



# The Landscape of Social Enterprises in Palestine

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## **List of Abbreviations**

CWA	Cooperative Work Agency
EMES	L'émergence des entreprises sociales
MENA	Middle East and North Africa
MoA	Ministry of Agriculture
MoNE	Ministry of National Economy
MoSD	Ministry of Social Development
MoWA	Ministry of Women Affairs
PFESP	Palestinian Fund for Employment and Social Protection for Workers
US	United States

## Introduction

Social enterprise ecosystem is a rapidly evolving concept that is constantly adapting to the region-specific landscape and Palestine is no different. Paradoxically, Palestine provides befitting market conditions for social enterprises and obstacles to its growth at the same time. (Halabi, Kheir and Cochrane 2017) In the face of political and cultural upheaval, Palestine besets negative social ramifications and a stagnated economic growth. (Akella and Eid 2018; State of Palestine 2014)

Palestinian community faces mounting number of problems including lack of infrastructure and skilled labor due to brain drain of educated citizens leaving Palestine to settle in countries with more opportunities, increasing social gaps with unemployment rates hovering at 40%, high levels of poverty and food insecurity, water shortage and deteriorating health conditions. (Halabi, Kheir and Cochrane 2017; Abdou, et al. 2010) In the constrained environment in Palestine the social enterprises play an integral role not only in creating employment opportunities but also tackling many prevailing social, economic and environmental concerns and addresses the social needs unfulfilled due to retrenchment of the public sector.

Despite facing complex development challenges, there is an upsurge of innovative and novel solutions to overcome these barriers. These are paving way for proliferation of a nascent social enterprise sector to move towards a more inclusive society, better governance, effective use of international aid, better service provision, creation of employment opportunities for youth and increase women participation in socioeconomic activities. (Abdou, et al. 2010; Halabi, Kheir and Cochrane 2017)

Around the world, social enterprises have become increasingly popular and acceptable phenomenon for addressing social issues. (Lukkarinen 2005) Numerous social scientists, policy makers and practitioners are identifying social enterprises as a legitimate form of economic entities and many countries are introducing legislative changes and policy interventions to recognize and support social enterprises. (Hudson 2009) However, the lack of clear epistemology on social enterprise research and unavailability of comprehensive and robust research instruments for empirical inquiry in social enterprise systems hinders the sustainable development of the social enterprise sector. (Ahmad and Hoffman 2008) In response to the emergence of the social enterprises to curb socioeconomic issues as a national cognizance and the positive social impact

these organizations deliver on different societies, there is increasing need for research to investigate the social enterprises ecosystem. (Certo & Miller 2008; Zahra et al. 2009; Yunus, Moingeon, & Lehmann-Ortega 2010)

The underrepresentation of the Palestinian social enterprise ecosystem in the literature due to lack of database creates an interesting opportunity to analyze the sector in a nascent stage and help develop instruments needed for the advancement of the social enterprises. Unfortunately, Palestine lacks the resources and information system to accurately track and portray the size, scope and status of its social enterprise sector. Some broad contours of the Palestinian social enterprise ecosystem are available thanks to recent research work carried out by different institutions. The past bodies of works analyze that the social enterprise sector in Palestine is still at an embryonic stage, lacking in definitive guidelines, definitions and business model frameworks for sustainable development of the ecosystem. (Abdou, et al. 2010) The lack of definition is indicative of the segment's nascence however it also provides an opportunity to structure its operations and models and address the sector's lacking.

The available studies on Palestine (Akella and Eid 2018; Sabella and Eid 2016; Abdou, et al. 2010) use few organizations as case studies to analyze social enterprises however fall short in multidimensional and multifaceted understanding of the sector due to lack of a comprehensive dataset for Palestine and unavailability of instruments to exhaustively analyze existing social enterprise models. This report used multi-dimensional perspective to map the social enterprises and portrays a comprehensive picture of the sector than commonly known perspective. The large number of organizations mapped in this research project further highlights the role of social enterprises and the need to develop a social enterprise model to formalize the sector and develop the ecosystem in Palestine.

This report is part of larger range of work under the Peace Steps project which focuses on sustainable and inclusive socioeconomic growth of the Palestinian economic fabric through expansion and strengthening of the social enterprise ecosystem. The project is being led by the Italian organization, Vento Di Terra, in collaboration with the Italian and Palestinian partners: University of Pavia, Associazione Cooperazione e Solidarietà ONG, Nazca Mondoalegre, and Viaggi e Miraggi, Palestinian Fund for Employment and Social Protection for Workers (PFESP), Bethlehem Fair Trade Artisans and Palestinian Woman Development Society and is being funded by Italian Agency For Development Cooperation.

The research phase of the Peace Steps project, coordinated by the university of Pavia, was divided into three stages:

- The first stage of the research focused on establishing definitions and guidelines for mapping, developing database and identifying list of established social enterprises in Palestine based on the technical definition coined for the purpose of this research.
- The second stage of the research aimed at designing a comprehensive questionnaire based on meta-analysis of existing literature and available social business plans. The questionnaire was submitted to the 41 established social enterprises to develop in-depth understanding of the landscape and specific characteristics of social enterprise in Palestine.
- The third stage of the research concentrated on analysis of the data collected during the first two phases to encapsulate results on social mission, business plan and operational strategies as employed by social enterprises in Palestine and provide pragmatic recommendations for the growth and consolidation of the social enterprise ecosystem in Palestine.

The scalability of the project and involvement of local and international organizations created a unique opportunity to engender a rigorous understanding of the social enterprise ecosystem in Palestine. This report draws on the existing literature and the results obtained from different phases of the research project to identify the role social enterprises play, their specific characteristics and recognize the challenges to growth and expansion faced by social enterprises in Palestine. This report proposes comprehensive technical definition and proposes pragmatic proposals for advancing social enterprise ecosystem in Palestine for sustainable and inclusive socioeconomic development.

The main body of the report is organized in the following chapters: Chapter 1 describes the methodology of the research activity; the robust instruments utilized to map and collect data on social enterprise models and the limitations faced during implementation of each leg of the research phase. Chapter 2 highlights the findings and results obtained through a comprehensive analysis of the different characteristics, practices and features of the social enterprises peculiar to the case of Palestine, the lacking in the sector and brings attention to the role social enterprises play in catering to the social needs and challenges faced by them due to socioeconomic and political situation of the country. This chapter is further divided into sections and subsections with each filtering the overarching themes from the questionnaire, trace them on a continuum and turn

attention to the components of the social enterprises. Finally, chapter 3 provides concluding remarks and recommendations for growth, strengthening and expansion of the social enterprise ecosystem in Palestine

## Chapter 1: Methodology

Although there is a growing interest in social enterprises amongst practitioners, scholars and policy makers yet scholarly inquiry on social entrepreneurial activity is at an early stage (Cohen and Winn 2007) Progress in bringing social sector research into the mainstream has been impeded due to predominant focus on case studies of successful social enterprises (Slyke and Newman 2006) and the lack of clear guidelines. The research often uses available data which leads to either empirical work based on same case examples or theoretical work that lacks empirical support. (Nicholls 2010)

The unavailability of comprehensive data has hampered mapping of social enterprise sector in Palestine and the construction of comprehensive social enterprise models which include all elements likely to impact the activities and operations of the social enterprises. (Abdou, et al. 2010) In this chapter we describe the different phases approach carried out to map social enterprises and collect extensive data on different elements of the social business plans being used by the social enterprises in Palestine. The methodology used is comprised of integrated phases that are summarized as follows and described in detail in this chapter:

- Establishing technical definition for social enterprises in Palestine based on available literature and discussions with academic, practitioners and local and international stakeholders;
- Inception of research instruments and guidelines for the purpose of data collection and analyzing social enterprise activities;
- Establishing sample of organizations working in the social sector within respective ministries in Palestine;
- Mapping of the social enterprise activity through phone interviews and identification of the social enterprise network in Palestine based on definition criteria;
- Field research through implementation of the questionnaire and focus group discussions to collect in-depth and comprehensive primary data on the social enterprise. The findings are later synthesized in the results chapter.

The chapter is divided into eight sections describing the different phases of mapping the social enterprises, data collection and the limitations faced during different phases.

## 1.1 Technical Definition

Despite considerable debate across academics and practitioners, no commonly accepted definition of social enterprises exists in the literature. (Scheuerle, Spiess-Knafl and Schuees 2015; Muñoz 2010) Because of the challenges stemming from the regional differences in socioeconomic conditions and differing social enterprise practices, it is difficult to harmonize one-fits-all definition and framework for all social enterprise practices around the world. (Moulaert and Ailenei 2005) The literature focuses on three schools of thought and practice:

- The Social Enterprise School includes organizations which balance social mission with profit maximization (Haugh 2005; Skloot 1983),
- the Social Innovation School focuses on organizations which implement social innovation for systematic change while income and profitability play only operational role (Dees and Anderson 2006)
- the L'émergence des entreprises sociales (EMES)<sup>1</sup> School which incorporates multi-stakeholder organizations with participatory and democratic governance. (Defourny and Nyssens 2012; Scheuerle, Spiess-Knafl and Schuees 2015)

Debate continues on pinning down one common definition of the social enterprises. However, consensus exists on the nature of social enterprises. Scholars, experts and practitioners agree that “social enterprises are organizations and ventures which combine social purpose with pursuit of financial success in the private marketplace.” (Young and Lecy 2014) For the purpose of this research, after extensive literature analysis on the different schools of thought and practice, discussions with academics, practitioners and international and Palestinian stakeholders, we define a technical definition concisely encapsulating the idea of the social enterprises as:

“A social enterprise uses recurrent commercial or income generating activities carried out with an entrepreneurial spirit to achieve an explicit and primary social, environmental or community objectives. The ultimate goal of the enterprise is to create positive outcomes for the beneficiaries. The donations or investments without repayment make for limited share of the capital structure. Majority of the net income is reinvested into the social

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<sup>1</sup> EMES established in 1996 in Europe to investigate social enterprise activity in member countries and for an innovative response to social regulations. (Defourny and Nyssens 2012)

enterprise to achieve the social objectives and dividends (if available) are distributed to the owners or beneficiaries of the enterprise. Moreover, the enterprise follows a democratic and participative governance approach.”

We used the above technical definition to map and to analyze the social business plans of the social enterprises in Palestine.

## 1.2. Sample

We used bottom-up<sup>2</sup> and criteria-based adjustment approach to build a sample of active social enterprises in Palestine. First we collected data from five distinct sources using bottom-up sampling. The Palestinian partner, Palestinian Fund for Employment and Social Protection for Workers (PFESP), approached the ministries to gather the list of entities (cooperatives, nonprofit organizations, charities, associations, clubs etc.) registered with Cooperative Work Agency (CWA), Ministry of National Economy (MoNE), Ministry of Social Development (MoSD), Ministry of Agriculture (MoA) and Ministry of Women Affairs (MoWA) in Palestine. The list provided by the ministries included all organizations registered with the respective ministries irrespective of having or not having social objectives. From the list of all the entities provided by the ministries, PFESP extracted the sample of 1,125 organizations that have a clear and explicit social and or environmental mission regardless of the industry that the organization operates in (Table 1). The database listed details of 1,125 organizations including nonprofits from MoNE, cooperatives from CWA, associations and charities from MoWA, MoSD and MoA, operating in different governorates of Gaza and West Bank districts of Palestine.

We then adjusted the database according to three main criteria: the organization must have a social and or environmental mission, the beneficiaries must be the primary goal of the organization and the organization should have some level of commercial or income generating activities to obtain refined list of 851 organization mainly as nonprofits, cooperatives, associations and charities.

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<sup>2</sup> Bottom-up sampling approach builds samples based on a wide range of sources including databases, networks and direct public appeals to self-identification etc. (Scheuerle, Spiess-Knafl and Schuees 2015)

Table 1: Number of organizations registered with respective ministries in Palestine

Ministry	Number of Organizations
Cooperative Work Agency	405
Ministry of National Economy	283
Ministry of Social Development	45
Ministry of Agriculture	134
Ministry of Women Affairs	258
Total	1125

### 1.3 Phone Interviews

After formulating the list of 851 organizations, we contacted them for phone interview to obtain the list of social enterprises based on the criteria set in our technical definition. The questions for the phone interview addressed five main criteria devised to categorize organizations as social enterprises in accordance with the definition. The criteria have been established by Palestinian and international stakeholders, academics and practitioners in the field of development to filter social enterprises from plurality of organizations in the collected database. The five criteria include the following:

1. Scope of the organization: The organization has an explicit and primary social, environmental and or community development objective.
2. Beneficiaries: Ultimate goal of the organization are its beneficiaries.
3. Capital structure: Funds donated or investments without repayment to the organization do not comprise more than 25 percent of the total capital of the organization.
4. Use of net income: Minimum 60 percent of the net income of the organization is reinvested in capital or to pursue social and or environmental objectives.
5. Dividends: If the organization has a dividend policy available (relevant only for organizations registered as cooperatives), the dividends are distributed to owners or beneficiaries of the organization.

### **1.3.1. Mapping Social Enterprises in Palestine**

The phone interviews were conducted during April 2019. The enumerators selected from the University of Bethlehem were provided necessary training by the academics and practitioners from University of Pavia, Vento di Terre and the PFESP for conducting phone interviews prior to contacting the organizations.

In the initial contact with the organization, the respondents were provided with basic information about the study before continuing the interview. In case of unavailability of data or relevant person, follow ups were done with the organizations to gather up to date information. The PFESP team worked closely with the enumerators for quality control of the data collected and made follow up checks to complete the missing data and in case of any ambiguous responses.

At completion of the process, data from 302 organizations was collected, giving an overall response rate of 35.5 percent. We faced several limitations during the phone interview phase of data collection. Due to the lack of up to date lists available at the ministries and other networks in Palestine created an issue of no response as some organizations had already closed operations, had been shut down or had not started operating yet. Furthermore, some organizations showed reluctance to share information related to the funds received. However, despite the limitations, this is one of the largest datasets for a single country study conducted specifically on social enterprises and one of the first studies mapping the social enterprises in Palestine based on a rigorous technical definition shared with the local stakeholders.

After the phone interviews, we adjusted the dataset of the 302 organizations according to the definition criteria. The organizations which concurrently fulfilled all five criteria, set as necessary to be classified as social enterprise, are distinguished as ‘established’ social enterprises as compared to ‘emerging’ social enterprises which only meet partial criteria. However, for the purpose of mapping social enterprises in Palestine organizations which fulfilled complete or partial criteria are both considered as part of the social enterprise ecosystem.

After adjustment we identified list of 41 established social enterprises which fulfilled all five criteria and only these enterprises are contacted for submission of the questionnaire.

The social enterprises are located in 13 governorates located in the North, South and Center of the West Bank, Gaza and Jerusalem (Table 2). Only 3 organizations in Gaza and 2 in Jerusalem fulfilled all five criteria set by the technical definition. To ensure confidentiality of the social

enterprises selected, the governorates are grouped in geographical areas. The geographical areas are divided based on the Administrative Division terms for Palestine. The governorates in each area are:

- North of West Bank: Jenin, Tulkarm, Nablus, Qalqilya, Salfit, Tubas,
- South of West Bank: Bethlehem, Hebron,
- Center of West Bank: Ramallah and Al Bireh, Jericho and Al Aghwar,
- Gaza: Khan Yunus, Rafah,
- Jerusalem

Table 2: Number and percentage of social enterprises by the area of location

<b>Area</b>	<b>Number</b>	<b>Percentage</b>
North of West Bank	20	48.78
South of West Bank	9	21.95
Centre of West Bank	7	17.07
Gaza	3	7.32
Jerusalem	2	4.88
Total	41	100

#### **1.4. Questionnaire**

Due to lack of agreement on one definitive the social business model researchers frequently adopt idiosyncratic frameworks which fit the purpose of their studies however these often do not include a vigorous and comprehensive list of elements affecting social enterprises. (Zott, Amit and Massa 2010) In order to create a pragmatic social enterprise plan which encapsulates social mission, business plan and innovation strategy; after extensive inquiry into literature on conventional and social business models we transcribed a comprehensive list of both social and business elements. Based on the literature review we designed a comprehensive questionnaire to understand the social enterprise activity and identify different strategies and social business plans used by the social enterprises in Palestine. The main objectives of the questionnaire are to:

- Identify the case specific social business plan used by the social enterprises and
- Understand the ecosystem of social enterprises; with the purpose of identifying the relevant dimensions for the design of guidelines and recommendations for development of the social enterprise ecosystem in Palestine.

The questionnaire was developed after several discussions with the experts in economic and social activity in Palestine and adapted to the national context of Palestine to include specific aspects and elements after constant discourse with the local and international stakeholders of the project. After the finalization of the design of the questionnaire, it was submitted to the experts and local stakeholders in Palestine for validation. The questionnaire was validated with the consensus of academics, practitioners, experts, stakeholders of the project and the ministries which are entrusted with administrating social and economic activity in Palestine.

The questionnaire itself includes three sections (section 0.1, 0.2, K) for administrative purposes of the research team and ten main sections (Section A to J) which comprehensively cover elements of the social enterprise model. The sections included in the layout of the questionnaire are as below:

Section 0.1 – 02: Information to be filled by interviewer

Section A: Respondent Information

Section B: Entity Information

Section C: Employment Information

Section D: Objectives of the Organization

Section E: Stakeholders and Beneficiaries

Section F: Organizational Structure

Section G: Market Dynamics and Strategy

Section H: Accounting and Finance

Section I: Impact Evaluation and Challenges

Section J: Definitions

Section K: Contact Details

## **1.5. Data Collection**

The questionnaire was submitted to the 41 selected organizations during July and August 2019. The submission of the questionnaire for data collection process was outsourced to a private entity. The enumerators selected for this phase were provided with comprehensive guidelines and rigorous training by the academics and practitioners from University of Pavia and the PFESP to develop a thorough understanding of the questionnaire prior to contacting the social enterprises. The PFESP team worked closely with the enumerators to ensure quality control and to follow up with the social enterprises in case of missing data.

## **1.6. Focus Group Discussions**

After the completion of data collection, details on several characteristics emerged in employment, finance, marketing, social impact and evaluation amongst other aspects of the social enterprises in Palestine which required further clarification and a deeper understanding of the local context. Thereafter, the focus group discussions were held to create an in-depth understanding of the adaptations which have helped social enterprises thrive in Palestine and the challenges faced by them in further proliferation.

The focus group discussions were conducted during the end of August 2019 with 20 participants from the social enterprises operating in different governorates in Palestine. The focus group discussions spanned for four days with four different groups; each discussion session lasted up to 2 hours. The language of the focus groups was mainly Arabic and English. The sessions were conducted by the main research team from the University of Pavia with another researcher present during the discussions as well. The presence of other researcher was ensured to minimize the researcher bias during the discussions.

The focus group discussion revolved mainly around 10 questions, further analyzing the key aspects of the social enterprises in Palestine, creative problem solving to the social challenges being addressed, key traits of the leadership for a successful and sustainable social business, the ethical conundrums within or outside the enterprises and how these are dealt with by them, the effect of the general environment on the ventures of the social enterprises and the barriers faced in pursuit of achieving their objectives.

After completion of the completion of the questionnaire and the focus group discussions, the data was analyzed to grasp the diversity within the social enterprises beyond the aggregates and turn attention to the features and elements of the social enterprises in Palestine.

### 1.7. Respondent Information Overview

We observed several common characteristics amongst the sample of the respondents. First the respondents are gender balanced with almost equal proportion of female and male respondents (Figure 1). Second, the respondents include a highly educated group as all individuals have completed their formal education and vast majority have a university degree (Figure 2). Third, the respondents include experienced professionals working in the field for several years. Majority of the respondents are from the management (Figure 3) and have on average experience of 11 years working in the respective social enterprises. We ensured that the questionnaire was submitted to respondents who had an extensive knowledge of all of the social enterprises activities and operations to ensure quality of the data. Finally, most of the respondents are in the age groups 49 to 64 (Figure 4).

