

DEVELOPING SOCIAL ENTREPRENEURSHIP IN THE EU: A CROSS-COUNTRY ANALYSIS

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Abstract

The development of the European social model rests on the concept of social entrepreneurship. The concept has a significant contribution to the development of the European social economy. Social entrepreneurship has a remarkable potential, through its innovative solutions, to play an indispensable role in the social cohesion of EU Member States.

The development of social economy in the EU contributes significantly to employment creation, sustainable growth and a fairer distribution of income and wealth. Thanks to the social sector it is possible to combine profitability and social inclusion and to achieve correspondence between services and needs in the public and private sectors. It is essential that compared to other sectors this one has demonstrated its economic and social potential to better address the economic crisis. Therefore, it is getting more and more support for development in almost all EU countries. However, there are significant differences in the scope and scale of development of social economy within the European Union.

The purpose of this study is to examine the state and development of social entrepreneurship based on different national models in six EU countries. The majority of the study is based on the results of the comparative analysis of experts' evaluations occupying different positions in the social economy structure of the following European countries: Greece, Bulgaria, Ireland, Italy, Malta and Estonia.

Keywords: social entrepreneurship, social enterprise, entrepreneurial approach, expert assessments.

1. INTRODUCTION

Social entrepreneurship is a concept that allows for the development of alternative models for doing business that aims at achieving socially significant and valuable goals. Promoting the concept of social entrepreneurship is achieved by creating business activities oriented not only towards profit maximizing but also towards such business activities that are related to ensuring the well-being of the whole community as well as of certain social groups (Bencheva, Stoeva, Todorova, 2018).

The dynamics of current market development and socio-economic relationships require the creation of hybrid forms of organizations flexible enough to respond to market demand, and capable of assisting the state in the absence of specific resources and capacity to carry out its duties. In this sense, social entrepreneurship

is a concept that is gaining popularity in Europe; it is increasingly being used to establish a wide range of organizations that pursue the achievement of a certain social impact. In this context, social enterprises are regarded as a business of dual nature: entrepreneurship combined with a strong social impact (2016).

Social enterprises are sustainable and effective even in times of crisis. Their activity contributes to the achievement of smart, sustainable and inclusive growth. Social benefits are measured mainly with the integration and reintegration of disadvantaged people into public life, while economic and financial performance is measured with the saving of significant public funds allocated for social benefits and allowances.

Usually, social enterprises develop activities that are not particularly attractive to the private business sector. Most often, it is due to the expected lower revenues and slower return on investment.

Social enterprises are part of a social economy that is related to the tertiary economic sector. The sector covers industries and activities of considerable social importance. It offers services that satisfy people's needs. Usually these are associations, charitable organizations, churches, clubs, community organizations, cooperatives, mutual service companies, NGOs, trade unions, etc. The role of social enterprises is to improve the development of social economy and to provide local resources in order to offer social services to vulnerable groups who need support for an independent lifestyle.

Increasingly, social enterprises are becoming a key component of the European social model. On the one hand, this is explained by an increase in the supply and demand of the services provided by social enterprises. On the other hand, this is the result of the interaction of various factors, including changing patterns of behaviour and lifestyle, combined with the transformation of social security systems.

Social enterprises in Europe are increasingly considered to be a form of organized economic activity, but due to their specific purpose they require special legislation, as well as support from the state and society as a whole.

In order to promote social entrepreneurship, it is necessary to promote the benefits and contributions of social enterprises for the economic and social development of the country and society. The promotion of social enterprises and social entrepreneurship should be based on the best contemporary communication and information technologies and ideas implemented in various programs and measures.

The development of social entrepreneurship and social enterprises, led by entrepreneurial intentions but focused on social objectives, is a trend which is observed in the EU countries with a different level of economic development and specificity in legal systems.

Social entrepreneurship and social enterprises in the EU, as part of the social economy, are still an untapped business model, with its own specific features and characteristics. Social enterprises need the support of the state which should regulate the specific incentives and exemptions for them, taking into account the definition of social enterprise defined in European Union documents. It is necessary to improve the legal and institutional environment for the functioning of social enterprises.

As the current study shows, social economy enterprises in their various forms (including social enterprises) play an important role in boosting the competitiveness and efficiency of the European economy in many different ways: by directing the fragmented and untapped resources towards economic activity; local resources mobilization; enhancing the culture of entrepreneurship; elimination of market rigidities; promotion of market flexibility and production at multiple locations - and these are just some of the examples. Social economy enterprises also have a greater capacity to preserve employment and prevent job loss during difficult stages of economic development (Bauer, Maira Sh. et al. 2018a; 2013; Terziev, Bencheva et al. 2016a-b).

