

CAN SOCIAL ENTREPRENEURSHIP AND SOCIAL ENTERPRISES STIMULATE THE SUSTAINABLE DEVELOPMENT OF LOCAL COMMUNITIES?

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Abstract

The article presents the basic aspects of social entrepreneurship, with a special focus on defining the concept and explaining the differences between a social entrepreneur and a traditional entrepreneur; there are explained several approaches regarding the origin of social entrepreneurship and its positioning in relation to the public and private sector. The literature review highlighting the diversity of existing approaches regarding the social entrepreneurship contributions to sustainable development of local communities, such as: meeting social needs, using business success to address social or environmental challenges, encouraging advocacy for an ethical and moral style of doing business, improving the local social services, promoting the prospect of new approaches to service provision and meeting the needs of communities and demonstrating that ethical commitment and success in business can be effectively combined. A special interest is granted in the last to the development factors and limitations of social entrepreneurship and social enterprises in Romanian local communities.

Keywords: Social entrepreneurship, social enterprises, sustainable development, local communities

1. INTRODUCTION

The rapidly growing world population, the scarcity of natural resources, migration and the effects of climate change are considered the great challenges that humanity is currently facing. Companies are confront with serious supply chain problems, and governments are struggling to cope with the most imperative problems of society. Resolving these problems goes beyond the ability to provide public services, charitable programs and corporate social responsibility. Neither charitable organizations nor traditional corporations have succeeded in eradicating poverty, hunger, ignorance of people or environment degradation. Therefore, a new approach is needed for the social and environmental issues and for a sustainable economic prosperity. These issues are grouped into a broader concept, social entrepreneurship. Social entrepreneurs are visionary people, who seek to identify social problems and offer innovative solutions through the use of market mechanisms (Ernst & Young, 2014). Thus, a social enterprise aims to achieve social impact in the community, but at the same time it has to make sure that its social mission is carried out in a financially viable way.

Light (1998) defines social entrepreneurship as an innovative, value-creating activity that can occur within or between the non-profit sector, the business sector or the government sector. The specificity of social entrepreneurs, compared to traditional ones, is that they focus primarily on social innovation (Carter and Jones-Evas, 2006), recognizing opportunities and creating a new social value through an efficient use of community resources, in order to address the key issues they are facing. (Brieger and De Clercq, 2019).

Europe has to confront with major challenges. Against the background of multiple political crises, global military conflicts and the social and environmental challenges that the member states are facing, phenomena such as migration, unemployment, poverty and social exclusion have reached record levels. Moreover, demographic changes amplify the effects of these problems, the working population in Europe is shrinking, while the proportion of elderly is increasing. Therefore solutions must be found to ensure sustainable and adequate systems of social assistance and protection in general and for vulnerable groups in particular. Local communities are currently facing challenges whose addressing require solutions that combine economic and social welfare. OECD/EU (2017) believes that the promotion of social entrepreneurship and social enterprises, especially in the context of the current economic issues, will exploit both its growth potential and the social

value added. In order to achieve its potential, a comprehensive policy framework should be developed and implemented, involving a wide range of stakeholders from all sectors of society (civil society, private companies, public organizations) at all levels (local, regional, national and European).

2. SOCIAL ENTREPRENEURSHIP: THE CONCEPT

The term of social entrepreneurship was first used more than 40 years ago by Banks (1972), when it generated a revolutionary social movement initiated by few innovators in the social field, due to the precarious conditions existing on the market at that time. The inclusion of social entrepreneurship in the educational curriculum of prestigious educational institutions in the United States of America (Harvard, Stanford, Columbia Duke etc.) has helped to disseminate information, as Dees (2007) points out.

Social entrepreneurship is delimited from the traditional commercial one through the possibility of creating social enterprises (Mair and Marti, 2006), hybrid organizations that combine socio-economic principles in a revolutionary manner and aim to provide services to local communities (Pomerantz, 2003) and vulnerable groups facing various challenges, such as: social and demographic difficulties, a low standard of quality of life, a low level of education, poor quality of living, etc.

