and media coverage. CRNVO team visited 13 of these organizations in the period from November 2015 to January 2016. A telephone interviews were conducted with representatives of 6 organizations. *A total of 16 active social enterprises were identified during this process.*

Below we present a summary of key findings regarding the basic needs of these enterprises and the main obstacles in their endeavors to become a viable and recognizable social enterprise.

I General information

Legal form in which social enterprises operate in Montenegro:

- ✓ *NGOs engaged in economic activity (14)*
- ✓ *A limited liability companies established by NGOs (1)*
- ✓ *Sheltered workshop established by NGOs (1)*

Fourteen out of sixteen social enterprises that we visited operate in the form of non-governmental organizations. Only one organization has established a limited liability company. Also, only one organization founded a sheltered workshop in accordance with the Law on professional rehabilitation and employment of people with disabilities. To our knowledge, this is the only workshop of this kind in Montenegro. These workshops are obliged to employ at least 51% of people with disabilities out of the total number of employed people.¹

Production of souvenirs and other decorative items, garments, items for home and office promotional materials is in the focus of the largest number of enterprises we visited. Providing PR services is in the focus of a limited liability company.

People with disabilities are engaged in a total of eleven (11) enterprises, women victims of domestic violence in two (2), elderly women in two (2), while one (1) enterprise engages members of Roma and Egyptian population. Also, it is important to note that women are at the forefront of fourteen of these enterprises.

Finally, the largest number of these enterprises is based in the central part of Montenegro, a total of eight (8). Six (6) enterprises are headquartered in the northern part, while only two (2) enterprises have their headquarters in the southern part of Montenegro.

The social mission of social enterprises in Montenegro is employment and socio-economic inclusion of:

- *people with disabilities,*
- *women victims of violence and elderly women,*
- *members of the Roma and Egyptian population*

¹Article 31 of the Law on professional rehabilitation and employment of persons with disabilities (Official Gazette of Montenegro from 4th August 2011)

II Planning documents - from feasibility study to marketing strategy

It is noticeable that the key motive of the largest number of organizations to launch entrepreneurial activity was the employment of marginalized groups, rather than acquiring profit. It is therefore not surprising that *only one of the surveyed organizations made a feasibility study* of its social-entrepreneurial idea before the start of its entrepreneurial activity. It was exactly the one that now performs social-entrepreneurial activities within a limited liability company. This entails the question of the extent to which there is indeed a market need for products and services of other surveyed organizations.

However, the majority of them have developed *business plans* with the help of experts engaged within the mentoring programs initiated by CRNVO and the Network for Education and Development of support services for people with disabilities (MERSP) or experts who were engaged through their personal contacts.

Social enterprises most commonly promote their products and services at various fairs and via their Facebook pages.

Finally, the only mentioned limited liability company has a *marketing strategy*. Other enterprises are aware of this lack, saying that proper marketing strategy would certainly contribute to increasing the visibility of their products and services. For now, most of these enterprises promote their entrepreneurial activities through their websites, Facebook pages, or at fairs, but also through direct contact because these are the cheapest forms of promotion for them. Almost all enterprises emphasize their satisfaction with media coverage of their entrepreneurial activities on the local and national level.

III Human Resources

Number of employees in these enterprises does not exceed the

- ✓ *Only one social enterprise made a feasibility study*
- ✓ *Only one social enterprise has developed marketing strategy*
- ✓ *Half of social enterprises (8 in total) does not have their own websites*

✓ *Number of employees in social enterprises does not exceed the number of 10*

✓ *All social enterprises that operate in form of NGOs engage volunteers*

number of ten. Enterprises which hire people with disabilities for these purposes use the subsidies offered by the Law on professional rehabilitation and employment of people with disabilities to cover the costs of gross salaries, while the remaining enterprises predominantly cover the salaries of employees by using approved grants.

Negligible number of enterprises provides salaries to employees through revenues from sales of products and provision of services, a limited liability company definitely belongs to this group.

All companies that operate in the form of NGOs engage volunteers.

Number of volunteers who are helping them varies depending on the number and types of activities undertaken.

However, it is noticeable that ad hoc volunteering is the most common, for the purposes of organizing events, going to fairs etc.

A vast majority of social enterprises is not able to provide salaries to their employees by using revenues from the sale of products and provision of services. The salaries are dominantly ensured thanks to grants. This fact points to the problem of financial sustainability of social enterprises.

Also, volunteers recruited usually do not have the necessary specialist knowledge of importance for the successful functioning of social enterprises, neither those related to the manufacturing techniques, nor those related to business skills.

IV Financial sustainability

The analysis shows that at the majority of enterprises there is a high financial risk because they are not funded from multiple sources simultaneously. The predominant dependence on donor funds is still evident in their work and hinders their rapid transformation into a social enterprise that is ready to successfully meet market challenges. The largest number of enterprises finances their activities thanks to the approved grants from public funds.

These funds are used to cover the salaries of employees and the purchase of materials for the manufacture of products.