Figure 1: Respondents by gender

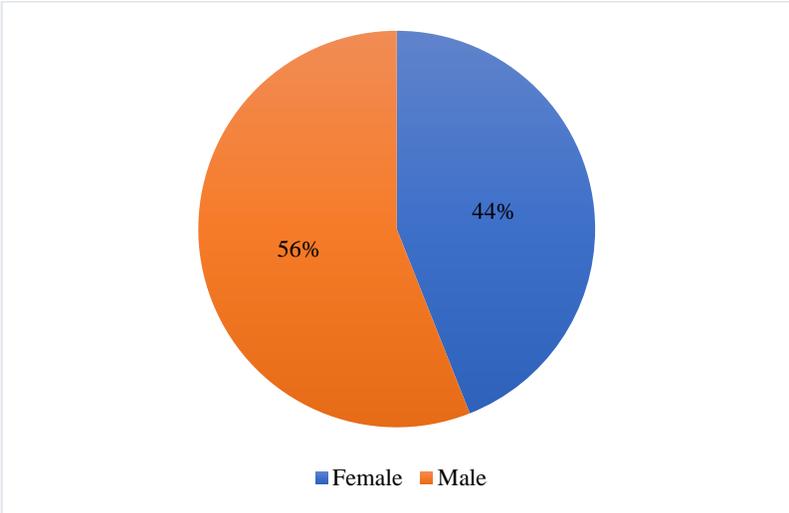


Figure 2: Respondents by education level

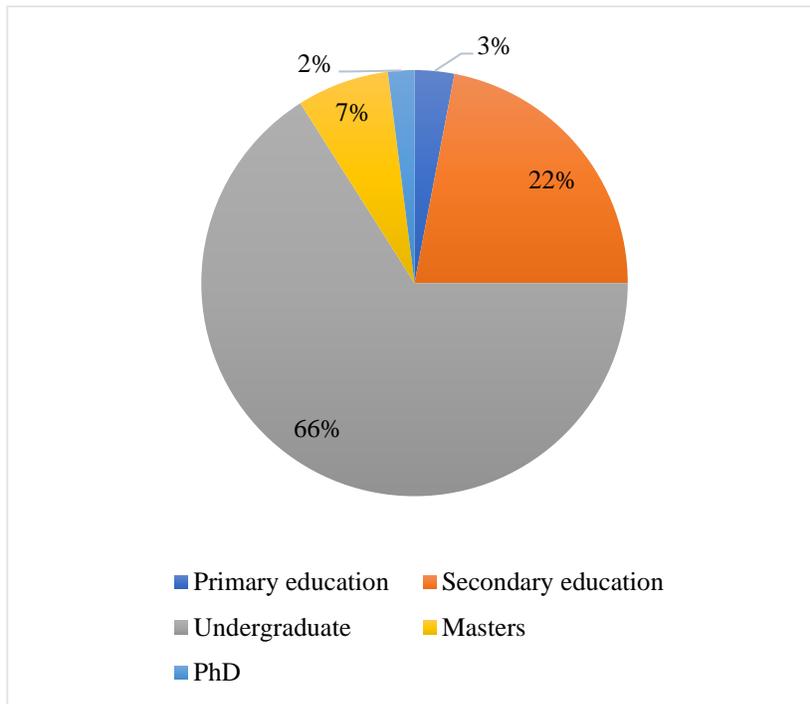


Figure 3: Respondents by role in the social enterprise

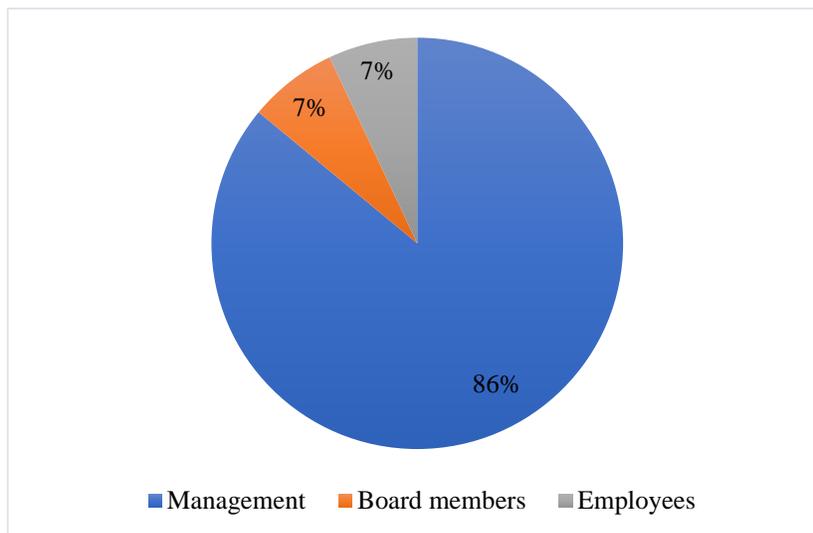
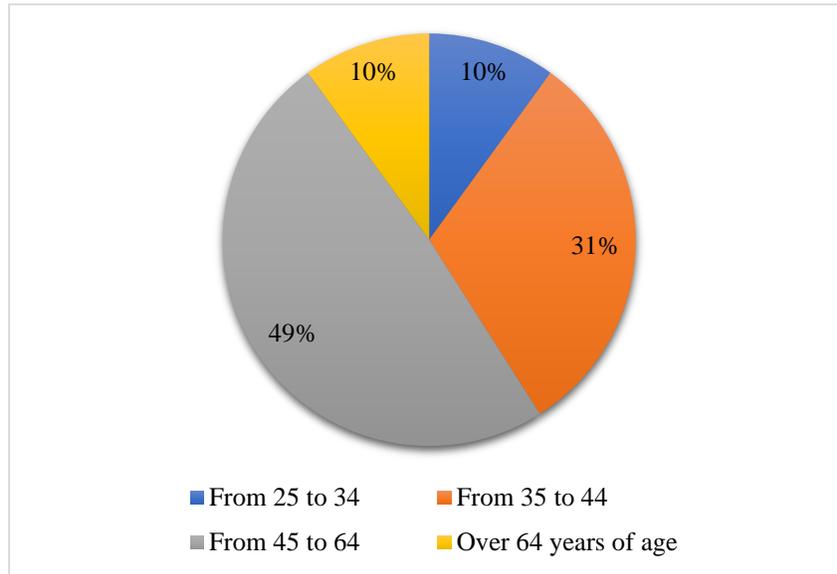


Figure 4: Respondents by age group



### 1.8. Areas of operation

The questionnaire was submitted to social enterprises from 13 governorates based in the North, South and Center of the West Bank, Jerusalem and Gaza Strip. The social enterprises in the study are mainly national (93%), and others are international (5%) and regional (2%) organizations operating in different demographic<sup>3</sup> regions of Palestine including rural, urban and refugee<sup>4</sup> camps (Figure 5). Majority of the social enterprises in our sample are working in rural areas. Only 4 social enterprises are operating in all three areas of operation and 2 are operating in both rural and urban areas.

<sup>3</sup> According to the World Bank Palestine demographics there are estimated over 5.3 million Palestinians living in Gaza Strip, East Jerusalem, West Bank and in Israel. (Palestine Population 2019) There are estimated to be 1.7 million living in Gaza Strip and 2.8 in the West Bank. (National Report, State of Palestine, UN Habitat 2014) Nearly one third of the registered Palestinian refugees<sup>3</sup>, more than 1.5 million, live in the 58 registered refugee camps in Gaza Strip, West Bank, including East Jerusalem and neighboring countries, Jordan, Lebanon and the Syrian Arab Republic. The remaining two thirds of the registered Palestinian refugees live in and around towns of the host countries and in the West Bank and Gaza Strip often in the surrounding areas of the official camps. (Palestine Refugees n.d.) With the high number of refugee camps near the Hebron and Bethlehem Governorates and in the Gaza Strip.

<sup>4</sup> Palestine refugees are defined as “persons whose normal place of residence was Palestine during the period 1 June 1946 to 15 May 1948, and who lost both home and means of livelihood as a result of the 1948 conflict.” (Palestine Refugees n.d.)

We further observed that the social enterprises operating in refugee camps are only located in South of West Bank and Jerusalem. High proportion of social enterprises are operating in urban areas in Center and North of west bank. Social enterprises are operating in rural areas of all geographic regions (Figure 6).

Figure 5: Percentage of social enterprises by area of operation

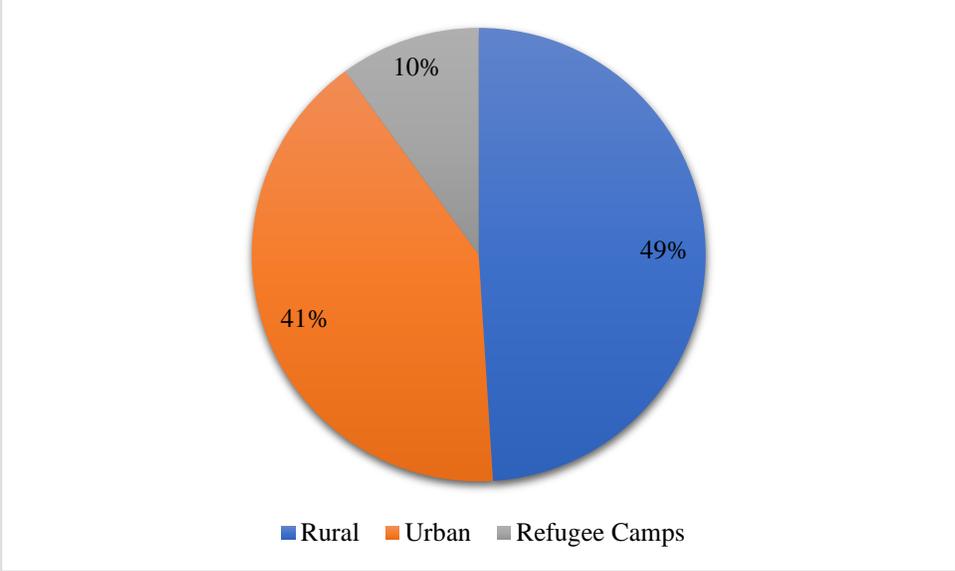
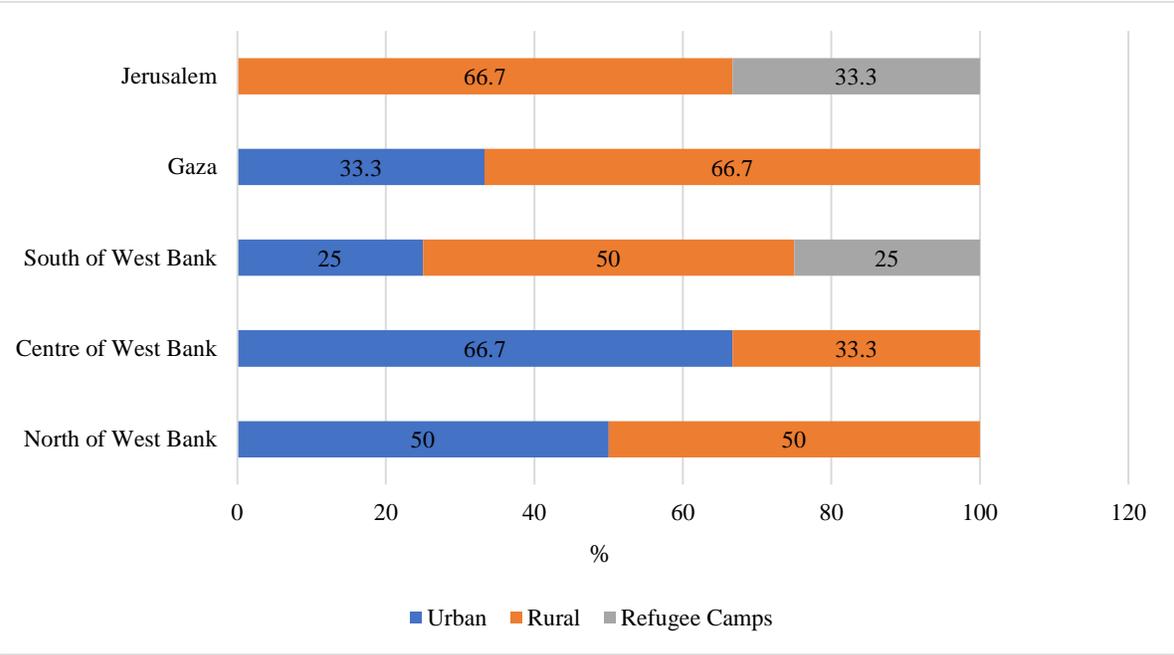


Figure 6: Percentage of social enterprises by location and area of operation



## **Chapter 2: Results**

In this chapter we bridge the gap in available literature about social enterprises in Palestine and present our findings and results from the questionnaire and the focus group discussions. The findings encapsulate comprehensive and vigorous elements fitting to the specific values and constellations of the Palestinian social enterprise sector and the limitations to the growth of operations and activities. The chapter is divided into sections and subsections with each focusing on specific elements and includes both social and business aspects to highlight the activities, operations and the strategies of the social enterprises in Palestine.

The main sections are divided as follows and described in detail throughout the chapter:

Section 1: Basic features highlight the primary characteristics of the social enterprises in Palestine that is the typology and stage of the social enterprises and objectives and sectors they are operating in;

Section 2: Organization of the social enterprises brings attention to who are the stakeholders and beneficiaries, the organizational instruments available and the management structure followed by social enterprises;

Section 3: Human capital identifies the roles played by members, management, employees and volunteers within the social enterprises;

Section 4: Financial and social aspects encompass the investment finances available, accounting and finance tools used for measuring financial and social operations, and social impact created along with the mechanisms used to measure the financial structure and social impact of the social enterprises;

Section 5: Market dynamics and strategy highlights the strategies used by the social enterprises for provision of products and services in the market, the customers and target groups and the tools and policies used by the social enterprises in the market.

### **2.1. Basic Features**

The social enterprises architecture includes many different elements and components. We focus on the basic features to highlight the primary characteristics of the social enterprises. In this section we present the different typologies of social enterprises based on the legal forms, the stage of

organization based on years of operation and highlight the focus area of the social enterprises in Palestine by identifying the primary emphasis, objectives and sectors of operation.

### **2.1.1. Legal form and primary emphasis of the social enterprises**

It is observed in literature that the embeddedness of existing structures and institutions stipulates development of different organizational forms for social enterprises in different areas around the world. (Salamon, Sokolowski and Anheier 2000) Similarly, on analysis of the social enterprises in our study, a motley array of organizational forms is revealed despite the common understanding in Palestine, that only cooperatives are categorized as social enterprises. The umbrella categorization of the social enterprises includes:

- For-profit organizations with socially beneficial activities;
- Not-for profit organizations which support social mission through commercial activities.

The majority of the social enterprises in our sample are not-for profit (78%) and the remaining are for-profit organizations (22%). The dominant legal form for not-for profit organizations is charity and NGOs (Figure 7) and cooperatives is the main legal form for for-profit organizations (Figure 8). According to our evidence, all legal forms of social enterprises as represented in literature can be found in Palestine. However, we also observed an additional legal form ‘social development organization’ which is particular to the case of Palestine.

We also observed that the typology of the social enterprises varies in different geographical regions of Palestine. In all areas, not-for profit organizations are dominant and in the Gaza and Jerusalem these are the only operating forms (Figure 9). We specifically investigated the reason behind this, and we noted that for Gaza the complex bureaucracy and mobility restrictions make it extremely challenging for the social enterprises to operate and just to open a bank account the organization needs to be registered and authorized at the Ministry of Interior in Gaza and Ramallah. To further add to the limitation, the bureaucracy followed at both the governorates is not streamlined and the organizations have to follow different procedures in both.

Figure 7: Percentage of not-for profit organizations by legal forms (32 organizations)

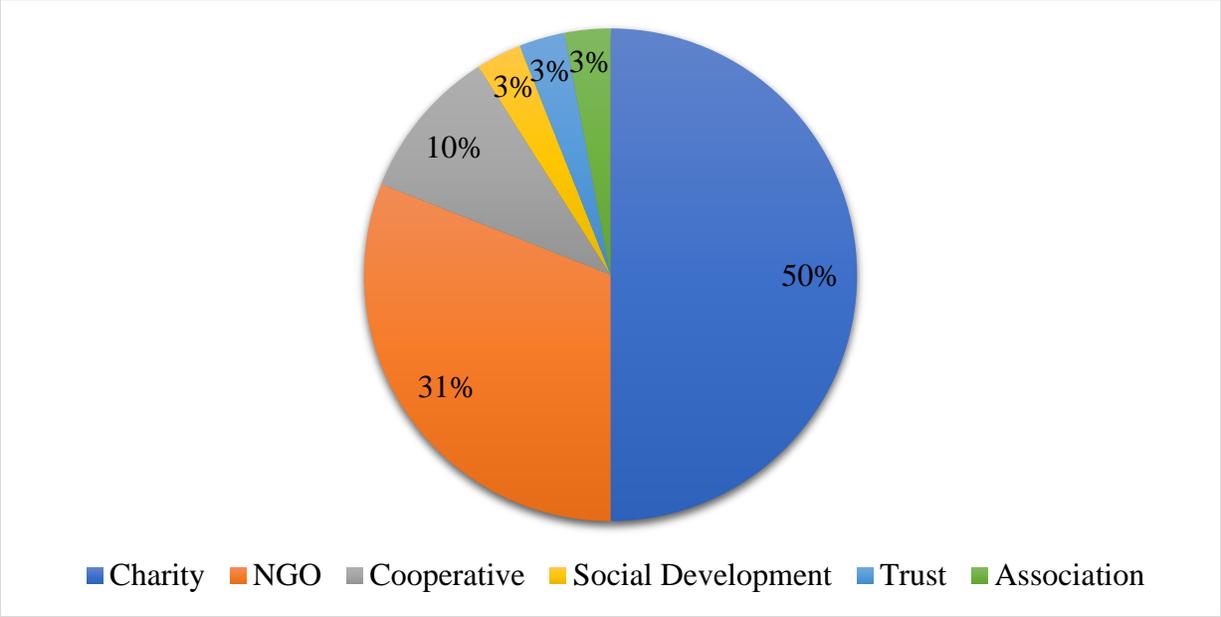


Figure 8: Percentage of for-profit organizations by legal forms (9 organizations)

