



DEMYSTIFYING THE RELATIONSHIP BETWEEN NEW PUBLIC MANAGEMENT AND SOCIAL ENTREPRENEURSHIP– A CONCEPTUAL FRAMEWORK

Demistifikovanje odnosa između novog javnog menadžmenta i socijalnog preduzetništva – konceptualni okvir

ABSTRACT: *The deficiency of new public management (NPM) has become evident by the end of the 20th century. At the same time, society is turning to new initiatives that seek to address social and environmental problems. One of those initiatives is a social entrepreneurship that uses market forces to create social value. The paper presents the conceptual framework that answers the questions “Do social enterprises exist because of the NPM flaws?”. The comparison between the two phenomena has been made by following Drechsler’s analysis of NPM flaws. The results show a connection between virtues nurtured by social enterprises and shortcomings that diminished NPM.*

KEYWORDS: new public management (NPM), social entrepreneurship, citizens’ satisfaction, conceptual paper

APSTRAKT: *Nedostaci novog javnog menadžmenta (NJM) postali su očiti krajem 20. veka. Istovremeno, društvo se okreće novim inicijativama koje teže rešavanju društvenih i ekoloških problema. Jedna od tih inicijativa je socijalno preduzetništvo koje koristi tržišne snage za stvaranje društvene vrednosti. U radu je predstavljen konceptualni okvir koji odgovara na pitanje „Postoje li socijalna preduzeća zbog nedostataka novog javnog menadžmenta?“. Poređenje između dva fenomena napravljeno je praćenjem Drechslerove analize nedostataka novog javnog menadžmenta. Rezultati pokazuju povezanost između vrlina koje socijalna preduzeća poseduju i nedostataka koji su umanjili značaj NJM-a.*

KLJUČNE REČI: novi javni menadžment (NJM), socijalno preduzetništvo, zadovoljstvo građana, konceptualni rad

Introduction

The late seventies and early eighties of the last century were the time of the shift from traditional public administration to new public management (NPM). By that time, all the flaws of the previous system were clear: inflexibility, bureaucratic structure, state-owned monopolies, centralization, inefficiency, and decline of trust, which all had undesirable consequences on citizens' satisfaction. On the other hand, new public management came as a solution for the inefficiency of the previous system. Today, almost 40 years later, imperfection and failure of the new system have been noticed. The question that arises is what society does to satisfy its own needs without relying on the public sector. The rise of social entrepreneurship is noticeable in the last century and the question stressed in this paper is whether its existence could be connected to the shortcomings of the new public management.

The public management had various changes in the second half of the 20th century. By that time, it was recognized that the public system is inefficient and there was a need for a new one. That new system called new public management is found to be a counterbalance to the traditional, bureaucratic model of government (Hood, 1991) and it represents associated doctrines of public accountability and organizational best practice (Hood, 1995). The phenomenon caught the attention of many authors who tried to define new public management. In their book, *Reinventing Government*, David Osborne and Ted Gaebler (1992) defined new public management as the new model that advocates the use of private sector-style models, organizational ideas, and values to improve the efficiency and service orientation of the public sector. Applying practices of the new public management have led to modernized countries and re-engineered the public sector. The term is also described by Dunleavy and Hood (1994) as „a summary description of a way of re-organizing public sector bodies to bring their management, reporting, and accounting approaches closer to (a particular perception of) business methods” (p. 12).

The debate over the phenomena and importance of new public management is ongoing. Previous research has dealt with new public management from different perspectives. Some of them were focused on the definition and explanation of the paradigm (Hood (1991), Gruening (2001), Pollitt (2007), Dunleavy, Hood (2009)), others explained the main characteristics of NPM in different countries (Sarker (2006), Pollitt, C., Van Thiel, S., Homburg, V. (2007), Andrews (2008), the way it can create value and be measured (Pollitt, Bouckaert, (2004), O'Flynn (2007), Hood (2007), Moore (2012), Esposito, Ricci (2015), pros and cons of it (Lane, 1994), as well as the reasons behind its success or failure (Scharitzer, Korunka (2000), Wallis, Dollery (2001), Hood, Peters (2004), Lodhia, Burritt (2004), Dunleavy, Margetts, Bastow, Tinker (2005), Andrews, Boyne, Enticott (2007), Borins (2010)). Although some authors see the new public management as a transitory stage between traditional public management and the new public governance (Osborne, 2007), most of the authors agree that NPM is a phenomenon that yet has to be understood, scientifically and practically.

