

Challenges for Social Entrepreneurship

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Abstract: In recent years, several European countries have approved specific laws to regulate social entrepreneurship. The analysis of the legislation is important in the study of social entrepreneurship because the legislation brings with it specific opportunities and risks. There is a diversity of possible situations in which knowledge of the law avoids material costs, time, or brings opportunities, such as those provided for in the new tax code for social enterprises provided for by the law of the social economy, but also for the other actors of the social economy. Following the evolution of recent years, social entrepreneurship continues to be a sector that has not been fully fruitful, although around the world, many governments have developed policies and strategies to support the development of social enterprise, but they remain fragmented in most member states. It is known that social enterprises are particularly effective in the development of rural regions. This is because they support the establishment of entrepreneurial ecosystems and sustainable development models. In our presentation we aim to reinforce the principles according to which Social Entrepreneurship is a practical, innovative and sustainable type of business that benefits society in general, focusing its attention on marginalized groups in society.

Keywords: social economy, nonprofit organizations, social entrepreneurship, social enterprises, entrepreneurial opportunity

1. Introduction

According to reports and studies, there are approximately 11 million social enterprises worldwide. At the level of European institutions, the term social economy began to be used since 1989. In Europe there are institutions with an impact on the social economy, the European Commission, the European Economic and Social Committee, the European Parliament and the Council of Europe, but there are no regulations for a budget policy of financing the social economy. The main instrument for financing activities specific to the social economy is the European Social Fund.

The European Commission, the World Social Enterprise Forum (SEWF) and the Organization for Economic Co-operation and Development (OECD) have made an important contribution to the development of inclusive national policies and the involvement of the private sector, this leads us to look positively at the future social entrepreneurship. The European Commission has defined a social enterprise as an operator in the social economy whose main objective is to produce a social impact rather than making profit for owners or shareholders. It offers goods and services for the market in an entrepreneurial and creative way and uses the profit to achieve social goals (CE, 2013, 3).

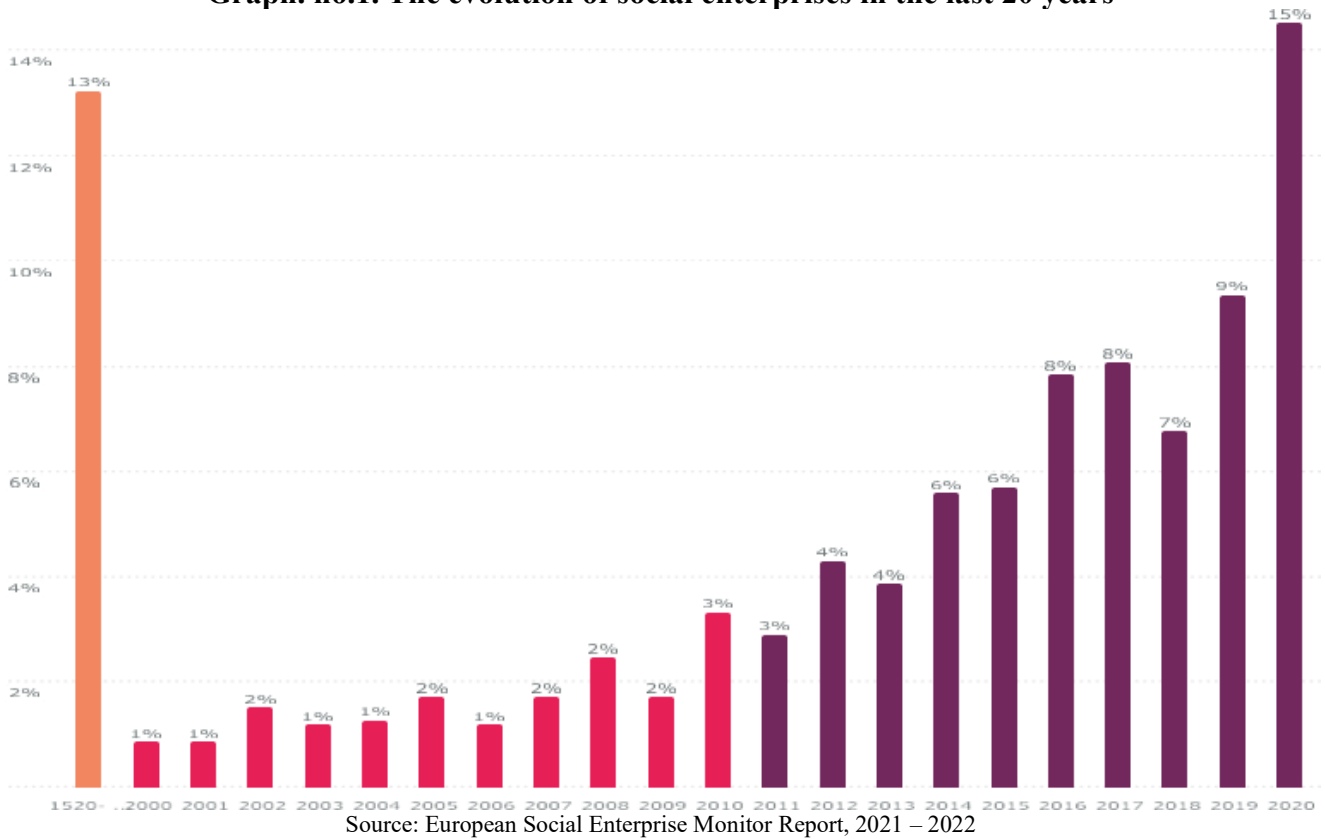
Social enterprises take various legal forms in different countries within Europe. A careful analysis of the legal structures and legislation of European countries that have adopted national laws to regulate social enterprises (for example: France, Belgium, Finland, Italy, Poland, Portugal and Great Britain) shows that these laws address common issues such as the definition of the enterprise social, asset allocation; stakeholders and governance systems; responsibility towards internal and external stakeholders (OECD/EC, 2013, 3).