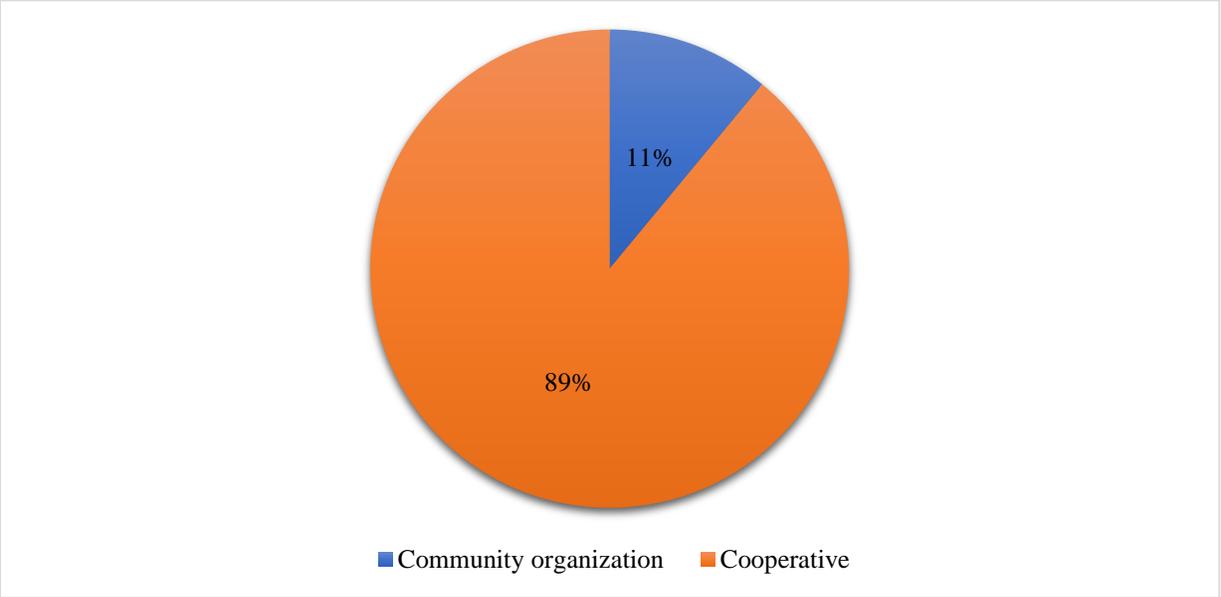
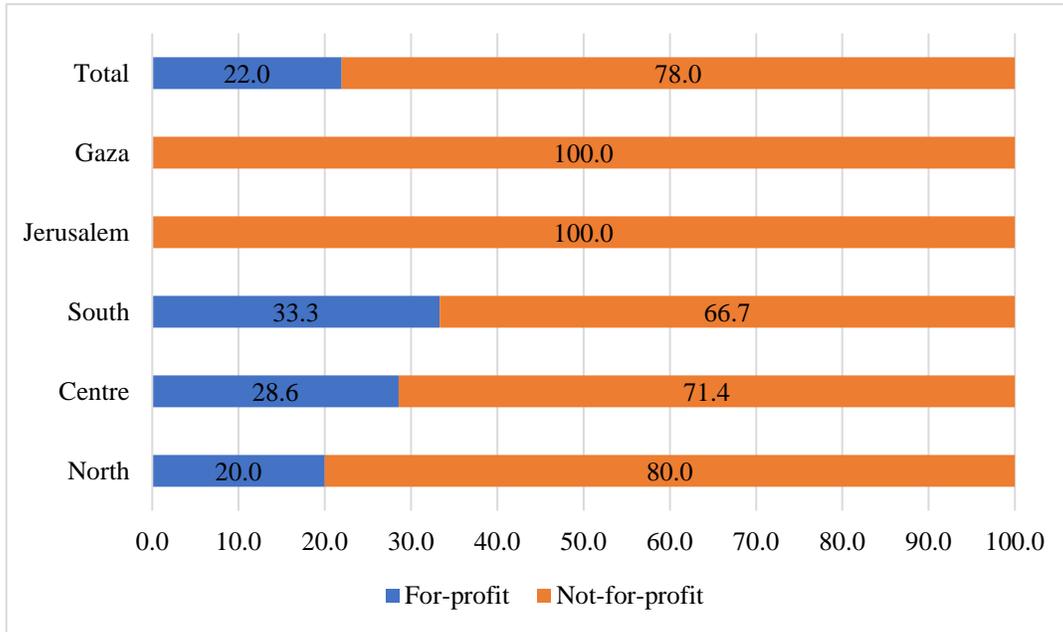


Figure 9: Percentage distribution of for-profit and not-for profit organizations by geographic areas

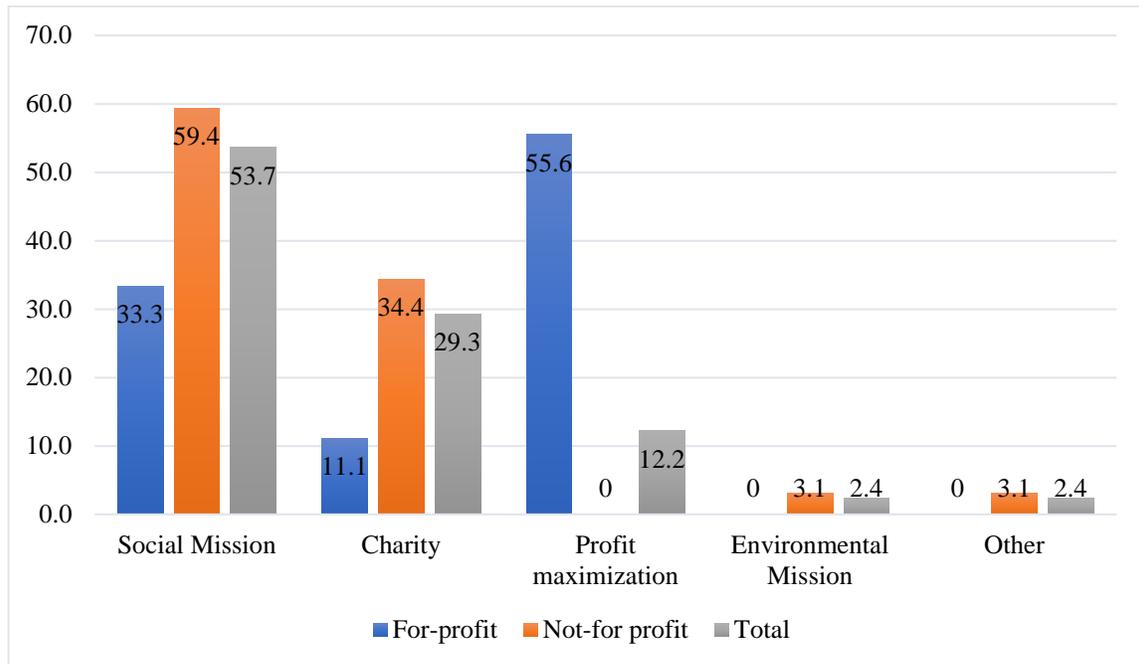


All the social enterprises have focus on both social objectives and commercial activity however, the overarching categories of the legal form affects the primary emphasis of the social enterprises. As expected, we observe in the results that the majority of the for-profit organizations have profit maximization as the primary emphasis followed by social mission and only one organization’s primary emphasis is charity. On the contrary, the primary emphasis of the not-for profit organizations is social mission and charity and only one organization of our sample declare environmental mission as their main emphasis (Figure 10).

### 2.1.2. Stages of the operation

Research based on case studies often concentrate on small and relatively young social enterprises based on the assumption that small and young enterprises are inherently entrepreneurial. (Scheuerle, Spiess-Knafl and Schuees 2015) However, as explained by Mair and Marti (2006), mature enterprises or parts of them might also operate in an entrepreneurial way and are included under the umbrella of the social enterprises.

Figure 10: Percentage of social enterprises by primary emphasis according to the legal form

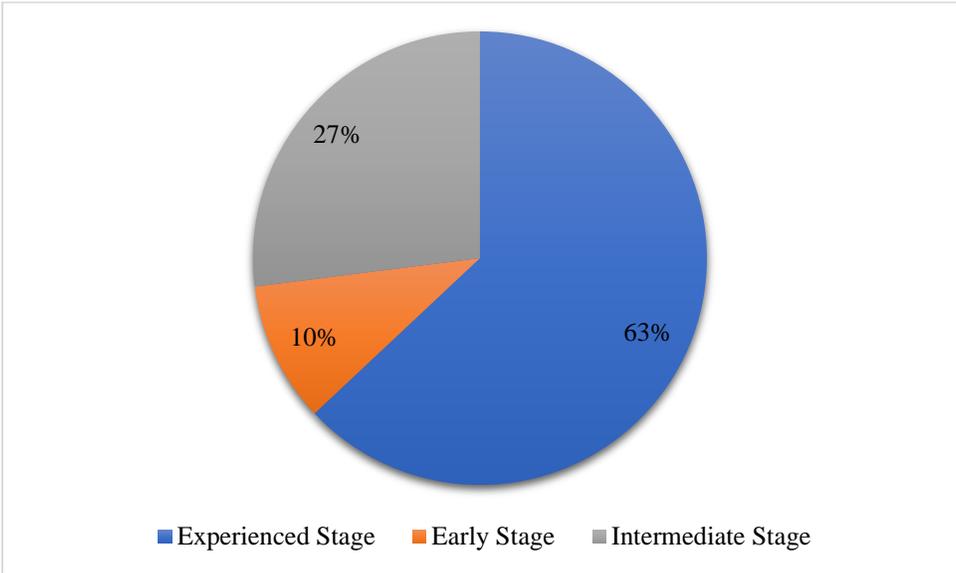


In order to receive a comprehensive view of the social enterprise network it is important both theoretically and empirically to take these dimensions of social entrepreneurship into account while analyzing the social enterprises. (Mair and Marti 2006, Scheuerle, Spiess-Knafl and Schuees 2015) We used the five stages of enterprise growth (Spreckley 2011) to categorize the social enterprises as follows:

1. Seed phase: organizations in the idea or concept development phase (0 – 1 years of operation),
2. Startup phase: organizations with products and services in production and have first target audience (1 to 3 years of operation),
3. Early stage: organizations with established products and services with revenue generation for the operations of the organization (3 to 5 years of operation),
4. Intermediate stage: mature organizations with established customer base (5 to 10 years of operation)
5. Experienced stage: mature organizations looking for more channels for distribution (more than 10 years of operation)

According to our results, in Palestine there are no social enterprises at the seed and startup phases. All the social enterprises in our sample are in the early, intermediate or experienced stage and have been operating in the market for more than 3 years and majority of the enterprises are in the experienced stage and have been operating for more than 10 years (Figure 11). On further investigation into this aspect during the focus group discussions we observed that the main reason for the lack of social enterprises in the seed and startup phase is the fact that they rely heavily on external support during establishment of the organization to operationalize their activities and only become autonomous after 3 to 6 years.

Figure 11: Stage of the social enterprises based on years of operation



**2.1.3. Objectives of the social enterprises**

One of the defining attributes of a social enterprise is a clear and explicit social objective despite their categorization as for-profit and not-for profit organizations and these play a catalytic role in tackling social issues (exclusion, poverty etc.) by empowering marginalized and excluded groups through new and transformative solutions. (Scheuerle, Spiess-Knafl and Schuees 2015)

According to our results, majority of the social enterprises in Palestine are focusing on social objectives and the four major areas of focus amongst both for-profit and not-for profit organizations are represented by the following categories:

- Empowering and uplifting women,
- Supporting vulnerable people,
- Creating employment opportunities,
- Supporting vulnerable and young people (Figure 12).

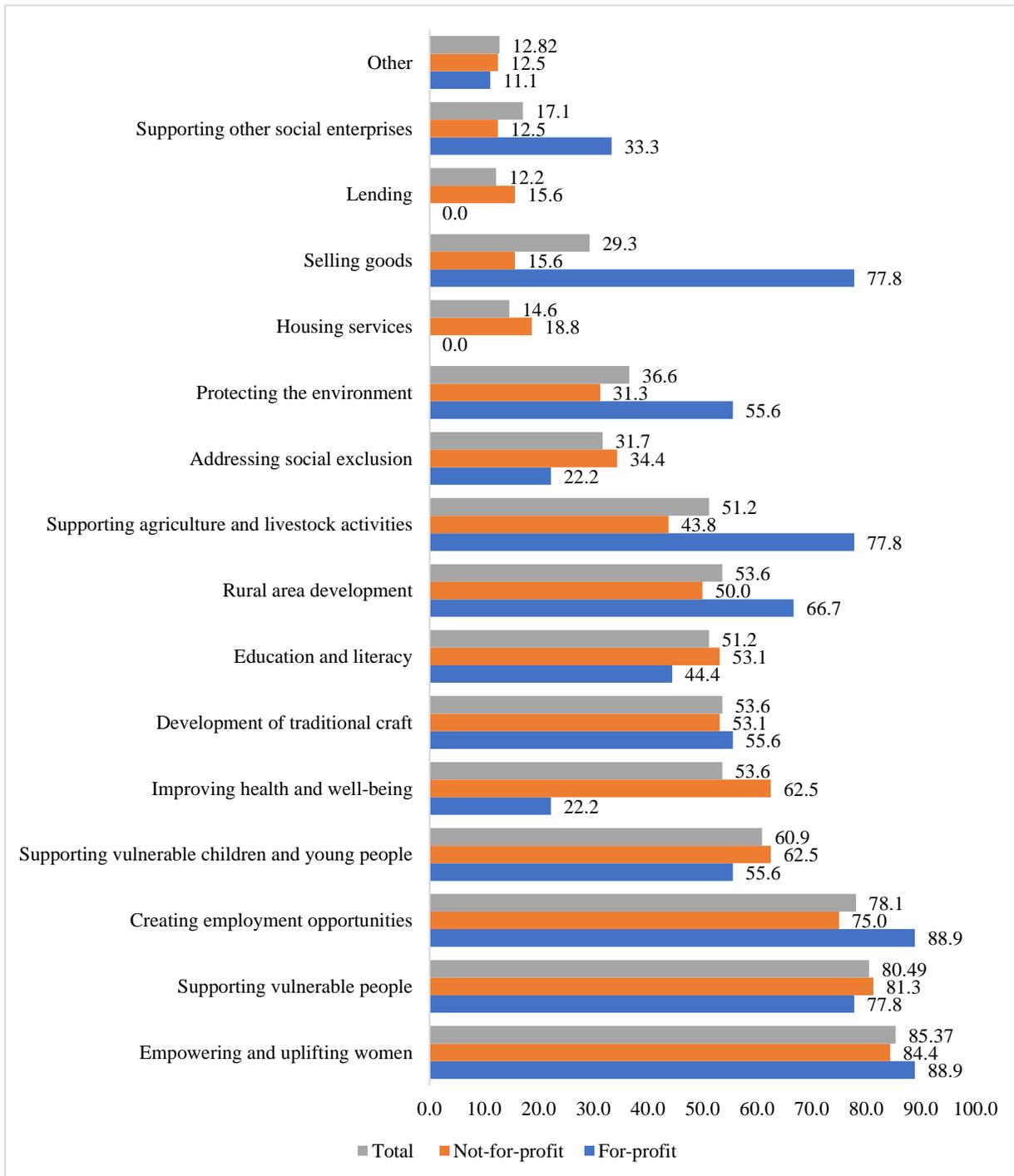
In most countries around the world generating income in the service of social activities is not a new concept. However, the contemporary application of the terminology “social enterprise” to the phenomenon is new. (Kerlin 2010) Social enterprises have turned out to be a major economic force accounting for a notable percentage of employment in many countries around the world. (Salamon and Sokolowski 2004) As a result of increasing labour force, income opportunities are lagging behind in many developing countries. Unemployment remains one of the main hindrance to poverty reduction. As social enterprises target vulnerable groups and socially challenged parts of the society, they contribute in providing their target groups with income generation opportunities. (Buckingham and Teasdale 2013) Employment opportunities create social values for the beneficiaries by providing resilient livelihoods and create conditions for the target communities to be able to access social needs like education and health care. (Fischer 2014)

However, social enterprises cannot be viewed solely for their employment integration dimension. Other major areas of focus for not-for profit organizations as observed in our study, include improving health and well-being and for for-profit organizations include selling goods, supporting agriculture and livestock activities and environment protection.

Due to high fiscal deficits the government of Palestine faces challenges to fully satisfy needs of the people. Furthermore, the cuts in donations in recent years and the pressure of Israel on land creates further obstacles to provide support for the vulnerable groups who are left behind. Social enterprises fill part of this gap in social needs by prioritizing vulnerable groups and catering to their needs as their main objectives. By addressing the unfulfilled development needs of the communities, social enterprises contribute in building community resilience towards the challenges faced by them through economic and social empowerment.

We observed that the social enterprises in Palestine lacked in a niche focus and are working to achieve multiple objectives at the same time. The enterprises in our sample have an average of 7 objectives at an organizational level and 44% have more than 7 objectives.

Figure 12: Percentage of social enterprises by objectives



The pursuit of achieving many objectives can be challenging and diverge the efforts to many different projects reducing the impact of each. The social enterprises focusing on defined goals benefit from focusing all their resources on achieving specific goals and benefit from synergies in the same areas.

On delving further into this, it is brought to attention that as the social enterprises in Palestine rely heavily on volunteers to carry out their operations. Therefore, it can be very challenging to continue the same level of impact and achieve all the objectives set by the enterprises. The volunteers are not trained and often remain for a limited time in the social enterprises thus cannot be relied on for execution of operations in the long run. In this aspect we took full time employees into consideration as well and observed that 24 social enterprises in our sample have zero full time employees and 10 of these enterprises have more than 7 objectives (Table 3). With the social enterprises relying heavily on volunteers in Palestine, the pursuit to achieve their objectives faces added hurdles.

Table 3: N. of social enterprises by total n. of objectives and categories of full-time employment

Total number of objectives	Categories of full-time employees					
	zero	1 to 4	5 to 9	10 to 19	20 and above	Total
1	1	1	0	0	0	2
2	1	0	1	0	0	2
3	1	2	0	0	0	3
4	2	0	0	0	1	3
5	1	0	0	0	0	1
6	3	2	0	0	0	5
7	5	1	0	0	1	7
8	<b>4</b>	0	0	0	0	4
9	0	1	0	1	0	2
10	<b>1</b>	1	0	0	1	3
11	<b>3</b>	0	1	0	0	4
12	<b>2</b>	2	0	0	0	4
13	0	0	1	0	0	1
Total	24	10	3	1	3	41

#### **2.1.4. Sectors of operation**

The work of the social enterprises studied spans a wide range of sectors in the Palestine with more than half of the organizations in our sample engaging in health and social care, provision of services and education sectors (Figure 13). For-profit organizations largely operate in agriculture and provide entrepreneurial support while not-for profit organizations predominantly engage in health and social care, services, education and handicraft sectors.

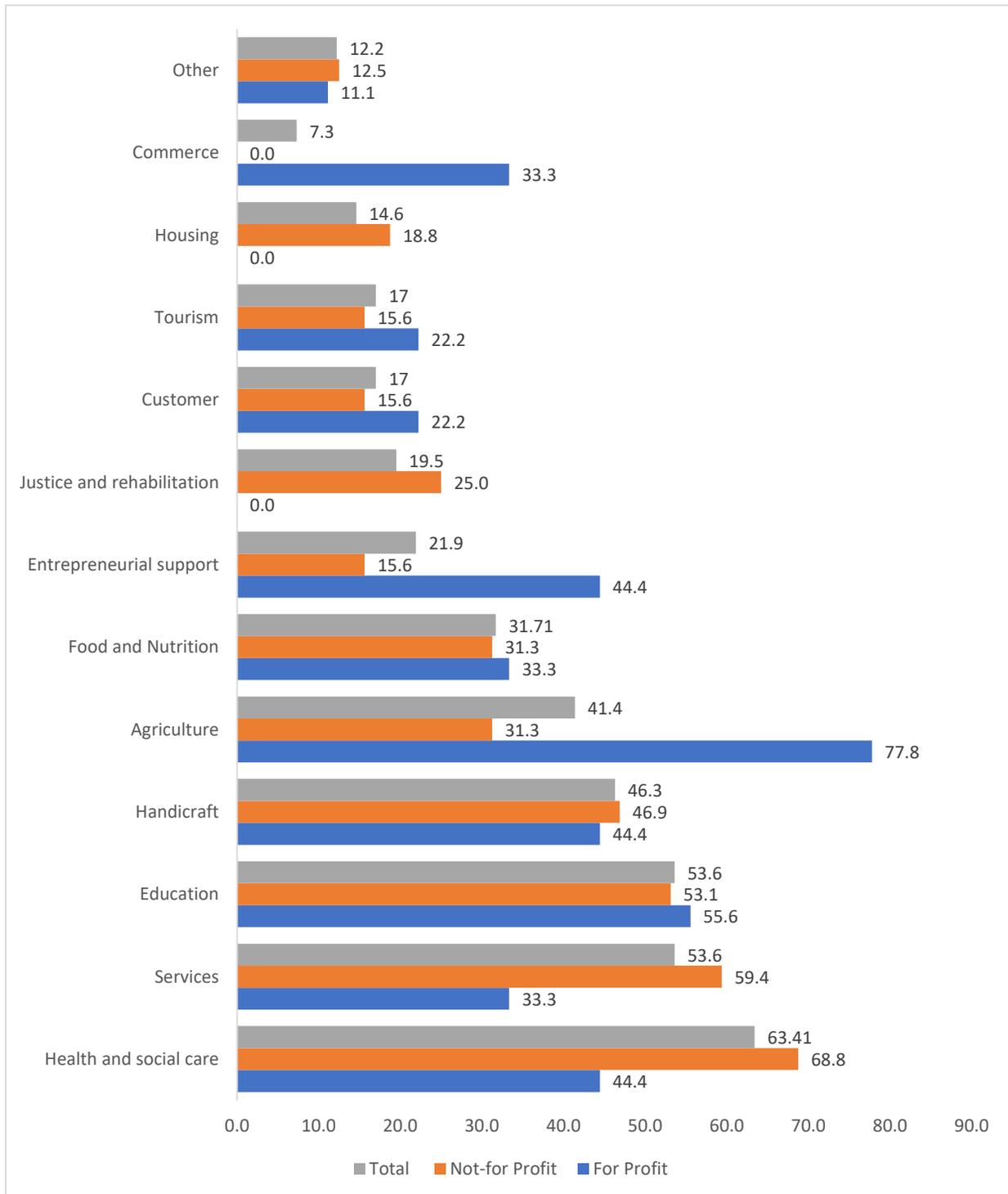
According to our results, social enterprises in Palestine lack specialization in any one sector and are operating in an average of 4 sectors. As described in the previous section, due to high dependence of organizations on volunteers the social enterprises face extra challenges for the provision of the products and services in all its sectors of operations.