According to the Schwab Foundation for Social Entrepreneurship (2017), social entrepreneurs are different from the classical entrepreneurs, because their purpose is to create organizations whose mission is to solve social problems, not to generate profit. Similarly Kramer (2005) argues that the social entrepreneur is the equivalent of a person who sets up and operates an enterprise that can be oriented towards obtaining social benefits, focusing on the innovative nature of the enterprise, introducing new business strategies and revolutionizing the field in which it operates.

Reference literature includes several approaches regarding the origin of social entrepreneurship and its positioning in relation to the public and private sector. For example, Prahalad (2004) perceives social entrepreneurship as an innovative policy of public sector organizations, meant to address the shortcomings of the social system in a country. Lewellyn, Warner and Kiser (2010) consider that this approach is oriented to the well-being of individuals, whose objective is to generate social value and social cohesion. Social entrepreneurship is an example of an economic initiative meant to correct existing market failures, with an impact on disadvantaged people, which translates into joblessness, lack of future prospects, discrimination, social marginalization, poverty, etc. (Di Domenico, Haugh & Tracey, 2010). Therefore, social entrepreneurship appears as an opportunity to solve problems to which the public system has not found any solution so far.

3. SOCIAL ENTREPRENEURSHIP CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT OF LOCAL COMMUNITIES

Social entrepreneurship and social enterprises are essential for a sustainable development of local communities. Thompson and Doherty (2006) argue that the sustainable development generated by the social entrepreneur in a community is acting as a catalyst. Social enterprises are recognized for delivering value to the communities in which they develop. Their existence depends on the synergistic networks of stakeholders that the entrepreneurs create and through which they ensure the self-support of the social enterprise.

Social entrepreneurship and social enterprises are undoubtedly promising opportunities for addressing unmet social needs and for promoting businesses that combine all three components of sustainable development: social, economic and ecological. For example, the emergence of social enterprises in the tourism sector refocuses the local stakeholders on engaging the poor people and developing the quality of life for disadvantaged groups in underdeveloped communities (Aquino, Luck and Schänzel, 2018).

OECD/EU (2017) analyses different contexts for setting up social enterprises and concludes that there are three possible scenarios. In the case of traditional non-profit organizations, the social enterprise can be regarded as a means of supplementing/diversifying the social services provided to the beneficiaries, to the extent that the social mission and the financial sustainability of the organizations have advanced sufficiently. In the case of newly created, non-profit or for-profit organizations, the social enterprise offers entrepreneurs the opportunity to combine social impact and financial sustainability. For traditional businesses, social enterprise

initiatives allow society to integrate the social impact into business operations and prioritize social goals in parallel with financial profitability.

The promotion of social entrepreneurship contributes to the development of models of active social support and social involvement, in which users and customers are encouraged to take greater responsibility. Social benefits are measured by integrating and employing disadvantaged people, contributing to the process of social inclusion and creating social capital. Finally, the most important economic indicator of the benefits generated by social enterprises in a community is the saving of public funds for welfare and social protection expenses, for social services and, in general, for social welfare.

The simple existence of social entrepreneurs and social enterprises contributes to the development of society in several ways, as Frost (2009) states: addressing social and environmental issues; raising the standards of corporate social responsibility, improving public social assistance services, modelling the design of the public services provision, stimulating responsible consumption of community resources, increasing the involvement level of citizens in the community, strengthening confidence in the prospects of community development, encouraging marginalized or vulnerable groups, which are under-represented at the decision-making level, stimulation of democratic values, generation of new employment opportunities, etc. Moreover, the UK Government Cabinet Office (2006) recognizes the fact that social enterprises contribute to the proliferation of the vision of a just society and to a number of key principles of democracy. Similarly, Hamby, Pierce and Brinberg (2017) list several social entrepreneurship contributions: meeting social needs, using business success to address social or environmental challenges, encouraging advocacy for an ethical and moral style of doing business, improving the social services rendered by the public system, promoting the prospect of new approaches to service provision and meeting the needs of communities, demonstrating that ethical commitment and success in business can be effectively combined with spectacular results from both sides.