These laws have generally addressed (or failed to address) some key issues such as: what is the definition of social enterprise as distinct from nonprofit organizations? what is the distribution of resources according to entrepreneurial methods and according to the social nature of the enterprise? how to identify the stakeholders and

the governance structure of the enterprise? how to establish accountability principles and mechanisms not only within the social enterprise, but which also allow the provision of sufficient information to third parties. (Noya, 2009, 15).

According to a definition of social enterprise as proposed by the Social Business Initiative of the European Commission, COM (2011): "a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than to bring profit to the owners or shareholders" (IES, 2014, 9).

Graph. no.1. The evolution of social enterprises in the last 20 years



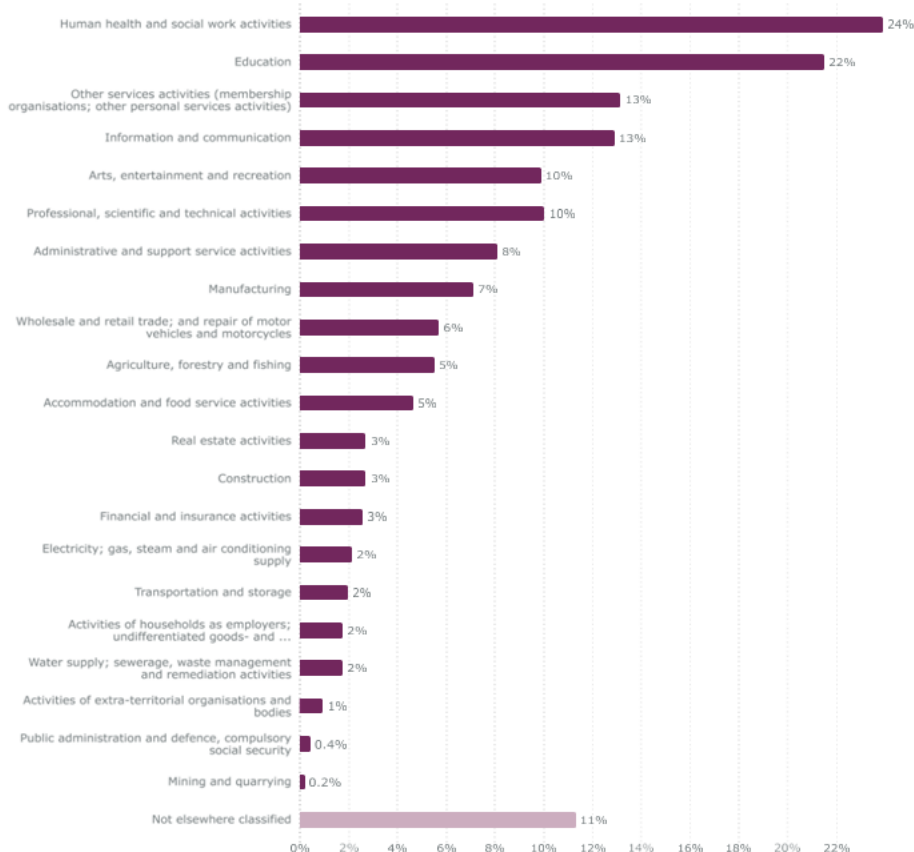
In recent years, faced with multiple social, economic and environmental crises, an increasing number of countries are discovering the high value potential of the concept of social entrepreneurship, which is reflected in the number of social enterprises that have appeared. In most countries, social enterprise founders are between the ages of 25 and 44.