On further inquiry during the focus group discussions, it was highlighted that ministries of education, agriculture and health provide some administrative facilitation for the social enterprises and it can be observed with high engagement of the organizations in these sectors. We also noted that the social enterprises are cooperating with the ministries in some projects, for example as a mediator to provide services to the farmers and referrals of medical services. However, the ministries provide no funds to the social enterprises.

### **2.2. Organization Structure**

Once the basic features have been identified we turn our attention to the organization structure followed by the social enterprises in Palestine. In this section, we focus on the stakeholders and beneficiaries to understand who they are and how does the social enterprises engage with them. We further focus on the available organizational instruments like governance statement used to define policies and rules and analyze the management structure followed by the social enterprises in Palestine.

Figure 13: Percentage of social enterprises by sectors of operations



### 2.2.1. Stakeholders and Beneficiaries

Stakeholder is any person, group or organization who can affect or be affected by an outcome or process of the social enterprises. (Spreckley 2011) Majority of the social enterprises in our study (78%) have a map of stakeholders and are therefore equipped with the tools needed to identify and determine the relationship of the social enterprises with the stakeholders. These enterprises use map of stakeholders to provide details about who the stakeholders are, where they come from and how does the social enterprises engage with its stakeholders in order to maximize the impact to the highest number of stakeholders.

In our study, we used the classification by the Social Enterprise Planning Toolkit by British Council to categorize the primary stakeholders of the social enterprises in Palestine. (Spreckley 2011) Primary stakeholders are commonly referred to as the target groups or main customers of the social enterprises. Beneficiaries of the organizations are predominantly the primary stakeholder for the social enterprises followed by partners and suppliers (Figure 14). The social enterprises have an average of two primary stakeholders however all enterprises have at least one clearly defined category (Figure 15). All social enterprises in Palestine with or without the map of stakeholders have a clear and established understanding of the primary stakeholders.

Figure 14: Percentage of social enterprises by primary stakeholders

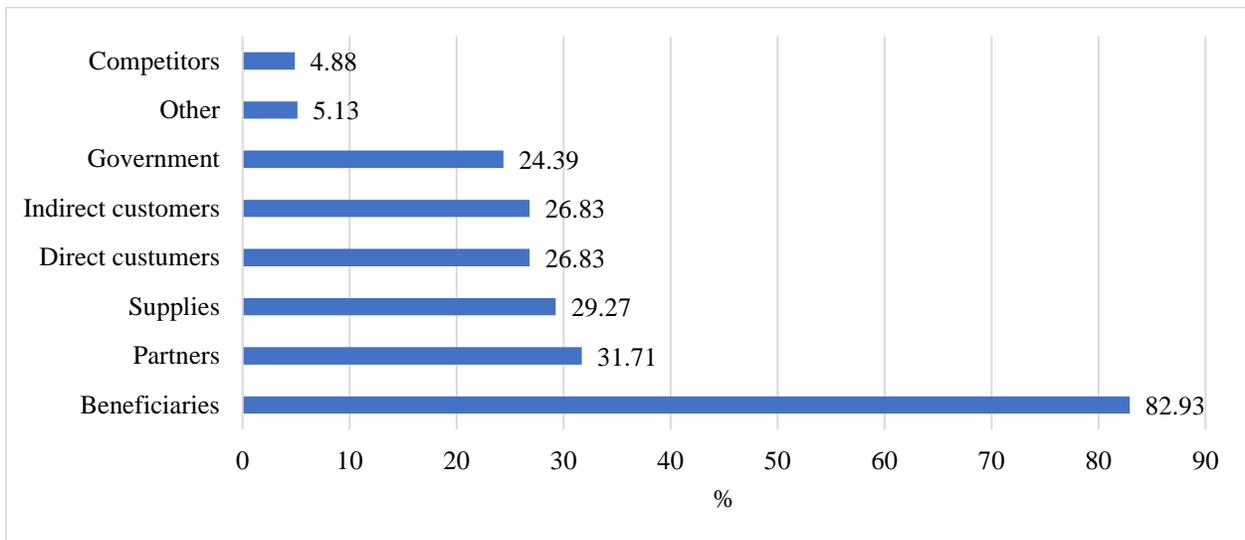
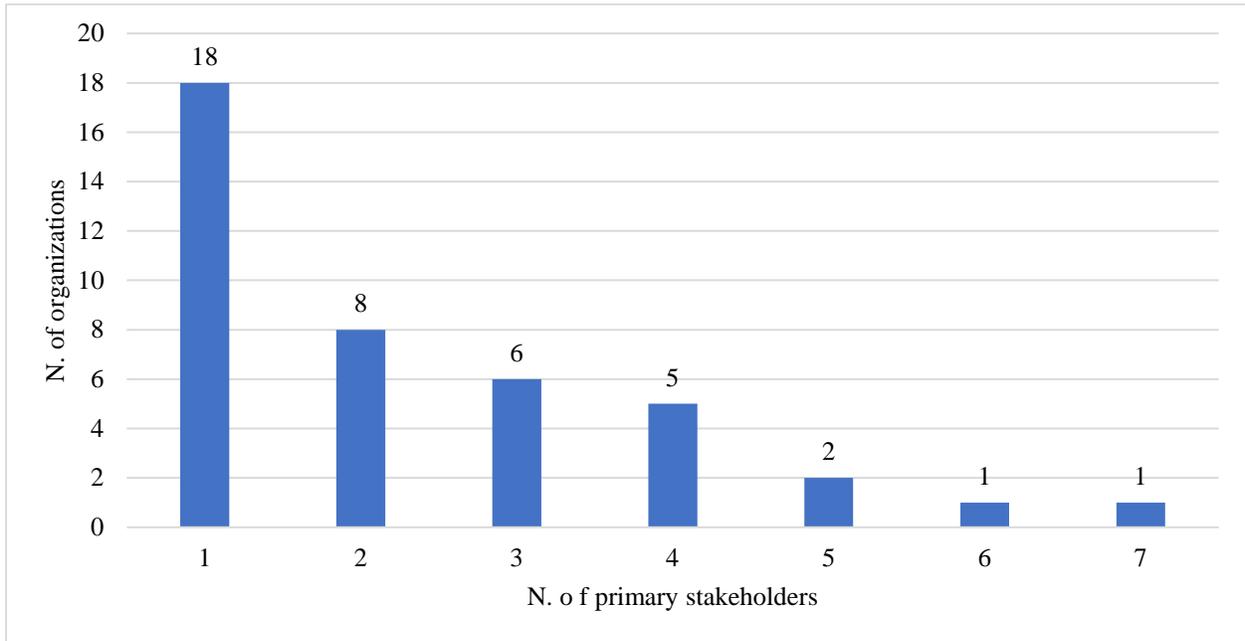


Figure 15: Number of primary stakeholders by the social enterprises

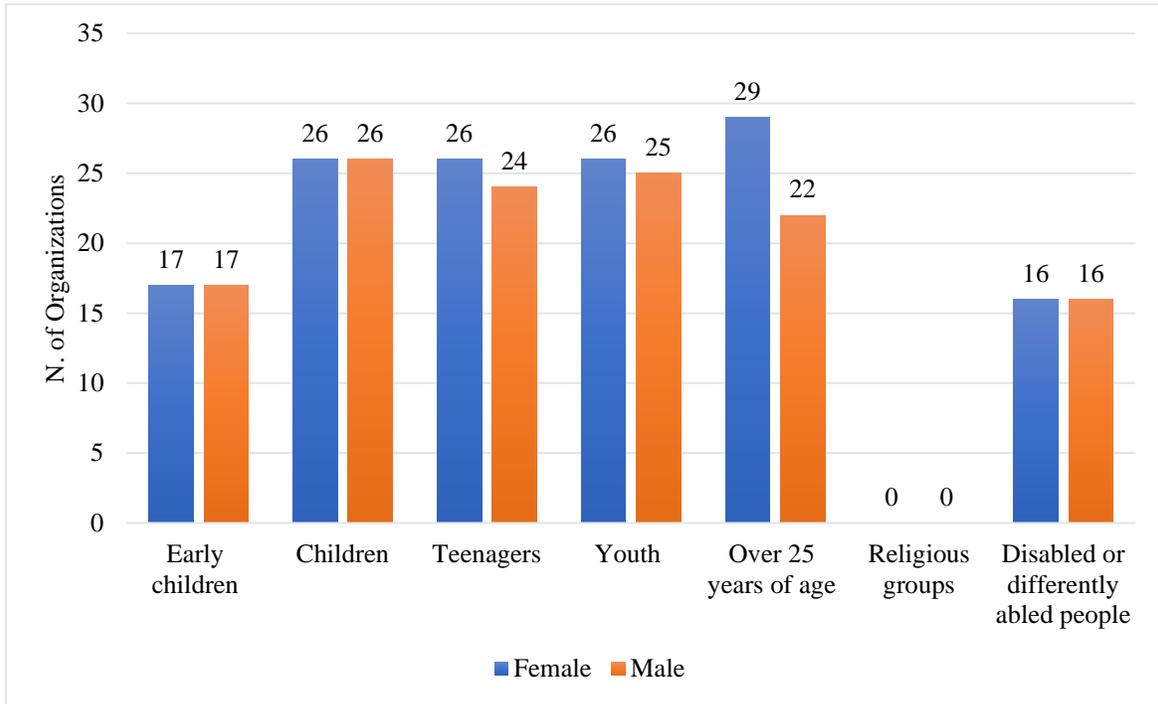


On more detailed analysis of the beneficiaries, we observed that the social enterprises have an average of 550 beneficiaries and we further classified these in different age groups, demographics and gender groups (Figure 16). The different age groups of beneficiaries are divided according to the standard age classifications in Palestine as:

- Early children (0 to 6 years of age),
- Children (7 to 12 years of age),
- Teenagers (13 to 18 years of age),
- Youth (19 to 25 years of age).

Amongst the social enterprises there is a gender balance in organizations working with male and female beneficiaries. However, the social enterprises work with different groups at the same time. From the social enterprises in our study almost equal number of enterprises are working with both male and female beneficiaries for age groups under 25 years and differently abled people however, a greater number of enterprises are working with female beneficiaries above 25 years of age than male beneficiaries.

Figure 16: Number of social enterprises by categories of beneficiaries



### 2.2.2 Governance Statement

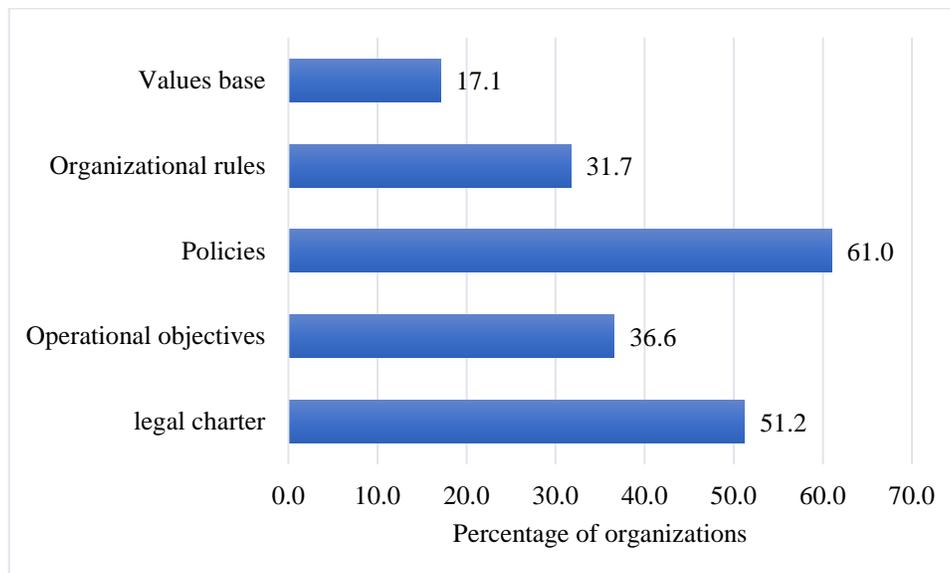
Governance statement is used as an internal working document in the social enterprises. We used the list of elements of the governance statement as described in the Social Enterprise Planning Toolkit by British Council to investigate the areas of governance statement available in Palestine the areas. Governance statement consists of the following elements (Spreckley 2011):

- A legal charter with clear indication of the social wealth creation and environmental responsibility of the social enterprise,
- Operational objectives describing commercial aims and goals,
- Policies of the enterprise,
- Organizational rules,
- Value base describing key values of the enterprise.

We observed that majority of the social enterprises in our study have at least one element of the governance statement available. Policies and the legal charter are largely available in the social enterprises while other elements of the governance statement are missing in most (Figure 17).

Governance statements are an important part of the social business plan for the social enterprises. Only 9.7% of the social enterprises in our study have all areas of the governance statement available and 9.7% have no elements available. We further noted that majority (88%) of the social enterprises in our sample have social business plan available in the organization. For social enterprises it is good practice to have governance statement within the social business plan for internal use which can work as a guiding principle to measure performance and track changes in the structure annually.

Figure 17: Percentage of social enterprises by areas of the governance statement available



### 2.2.3. Organizational Structure

The social enterprises follow managerial structures to be responsive to the needs of the members and workers and to create a chain of command for the execution of tasks within the enterprise. There are several management structures followed among social enterprises, for the purpose of this study we focused on the following main structures:

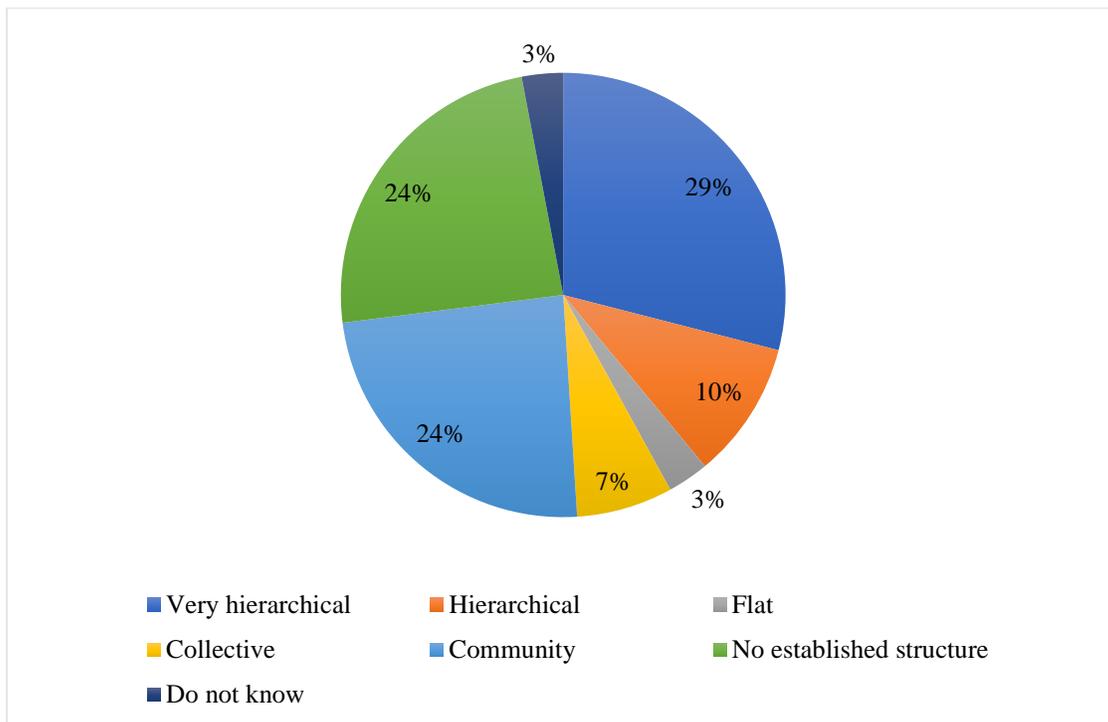
- Very hierarchical structure: Strict vertical (top to bottom) chain of command between superior and subordinate levels of the organization.
- Hierarchical structure: Direct chain of command from top to bottom, with no hierarchy at staff level.

- Flat structure: Few or no middle levels of management between staff and executives.
- Collective structure: All staff engage in management decision making.
- Community structure: Organization has external members as well as internal members who are all included in management structure of the organizations. (Spreckley 2011)

The social enterprises in Palestine follow different organizational structures, majority of the social enterprises have very hierarchical and community structure (Figure 18). We further noted that very hierarchical structure is adopted by high number of both for-profit and not-for profits and community structure is more prevalent for not-for profit organizations. Although majority of the social enterprises in our study have an organizational structure available, a high percentage have no established structure (24%) and few have no knowledge of the structure.

This highlights the need to create awareness among the social enterprises in Palestine of the organizational structures and the need to establish structure for smooth operational management. Organizational structure has an important role in establishing a well-planned social enterprise as it describes the degree of equality shared in the enterprise through the hierarchy, creates job differentiation and division of responsibilities for the operations of the enterprise.

Figure 18: Percentage of organizations by type of organizational structure



## **2.3. Human Capital**

The success of any social enterprise is highly dependent on the human capital available. A strong and skilled workforce plays an integral role to achieve the goals and objectives set by the social enterprises. Pertaining to this, in this section we identify the different roles played by the management, members, employees and volunteers and how do they contribute in the operations of the social enterprises. We further highlight the representation within the social enterprises and identify the limitations faced by the social enterprises in Palestine in maximizing the output created by the different pillars of the enterprises.