A small number of funds as development of purchase of local international donate the materials for fact is that one financing of a the income products and services on the market.



of enterprises stated IPA significant for the human resources and the equipment. Individuals, foundations and donors most commonly necessary equipment and the work. However, the of the key sources of social enterprise should be generated from sales of

Bearing in mind that the largest number of these enterprises is at the very beginning of development, their total income on this basis has not exceeded the amount of 4000 euros per annum. Enterprises emphasize the problem of marketing products, the lack of retail space as well as an intense competition as key obstacles to achieving higher revenues. While most municipalities have expressed their willingness to buy their products, cooperation with the business sector is not satisfactory. However, the largest number of social enterprises stresses that until now they have not approached companies that might be interested in buying their products. Smaller number of those who got in touch with companies did not encounter a satisfactory response.

V Internal challenges

One of the key internal challenges of almost all enterprises is reflected in the lack of business skills that are necessary to start and run a social enterprise. Respondents estimate that they lack knowledge on *business management, product placement and accounting, as well as business English*. Not less important, the lack of knowledge in the field of *marketing* was identified as a key obstacle to successful sale of products and services.

On the other hand, it is noticeable that the employees have undergone a series of trainings related to the techniques of making products and quality service delivery. However, they think that continuing education in these areas is necessary in order to

*Internal challenges
to the functioning
of social
enterprises:*

- ✓ *Lack of
business skills*
- ✓ *The need for
better
quality work
equipment
and adequate
material*
- ✓ *Inadequate
retail space*
- ✓ *Poor
networking*

ensure high quality of products and services that meet the needs of customers and clients.

When it comes to *work equipment*, most enterprises possess the necessary basic equipment that is provided through donations or grants. However, there is an obvious need for more or better quality equipment for all enterprises included in the analysis. Enterprises point out the problem of the lack of necessary materials for the manufacture of products. The acquisition of new materials often requires imports from other countries, which also affects their price. High prices of basic raw materials for production affect the selling price, which reflects negatively on the competitiveness of these emerging social enterprises.

Also, there is a great need in most enterprises for a *special retail space* that would be located in an attractive location. The very fact that they exhibit and sell products in their workshops does not contribute to their visibility, especially bearing in mind that the workshops are usually located outside the city center, in the difficult to access locations.

Finally, it is noticeable that there are *weak links between enterprises* both mutually and with social enterprises in the region and beyond, and for the sake of exchanging information and knowledge. These companies are not aware of the existence of European networks of social enterprises (eg. ENSIE, CECOP, etc), neither of the possibilities of membership.

VI Legal and institutional challenges

Although the largest number of enterprises is in the initial stage of their development, their representatives believe that restrictions on the allowable amount of revenue from

performing economic activities prescribed by the Law on NGOs could pose a barrier in the coming stages of development accompanied by greater

It is necessary to adopt a special law on social entrepreneurship that would offer a clear definition and criteria for identifying social enterprises, and foresee adequate incentives for their work.

demand for their products and services. This was one of the key motives of one of the NGOs to establish a limited liability company. In the opinion of their representatives, carrying out socio-entrepreneurial activities within the NGO prevents long-term development of socio-entrepreneurial idea.

All of the respondents think that it is necessary to adopt a special *Law on social entrepreneurship* that would offer a clear definition of social enterprises, criteria for their identification and predict the appropriate incentives for their work.

The largest number of respondents specifies Employment Agency of Montenegro as an institution that has been of key importance for the implementation of their entrepreneurial ideas so far. However, it is noticeable that they lack a resource center that would provide comprehensive technical support for conducting socio-entrepreneurial activities. The only organization that has established a limited liability company stated the importance of the support program for small and medium-sized enterprises of the European Bank for Reconstruction and Development to access consulting services in marketing, strategic planning, quality management systems and the like.² The Bank covers part of the costs of these projects in the amount up to 10 000 euros, depending on the size and location of the company, as well as the type of consulting advice they need.³

² For more details about this support program, see the web site <http://www.ebrd.com/work-with-us/advice-for-small-businesses/montenegro.html>

³Ibid.

VII Recommendations

Some of the key recommendations of social enterprises for creating an enabling environment for the development of social entrepreneurship in Montenegro are the following:

- *Defining the legal framework for the development of social entrepreneurship in Montenegro*

It is necessary to adopt a Law on social entrepreneurship that would define the basic characteristics of social enterprises, a way of keeping records of social enterprises, mechanisms of control of their work and that would predict the appropriate incentives for their work.

- *Providing professional support to social enterprises in Montenegro*

Mapping of all existing stakeholders that provide professional support for the development of social enterprises in Montenegro, but also the establishment of specialized resource centre for the development of social entrepreneurship was recognized by all involved organizations as particularly important. In addition to advisory services for business management and training programs tailored to the individual needs of social enterprises, it is important to provide the timely information on available training programs outside of Montenegro, as well as sources of funding.