The social enterprise operates by providing goods and services for the market in an entrepreneurial and innovative manner and uses its profits mainly to achieve its social objectives (IES, 2014, 9). In the EU's view, the distinctive feature of a social enterprise is the social purpose combined with the entrepreneurial spirit of the private sector (Bibu, 2008, 78).

Similarly, the OECD defines social enterprises as any private activity conducted in the public interest organized with an entrepreneurial strategy, but whose purpose is not profit maximization, but the achievement of certain economic and social goals and which has the ability to bring innovative solutions to social problems of exclusion and unemployment (OECD, 1999).

Social enterprises operate in all sectors of activity as classified by the International Classification of Business Sectors. According to recent studies, the largest share of social enterprises is found in the Social Assistance Activities and Education sectors.

Graph. no. 2. Number of social enterprises by activity sector



Source: European Social Enterprise Monitor Report, 2021 – 2022

Although they operate in most sectors of activity, studies show that one in ten social enterprises operate in sectors that are not found in the International Classification of Business Sectors. Work integration activities can be identified that cover single-purpose activities (training and employment for a single target group) to integrated multifunctional activities that carry out training, temporary and permanent employment, placement services and support for placements within mainstream organizations.

Social enterprises have a high impact on socially disadvantaged people and those who do not have the financial means to pay the market price for various products and/or services. With the help of innovative offers and hybrid financing models, social enterprises create added value for people that conventional companies do not necessarily perceive as profitable.

2. Commercial entrepreneurship versus social entrepreneurship

Entrepreneurship consists of making strategic resource allocation decisions, including elements such as sensing opportunities, comparing opportunities, combining factors of production to capitalize on an opportunity (for example, designing a new technology or designing and launching a new company), etc.

Management consists of making decisions about the most efficient allocation of available scarce resources within a combination of resources already engaged in the pursuit of an opportunity or set of opportunities. An entrepreneurial opportunity lies in the unmet needs of others.

Entrepreneurship and the entire economic activity consists in identifying one or some social needs and satisfying them better and better. It is often assumed, simplistically, that the entrepreneur is motivated solely by money. However, studies show that the motivations are actually more diverse and that there are rarely cases where the only motivation is financial. It is true that profit is the necessary condition for the survival of any business, but many other businesses contain a significant component of passion and involvement of those who initiated them and do not exclusively pursue profit.

A social enterprise obtains its resources through commercial exchange. The social enterprise is not primarily financed by donations, but by the sale of goods and services, even if they have a price below the market price. The social enterprise does not only donate, but more, it exchanges, sells and buys. In this case, profit is the

main fuel of the social mission. About 57% of Social enterprises use mixed sources of income, i.e. they earn income from both commercial and non-commercial activities.