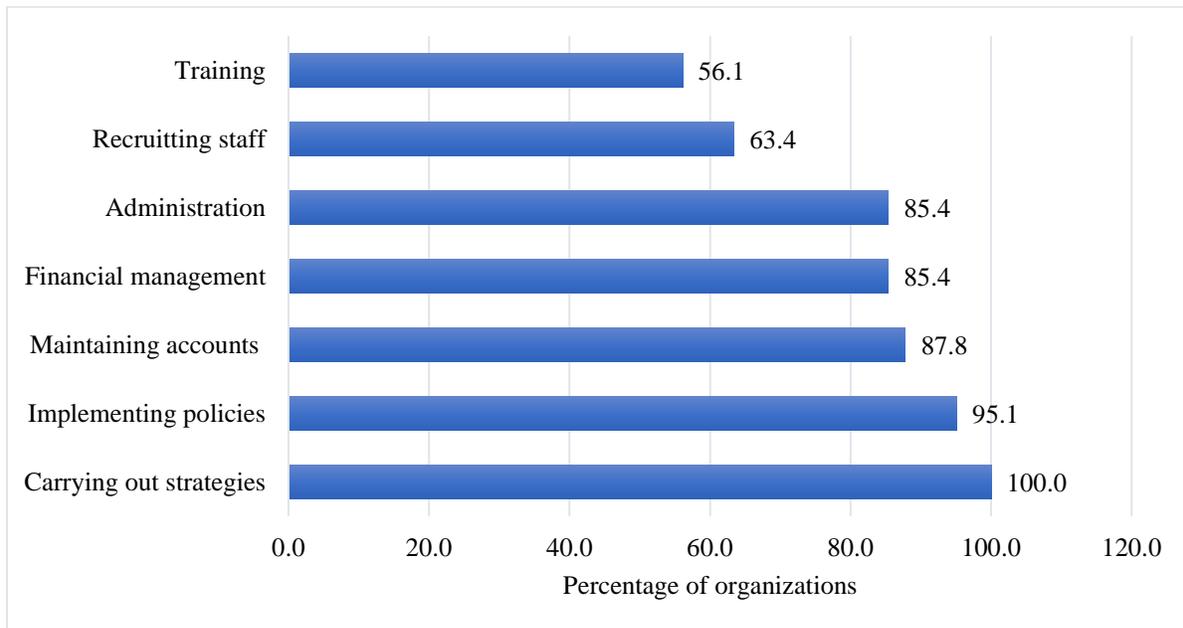
### **2.3.1. The Role of the Management**

Social enterprises are managed in two ways; through the members who are mainly responsible for governance of the organization and through the employees who undertake operational management. According to our results, majority of the social enterprises (78%) in our study organize their staff in teams to achieve their operational goals. The management is involved in carrying out strategies and plays various other roles in the social enterprises (Figure 19) We further traversed into the expectations the workers of the social enterprises have from the management and leadership of the enterprise during the focus group discussions. We observed that most people expect the management to have the following qualities:

- Good leadership skills,
- Highly motivation,
- Credibility and transparency among the community,
- Cooperative attitude,
- High networking capacity with internal and external stakeholders,
- Great communication skills to better connect with the beneficiaries and communities affiliated with the organization,
- Believe in gender equity,
- Availability for volunteering in the enterprise in case of need.

High expectations from the management can be observed however, the management carries out multiple roles at the same time and due to low numbers of full-time employees in most cases the capacities of the management can be spread thin within the enterprise.

Figure 19: Percentage of social enterprises by role played by the management



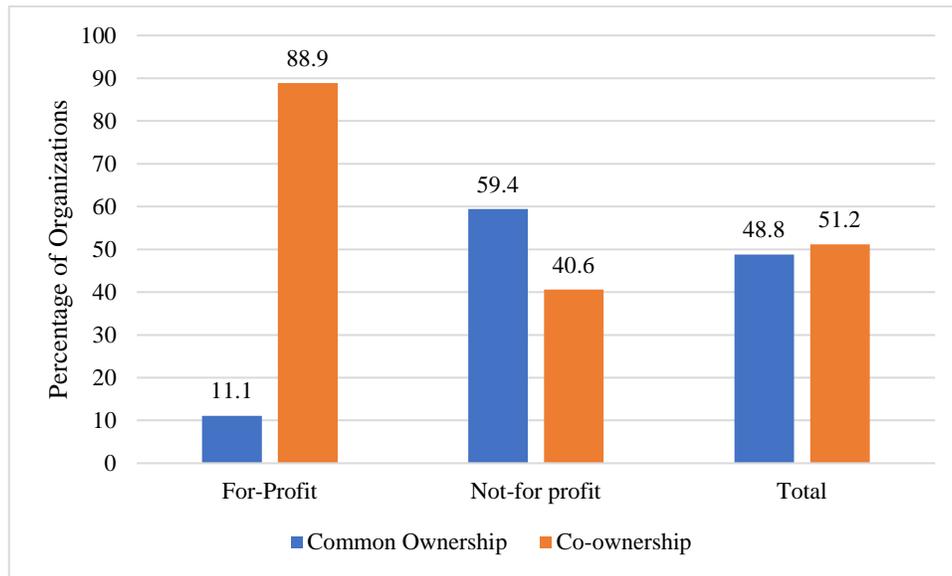
### 2.3.2. Membership and the Role of Members

The ownership structure of the social enterprises in Palestine reflect the financial stakes of the members in the enterprises. Members of the social enterprises can:

- Either have no financial stake in the enterprise which is then owned by all members in common (called common ownership)
- Or members can have a financial stake in the enterprise as co-owners (co-ownership).

The result of the ownership structure followed by the organizations in the study shows an almost equal numbers of co-ownerships and common ownerships whereas for-profits are dominantly co-ownerships and not-for profits have majority of common ownerships (Figure 20).

Figure 20: Percentage of social enterprises by ownership structure

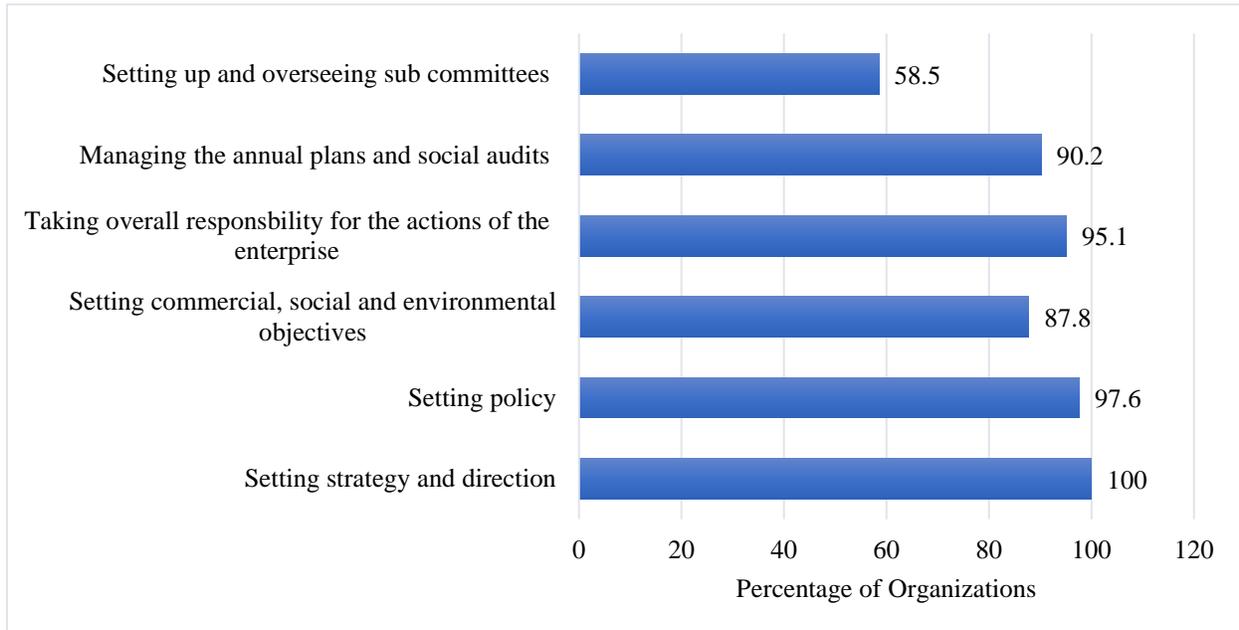


In light of our results, we further investigated in the questionnaire who the members are, how are they recruited, and the role played by them in the social enterprises in Palestine. For most social enterprises in our study, any person above 18 years of age can become members in accordance with the bylaws of the enterprise. Few social enterprises have a set membership fees and anyone can become a member by paying the membership fee while others only allow their target communities to become members.

The social enterprises in Palestine use different methods for recruiting its members. However, few patterns emerge: most enterprises recruit their members through elections, through advertisements in social media, newspapers and ministries, and by directly reaching out to people with relevant experience during different events and activities organized by the enterprises.

The members form an important building block and play integral roles in the governance of the enterprises in Palestine. In all the social enterprises in our study the members set strategy and direction for the enterprise and also play various other roles (Figure 21).

Figure 21: Percentage of organizations by role of the members in governance



### 2.3.3. Employment

Following the results of our study, the social enterprises in Palestine presents a very interesting case of employment structure. Majority of the social enterprises have no full-time (Figure 22) or part-time employees (Figure 23) working at the enterprises and a high proportion of the enterprises (43.9%) have no full-time or part-time employees employed at the enterprises. Not-for profit organizations have higher number of enterprises with no full-time or part-time employee and majority of these are charity organizations. We also observed that the social enterprises in our study:

- With full-time employees have an average of 28 employees and employ of 24 female and 16 male employees on average,
- With part-time employees have an average of 4.5 part-time employees and employ 3 female and 4.5 male employees on average.

The social enterprises in our study have a high majority of full-time female employees working in the enterprises in comparison to the male employees. Only one of the social enterprises from our sample employs 10 differently abled people (5 male and 5 female) and all other social enterprises have no representation of differently abled people.

Figure 22: Percentage of social enterprises by full-time employment

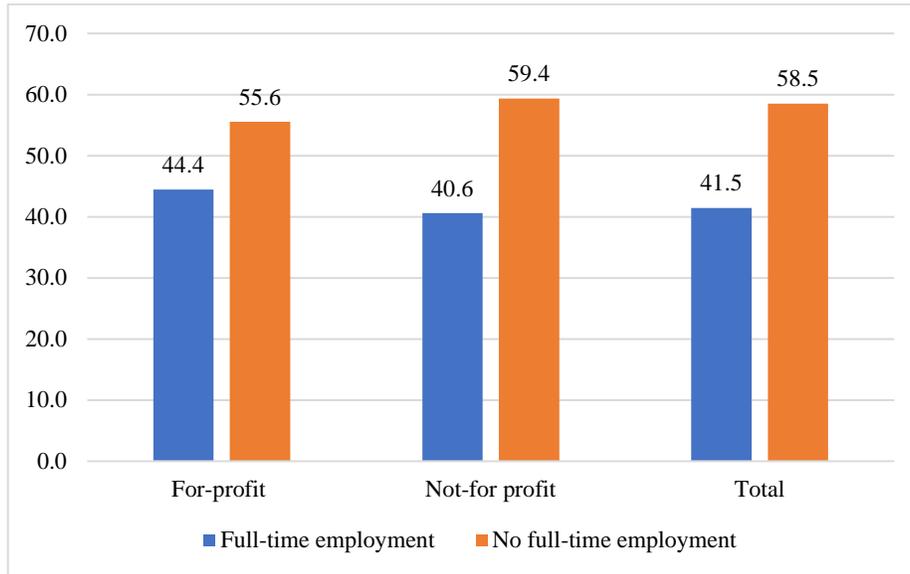
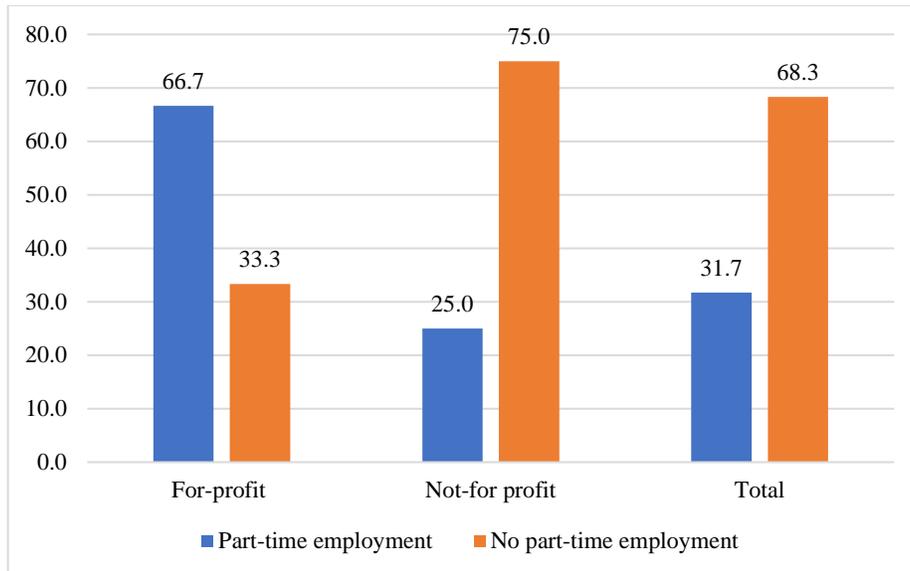


Figure 23: Percentage of social enterprises by part-time employment



We used the categorization by Palestinian Bureau of Statistics to classify the social enterprises by the number of full-time employees as follows:

- Zero full-time employees,
- 1 to 4 full-time employees,

- 5 to 9 full-time employees,
- 10 to 19 full-time employees,
- 20 and above full-time employees.

The employment of both full-time and part-time employees is very heterogeneous among the social enterprises in our study (Table 4); on average the enterprises have more part-time employees than full-time employees. With respect to the full-time employment categories and number of part-time employees we observed that the part-time employment is 179% higher than the full-time employment.

Table 4: Number of social enterprises by number of part-time employees and full-time employment categories

Number of part-time employees	Categories of full-time employment					
	0	From 1 to 4	From 5 to 9	From 10 to 19	20 and above	Total
0	18	5	2	0	2	27
1	3	2	1	1	0	7
2	1	0	0	0	0	1
3	1	1	0	0	0	2
5	0	1	0	0	0	1
7	1	1	0	0	0	2
30	0	0	0	0	1	1
Total	24	10	3	1	3	41

The employment situation of the social enterprises in Palestine creates high dependence of the enterprises on volunteers to carry out the activities and operations. On comparing the number of volunteers working in social enterprises with different categories of full-time employment we observed that in many enterprises the number of volunteers exceed the number of full-time employees (Table 5). On average each volunteer works 354.15 hours annually in the social enterprises in our study. We further observed that in majority of the social enterprises have large number of female volunteers working in comparison to the male volunteers (Table 6).

The role of volunteers was highly emphasized during the focus group discussions as well where it was highlighted that social enterprises in Palestine rely heavily on volunteers often creating a gap of technical skills available in the enterprises as volunteers do not always have the required skills. It also creates a high level of vulnerability for the social enterprises to smoothly carry out their activities as volunteers are not bound to the enterprises and leave when they get jobs. Going forward it is highly important for the sustainability and survival of social enterprises in Palestine that the enterprises are able to retain certain number of employees to execute its operations without problems and difficulties and with same efficiency.

Table 5: Number of social enterprises by number of volunteers and full-time employment categories

Categories of full-time employment	Number of volunteers							Total
	zero	1 to 9	10 to 19	20 to 29	30 to 39	40 to 49	50 to 60	
zero	5	9	5	0	3	0	2	24
From 1 to 4	0	6	1	2	0	1	0	10
From 5 to 9	0	2	0	0	0	0	1	3
From 10 to 19	0	0	1	0	0	0	0	1
20 and above	0	2	0	0	0	0	1	3
Total	5	19	7	2	3	1	4	41

Table 6: Number of social enterprises by number of male and female volunteers

Number of female volunteers	Number of male volunteers				
	Zero	1 to 9	10 to 19	20-29	Total
zero	5	5	1	0	11
1 to 9	6	10	1	0	17
10 to 19	3	1	0	1	5
20 to 29	1	0	1	0	2
30 to 39	1	1	0	0	2
40 to 49	0	0	2	0	2
50 to 60	1	0	1	0	2
Total	17	17	6	1	41

## 2.4. Financial and Social Aspects

Finance plays an integral role in establishing and running the operations and in turn helping achieve social and commercial objectives of the social enterprises. In this section, we discover the finance and investment sources available to the social enterprises and the challenges they face in accessing to these resources. We further develop vigorous understanding of the tools used for measuring social and financial aspects of the social enterprises which includes social and financial audits and the established impact evaluation measures. Moreover, we observed the social impact these enterprises have created in respective target communities through different activities and projects.

### 2.4.1. Access to Finance

All social enterprises need finance for establishing a new organization, smoothly running the operations of the enterprise and for any eminent crisis situation the enterprise could face.

According to our results, we discerned the most common types of finance obtained by the social enterprises in Palestine include grants from foundations, in-kind and cash donations and profits earned by the organization through sales of products and services (Figure 24). We also observed that the majority of the organization reinvest the profits earned into the organization for growth and development activities.

However, it is to be noted that all the organizations in our study are in the later stages of operations. The social enterprises in earlier stages of operations might not start earning profits until later stages and would need to acquire finance through other available sources. We further observed that all the social enterprises have accessed at least one source of finance and have acquired an average of 3 different finance sources at different stages since the establishment of the enterprise (Figure 25).