However, NPM has a broad scope and it cannot tackle all of the existing social and environmental issues. Because of that, society has its own ways to respond to the social problems that arise. The practice of helping disadvantaged social groups has been around for centuries (Cohen, 2005). In the modern era, numerous not for profit organizations have set social and environmental goals as their polestar. They try to tackle issues that are inefficiently dealt with by the government. However, there is an issue with charity giving and non-profits as well. As Mohammed Yunus, Nobel Prize winner and social entrepreneur, said: "Charity does not solve a problem, charity only maintains the problem of poverty; it doesn't let it get worse. Elimination of poverty is about more than keeping people alive, taking care of them. You have to make them active so they can take care of themselves."²

A new form of entrepreneurship, called social entrepreneurship, has appeared aiming to reduce social and environmental problems. Although the authors still struggle to understand the phenomena and they define it in different ways, they agree that social entrepreneurship should not be neglected as a research topic because it contributes to multiple research disciplines as well as to practitioners. Social entrepreneurship was defined by numerous authors, including (Dees, (1998), Dees, Anderson (2003), Mair, Marti (2006), Martin, Osberg (2007)) while some authors tackled the difference between traditional and social entrepreneurship (Austin, Stevenson, Wei-Skillern (2006), Dacin, Dacin, Matear (2010)). Short, Moss, and Lumpkin (2009) highlighted the fact that social entrepreneurship means different things for different authors, which can cause misunderstanding and it represents a call for a better methodology for social entrepreneurship research. Austin, Stevenson, and Wei-Skillern (2006), have explained that social entrepreneurship definitions in previous literature were either broad (innovative activity with a social objective) or narrow (phenomenon of applying business expertise and market-based skills in the nonprofit sector).

In order to understand social entrepreneurship, its main components are given in the article, Social Entrepreneurship: The Case for Definition, which includes:

1. identifying unjust equilibrium which cause a social group to suffer
2. identifying an opportunity and developing a value proposition
3. creating a new, stable equilibrium which ensures better future for the targeted group and the society. (Martin, Osberg, 2007).

This paper aims to connect these two phenomena while at the same time demystifying the reasons behind the social entrepreneurship existence and overall presence in the last 20 years which was neglected in the previous literature. Is it, and if it is, to what extent, could social entrepreneurship existence be connected to all the flaws of NPM? Is social entrepreneurship a possible solution and could it fulfill shortcomings of NPM?

The paper's contribution is significant to numerous sciences and disciplines, including economics, political science, management, and sociology. However, because the vast majority of previously written literature focuses on the

2 <https://www.bigissue.com/interviews/muhammad-yunus-plan-world-without-poverty/>

contribution to the business management and economics, one of the goals of this paper is to slightly shift the focus from the economics and management perspective and focus more on the connection between sociology and social entrepreneurship. According to Granovetter's seminal article *Economic Action and Social Structure: The Problem of Embeddedness*, "all market processes are amenable to sociological analysis and that such analysis reveals central, not peripheral, features of these processes" (p. 505). Moreover, an insufficient number of papers have dealt with "the need of opportunity recognition and the factors influencing it [social entrepreneurship]" (Gandhi and Raina, 2018, p. 2). Taking this into account, the paper deals with the reasons that influenced the emergence of social entrepreneurship from the perspective of the social changes that preceded it.

The focus of this research is to emphasize the contribution social enterprises have on social welfare, which is directly connected with the scientific field of sociology. The word "social" in social entrepreneurship shows the prioritization of social goals, contribution to social capital, and the creation of social welfare. Finally, those social entrepreneurs are the entrepreneurs of society (Yilmaz, Yilmaz, 2019).

The paper is divided into 4 sections. The first section is going in-depth in theory of new public management, what it represents, its advantage over the previous system, but also the flaws and challenges it faces. The second section explains social entrepreneurship, the definition, and its purpose. The third section forms a bridge between the two concepts, while the fourth and final section deals with the main question of the paper. The questions tackled include why is public management incapable of satisfying citizens and why social entrepreneurship might be the solution, or to put it another way around, does social entrepreneurship exist to fulfill shortcomings of the public management, which is followed by conclusion.