The sources of income for social enterprises are constituted as follows: 43% of income comes from non-commercial activities (grants, volunteering, donations, etc.) and 57% of income comes from the sale of products and services. The specific difference compared to all other entities is given by the social purpose of the enterprises that form the social economy, thus we identify the fact that organizations active in the social economy have among their main goals the eradication or amelioration of poverty, the protection of the environment, the integration of marginalized people, etc.

The most widespread perception of social entrepreneurship, a widespread perception also in the Romanian space, is that social entrepreneurship uses business principles, entrepreneurial and managerial skills to solve social problems. Social entrepreneurship would pursue a social goal through commercial, entrepreneurial and managerial means.

In essence, the social purpose paradigm proposes to distinguish social entrepreneurship from commercial entrepreneurship by purpose. The difference between the social enterprise and the commercial one is mainly related to the main goals of the two enterprises. The first has a social purpose, the last a commercial purpose. As for the social purpose, this means a diversity of social problems that nonprofits want to solve.

The commercial goal most often mentioned in the social entrepreneurship literature is the profit goal, which often appears in the form of "profit maximization". The purpose of social entrepreneurs is to create social value, to transform the world into a better place, the key difference between social and commercial enterprise would be that social entrepreneurs have an explicit social mission. Profit is not the defining element in social entrepreneurship, but the main driver of social enterprise is the social purpose.

The performance of a social enterprise is measured on two levels. The first is that of the business it carries out, a field in which the indicators used are the usual ones used by any company. The second plan is the social one; here the social impact and the efficiency of its realization are measured.

It follows that the social entrepreneur has to identify two different types of opportunities, which can be more or less related to each other:

The set of individuals he wants to help (group, community or social category) and their needs (most often, the need for income, but also the needs for personal development or others). This is the social problem that will be addressed by the social mission. It may or may not be an opportunity at the same time.

The needs of others (other than those helped) that the former can directly or indirectly satisfy, which represents the economic potential of the individuals, group, community or category that the social entrepreneur wants to help. This is the economic opportunity or mission. It includes the key entrepreneurial combination of what potential consumers need and what potential producers can provide.

3. The role of social entrepreneurship

Social entrepreneurship offers means that facilitate social inclusion and the construction of social, economic and political capital among beneficiaries (K'adamawe, 2013, 74). Failure to fulfill this mission can result in increased crime and violence, continued social exclusion, and an opportunity for people with ill intentions to use social programs as a means to strengthen their control over those communities.(K'adamawe, 2013, 74).

Social entrepreneurship comes as a response to social problems: unemployment, poverty, community fragmentation, etc. Its purpose is to solve or alleviate the problems of disadvantaged populations by increasing their autonomy, innovation and financial independence.

Social entrepreneurship is therefore a combination of social mission and commercial approach: aiming to solve a specific social problem, social entrepreneurs attract resources to achieve their mission, obtaining income from such activities. Social entrepreneurship is a symbiosis between charity and business to solve social problems - it borrows from charity the social goal and from the business sphere the entrepreneurial approach (Kostetska, 2014, 571).

Social entrepreneurs have innovative approaches that are unusual for standard solutions to complex social problems such as poverty reduction, energy conservation, environmental protection, education, health, housing (Kostetska, 2014, 572).

Therefore, social entrepreneurship is social because it solves or at least aims to solve social problems. Social enterprise solves the problems of vulnerable, marginalized groups.

Social entrepreneurship is characterized by values and ethical responsibilities towards local communities because the primary objective of the social enterprise is not profit, but a social or ecological goal such as job creation, training, education, local services or things related to environmental conservation (Licite, 2010, 266).

Companies that have CSR policies focus on profit; they engage only marginally in philanthropic activities. Moreover, these social activities are subordinated to the objective of profit maximization. CSR activities enter the business plan and help build a company's reputation, while the role of the social entrepreneur is to identify social problems and provide innovative solutions for them (Dobele, 2011a, 102).