Figure 24: Percentage of organizations by the different types of finance received

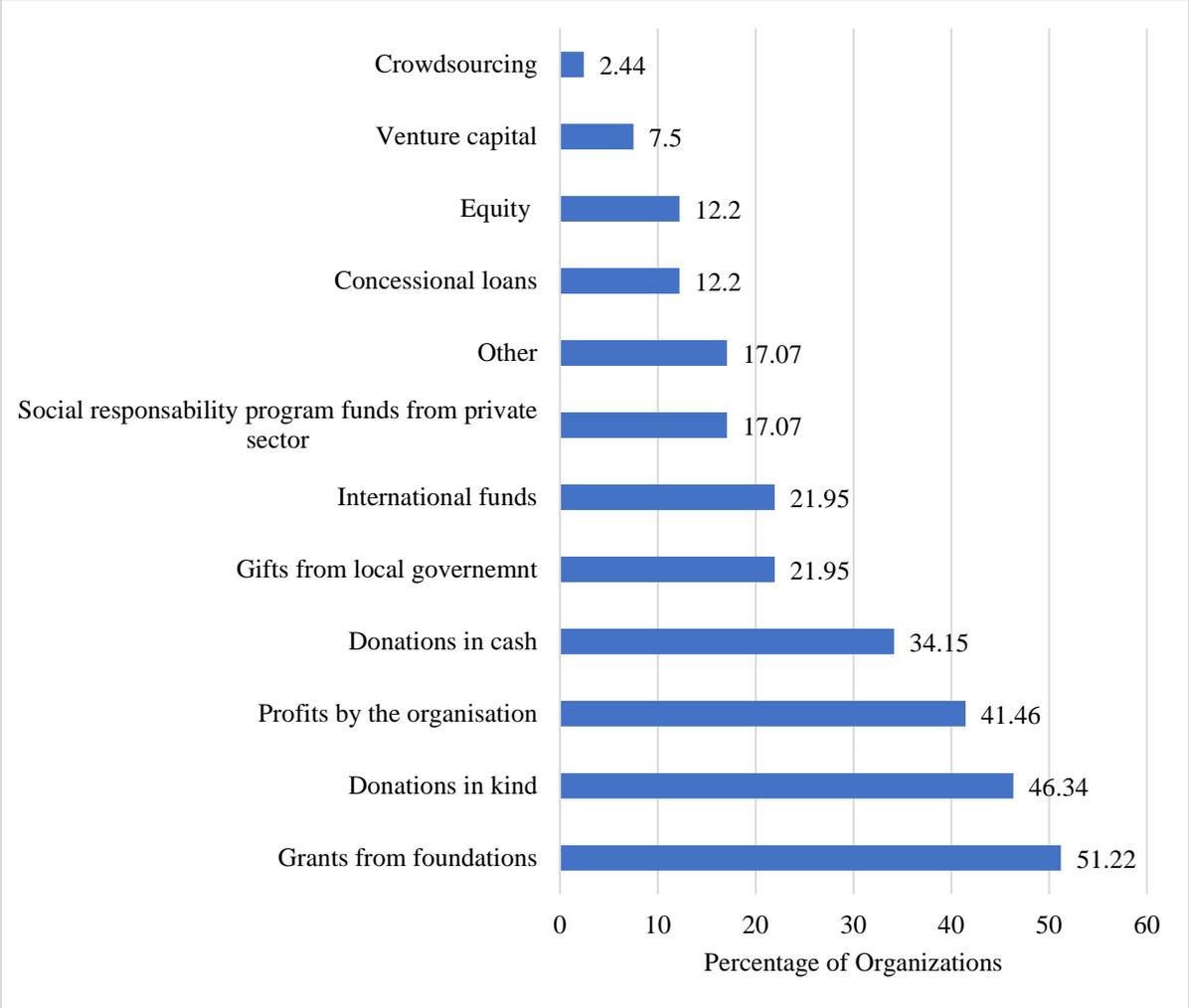
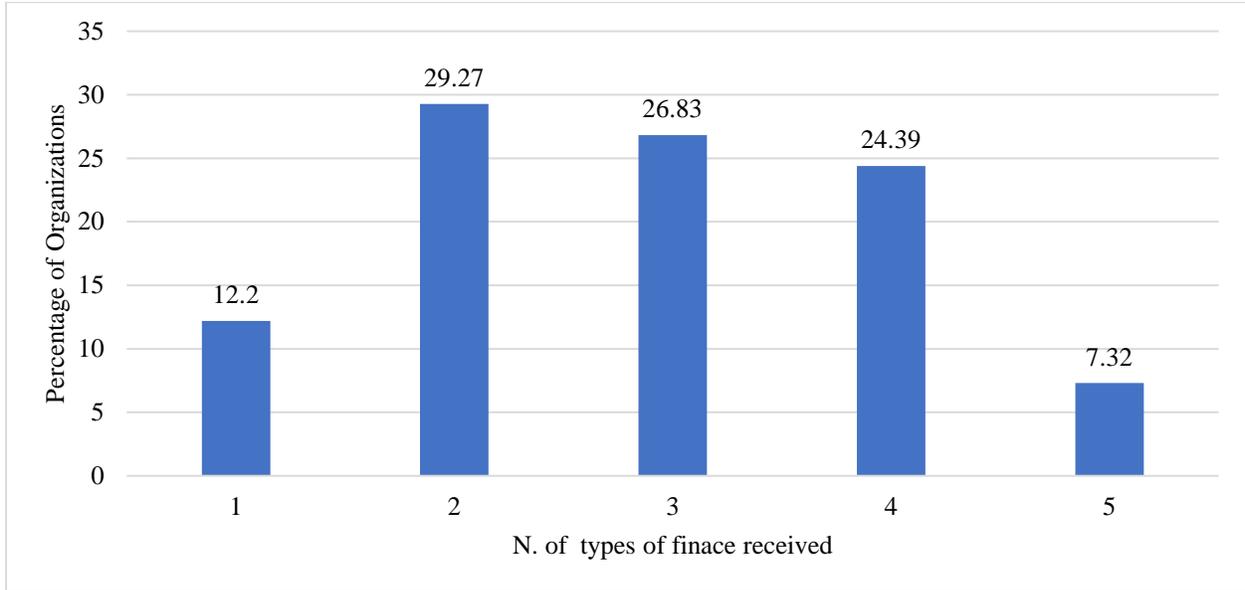


Figure 25: Percentage of organizations by the number of types of finance received

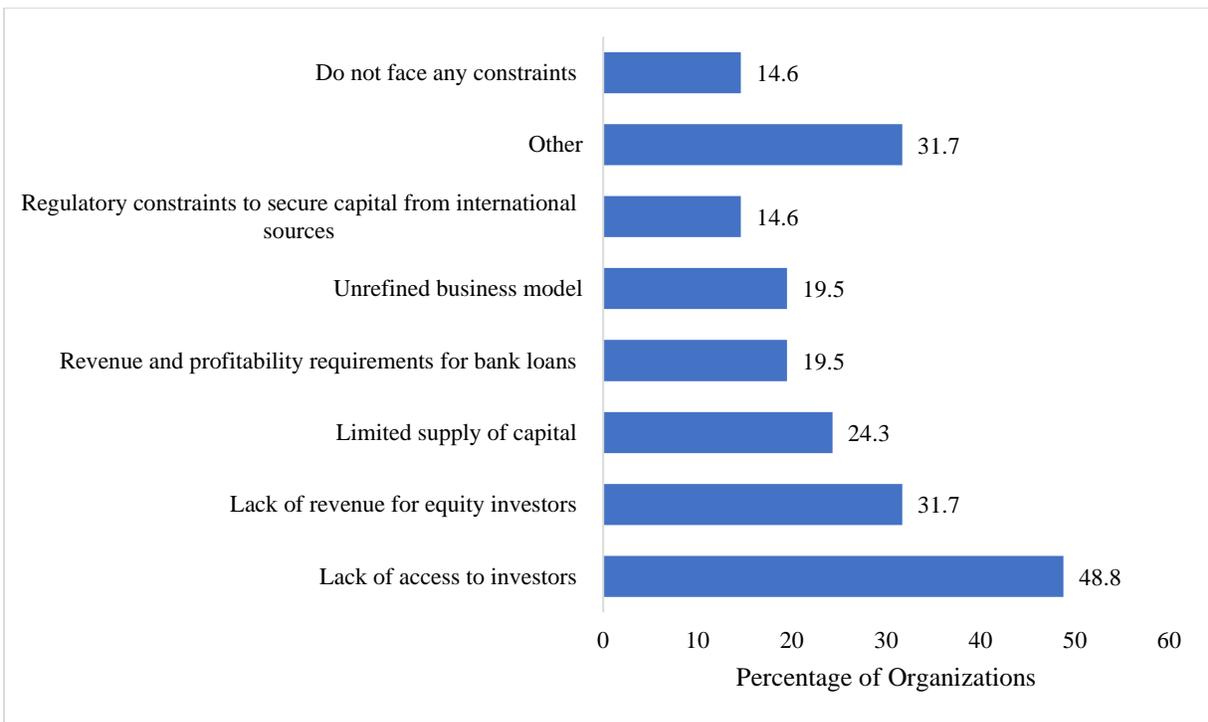


Although the social enterprises have access to some forms of finance, one of the main challenges faced by majority of the social enterprises in our study (85.6%) is long-term continuous access to finances and investments. We investigated the constraints faced by the social enterprises in provision of finance and investments in-depth through both the questionnaire and the focus group discussions. The results from the questionnaire highlight many of the social enterprises face challenges in access to investors and another major constraint is the revenues being returned to the equity investors instead of being reinvested into the enterprise (Figure 26.) Furthermore, other challenges as specified by the social enterprises included lack of availability of funds, absence of government assistance and the inability of some enterprises to design a viable fundraising campaign.

We delved into a deeper understanding of the constraints during the focus group discussions. The main emphasis was brought to the lack of access to capital and scant facilitation provided by the banks to provide access to loans for the social enterprises. Some banks do not deal with the organizations registered as associations or provide the services at a higher interest rate which are not feasible for the enterprise. As previously mentioned in section 3.1.2, social enterprises operating in Gaza region faces additional challenges when it comes to using banking services due

to complex bureaucracy and restrictions on mobility, just to open a bank account an organization needs to be registered and authorized at the Ministry of Interior in Gaza and Ramallah. As previously highlighted, the social enterprises face several challenges in accessing finances, and therefore depend heavily on donations during early years and take 3 to 6 years to become independent from donations for operations of the enterprises.

Figure 26: Percentage of social enterprises by the constraints faced in access to finance



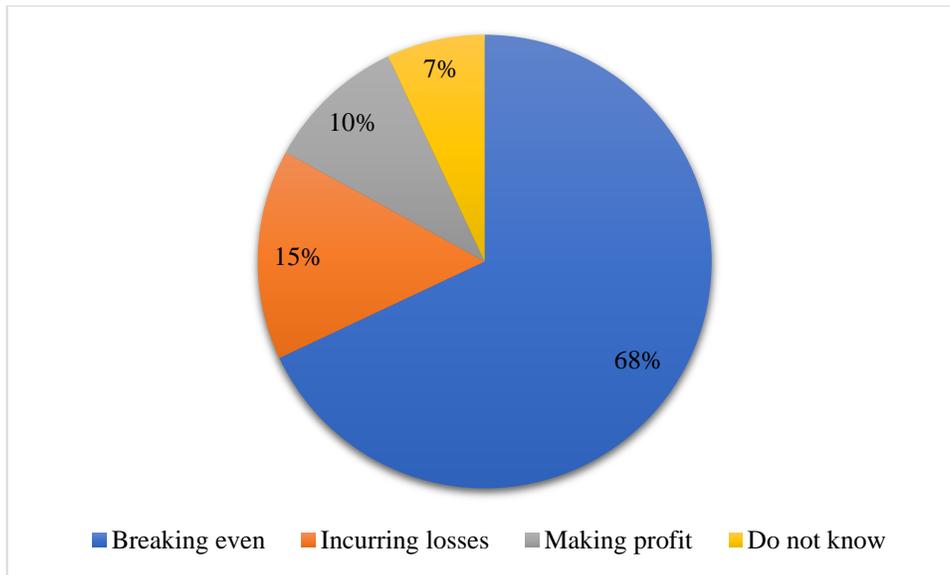
According to our results, the social enterprises in our study are at different stages of their financial trajectories (Figure 27):

- Majority (68%) of the enterprises are breaking even that is they are at the point of sales that they generate enough income to pay for the total running costs of the enterprise,
- Followed by the enterprises incurring losses (15%) that is the fixed and variable costs of the organizations are more than the overall income of the enterprise,
- Finally, very few (7%) are making profit that is have higher income than their costs.

In general, the social enterprises around the world take five to ten years to breakeven and move towards financial viability. (Rogerson, Green and Rabinowitz 2013) In order to become

sustainable and financially viable the enterprises need not only break even, they also need to service reasonable debts, set adequate funding as a cushion for shocks and ideally provide acceptable returns to investors. However, we are not able to completely understand the financial viability of the social enterprises in our study as the financial information available is far from being comprehensive and therefore be seen within the constraints of available data.

Figure 27: Percentage of social enterprises by the current financial state



### 2.4.2. Accounting

Every social enterprise requires a basic set of accounting records in place and included in its Social Enterprise Plan. Furthermore, Company Registration Authority in each country requires ‘proper book of accounts’ be maintained. The social enterprises in Palestine utilize several different tools to keep accounting records, provide vital information for planning and foresee financial and other problems through review of the records. Majority of the social enterprises use balance sheets, cash flows and income statement along with other tools (Figure 28). With the exception of 4.88% of organizations, all other social enterprises in our study have at least one tool available to keep accounting records and to access the financial situation of the enterprise (Figure 29).

Figure 28: Percentage of social enterprises by the accounting tools used

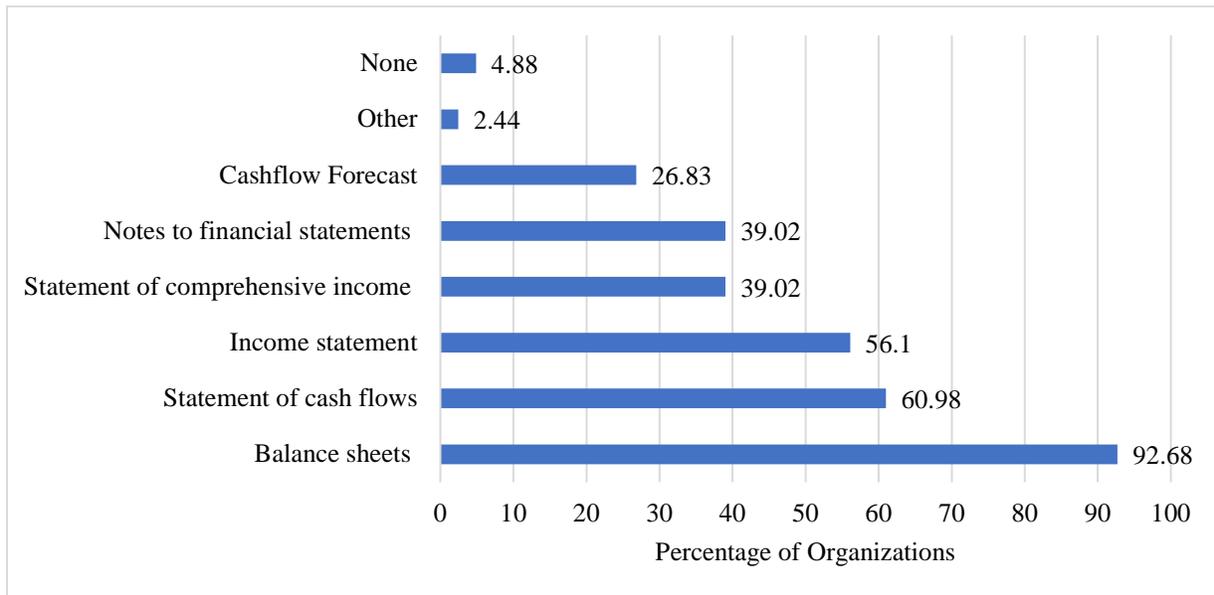
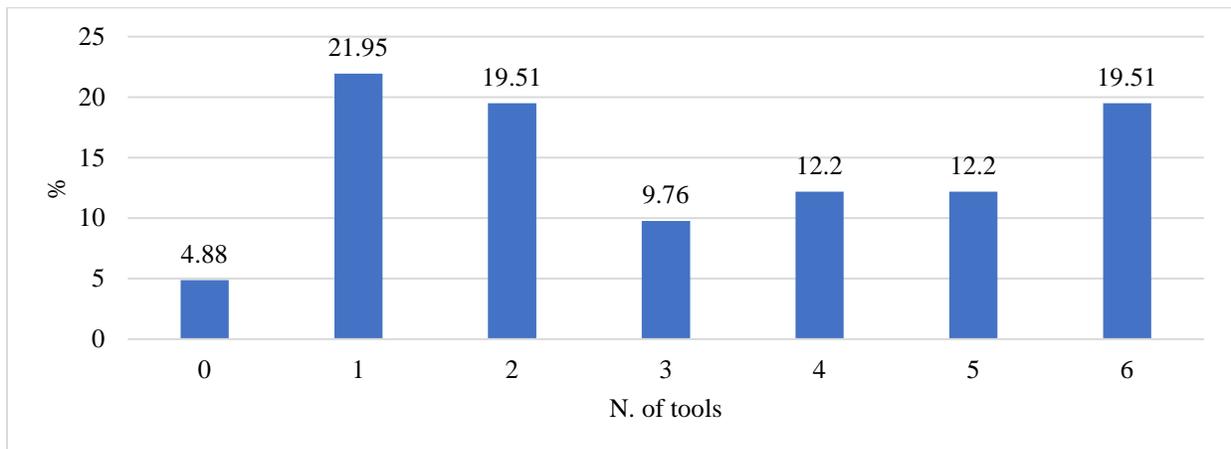
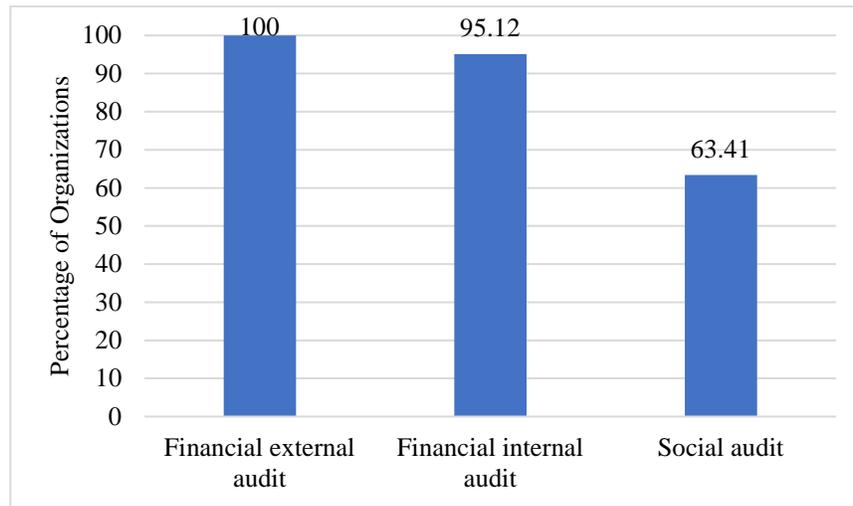


Figure 29: Percentage of social enterprises by number of tools used to keep accounting records



Furthermore, we observed that almost all the social enterprises in our study perform external and internal financial audits and majority performs social audits (Figure 30). Financial auditing is required by law while social audits are undertaken voluntarily by the enterprises. Though majority of the social enterprises in Palestine are carrying out social audits, the practice still needs to be adopted by a large number of enterprises.

Figure 30: Percentage of social enterprises by the audits performed



### 2.4.3. Social impact and evaluation measures

All the social enterprises in our study are striving to create a positive social impact in the target communities they are operating in. Majority of the social enterprises (90.3%) had an understanding of the social impact created by enterprise and described their social impact as generating income opportunities for their beneficiaries, empowering women and integrating vulnerable groups into the society and providing services like housing amongst others (Figure 31). However, it is to be noted that the social impact is described by the social enterprises themselves and does not include the views of the community therefore be seen within the confines of the study.

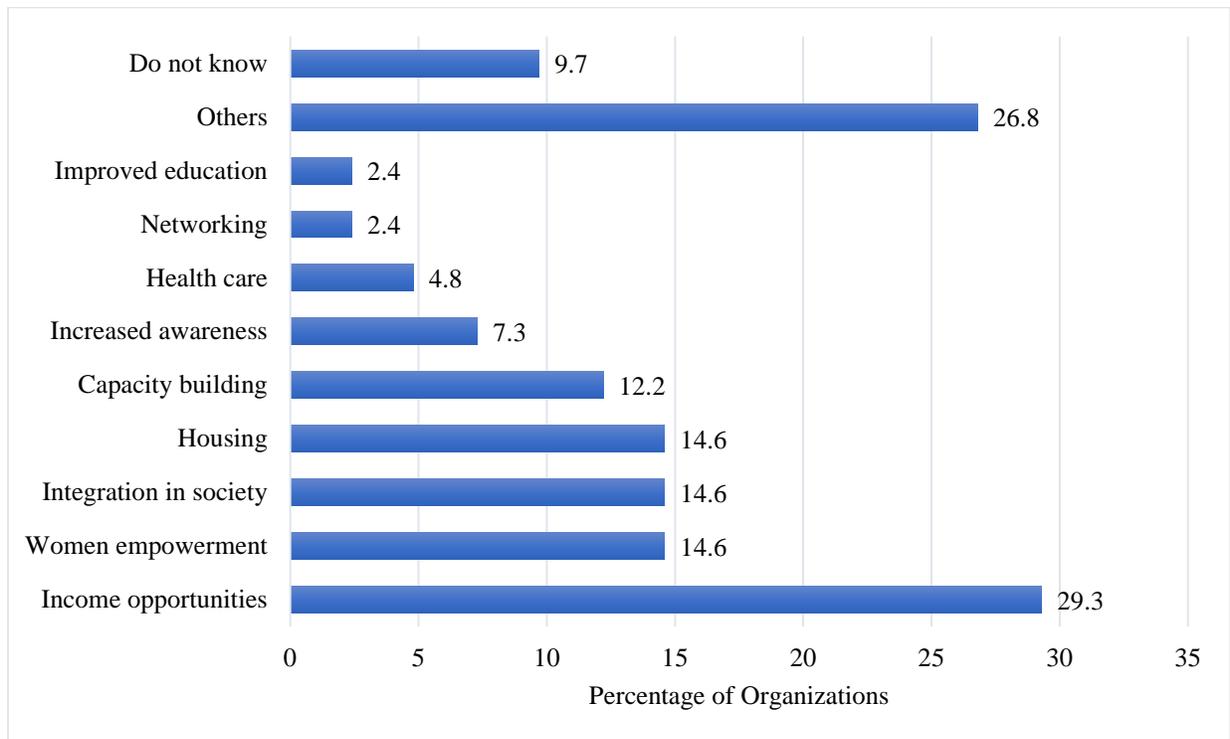
We further investigated the social impact created by the organizations during the focus group discussions in order to better understand the impact the enterprises have on different communities. During the discussion it was further highlighted that the participation of women and youth in the activities and projects by the social enterprises had increased paving way for more women in the workspaces and therefore moving towards changing the role of women in the Palestinian society. Other examples of the positive social impact created by the enterprises in Palestine which captured our attention included:

- A social enterprise organized and delivered training activities for farmers in their target areas which increased awareness and capacity of the farmers to manage farms;

- Another enterprise provided sheep to a group of families and tracked the impact of this intervention. The target families were able to sell dairy products and generate revenues. The intervention not only provided income opportunities, but the target families also used the revenues to send their children to school.