Theoretical Framework

New Public Management and its Failure

During the 1980s, countries recognized that something has to be done in regard to weak government performance. The reforms that took place to change the previously inefficient systems were called new public management. The new public management shows how the government should run the country (Lane 2000). Once NPM has become a standard management system for developed and developing countries, new economic ideology has emerged. The ideology was named neoliberalism which can strongly be connected with the change in the role of government. One of the necessary conditions for neoliberalism to last is to put the state and its government in a passive position (Bukvic, Zaharov, 2014).

Management reforms were set to make the public sector more efficient while at the same time support the ideology that uses it as a tool. To improve the performance, the public sector had to „introduce market mechanisms

into public organizations; become results-oriented; decentralize management controls; make staff responsible for procedures; and make procedures flexible” (Rezende 2008, p. 5).

The new public management aroused at the moment of economic problems that were spread throughout the world. The main characteristics show the differences between the previously existing system and the new one. Gruening (2001) identified ‘undisputed characteristics’ of the new public management that were identified by most observers: budget cuts, vouchers, accountability for performance, performance auditing, and privatization. Based on the characteristics, although this system is presented as more ‘citizen oriented’, it is obvious that it’s not the case and that only a small percentage of citizens gain from this shift.

Once the NPM phenomenon attracted a long period of praise, a period of blame set in. By the time, shortcomings of NPM were obvious, in practice and theory. All of the critics are not only connected with new public management but also with new economic system-neoliberalism. Based on Dunleavy and Hood (1994), criticism of NPM can fall into four groups:

1. fatalist (human errors, system failures, misdirected programs, fraud, and corruption are present and no system can eliminate them),
2. individualist (criticize quasi-contracts in NPM which are not fully enforceable by law),
3. “hierarchist” (criticize possibility of cohesion weakening and putting public sector out of control)
4. egalitarian (claim that NPM holds a risk of encouraging corruption, that it can suit personal interests and weaken accountability).

At the end of the 20th century and the beginning of 21st, the belief that private is good and public is bad became usual. With the NPM, citizens were looked at as “customers” which was a modern term adopted from the private sector. Contrary to belief, the term customer represents ‘arm’s-length trading’ and ‘the encouragement to consume’ (Mintzberg, 1996). Mintzberg, in the same paper, suggests that roles people need to play in their country are: customer, client, citizen and subject. Being only a customer is not a satisfying role for citizens. Some other authors explained this even deeper, as Lynn (2000) did in his article “The Myth of the Bureaucratic Paradigm: What Traditional Public Administration Really Stood for”. Lynn concluded that the previous system was more respectful towards laws and politics compared to the new one, which is ‘customer-oriented managerialism’.

The most common problems of NPM are (Drechsler, 2005):

1. ignoring the difference between public and private (role of the state is not profit maximization)
2. narrow definition of efficiency (efficiency cannot always be measured quantitatively, especially because the public sector must carry certain activities that are necessary but not profitable for a country)

3. lack of empirical evidence of NPM efficiency (even with the narrow definition it has, there is no proof of any productivity increase or welfare maximization)
4. quasi-market artificially created cannot replicate market behavior that exists in real markets
5. homo-oeconomicus does not exist and the main goal is not always profit maximization, which is one of the main NPM assumptions.

The failure of NPM has been recognized by many authors, who emphasized the new model, neo-weberian state (, Lynn, 2008, Drechsler, Kattel, 2009, Pollitt, Bouckaert, 2011). Other than those new suggestions about how the government can be improved, authors recognized the new phenomenon that arises lately.

Definition and Significance of Social Entrepreneurship in the 21st Century

In recent years the research on social entrepreneurship has experienced an increase. Through economic analysis, it is proven that small firms largely contribute to the economic development of the countries (Gandhi and Raina, 2018). Consequently, researchers have become more interested in social entrepreneurship and the values it brings to the economy and society.

Social entrepreneurship has become an interesting topic some 25 years ago but, until today, a common definition has not been provided. Literature in the past seems to be confusing (as presented in Short, Moss, Lumpkin (2009) literature review). What contributes to the confusion is that numerous different terms are used to describe social entrepreneurship (social enterprises/social entrepreneurs), hybrid organizations, and b corporations. For the purpose of this paper, the definitions found in Short, Moss and Lumpkin 2009's paper and written by the group of authors (Certo and Miller, 2008; Van de Ven, Sapienza, and Villanueva, 2007) is used. Social entrepreneurship is defined as 'individuals or organizations engaged in entrepreneurial activities with a social goal'. Also, describing social entrepreneurs, Dees (who was the first professor in social entrepreneurship and also called the father of social entrepreneurship), explained in his 1998 article that "social entrepreneurship creates value, pursue new opportunities, innovate and adapt, act boldly, leverage resources they don't control and exhibit a strong sense of accountability."

