SOCIAL ECONOMY AND SOCIAL ENTREPRENEURSHIP: AN EXERCISE OF SOCIAL RESPONSIBILITY

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Abstract: One of the issues that have attracted substantial research interest is represented by the occurrence of the third sector, often called “social economy”, “non-profit sector”, “social sector”, “sector of the civil society”. Amid the challenges of the social responsibility which should be assumed both by the public, as well as private sector organizations, a new term is strongly promoted, reflecting not only social changes, but also the conceptions and attitudes of people and organizations regarding the undertaking of new responsibilities needed to solve social problems. In Romania, the term of social entrepreneurship is rather new and almost unknown to the wide public, and legislative projects do not sufficiently regulate or promote a reference frame which would enable the development of this activity sector. Moreover, lack of clarity in defining the concepts and its various interpretations contribute to broadening the scope of this activity domain and the “entrepreneurial spirit”, so that it includes various agents such as founders of non-profit organizations or persons who, by starting a business, also undertake social responsibility in how they approach the activity and operate inside the organization. The paper reviews the recent literature on the conceptualization and definition of social economy and social entrepreneurship, at the European and national level. This paper proposes an evaluation of social entrepreneurship in Romania, in terms of its potential for development on the medium-term. The analysis of documents, reports of public or private institutions and development policies, is used to develop a theoretical framework of the social economy and social entrepreneurship, as well as to describe the social entrepreneurship as a sector of activity in Romania, its development potential, as an exercise of social responsibility.

Keywords: social economy, social entrepreneurship, NGOs, social responsibility.

1. Introduction

One of the issues that have attracted substantial research interest is represented by the occurrence of the third sector, also often called “social economy”, “non-profit sector”, “social sector”, “voluntary sector”, “charitable sector”, “sector of the civil society”. The
result of a genuine “global associational revolution” (Salamon, Anheier, List et al., 1999: 4), the third sector is described as “a massive upsurge of organized private, voluntary activity in literally every corner of the world” (Salamon, 1994: 109-122). In Social Europe guide (2013:12) the term “social economy” is used to characterize a specific part of the economy, a set of organizations that pursue social aims, highlighted by participative governance systems. The social economy refers to a wide-range of organisations which inhabit the space between the State and the market and extends beyond the traditional idea of the “non-profit sector” to include a diverse range of organisational forms (Noya and Clarence, 2008: 3). This sector relies on private, voluntary and sympathetic initiative, with a high level of autonomy and responsibility, and defines the type of economy which combines efficiently individual and collective responsibility, with a view to producing goods or providing services, aiming at the economic and social development of a community, respectively social benefit (Stănescu et al., 2012: 13).

Amid the changes related to the expansion of the third sector or the sector of civil society, of the social responsibility which should be assumed by both private and public sector organizations, a new term is being strongly promoted, which reflects not only the social transformations, but also those related to the people’s and the organizations’ beliefs and attitudes regarding the assumption of new responsibilities in order to solve social problems. Social entrepreneurship appears like one of the new challenges faced by the third-sector organizations, seen as a global phenomenon centred on the idea of social innovation and deeper involvement in the identification of certain solutions to social problems (Vlăsceanu, 2010: 153).

Given these considerations, the present research aims at drawing a review of the literature in order to elaborate a theoretical frame regarding social economy and social entrepreneurship, on a national and European level. Methodologically, we have opted for the case study, which aims at an evaluation of social entrepreneurship in Romania, its development potential as an activity sector, based on an analysis of documents, reports of public or private institutions, studies and articles.

2. Literature review

In the literature, social economy is sometimes called “the third sector”, “the non-profit sector” or the “sector of civic society”, and defined as the economic interval which unites the private sector, which generates income, and the public sector, where economic activities with social purposes are conducted (Vlăsceanu, 2010: 9). According to the International Centre of Research and Information on the Public, Social and Cooperative Economy (ICRIPSCE, 2007: 9), social economy represents “the set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members’ needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote. The Social Economy also includes private, formally-organised organisations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create,
control or finance them”. In each European country we meet different practices of social economy which refer to a broad range of establishments with different forms of organisation (such as associations, cooperatives and foundations, mutual aid units) (Nicolăescu, 2012: 130).

The concept of social economy may be analysed by interpreting the documents and policies adopted in this respect (CSDF, 2008-2010; MWFSPAP, 2012; LSE, 2013) and by updating and respectively adapting the concept of social economy as a private, voluntary and sympathetic initiative, which implies a high level of autonomy and social responsibility, with an economic risk and a limited profit distribution (Stănescu et al., 2012: 13). It may be regarded as the economic space between the private sector and the public sector (Vlăsceanu, 2010: 9); as a serious partner of the civil society (Zamfir and Fitzek, 2010: 8); as the “development opportunities for isolated communities” through the establishment of small and medium-size enterprises which activate at the local level and at the level of the non-governmental organizations which have social objectives (Neamțu, 2009: 112-126); as a social need to promote “life-long learning”, facilitate continuous professional formation, optimize the management of active policies on the labour market, promote equal opportunities, develop the partnerships with social partners and with the civil society (Popescu, 2012: 49-76); as mechanisms which create a healthy and vibrant ecosystem through this form of economy which supports innovative social entrepreneurs (Neguț et al., 2011: 23). Amid the changes related to the expansion of the third sector or the sector of civil society, social entrepreneurship appears like one of the new challenges faced by the third-sector organizations, an initiative by which citizens build or transform institutions in order to identify solutions to social problems such as poverty, environmental destruction, human rights abuses and corruption, so as to eventually make life better for the many (Bornstein & Davis, 2010: 1).