The purpose of this study is to examine the state and development of social economy based on different national models of social entrepreneurship in six EU countries. The main part of the study is based on the results of the comparative analysis of the views and evaluations of experts occupying different positions in the social sector of Greece, Bulgaria, Ireland, Italy, Malta and Estonia.

2. RESEARCH METHODOLOGY

A set of theoretical and empirical methods such as inductive and deductive, analytical and systematic approaches were used in the study. The literature review was conducted on the basis of the use of academic summaries, publications, current strategic and legal documents, official statistics and texts, as well as official websites, on examining the current state of development of social entrepreneurship in Greece, Bulgaria, Ireland, Italy, Malta and Estonia.

The initial data were gathered through an online-based survey in the form of a questionnaire. The questionnaire, which was administered through Google, was sent to selected individuals with expertise on social economy and social entrepreneurship and related areas. The experts were academics and researchers, professionals working in associations, foundations and organizations supporting social entrepreneurship, social enterprises and cooperatives, non-governmental organizations supporting social entrepreneurship and civil servants with functions related to the social sector.

The total number of the received and processed surveys was 247. The number of questionnaires by country was as follows: Greece - 30, Ireland - 38, Malta - 27, Estonia - 28, Italy - 20, Bulgaria - 104.

The questionnaire included structured questions towards the following experts, representatives of: Business Enterprise-34%; Social Enterprise-13%, Training Organization-9%; Advisory Service-5%; State authority providing support to enterprises or counselling services-4%; Regional Authority providing support to enterprises or counselling services-8%; Business Accountant-2%; NGO supporting social entrepreneurs-7%; Network supporting social entrepreneurs-1%; Chamber-2%; Other-16%.

The following approaches were used in the analysis: research approach: research and analysis of normative documents related to the activities of social enterprises, with a focus on exploring the possibilities for creating innovative environment and skills by making recommendations and perspectives for a better functioning of social enterprises; system approach: the sectoral focus and system of activities of social enterprises; pragmatic approach: in order to collect and analyze the available national data about the current state of social entrepreneurship, the national and regional policies and relevant support initiatives, the services offered and related activities (training , mentoring, counseling, etc.) for social enterprises and social entrepreneurs. In carrying out these activities, actually existing barriers to the development of social enterprises are taken into account and also pragmatic short and long-term solutions are sought in order to overcome them, both within the framework of the existing legislation and with the purpose of developing social entrepreneurship perspectives.

To achieve the objective pursued, the statistical yearbooks and reference books of the National Statistical Institute (NSI) have been used as well as the agricultural reports of the Ministry of agriculture and food, newsletters of the Agrostatics Directorate to the Ministry of agriculture and food, and own researches. For the purposes of the research different information sources have been used - scientific journals, publications by Bulgarian and foreign authors, on-line (electronic) periodicals, as well as the author's own research.

3. RESEARCH RESULTS

As the current study shows, social economy enterprises in their various forms (including social enterprises) play an important role in boosting the competitiveness and efficiency of the European economy in many different ways: by directing the fragmented and untapped resources towards economic activity; local resources mobilization; enhancing the culture of entrepreneurship; elimination of market rigidities; promotion of market flexibility and production at multiple locations - and these are just some of the examples. Social economy enterprises also have a greater capacity to preserve employment and prevent job loss during difficult stages in economic cycle, as we have seen in the current economic crisis. The number of advantages of social economy enterprises obviously lead to their growth within the EU. This trend is confirmed in the countries surveyed - Bulgaria, Greece, Italy, Ireland, Estonia and Malta.

The formulation of the problem regarding social entrepreneurship and construction of social enterprises in Bulgaria is entirely determined by the economic and cultural context in the country. Although the concept of social entrepreneurship is relatively young both as a theory and as a practice, the legislative framework encourages its development. The Social and Solidarity-based Enterprises Act clearly set out the parameters of the social enterprise. It is independent of its legal form, its business activity includes production of goods or provision of services by combining economic results with social objectives, thus it achieves measurable, positive social added value. This enterprise is managed transparently with the participation of its members, it carries out its business activity and the profit is predominantly spent on the realization of its social activity and/or social objective in accordance with its Memorandum or Articles of association. The generated social added value is aimed at achieving a social objective in support of a certain group of people and their social inclusion, raising their standard of living, improving their access to the labor market and education and protecting their rights; it is also aimed at improving their living environment by means of protecting the environment and biodiversity and supporting ecological balance.