Social entrepreneurs of the past can be related to people with vision, humanitarians, philanthropists, reformers, and even saints. Although the attempts to create something similar to social entrepreneurship happened in the past, social enterprises have risen during the 1990s, but experienced growth in the 2000s, especially after economic crises.³

Another term, closely associated with social entrepreneurship but with a narrow definition is hybrid organization. Hybrid organizations are slowly but

3 Based on European Commission articles and statistics available on http://ec.europa.eu/growth/sectors/social-economy_en

surely becoming significant players in the global market. While social enterprises definitions sometimes include not-for-profit and for-profit organization and consensus on its meaning is not yet met, hybrid organization is an “encompassing” (Holt & Littlewood, 2015) term, clearly defined as “enterprises that design their business models based on the alleviation of a particular social or environmental issue” (Haigh et al., 2015, p. 5). In other words, they generate income through for-profit model, which is not used for personal gain but to fulfill the environmental and social mission (Haigh & Hoffman, 2014). Hybrid organizations are those that “run commercial operations with the goal of addressing a societal problem, adopting a social or environmental mission” (Santos, 2015, p. 2). They present a perfect blend of philanthropy mixed with traditional market model businesses.

Social entrepreneurship has created a major societal transformation and social problem solving. It is identified that social enterprises use different innovation forms to contribute to societal development (Alvord, Brown, & Letts, 2004). Maclean, Harvey, and Gordon (2013) emphasized the importance of philanthropic endeavors to be impactful and they found two ways social entrepreneurship contributes to society. Firstly, philanthropist’s storytelling is highly motivational and secondly, tacit knowledge that those philanthropists embed in the local community can positively affect the society in the long run. Social enterprises use traditional business models that can deliver social and economic value (Santos, Pache, & Birkholz, (2015).

The New Public Management and Social Entrepreneurship in the Literature– Sociological Perspective

The research on social entrepreneurship has mostly contributed to the research field of economics and management. However, few articles tackle the phenomenon as a significant contributor to sociology. Interestingly, the authors have already emphasized the different approaches to defining social entrepreneurship as a sociological construct. As stated in “An Introduction to Social Entrepreneurship”, there are three reasons why currently existing definitions of social entrepreneurship are unfitting for the field of sociology. Firstly, the definitions are narrow and they lack explanations of social value creation processes of social enterprises. Secondly, there is an evident absence of the social context in which social enterprises operate which determine the availability of resources and ultimately, the success rate of a social enterprise. Thirdly, current definitions are based on the idea of optimal equilibrium existence, which is rarely the case. Social enterprises’ success strongly depends on other social actors, including powerful elites and influential allies (Ziegler, 2011). According to Alvord et al. (2002), who attempted to fill the gap between social entrepreneurship and transformational societal change, stated that: “The test of social entrepreneurship is, in contrast [to the business entrepreneurship], change in social systems that create and maintain the problem, although the organizations involved may become smaller or less viable as they catalyze societal transformation” (Alvord et al., 2002; p. 261). The research has also confirmed that social entrepreneurs contribute to the society in three ways (Leadbeater, 1997):

- by creating jobs, creating outputs, and allowing a reduction of public spending
- by being a model for the welfare state reform, if they ally with the public sector
- by creating and investing social capital.

Additionally, the researcher has also discovered a connection between the emergence of social enterprises and volatility and contradictions in the public sector. As identified by, there are two ways in which social enterprises innovate public services– firstly, flexible structures and ways of operating, and secondly, its proximity to local communities (Ball, April 2012). Moreover, Dart (2004) moved social entrepreneurship theorizing towards sociopolitical context, highlighting the importance of it in the emergence process of new entities, such as social enterprises.

Thus, the current literature stresses the importance of social entrepreneurship theorizing from the sociological perspective. The research also shows the evidence for the emergence of social enterprises in the overall failure of public institutions.