However, another aspect highlighted during the focus group discussion is that sometimes there is a mismatch between the needs of the society and the social interventions introduced by the international NGOs and the donor organizations. The mismatch is created by implementing projects designed for one country without taking into account the specific needs of the Palestinian communities and society which leads to a waste of resources and the projects do not achieve their expected social goals.

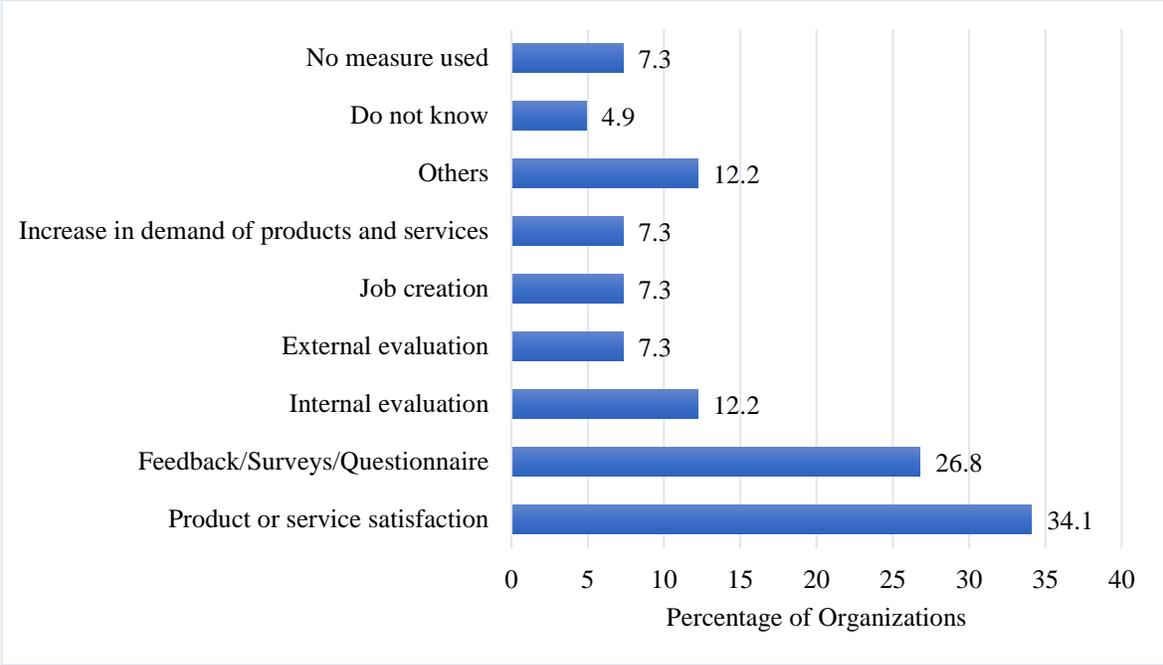
Figure 31: Percentage of social enterprises by the social impact created



Majority of the social enterprises (90.2%) in our study have at least one measure in place to evaluate the social impact of the enterprise’s activities on its target communities. Most of these enterprises are using satisfaction of the target communities and feedback, surveys and questionnaire to measure the social impact of their projects and interventions (Figure 32). In order

to increase the social impact of the projects and the work of the social enterprises in Palestine it is pertinent to learn from the best practices, use monitoring and evaluation measures to track the impact of the projects and increase communication with the society to better capture their needs. We observed that the social enterprises in Palestine in general have knowledge of the impact evaluation mechanisms, have the infrastructure in form of different measurement tools available and majority of the social enterprises use at least one impact evaluation measurement. However, high measurement costs create obstacles for social enterprises and therefore, there is a need to formalize the impact evaluation measures and create awareness about using triangulation to reinforce the findings and create depth to them.

Figure 32: Percentage of organizations by measure used to evaluate social impact



**2.5. Market dynamics and strategy**

After having identified the primary characteristics, organization of the social enterprises, human capital available and the social and financial aspects of the enterprises we determine the market dynamics to capture who are the customers of the social enterprises, the market strategy used for provision of products and services in the market and the challenges faced in this respect. In this

section, we focus on the market tools used, the pricing policies employed to set prices for the products and services and the marketing and innovation strategies used by the social enterprises to increase awareness about their products and services.

### **2.5.1. Provision of goods and services**

According to our findings the social enterprises in Palestine use different instruments for the provision of goods and services in the market. The most commonly used tool is social media, mainly Facebook, to provide their goods and services to their customer base and the target communities (Figure 33). Many social enterprises in our study specified other tools like ads on the respective ministry's website, direct outreach to the target communities and advertising their products and services in newspapers. The social enterprises use an average of 2 market tools, but majority only uses one tool for the provision of products and services in the market (Figure 34).

The results highlight that the social enterprises in Palestine are using very limited tools to provide the goods and services to their target customers. However, it is not void of reason as the majority of the social enterprises (95.2%) in our study highlighted they face several challenges in the marketplaces (Figure 35). In accordance with our results and the available literature, we observed that due to the lack of corresponding competencies in developing a marketing and sales strategy, restrictions imposed due to Israeli control on the movement of products and services across the frontiers of the Palestinian territories, precariousness of the peace period which discourages investors, lack of capital and other resources available at the disposal of the social enterprises and uncertainty in cash flows impedes the smooth running of the marketing and sales end of the operations. (Morrar and Gallouj 2016)

### **2.5.2. Customer Base**

The customer base of the social enterprises includes the target audience and potential customers for the products and services of the enterprises. In line with the results, we determined the market segments based on gender, age and income the social enterprises in Palestine are targeting as their customer base as follows:

- Majority of the social enterprises (97.56%) are targeting both male and female customers,

Figure 33: Percentage of social enterprises by instruments used for provision of products and services

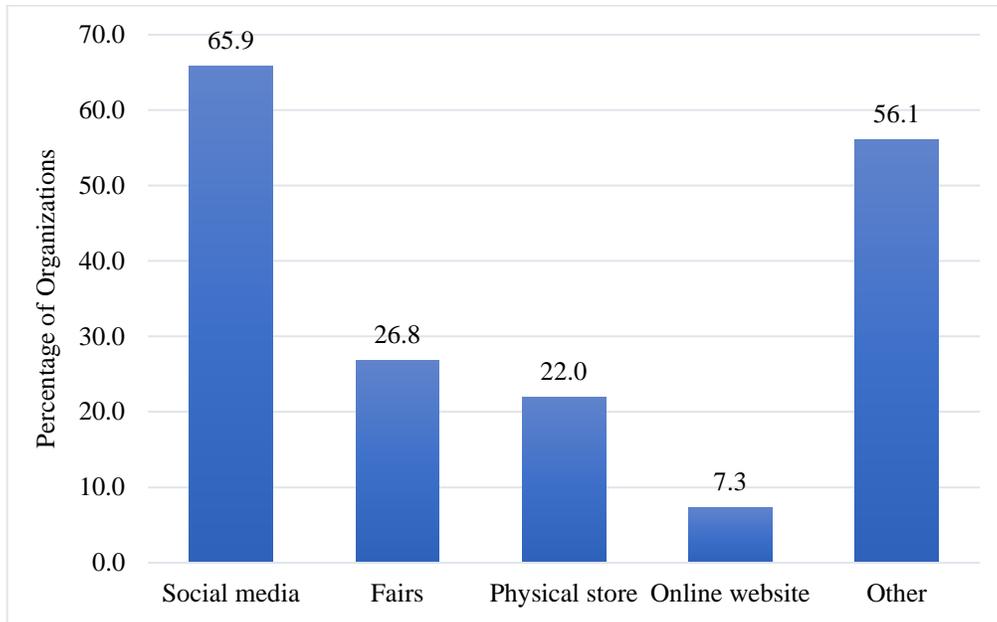


Figure 34: Percentage of social enterprises by number of instruments used for provision of products and services

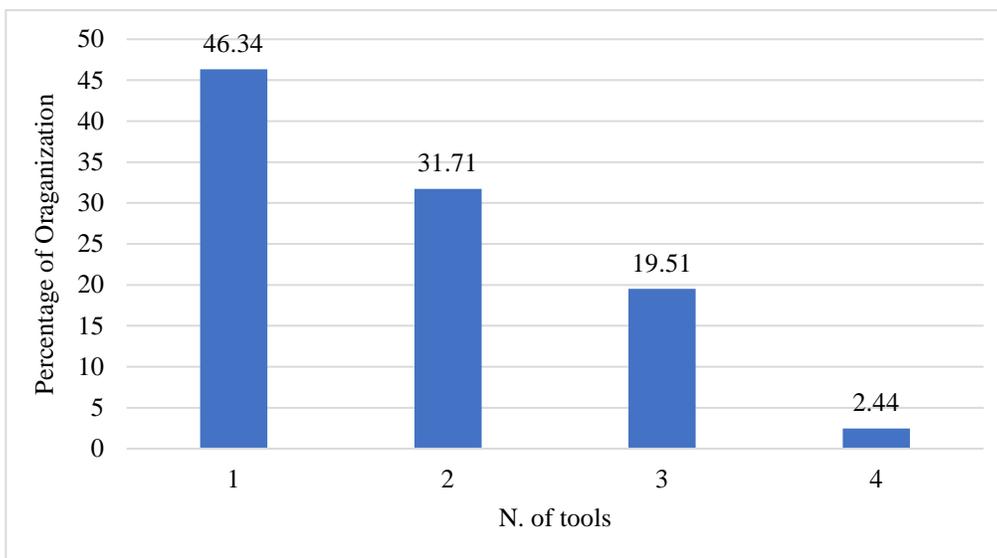
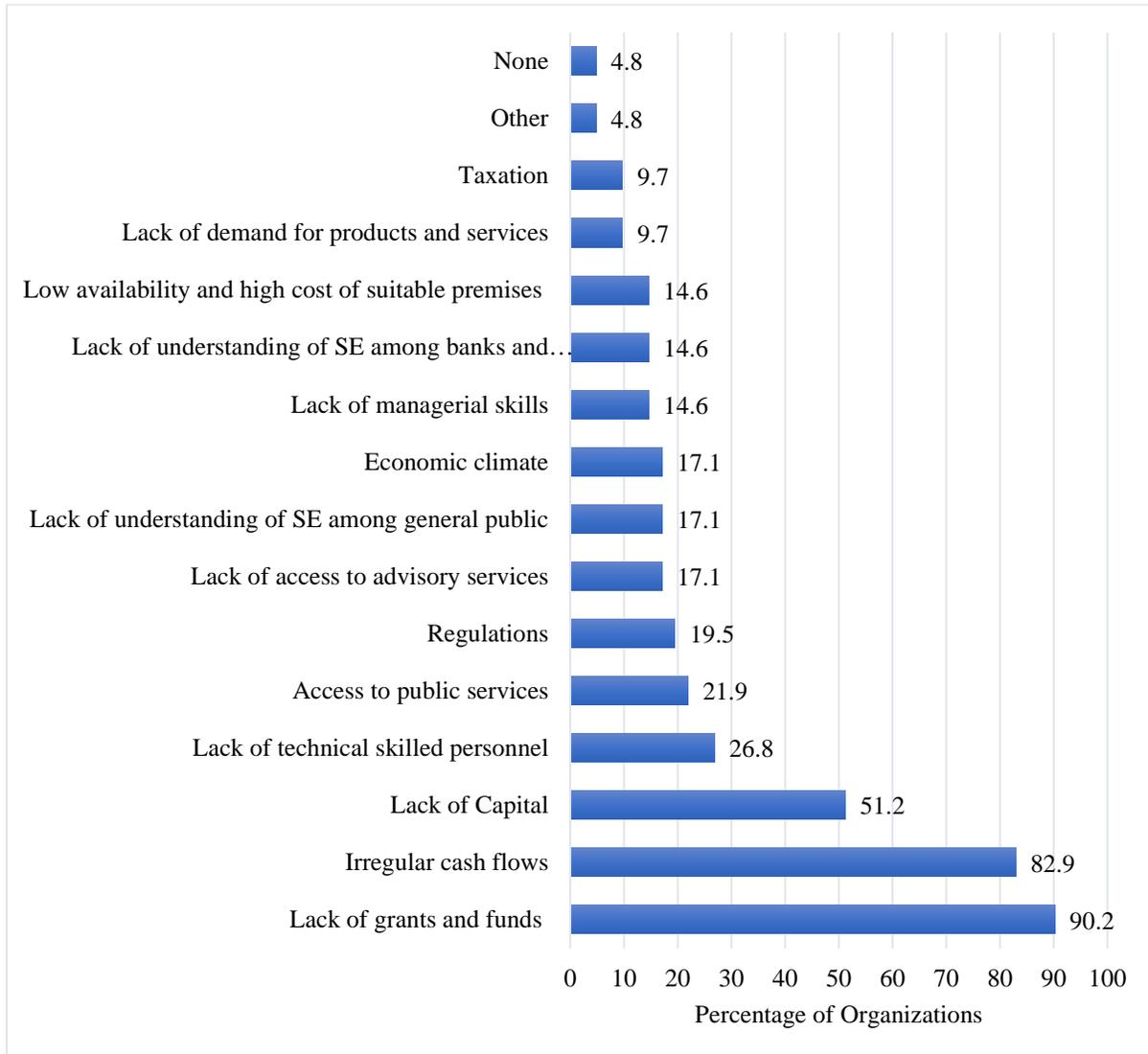


Figure 35: Percentage of social enterprises by the barriers faced in provision of goods and services



- The enterprises target all age distributions (Figure 36) and majority are targeting more than one age group (Figure 37),
- The enterprises target different all income groups<sup>5</sup> (Figure 38) and majority are aiming to target at least one income group for the provision of their products and services (Figure 39).

<sup>5</sup>For income groups the following classification by the World Bank is used:

Low income: \$995 or less

Middle income: \$996 to \$12,054

As previously stated, one of the main goals of the social enterprises in Palestine is to help and support vulnerable groups and empower women and here we observed that the customer segmentation of all the social enterprises focuses on women, young population and low- and middle-income groups which is in line with the objectives and beneficiaries of the organizations. We further observed that majority of the social enterprises in our study expected their customer base to expand in the coming years.

Figure 36: Percentage of social enterprises by age group of the customer base

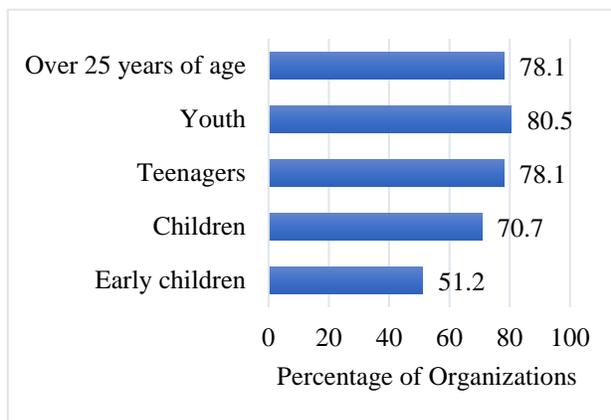


Figure 37: Percentage of social enterprises by number of age groups

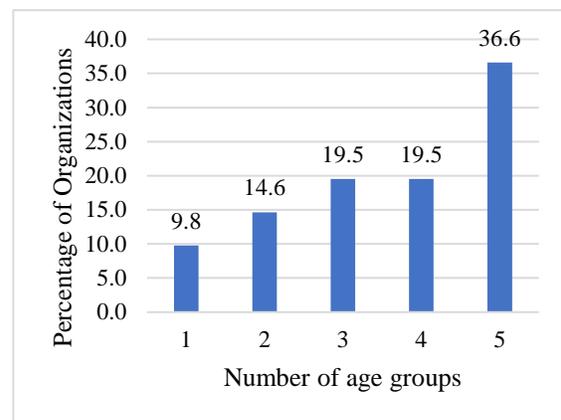


Figure 38: Percentage of social enterprises by income group of the customer base

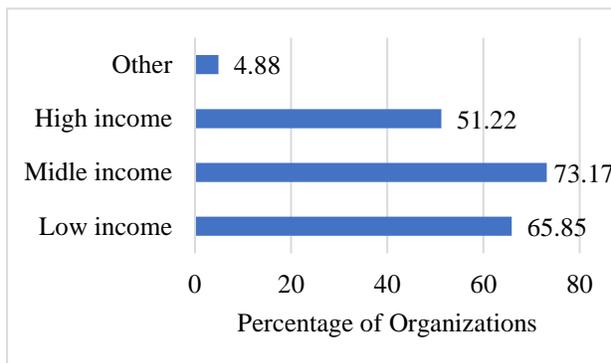
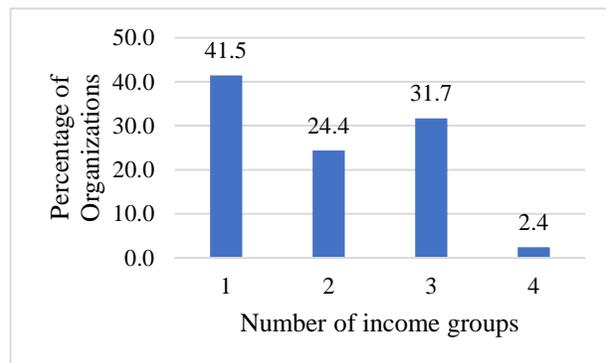


Figure 39: Percentage of social enterprises by number of income group of the customer base




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High income: \$12,054 or more

### **2.5.3. Pricing Policy**

The social enterprises in our study use different policies to set prices for the products and services provided in the market by the enterprises. The most common pricing policy amongst the social enterprises in Palestine use for setting the price is based on the fixed and variable costs of the enterprise in order to breakeven, while other policies used include setting the same price as the market price of the products or setting lower price than the market in order to increase sales in comparison to their competitors (Figure 40). We further examined that the majority of the social enterprises prefer to set price lower than the competitors and very few of the organizations set higher price than their competitors based on better quality of service or products. It was further brought to attention during the focus group discussions that the social enterprises in Palestine set price lower than market as for many enterprises their customer base includes vulnerable and marginalized groups of society who are generally not very financially strong and would not be able to access the products and services at higher price.

It is useful to observe that the price at which to sell a product or service at the market is determined by many factors such as cost of goods, cost of selling, customer expectations, level of profit, overheads and investments etc. Although almost all the social enterprises in Palestine have an idea of how are mainly focusing on the costs of the products and services to set their pricing policy and there is a need to incorporate a comprehensive pricing structure.

### **2.5.4. Marketing Strategy**

The social enterprises in Palestine make use of number of advertisement formats as a marketing strategy to increase awareness and create demand for the products and services of the enterprises. The most popular tool of advertisement used include social media mainly Facebook and email advertisements (Figure 41). Many enterprises specified the advertisement tools they used to include radio spots, field visits, word of mouth and through local fairs.