In recent years, Greece has started to make efforts towards promoting the development of social entrepreneurship at a national level, prompted by both the European Commission and other civil society initiatives. In Greece there is a tendency towards significant development of the concepts of social economy and social innovation, mainly under the form of social enterprises (since the legal framework still limits social

economy to social enterprises).

The interest in the role of social enterprises and the potential of social entrepreneurship in the country has been increasing in the framework of discussions on how to recover from the economic crisis. Over the past few years, the role of social enterprises in tackling the social and economic challenges that Greece has been facing has become a publicly discussed and debated subject among NGOs, social entrepreneurs, public organizations and the general public. However, the exchange of ideas and practices in the field of social economy and social entrepreneurship is still very limited. There are only a small number of lecturers working in this field as well as several consultancy firms providing support services to social enterprises. Also, the government actions to develop and manage social assistance programs are limited. We can summarize that, as a whole, social entrepreneurship in Greece is in its early stage. According to the European Commission (2013) it appears to be at low levels compared to the rest of Europe. The lack of a clear institutional framework was one of the main barriers hindering the development of social entrepreneurship. The first attempt to institutionalize social enterprises in Greece was the creation of the so-called Social limited liability cooperatives (KoiSPE) in 1999.

Compared to many other European countries the social enterprise sector (and therefore the concept of the social entrepreneur) in Ireland is quite underdeveloped. The predominant qualification and/or knowledge held by business advisors in Ireland is relevant to business as a mechanism for generating profit that is essential for social enterprises in view of building sustainable -in a financially manner- strategies and plans so that they can scale up and grow, especially given that most of the time social entrepreneurs lag behind in entrepreneurial and management skills, commercial or business awareness, awareness of the need for cash flow planning, as they are mainly inspired, motivated and driven by their societal mission forgetting that social enterprises are businesses.

Malta's history bears rich testimony to both the enterprising spirit and the social concern of its people. The concept of social enterprises has been in existence for a long time, albeit under different forms. Addressing social needs was primarily the foundation for such initiatives. Presently, a number of co-operatives, foundations, associations, non-government organizations, church organizations/entities and voluntary organizations work within our society to address social problems.

Organizations in Malta that have a potential to become social enterprises are social organizations. Mainly these organizations currently operate under the following legal forms: Voluntary Organizations; Independent Schools, Band Clubs, Sport Organizations, and Church Entities.

Many organizations within the social enterprise economy work within the social and community support dealing with children, combating poverty, the elderly, health and people with special needs, others in the educational field, while some work within the culture, arts and natural heritage sector. Other areas involve the animal welfare, human rights advocacy, philanthropy, religious and social inclusion sectors.

In Estonia, the first social enterprises were created at the beginning of the 90s. In the beginning, a narrower approach to social entrepreneurship was applied. It was mostly understood that these were activities aimed at solving problems related to people with disabilities. It was not until 2005 that social enterprises emerged as a separate form of business activity. Social entrepreneurship was seen as a possible practice for systematic search of public solutions with the potential to change Estonian society. They lack knowledge on social impact measurement and assessment, policies and strategies at country level, and need to gain a further awareness on the concept of social entrepreneurship, the factors influencing it at external and internal level and how to connect the social purpose with a sustainable business in a financial manner. Social enterprises act in a targeted manner to create a positive impact in the society, may it be by alleviating an important societal problem or preventing the emergence of bigger problems. Social entrepreneurs are characterised by responsible behaviour towards other people and the environment, long-term vision, and readiness for initiating changes, as well as social courage.

In Italy, social enterprises are part of the so-called Third Sector. The Sector includes all those enterprise forms, including not profit businesses, aiming at the satisfaction of social needs. This is a set composed by heterogeneous subjects performing those activities that are not taken over by the State neither by the Market. Therefore, we speak about non-profit organizations as those organizations working for the collective wellbeing, from culture, sport and recreation to social assistance, from health to education and research, till the protection of interests. More generally, the non-profit world has always acted in a context mainly conducted by willingness and pragmatism of single individuals, made up of intangible resources fielded in terms of solidarity, networking and self-organization. In recent years, the Third Sector is increasingly a subject of interest, it is showing the ability to also operate according to entrepreneurial logics and contributing, at the same time, to increase the social services' quality. Precisely the Third Sector

characteristics, i.e. a diversified reality, with multiple forms and organizational models as well as with different objectives, led to the spread of a imprecise and fragmentary knowledge of the sector (Terziev, Bogdanova, 2019; Terziev, 2019a-b; Terziev, Bencheva et al. 2016c).