Methodology

The paper represents a conceptual framework which has a purpose to establish foundation for further qualitative and possibly quantitative research on the similar topics. It is a proposition-generating paper that tackles the questions not yet well-understood. Following Gilson and Golberg (2015), the paper relies on conceptual paper definition as “beyond summarizing recent research, manuscripts should provide an integration of literatures, offer an integrated framework, provide value added, and highlight directions for future inquiry” (2015; p. 127). Therefore, the paper adds value to a discussion on a social entrepreneurship and provides propositions that could be used as hypotheses for the future research.

The goal is to compare the two phenomena, new public management and social entrepreneurship, and discover if there is any connection between fall of the one and emergence of the other. Ultimately, the idea is to find the roots of the emergence of multiple new models, one being social entrepreneurship, that has a goal to repair damages governments were unable to.

The scientific goals of the paper are:

1. analyzing the significance of the emergence and determine the position social entrepreneurship takes in the modern days compared to new public management, while analyzing flaws and virtues of the two and explaining the major differences between the two concepts.
2. analyzing if social entrepreneurship could compensate the shortcomings of new public management.

Therefore, the paper provides an answer to two questions:

1. What connections could be found between the emergence of social entrepreneurship and diminishing of new public management?
2. What methods does social entrepreneurship use to compensate for the failures of new public management?

Thus, the research paper hypothesizes the following:

1. Social entrepreneurship and similar entities emerge as a result of public management failures.
2. Social entrepreneurship virtues represent substitute to NPM flaws.

The information has been gathered from published reports and Internet sources, including social enterprises' websites, official social enterprises register, and Ashoka Foundation sources. The paper relies on the Drechsler's 2005 paper called *The Rise and Demise of the New Public Management*, which analyzed what stopped the new public management and what flaws it demonstrated during its peak. The paper uses established constructs but, instead of "repacking" and summarizing existing literature, establishes a new path of research (Elangovan, Rajendran, 2015).

Finally, the goal of the paper is not only to contribute to the theory of hybrid organizations, but also to provide a blueprint for practitioners who wish to improve performance of the government in its pursuit of social equality and welfare.

Social Entrepreneurship and what it represents in relationship with NPM

The previous literature has recognized that the problems of modern government led to the emergence of new models that address societal issues. As stated in Cunha, Benneworth, & Oliveira's 2015 publication "Just as new public management sought to incorporate techniques and knowledge from the private sector into public reform processes, there is increasing interest in understanding how to harness societal knowledge, social capital and participation in order to address urgent societal challenges" (p. 4).

Does social entrepreneurship exist because of the lacks of NPM?

Identified Issues with New Public Management and Its Relation to Social Entrepreneurship

According to Drechsler's (2005) paper, there are five major issues that affected the effectiveness of NPM. Firstly, on one side, role of the state cannot be profit maximization because social issues are neglected. On the other side, social entrepreneurs solve exact problems that lack of government's support provide;

poverty, homelessness, unemployment, and poor education. Social entrepreneurs are interested in fixing societal problems that traditional entrepreneurs are not interested in. Moreover, social enterprises make profit to tackle social issues.

In order to make profit, social enterprises use one of the four business models identified by Santos, Pache, and Birkholz (2015). These models include market, blending, bridging, and coupling hybrids. The market hybrids have the same beneficiaries and clients, where value spillover happens automatically. Social enterprises that use this model deliver basic products such as water, energy, health care, and sanitation to the poorest citizens. Blending hybrids achieve their mission that provide services such as microfinance and education. Bridging hybrids have different beneficiaries and clients. Usually clients pay the full price of the service while low-income beneficiaries receive subsidized services. Coupling hybrids are the most complex ones because there is a distinction between their commercial and social operations. For example, the hybrids train unemployed citizens and then hire them to provide services for the clients.

By using different business models that are in accordance with the need of their beneficiaries, social enterprises rarely shift to profit maximization and the core of their operations are oriented towards social value creation.

Secondly, there is a lack of empirical evidence of NPM efficiency. On the opposite end, social entrepreneurship continuously shows results of its successful operation. There is an evidence that social entrepreneurship contributes to urban health (De Leeuw, 1999), driving force in agro-innovation (Ellis et al., 2012), and recycling (Harman, 2008). Also, there are several measures such as SROI (social return on investment), B corporation certification (showing a social impact of an organization), and social impact measurement that evaluate added social value of social enterprises.