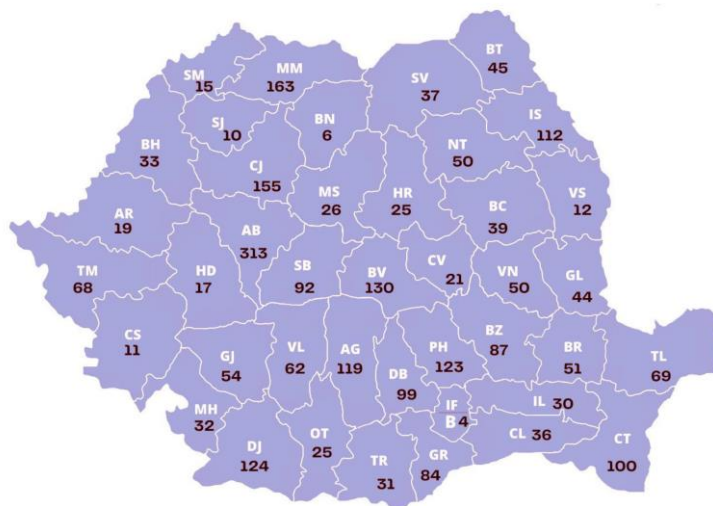
It is true that both companies and social enterprises have both economic and social goals. A multinational can run social programs, for example through CSR policies. An NGO can engage in economic activities and obtain profit. The difference between a social enterprise and a company will be given by the priority of the social purpose in social enterprises. In a commercial enterprise the commercial purpose, profit maximization is the priority. In a social enterprise, the social purpose is a priority. Although the social enterprise and/or a non-profit organization may pursue the goal of profit, this goal is subordinate to the social goal. Social activities in companies are not prioritized in relation to the goal of profit maximization.

Therefore, multinationals would not be social enterprises. The social purpose of this organization would be subordinated to the commercial purpose. The difference between the two types of organizations - social enterprises and commercial enterprises - will be given by the hierarchy of goals. In social enterprises, the social purpose is a priority. Social entrepreneurs differ from social ones by their priority objectives: profit and social wealth (Estrin, 2013, 481).

The fundamental motivation in social entrepreneurship is to create social value, rather than personal or shareholder wealth (Robles, 2013, 395). According to commercial logic, the purpose of an organization is to sell products and services to generate profit (Pache, 2012, 498). For Santos, 2009 in corporations, no matter how socially responsible they are, profit maximization remains the ultimate goal and is directed towards shareholders. The concept of social economy has a longer history and is recognized in countries such as Spain, France, Portugal, Belgium and Luxembourg, and less recognized in the rest of Europe.

In Romania at the beginning of 2023, 2,623 social enterprises were active out of the total of 2,904 social enterprises registered in the National Registry of Social Enterprises. A total of 7,208 employees work within them, of which 560 employees come from vulnerable groups.

Graph.no.3. Distribution of social enterprises in Romania



Source: ANOFM Romania

The social economy represents 10% of all enterprises at European level, which means 2 million structures, which employ over 20 million people, representing 10% of all jobs.

Approximately 44% of the social enterprises operate most frequently at the local/city level, followed by the social enterprises with activity at the national level with a percentage of 41%, the remaining 33% operate at the community/neighborhood level. The tendency of social enterprises is to operate exclusively on the market in the country where they are based, 67% of them, 15% of social enterprises operate at European level and 20% operate at international level, outside the borders of Europe. Only 7% operate at all three levels, namely national, European and international.

4. Conclusions

Social entrepreneurship is innovative, but this innovation is not something radically different from existing structures, but rather is built on the current practice of nonprofit organizations. Social enterprises around the world are often young organizations. The average year of establishment in all countries is 2010. In Europe we find the newest social enterprises, while in regions such as Pakistan and Sri Lanka social enterprises are older. In most countries, social enterprise founders are between the ages of 25 and 44 and tend to be led by women, promoting gender equality. There are still considerable gaps in awareness, visibility and understanding that need to be addressed so that social entrepreneurs can fully influence the role in the transformation towards a just and green society and economy.

We can conclude that in Europe social enterprises are policy tools effectively used to reduce territorial disparities, to stimulate economic growth, the employment capacity of vulnerable social groups, to improve the performance of regional development policies and programs.

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