4. DISCUSSION

The results of the survey show that the interest in establishing enterprises with predominantly social objectives and providing social services to vulnerable groups and society in general, is big in EU countries (fig. 1). This interest is particularly strongly expressed in Estonia, Italy and Ireland.

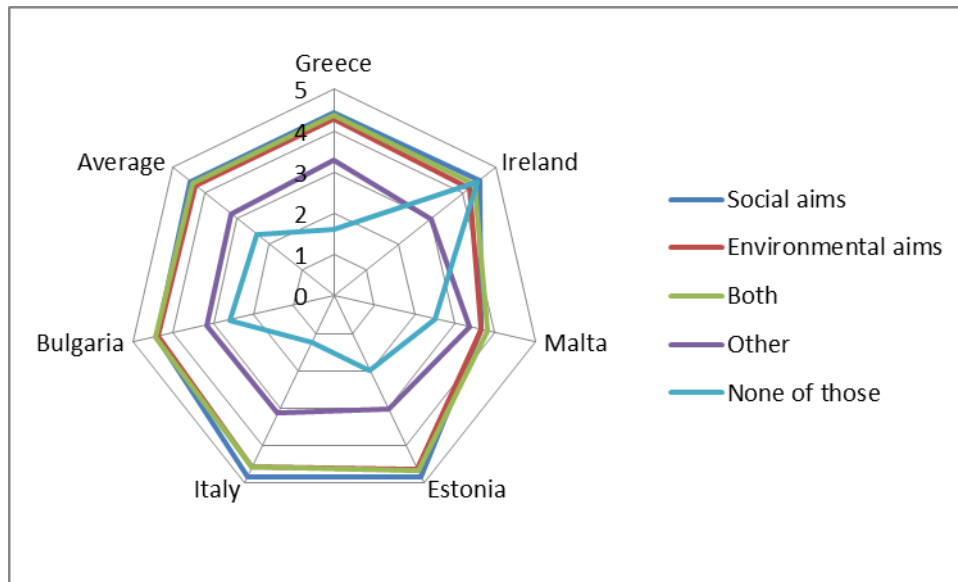


Fig. 1: Assessment of the level of importance of developing a socially oriented business.

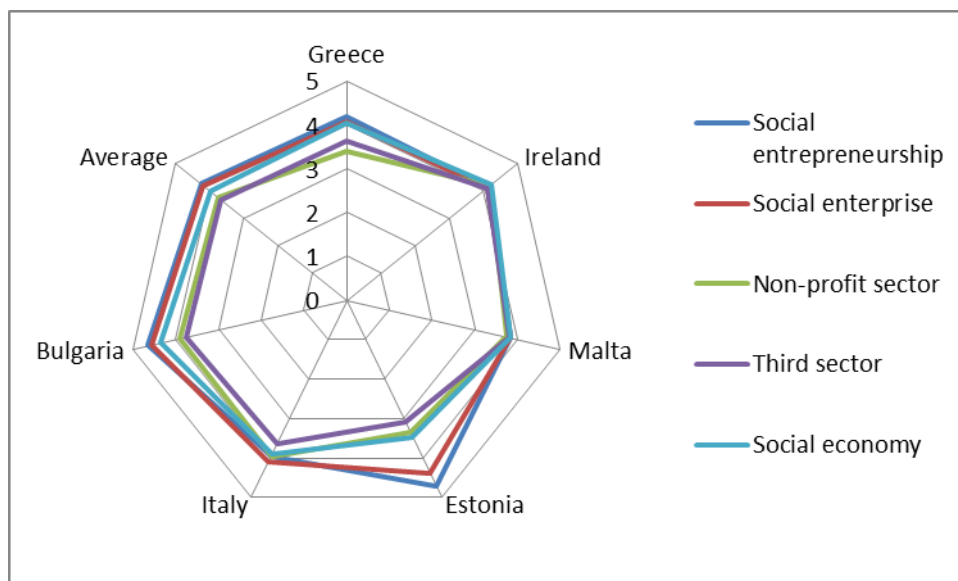


Fig. 2 Level of perception and understanding of social economy.