Majority of the social enterprises in our sample are using some form of advertisement however a high percentage of enterprises have no advertisement formats (22%) in place for marketing of their products and services.

Figure 40: Percentage of social enterprises by the pricing policy used

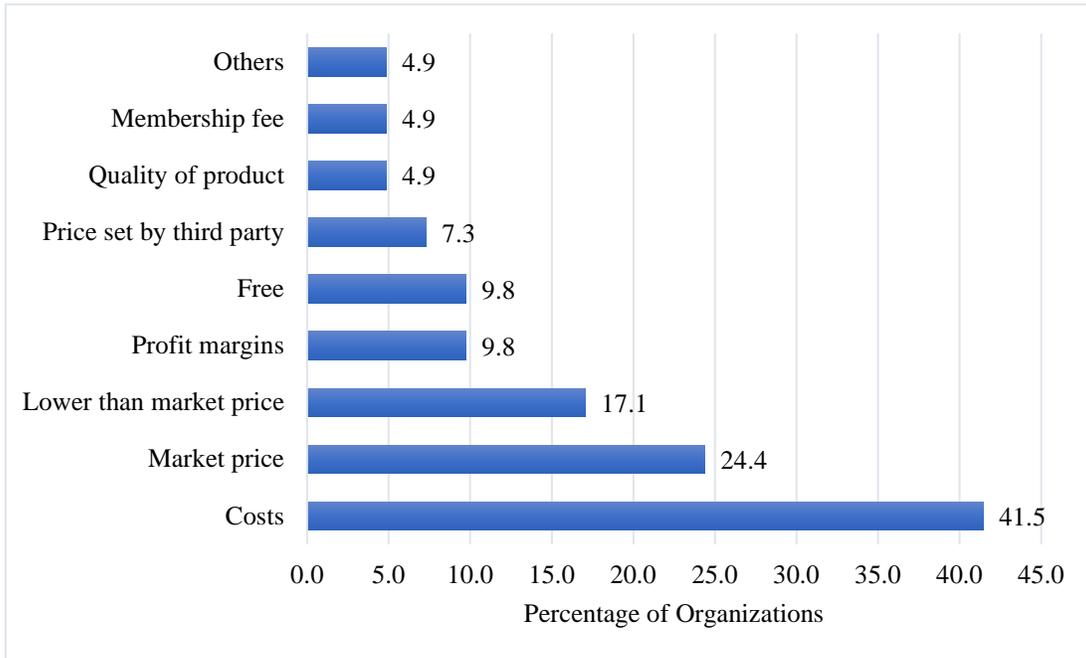
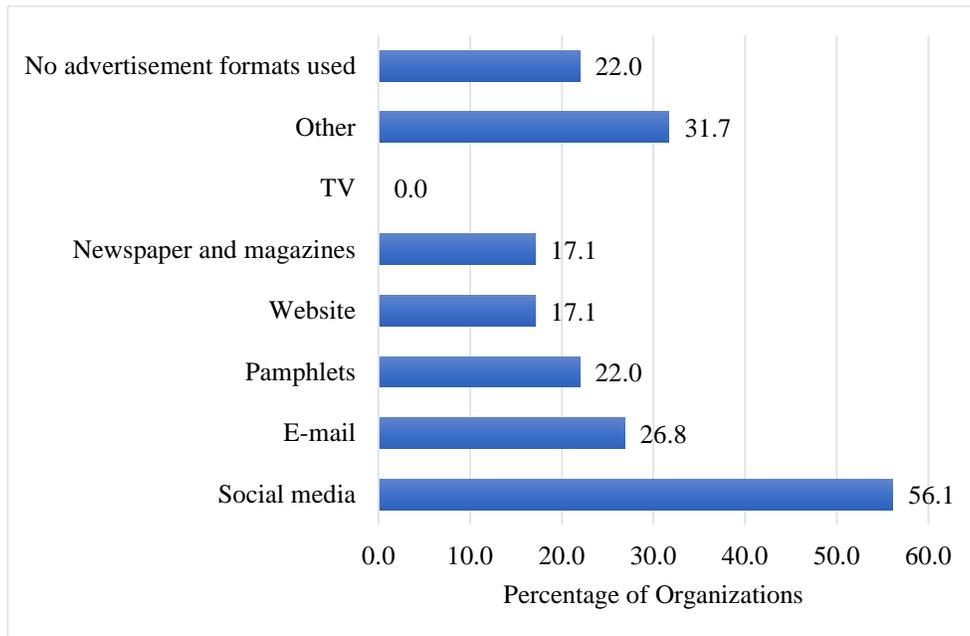


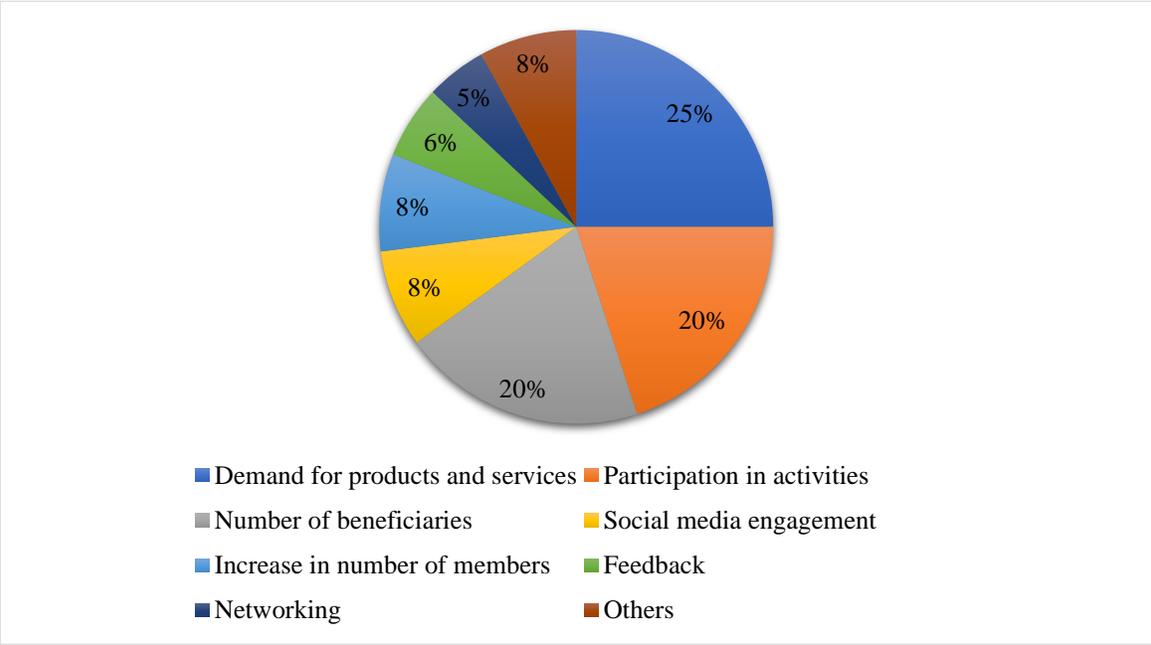
Figure 41: Percentage of organizations by advertisement formats used



We observed that many social enterprises establish informal communication mechanisms with the communities they target and use word of mouth to create awareness about the enterprise during gatherings, meetings and activities. Furthermore, we noted that the limited human capital, lack of available skilled staff and insufficient funds available to the social enterprises creates a challenge in dedicating a set team and budget for designing and implementing marketing strategy.

On further inquiry in the marketing strategies of the social enterprises we observed that the social enterprises in Palestine use multiple measures to evaluate the effectiveness of the advertisement formats used. Majority of the social enterprises measure the effectiveness through increase in demand of their products and services or increase in engagement of their target groups in the activities of the enterprises (Figure 42).

Figure 42: Percentage of organizations by measure used to evaluate effectiveness of the advertisement formats used



It is to be observed that to achieve long term sales goals and increase demand for the products and services provided, marketing plays an integral role and is to be revised and implemented as the enterprise progresses into different stages. There is a need to constantly measure the effectiveness of the advertisement formats used and improve the strategy based on the customer feedback. In this regard, we further observed that majority of the social enterprises (88%) reported they had no

complaints from the consumers of the products and services of the enterprises available at the market. However, the social enterprises do receive feedback, and some have received complaints from the consumer about the available products and services and only a small proportion of the enterprises (24%) responded to customer feedback and complaints.

It was further emphasized during the focus group discussions that the social enterprises in Palestine particularly face difficulties in designing and implementing an effective marketing strategy and advertising the products and services to the right customer base and target areas due to insufficient marketing skills available. Lack of the skilled staff and employees dedicated to customer care also create hindrance in learning from the customer feedback to improve the products and services provided by the social enterprises.

### **Chapter 3: Recommendations**

Our results highlight the existence of formal social enterprise sector in Palestine in all different geographic regions of West Bank and Gaza. The social enterprise sector is emerging in Palestine as a national phenomenon to address social, economic and environmental issues. However, systematic work on streamlining the practices of social enterprises as required by the current state of unfulfilled social and economic needs has not advanced significantly.

This highlights the importance of recognizing the social enterprise sector and the need for further inquiry into this sector. From our analysis we identify some key areas to bring the focus to, in order to facilitate the growth and expansion of the social enterprise network in Palestine. All the recommendations given require the cooperation and collective efforts of the multiple stakeholders for successful implementation. Especially, the cooperation among academia, government and the private sector can be an important triangle for innovation for growth of the social enterprise sector in Palestine

#### **Establishing clear definition:**

Despite the burgeoning number of social enterprises in Palestine, concept and definition of the social enterprises has not been fully consolidated outside the confines of the technical definition and different terminologies are used to describe the social enterprises in Arabic, the official

language of Palestine. Furthermore, beyond the scope of cooperatives, there is still lack of recognition of all different typologies and legal forms of social enterprises operating in Palestine under a common concept and legal form. The absence of common understanding amongst both the officials and the general public at legal and institutional level, often leaves the social enterprises hard pressed in ambiguity in Palestine.

Creating a clear understanding is a necessary step in developing an ecosystem where the social enterprises can grow, consolidate and prosper. We further noted that in Palestine the technical definition has evolved overtime and more articulated understanding closer to European Union conceptualization is developing among the professionals in the field. The next step needed, is defining one common legal definition and coining a common terminology in Arabic for formalization of the social enterprise sector.

There is need to consider both social and commercial aspects while defining the social enterprises. Social objectives serve as strong basis for building community resilience which is essential for the wellbeing and social development in the regions of Palestine while commercial objectives help social enterprises achieve their social goals and gain financial independence. This will also help create the shift of focus from enterprises with social objectives to social enterprises which support both social and commercial activities and to recognize all features of the social enterprises in Palestine.

For the social enterprises to succeed and to deliver positive environmental and social outcomes and develop an ecosystem with clear legal and institutional framework where the social enterprises can grow and prosper; creating a clear definition is a necessary step. The recognition of all legal forms under the umbrella terminology of social enterprises will also help to clearly define social enterprises, underpin and recognize all typologies of organizations which are playing vital role in responding to societal vacuums.

Defining a new terminology in any sector of a country is a continuous process which requires time and collective thinking. Therefore, the local stakeholders, social entrepreneurs and the government need to devise the definition and common terminology with a collaborative effort. Defining the social enterprises will ensure common understanding, clarify the borders of the social entrepreneurship sector and help the enterprises make use of available facilitation instruments equally irrespective of their legal forms.

**Streamlining bureaucracy:**

One of the conspicuous effects of the complex political situation in Palestine has been the paucity of the public sector. Unfulfilled social needs are more evident amongst the society as the government has been falling short in catering to the needs of all people due to high fiscal deficits, the cuts in donations in recent years and the pressure of Israel on land. Therefore, increasing the number of the vulnerable and marginalized groups deprived of access to social services like education, health services, employment etc. Social enterprises fill this gap left in the public sector by prioritizing vulnerable groups and catering to social needs of the communities as their main objectives.

In this context, it is difficult to foresee financial support to the sector however, the sector can be facilitated by rendering efforts to reduce of the cost of bureaucracy. As the social enterprises operate in the sectors under the purview of the government and they engage with state institutions regularly. The complexity of regulations, laws and bureaucracy with very little financial and administrative facilitation available from the government creates pertinent stumbling blocks for the social enterprises in Palestine in their pursuit to achieve their social goals. In this regard, streamlining bureaucracy to simplify time-consuming regulatory requirements to reduce the time and capital spent for administrative procedures would help social enterprises.

**Understanding social needs:**

Paradoxically, we are at the stage where the needs of the communities and societies are becoming more evident however the government falls short of delivering reforms and services to cater to these needs due to the above-mentioned reasons. This makes the role of social enterprises even more pertinent. However, there is a gap of need assessment when introducing interventions for specific communities. Reforming the needs assessment process to establish a standardized methodology would not only help the social enterprises within Palestine work towards specialized goals and set specific targets but would also assist international and national NGOs and donor organizations to better target projects according to their areas of interventions. This would further help design well-matched projects taking into account the needs of the Palestinian communities leading to well-directed and rigorous use of resources available to the social enterprises in Palestine.

### **Capacity building and partnering with universities and corporate sector:**

Another aspect very prominent through our results is the challenges the social enterprises in Palestine face due to lack of skilled personal for their technical needs which is even further accentuated at the management level for example to establish sales and marketing strategies, to create communication and advertisement blueprints. This is restraining the capacity of social enterprises to create maximum impact and compete in the market for provision of their products and services. Further, the volunteers form an integral part of the social enterprises in Palestine as they depend heavily on volunteers for their activities. This amplifies the instability in human capital and technical skills available to the enterprises as the volunteers leaves if they get a job and does not always have the skills required by the enterprises.

In order to tackle these challenges, universities, private and public sector can liaison as a triangle of innovation to provide capacity building trainings, access to innovation tools and examples of best practices for maximizing social impact created by these enterprises. a university-private partnership among the social enterprises and the universities can be introduced for capacity building trainings. Through university-private partnership, the universities can provide necessary training courses for the employees of the social enterprises to fill the skill gap. In turn social enterprises can provide official internships for academic credit for the students of the universities and schools to provide them with professional experience and engage youth in the innovative solutions for the social problems of the society and create awareness among the youth.

A private-private partnership among the social enterprises and sister organizations can be established. Sister organizations includes both well-established social enterprises and the companies in the corporate sector. Sister organizations can provide assets and technical knowledge to create a circular economy through mutual projects and corporate social responsibility programs. This can provide social enterprises with access to the knowledge, tools and instruments otherwise unavailable to them.

Further, the corporate sector can provide a space to the social enterprises to showcase their products and services which target social and environmental needs of the Palestinian society increasing the reach of the social enterprises. Creating a learning forum can be an important milestone for action in the field. It would serve the purpose of creating increasing collaborative efforts among different pillars of the market and would provide an opportunity for different market forces to learn from each other and create awareness.

**Recognizing role of the volunteers:**

The importance of the role of volunteers in the social enterprise sector of Palestine has been established throughout this report. Volunteers are at the heart of social enterprises in Palestine and have been instrumental for many of them to carry out their operations. The integral role volunteers play in social enterprises make them critical resource also for building community resilience in the closed environment in Palestine.

In order to consolidate the efforts of the volunteers there is an urgent need to officially recognize their role within the social enterprise sector and create a mutually beneficial partnerships for the volunteers to gain more than just the sense of altruism. Recognize role of social enterprises and unpaid volunteers as integral to improving community livelihoods. Social enterprises contribute in job creation by providing income opportunities to target communities. Unpaid volunteers are instrumental for many of these organizations to carry out their operations and increase livelihood of local communities.

The social enterprises provide a unique platform to the volunteers to push their boundaries and to achieve the results within limited resources available. The social enterprises can add value to the volunteer experience by including the volunteers in their training activities. The volunteers can gain technical knowledge and improve their professional profile to be better suited for the job market. When possible, the social enterprises can also provide a special quota for hiring the volunteers in their open positions and for new projects, incentivizing the volunteers to create a stronger and long-term partnership with the social enterprises. Further, the social enterprises can also provide networking opportunities for the volunteers with the stakeholders and professionals in different sectors for future job opportunities and collaborations. A strong partnership between the volunteers and social enterprises can also help mitigate the issue of turnover for the enterprises and they can count on the volunteers. A register of volunteers can also be established to create a better match between the interest of the volunteers and the available opportunities.

**Providing financial and incubation support for enterprises in early stages to help build a strong foundation and establish operations:**

As established by our results, access to finance remains one of the key challenges for the social enterprises in Palestine. Social enterprises require working capital especially during the seed and

startup phases to develop the idea, set up the foundations of the enterprises' operations and introduce their products and services in the market. However, due to very little financial support, the social enterprises have to rely heavily on donations and public support during the first few years of establishing.

In this regard, the banking sector needs to recognize the social enterprises. The banking sector can extend loans to the social enterprises at a low interest rate and create transparency in the available information to allow social enterprises to better navigate access to finance and investments. Moreover, the government should also evaluate the possibility of monetary facilitation for the social enterprise sector through clearly defining the tax laws incorporating all legal forms of the social enterprises so all social enterprises can make use of tax facilitations and also ensure the implementation of the law in practice.

To further the social aspect of these enterprises, the academic institutions can also provide incubation support in the seed and startup phases by providing pro bono services in form of shared infrastructure, training programs and provide guidance for the social enterprises for monetary evaluation for future financial viability.

### **Adapting best practices amongst all social enterprise: governance statements, social audits and impact evaluation mechanisms:**

In Palestine, for the social enterprise sector to grow beyond the confines of the limited resources there is a need to adopt best practices to efficiently utilize resources available internally and externally to the social enterprises. There is a need to adapt to the requirements of the society to create maximum positive social impact while achieving financial independence. For democratic organizations like social enterprises it is good practice to establish open and accessible governance statement within the social business plan for internal use. It can work as a guiding principle to create benchmarks to measure performance of the enterprises and can be reviewed annually with the planning process. This would reduce the time and resources spent planning the rules, policies and operations for the social enterprises as they only need to adjust already established criteria.

The practice of carrying out social audits needs to be adopted across all social enterprises along with financial audits. As the social enterprises have social objectives along with the financial objectives, they need to have in place some form of measurement that corresponds to that aspiration. If only financial accounting tools are used, the enterprises are often constrained in the

way they describe their purpose and how they plan their operations. The social enterprises need to carry out social audits to establish clear and specific social and environmental values, plans and criteria to measure performance.

For social enterprises, the social impact created is the main currency of the sector's value. On an enterprise level the impact data helps not only identify the main problems and improve the quality of the interventions but also helps in securing capital and funds. On a sectoral level the impact created by the social enterprises, can make them visible on the map of the enterprises and attract talent to the enterprise. Although social enterprises in Palestine have some level of impact evaluation mechanisms available within the enterprises, there is a need to create awareness about evaluation design and incorporating different measures in impact evaluation using triangulation to reinforce the findings and be able to better showcase their results.

In order to promote best practices among the social enterprises, the multiple stakeholders of the social enterprise sector can combine their efforts to create a helpdesk for the social enterprises where they can showcase case studies of successful social enterprises, give recommendations and provide access to technical knowledge. This will allow creative space for discussions on solution to social issues and networking for professionals.

### **Further research:**

The questionnaire provides a comprehensive and vigorous tool to study the elements of social business models and develop an understanding of the social enterprises structure. The questionnaire and the methodology developed for the purpose of this research can be replicated and adapted overtime to further empirical research in the social enterprise sector. However, additional understanding is necessary in some specific areas. For example, there is a need to further understand the role of social enterprises as a resource for community resilience and sustenance in the constrained environment of Palestine. In addition, further inquiry is needed to formalize a common methodology for social accounting and impact evaluation measures.

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