Thirdly, the definition NPM uses to describe efficiency is very narrow. It uses only quantitative measures. Social value and wellbeing are hardly measured using only quantitative data. Because of that, social enterprises use numerous measures that take into account much more than just numbers. For example, social return on investment and social impact, while majority of social enterprises publish sustainability report every year. Also, many social enterprises opt to get B corp. certification. In order to get it social entrepreneurs, as well as other businesses “are legally required to consider the impact of their decisions on their workers, customers, suppliers, community, and the environment”⁴.

Fourthly, evidence shows that NPM operated on quasi-market that was artificially created. However, social enterprises operate on the real market and follow actual market needs. Social entrepreneurs listen to the signals of the market and fulfill those needs that are less profitable for traditional entrepreneurs, too small (such as providing glasses for poor citizens) or too big (such as microfinancing millions of people in Bangladesh and permanently reducing poverty level) for the government.

4 <https://bcorporation.net/>

Finally, NPM and consequently economic ideas that relies on it, present humans as “homo-oeconomicus”, which further research refute the theory. Profit maximization is not always the goal. As Muhammed Yunus said “Economic theory is fundamentally wrong because it is based on the assumption that human beings are selfish people. In Adam Smith’s language, ‘self-interest’ means ‘selfish’ so all businesses in the world became selfish businesses, to make money. That is a misinterpretation of human beings. Real human beings are both selfish and selfless together at the same time.”⁵ Although social entrepreneurs create profit, their ultimate goal is selfless. Numerous papers support the idea that social entrepreneurs are one of a kind, with special drive, and higher purpose in mind (Ghalwash, Tolba, Ismail, 2017).

To summarize previously mentioned core differences and the connection between the social enterprises’ existence with NPM, the main differences in problem-solving are presented in the next table. The shortcomings of NPM mentioned previously in the paper could be overcome by social entrepreneurship.

Table 1: The core differences between NPM and Social Entrepreneurship – reason behind one’s failure and other’s rise

NPM	Social Entrepreneurship
General differences	
Short-term orientation (elections matter!)	Long-term orientation (solving problems matter)
Balancing between vast interests	Making decisions on their own
A set of laws and rules come first	Bottom-up approach
Specific differences	
Profit-maximization as the main goal	Social impact as the main goal– profit is a means to an end
Evidence of inefficiency	Evidence of social impact creation
Quantitative measures as a measure of efficiency	Qualitative and social impact measures of efficiency
Artificially created “quasi-market”	Real market
Human beings– “homoeconomicus”	Human beings– selfish and selfless simultaneously

Proposition 1 Social enterprises are long-term oriented, using sustainable business models, while governments take into account the reelection process when creating policies that could affect their short-term gains.

The first difference is evident in the time frame. The public sector has a short-term orientation because politicians must make changes in one or two cycles in which they are elected. It means that they will rather hide existing problems (with short-term bits of help for unemployed, poor, and underrepresented social groups), instead of implementing strategies that deal with social and environmental issues. On the other hand, social entrepreneurs have a long-term approach, because they are not time-limited and the pressure is not present to the extent it is in politics. Social entrepreneurs are not judged

5 <https://www.bigissue.com/interviews/muhammad-yunus-plan-world-without-poverty/>

if they are using trial and error, fail and succeed, and their efforts are mostly appreciated. It is recognized that their growth is slow and steady. Moreover, non-profit organizations create an effect on the economic growth indirectly, improving social environment and increasing workers' productivity (Bahmani, Galindo., & Méndez, 2010).

Proposition 2 The existing pressure from numerous interest groups in public management affect the decision-making process. Social entrepreneur is not a subject to direct pressures from stakeholders, therefore, he/she can follow the social or environmental mission without obstructions.

The second difference exists because politicians have to balance between different interest groups (which usually have conflict interests), including a powerful elite. Mostly systems are created in favor of those social groups, which causes them to be strongly against reforms. Not only does the government lack the freedom from vast interests, but also from international institutions that are defending neoliberalism, which is almost impossible to fight against. On the contrary, social enterprises are organizations that make a profit on their own and the decision-making process happens within the organization, without external pressures. Although social entrepreneurs sometimes lack funding, their way of financing projects does not make them comply with interests that would go against their mission.