The diverse nature of social economy, as well as its concepts and organizations with different legal forms, are perceived in all surveyed countries, without any particular differences (fig. 2). The establishment of social enterprises identifies and distinguishes those organizations that work within the framework of the statutory standards and are eligible to benefit from policies designed to promote and stimulate social economy and the establishment of social enterprises in cooperation with the private sector (Tepavicharova, Bencheva, 2016d).

Social enterprises require a wide variety of supports in order to maximize their benefit to society and many sectors from Government to the media can help to provide these supports. One particular type of support which is required, however, is that of business advisers who are specifically competent in the kinds of supports and capacity building required by social enterprises (fig. 3).

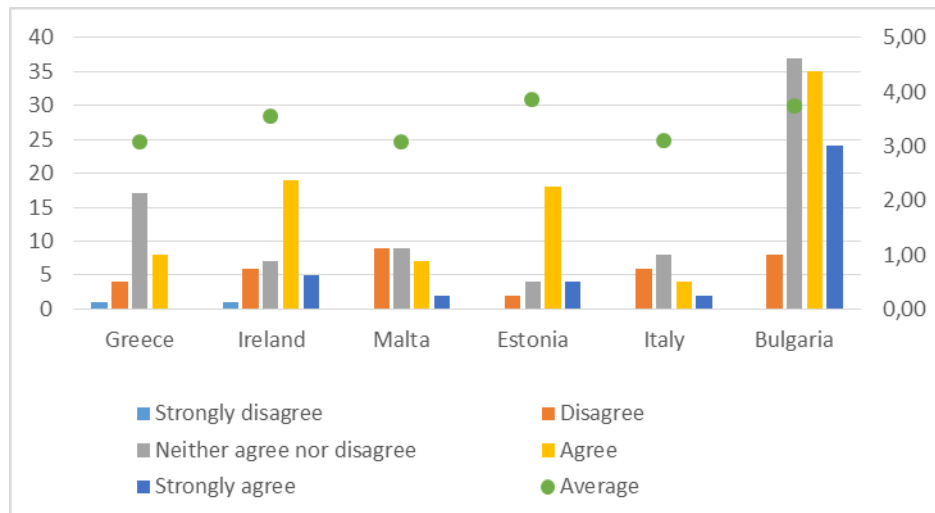


Fig. 3. Assessment of the level of support for social entrepreneurship.

The social enterprise in the countries surveyed is perceived as a way of doing business. The objectives of social enterprise are often linked to social and/or environmental programs. These are for-profit enterprises but they are created to address social issues; they are aimed at satisfying the needs of the local community or achieving social changes, not just for personal profit. They strive to combine entrepreneurial leadership and innovation – typical of the best of private business practices – with social objectives. They deal with a wide range of social and environmental issues and operate in all areas of the economy. An important feature is that they pay dividends to shareholders, just as in the private sector. Their aim is to reinvest the profits in order to achieve social goals. Social enterprises have a key role in regeneration and economic development and in the promotion of social inclusion. They provide jobs and services sometimes where the private sector has not entered or has withdrawn, sometimes on behalf of the public sector, and sometimes through a joint venture. Social enterprises in the EU play an essential role in helping to create a strong, sustainable and socially inclusive economy (Terziev, Bekiarova, Georgiev, 2019c).

5. CONCLUSION

Social entrepreneurship is a concept that allows the creation of alternative models for doing business that are market-oriented and also deliver a social good. Social enterprises integrate all parties in the free market - workers and employees, employers, investors, consumers and others. The promoting of the concept of social entrepreneurship is of a business activity, oriented not only to maximizing profit, but to achieving results related to the welfare of the whole community and to certain socially disadvantaged groups (Terziev, Nichev, Georgiev, 2019d-e).

The development of organizations, driven by an entrepreneurial spirit but focused on social objectives, is a trend that can be observed in countries with different levels of economic development and different legal systems. The aforesaid is mainly explained by the factors of supply and demand for the services which social enterprises provide. As to the demand, it can be said that in recent years there has been an extensive growth and diversification of needs. This is the result of the interaction of various factors, including changing patterns of behavior and lifestyle, combined with the transformation of the social security systems (Terziev, Georgiev, 2019f-i; Ovcharova, 2007-a).

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