Social entrepreneurship could be an attractive way to meet the aspirations of young people for social change and for their involvement in community life, as evidenced by the conclusions of the Global Entrepreneurship Monitor (2018). Indeed, it has been emphasized that women and certain ethnic minority groups are more likely to choose to be social entrepreneurs than ordinary entrepreneurs. The study states that women are more likely than men to set up and run a social business.

There are several advantages of social enterprises that are involved in providing social services. For example, the facilities can be managed by people who know them best. In some states, social enterprises that manage public services can set up local consultation groups for advice on providing them, thus contributing to increasing the level of involvement of the inhabitants in that community. Furthermore, as independent organizations, social enterprises have access to a wide variety of funding sources, which are not easily accessible to local authorities: government grants, charitable funds, sponsorships, donations, bank loans, external financing programs (Korosec and Berman, 2006). At the same time, social enterprises can concentrate their time and resources exclusively on the activities they carry out in the social sphere, which are not part of the service provision system of local authorities. Thus, they allow themselves to have a flexible and unpolitical management and increase their capacity to react to the dynamics of social problems in the community and to changes in the local market of social services (Bozhikin, Macke and Folchini da Costa, 2019).

Social enterprises can contribute to the protection of public goods available at the level of local communities. In the United Kingdom, social enterprises operate under extremely strict management contracts and are unable to sell public assets for their own gain (London Borough of Hounslow, n.d.). Moreover, they can play an important role in achieving the key objectives of government policy, contributing to increased productivity and competitiveness; promoting social inclusion, allowing people to work for the development of the community they are part of; offering new ways of providing and reforming social services, contributing to the development of an inclusive society and active citizenship, etc. (UK Department of Trade and Industry, 2003).

4. SOCIAL ENTERPRISES IMPACT ON LOCAL COMMUNITIES

The reference literature analyses the impact of social enterprises at community level on several levels. OECD/EU (2017) specifies that social entrepreneurship, social innovations and social enterprises in general are contributing to increasing the competitiveness and labour productivity. Social enterprises succeed in

creating new goods and services of a social nature and in developing opportunities for markets on which ordinary businesses cannot achieve this, or which they do not want to enter. A key factor is the role of social enterprises in empowering individuals and communities, as they encourage work and promote diversity management among employees.

As in any business, social enterprises generate value through their economic activity. Social enterprises try to ensure a sustainable economic activity in ways that ensure that the money and benefits obtained from such activities return directly to the communities in which they operate (Roundy, 2017). This is particularly important when social enterprises are based in disadvantaged communities. Although most of them are founded to meet a specific local or community need, this does not mean that the social enterprise is not capable of addressing a wider market. The real economic impact is manifested by the „association” of social enterprises in order to benefit together from the support and saving networks on a larger scale.

Social enterprises can offer solutions to some of the problems faced by many disadvantaged areas in the urban or rural areas, contributing relevantly to the renewal and regeneration of such areas. By offering inclusive economic activity and often being responsible for promoting creative and entrepreneurial behaviour at community level, social enterprises are able to offer viable opportunities to people, both as potential employees and as consumers. Social enterprises provide communities with benefits and facilities that are of an obvious higher quality, they improve the economic and social infrastructure and thus make the community a more attractive space for residents and the business environment.