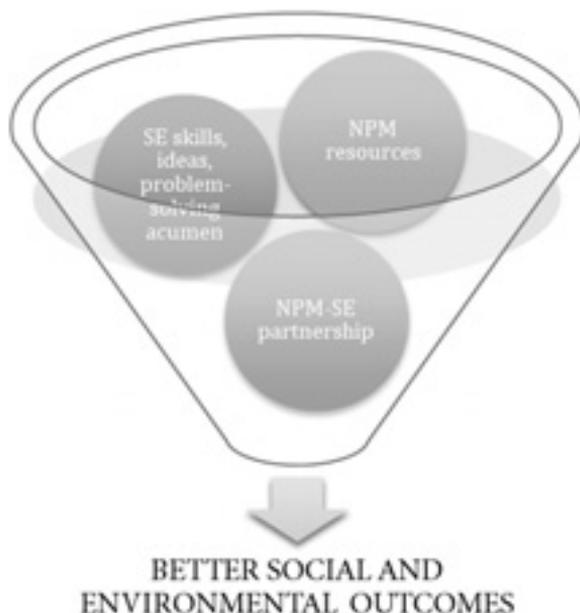
Proposition 3 Social enterprises approach social issues using a flexible business model that allows adjustments as needed, contrary to NPM, where the set of rules and laws that are set in place cannot be easily changed as the societal issue might need.

Finally, the public sector starts with laws and rules creation and later, moving to plans. That makes the system less flexible (opposite than what NPM should be). Social enterprises have bottoms-up approach, which means that the plan can always be adjusted when needed. That makes them quicker in problem-solving, ironically although they are not in such a hurry as the politicians.

However, the fact that the public sector disposes of far greater resources than social entrepreneurs cannot be disputed. Therefore, their collaboration and cooperation can be mutually beneficial. On the one side, financial and other resources are easily obtained by the government, while social entrepreneurs struggle to receive private funding or loans. On the other side, problem-solving skills, productivity, and ideas are what social entrepreneurs can offer to the partnership. Forming a mutually beneficial partnership would have large implications on the overall society and underserved social groups would highly benefit from it.

Graph 3 represents an illustration of the previously mentioned process.

Figure 3 The NPM-SE collaboration in social issues solving



Although NPM is created as a tool for neoliberal ideology, governments should not neglect their main role in the long run. One of the solutions, and possibly regaining public trust, the partnership between these two sectors can greatly contribute to both sides, while also helping the society.

Discussion and Conclusion

This paper suggests that the failure of NPM might cause social entrepreneurship occurrence. The shortcomings of NPM presented in previous literature are strengths of SE. The goal of NPM should have been to regain the efficiency that the previous system lacked, but having in mind that this is not a final goal. The final goal is citizens' satisfaction and this is where NPM failed. Social entrepreneurs are not burdened with the same limitations as governments, which prove them to be more efficient where it matters.

The goal of the public sector being more efficient should go beyond numbers and contribute, not only to economic benefit but also to the wellbeing of the society. Although it is difficult to measure the value that new public management added to the country (O'Flynn, 2007, Meynhardt, 2009), the wellbeing of the society is even harder to reach. Economic prosper should be just a goal on the way of reaching a bigger, more important goal, and that's citizens' satisfaction (Michel Camdessus, Managing Director of the International Monetary Fund, pointed this out back in 1995). Better performance is just a tool and not the final goal. Better performance of the public sector, which is something that NPM should bring, should be reached to be more efficient in the problem solving.

The results presented in the paper show that there can be traced the reason behind social enterprises in the failure of NPM. Possible future researchers can move one step forward and provide in-depth evidence for developed and developing countries, highlighting the differences and explaining the relationship between the two phenomena. Also, learning more about how the two sectors can collaborate can be a great contribution to both fields. The paper can be improved with a qualitative study, in which interviews with government representatives and social entrepreneurs can lead to new conclusions. Finally, there is an evidence showing the voting for the parliamentary and presidential elections sharply declined in the end of 20th and beginning of the 21st century. It can indicate the dissatisfaction of the citizens whose expectations weren't met by government representatives, although direct national elections have increased since the 1990s (Solionov, 2016). That means that the higher number of countries turns to democracy and regular election, the higher voters' turnout is. The future research could use quantitative analysis to examine if there is causality between the decline in voting and an increase in number of social enterprises. Finally, the paper provides propositions that could be tested as hypotheses for the future research.

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