- *Providing support in terms of space to social enterprises in Montenegro*

Providing space for the exhibition of products of social enterprises would contribute to increasing the visibility of their offers. Acts intended to define the procedures and criteria for allocation of premises and land owned by the state and local governments need to recognize the category of social enterprises as potential users.

- *Encouraging social enterprises to connect with companies that foster socially responsible practices*

Cooperation of the social enterprises with companies that foster socially responsible practices can be twofold. On the one hand, these companies can play an important role as buyers of products and service users of social enterprises. On the other hand, the cooperation may be non-financial in nature, where the employees in companies would transfer for free their knowledge on business management, marketing, accounting, information technology, graphic design and so on. This way, they would demonstrate social responsibility to the community in which they operate. However, it is necessary to bear in mind the fact that the current Law on voluntary work is an obstacle to this type of engagement as it prevents companies to be leaders of volunteer activities.⁴

- *Encouraging networking with social enterprises in the region and Europe*

Bearing in mind that social entrepreneurship is at an early stage of development in Montenegro, networking with more developed social enterprises from the region, Europe and beyond would enhance practical knowledge of the Montenegrin social entrepreneurs. This would open the possibility for joint application for European funds and contribute to their financial sustainability.

- *Support research in the area of social entrepreneurship*

It is necessary to support further research and analysis in the field of social entrepreneurship which would serve as the basis for designing an appropriate legislative and policy framework for the development of this concept.

⁴Article 5 of the Law on Voluntary Work (Official Gazette no. 26/10, 31/10 i 14/12) and Article 1 of the Law on Amendments to the Law on Volunteerism (Official Gazette of Montenegro no. 48/2015)

Annex - list of contacted organizations

NAME OF THE ORGANIZATION	NATURE OF ENTREPRENEURIAL ACTIVITY	CONTACT
1. NGO Bajul, Kotor	Making the Venetian, and Dobrota lace	dabinovic@t-com.me
2. Centre for Women's Rights, Podgorica	Production of shirts, scarves, tote bags	women.mne@gmail.com
3. NGO Creative treasury, Danilovgrad	Production of souvenirs	mirjana.n@live.com
4. Association to support children with disabilities and their families in Montenegro	Photocopying, laminating, photographic services	podrskadjeci.cg@gmail.com
5. NGO New Chance in Novi (founder of a digital printing shop Our ID card)	Creating calendars, flyers, business cards, posters, catalogs, invitations, postcards etc.	vulcan@t-com.me
6. Open center Bona Fide, Pljevlja	Weaving, making souvenirs and bijouterie from recycled materials and creative sewing	o.c.bonafide@t-com.me
7. PR Center, Podgorica	PR services	milena@prcentar.co.me
8. NGO Give us a chance, Podgorica	Making decorative boxes	dusica71@gmail.com
9. Workshop Dorra, Podgorica	Making handmade jewelry, clothing and bags	neda.help@gmail.com
10. SOS line for women and children - victims of violence Niksic	The founders of the first Roma women craft cooperative in Montenegro; Implemented project " With textile recycling to sustainable solutions" that resulted in organizing the exhibition of products made from recycled textiles, prepared by the women and with the help of fashion designer	sos@sosnk.org

11. Association of handicapped people Heart, Mojkovac	Production of souvenirs and decorative objects	srce@t-com.me
12. Association of paraplegics Bijelo Polje and Mojkovac (founder of sheltered workshop Golden Hands)	Production of anti-decubitus program from buckwheat flakes, making sleeping bags of pure buckwheat husks and with the addition of lavender, rosemary and other fragrant medicinal plants, production of decorative items, souvenirs; cutting and sewing of garments; embroidery logo on the tablecloths and napkins for restaurants	mmstojanovic@t-com.me
13. Association of Paraplegics Nikšić	Production of handmade and woven on looms souvenirs of traditional values and decorative garments	basta.paraplegicarink@gmail.com
14. Association of Paraplegics Pljevlja	Packaging of sugar in bags of a weight of 5 grams, the possibility of ordering with logo	mira.t@t-com.me
15. Association of parents of children and youth with disabilities „Oasis“, Bijelo Polje	Rolling production of wool and woolen carpets, garments, paintings, souvenirs, napkins etc.	nvo.oaza@t-com.me
16. Association of parents of children with disabilities „Ray of hope“, Pljevlja	Services of copying, printing, binding, creating brochures, business cards etc.	zracaknade@t-com.me
17. Association of traditional crafts and skills „Nit“, Podgorica	Revitalization and preservation of old, artistic crafts; better marketing of products of traditional crafts; Implemented the project "Workshops of traditional crafts in the Institute for execution of criminal sanctions" for prisoners.	smiljana.radusinovic@t-com.me
18. Association for Assistance to People with problems in mental and physical development Nikšić	Production of souvenirs made of baked clay, greeting cards, cloth bags for a variety of uses, jewelry, baked clay pots for flowers etc.	cica-uzpd@t-com.me

19. NGO Šjore od mota, Kotor	Organization of humanitarian actions (winners of the special award for contribution to the common good ISKRA in 2012)	sjoreodmotakotor@gmail.com
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