In the context where a key objective of the government is to increase the quality of public service provision, social enterprises are able to balance the needs of public service providers and beneficiaries without being driven by the need to maximize profit. They have the potential to play a much more important role in reforming the mechanisms for the provision of public services, especially social services (Nicolás, Rubio and Fernández-Laviada, 2018). The entrepreneurial behaviour, combined with a continuous commitment to provide social benefits to the community leads to social innovations, to the diversification of the mechanisms of service provision and implicitly to a higher quality of social benefits for users. All this facilitates social and financial inclusion, which in time becomes social capital and multiple forms of active citizenship. By offering jobs, support and training, social insertion companies offer significant opportunities to those groups within the society that are traditionally excluded from economic and social activity, which will gradually lead to the accession of vulnerable people to the labour market, to the prevention of antisocial behaviours, to the promotion of tolerance and social inclusion, to the reduction of criminality, etc.

Social entrepreneurship and social enterprises create ways for locals to take responsibility for their future, to be actively involved in designing and implementing solutions to meet their own needs or community needs (Borzaga and Defourny, 2001). Thus, a sense of power and ability to change things develop among citizens, along with the recognition of the importance of collective action in solving local problems, thus ensuring a better understanding of the concepts associated with citizenship, correlated with the values and principles of local democracy.

The contribution of social entrepreneurship and social enterprises to combating poverty and social exclusion has been remarkable not only in Northern and Southern Europe, but also in the new EU Member States in Central and Eastern Europe. However, not only social enterprises, but all social economy organizations, irrespective of their field of activity, effectively contribute to rising an inclusive growth. The social utility of these organizations does not stem from their specific activity of production or supplying social goods or rendering social services, but from their organization manner and the values they promote. Specific to social enterprises is the fact that human rights prevail over capital and profit and there are mechanisms to ensure the equitable distribution of income and added value that such organizations generate (European Economic and Social Committee, 2017). It is increasingly evident that the social economy as a whole plays an indispensable role in building Europe and can contribute to the priorities of smart, sustainable and inclusive growth.

5. SOCIAL ENTREPRENEURSHIP AND SOCIAL ENTERPRISES IN ROMANIAN LOCAL COMMUNITIES

By the nature, complexity and implications of his/her activity, a Romanian social entrepreneur shows ingenuity, innovation, dedication and performance orientation to the community. Orhei, Nandram and Vinke (2015) argue that social entrepreneur cultivates in his/her community the conviction that you do not need to be a successful manager to generate added value. Despite the major influence that social entrepreneurship and social enterprises can have on communities and society, generally, both socially and economically, the Romanian social economy sector continues to encounter obstacles and problems, especially at local level (Ashoka România, 2018).

Matei and Matei (2012) discover a relative indifference and lack of involvement on the part of non-governmental companies and organizations regarding the promotion of social entrepreneurship in Romania, the social economy being still in an early stage of development. Crișan, Dabija and Dinu (2015) consider that the lack of transparency, bureaucracy, insufficient collaboration between the public and the non-governmental sector, the desire to obtain the greatest economic benefits from projects aiming at supporting social entrepreneurship, the absence of a coherent legislative framework to regulate the organization, operation, authorization and financing of social economy organizations etc. are impediments that delay the spread of the phenomenon in Romania and raise awareness of the opportunities that the social economy sector can bring to the sustainable development of local communities.

Multiple best practice examples demonstrate that social entrepreneurship and social enterprises are no longer isolated concepts, but tend to become operational, contributing to increased competitiveness and entrepreneurial performance (Cebotari and Mihály, 2019). Social entrepreneurship extends every year through projects funded by European funds and implemented by NGOs and public authorities, with the help of government programs for financing start-ups or through social responsibility projects supported by companies (Technopolis Group, 2018).

The most important condition for the materialization of all these efforts and for the stimulation in real terms of the social entrepreneurship in Romania is that the direct beneficiaries of the funding should not be indifferent to the support granted and to be aware of the need for their active involvement. Moreover, the careful doing of their own actions, which, carefully planned, efficiently organized and properly funded, cannot only be neglected, as they can contribute not only to their own well-being, but also to the increase of the quality of life of vulnerable groups and to the sustainable development of the community they belong to.

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