The concept of social entrepreneur(ship) may be analyzed by interpreting the different theories found in the literature, elaborated by the researchers in the field and integrating the essential elements associated with the concept: Say (creating value), Schumpeter (innovation and change agents), Drucker (searching for opportunities), Stevenson (ingenuity). The analysis may also include the updating and adaptation of: the central paradigm of entrepreneur, as a person who transfers resources from one area with lower productivity to an area with higher productivity and, hence, higher profit (Say, 1803); as a person who gets engaged in a significant project/activity (Dees, 2001); as “the person responsible with achieving new combinations or enterprises, in the sense of an initiative or new action” (Schumpeter, 1934); as the person who runs his own, small-scale business (Drucker, 1993); the paradigm of entrepreneurship as “a multidimensional and dynamic construct”, which swings/balances between the public, private and non-profit sectors (Nicholls, 2006); as a structure which combines the characteristics, context and entrepreneurial result (Martin and Osberg, 2007); as “business principles with a passion for social impact” (Wolk, 2008); as “an ability to leverage resources that address social problems” (Dacin, Dacin and Matear, 2010). Mair and Marti (2006: 37) believe that social entrepreneurship „is primarily intended to explore and exploit opportunities to create social value by stimulating social change or meeting social needs”. 
3. Social economy and social entrepreneurship, from theory to practice

Social economy and social entrepreneurship is, at the moment, a phenomenon less theorized/documented and insufficiently exploited in terms of the sector’s dimensions, structure and evolution, especially with regard to evaluating the practices which identify the specific contribution to the dynamics of society development. The incomplete statistical reports, the precarious information on profile organizations, fields of action, economic weight, financing sources etc. render the reaching of a general consensus on the legitimate evaluation criteria for specific activities difficult (Salomon et al., 2003: 3; Bouchard and Richez-Battezi, 2008: 6).

Social economy is considered a component of the process of social innovation. According to the European Commission (2005), at the local level, social innovation relies on two major aspects: institutional innovation, innovation in social relations, innovation in the governing manner etc. and innovation understood as social economy, meaning innovation which meets the various needs of the local communities. The concept of social economy includes as a key criterion “the aim of serving members of the community rather than generating profit” (Defourny, 2004: 8).

Monzón Campos (1997: 89-100) indicates three operational definitions of social economy:

a) Social economy is the sector of activity operating with a social purpose and complying with the following criteria: self-financed, sustainable activities, conducted to the benefit of the people involved in running these activities; activities which address the needs of vulnerable people, support the ethics of the self-help, control dependence on other people and strengthen the links within the communities.

b) Social economy seen as the domain of economic activity which serves social as well as economic purposes, but relies on the principles of solidarity and sustainability, not on the generation of profit.

c) The social economy entities (cooperatives, mutual societies, non-profit organizations) comply with the principles of solidarity rather than of profit related ones, voluntary adhesion of the members, democratic management and transparent decision-making.

In Europe, social economy includes numerous actors and generates social utility, covering the needs for which neither the public sector nor the business environment can cater. Social economy addresses all types of social needs. The funds for social economy activities are ensured either through donations and grants, or through a more recent approach to this issue, namely by running economic activities whose profit is directed towards such goals. The social economy structures can empower citizens in economically, socially and culturally complex ways; this implies human and financial resources, and the implementation of public policies which require innovation (Cace et al., 2013: 12).

In Romania, social economy is the concept used to designate different types of organizations, such as (small plants, consumption, crediting) cooperatives, mutual
societies (Mutual Assistance Houses – MAHs), non-governmental organizations, rural communities/co-owned associations, established as a response to a series of problems arisen in society (Petrescu and Petrescu, 2012: 20). Social economy has the following objectives: producing goods and/or providing services which contribute to the welfare of the community or of its members; promoting, as a priority, activities which may generate or provide jobs for persons from vulnerable groups; developing efficient training programs, social assistance services for augmenting the insertion on the job market of persons from vulnerable groups; involving individuals in the sustainable development of the local communities; developing an inclusive society and social responsibility (LSE, 2013).

3.1. Social economy structures

According to some authors, the types of entities that might be included in the social economy sector in Romania are: specific types of NGOs (associations and foundations providing social services); mutual aid organizations for employees and pensioners, which also provide social services and cooperatives of any kind (agricultural, transportation, consumption etc.) (Arpinte, Cace, Cojocaru, 2010: 77-85).

In Romania, the NGO sector is a “relatively new reality; the lack of a non-profit sector culture has induced some confusion about the purpose, the sources of funding, the nature of and manner of action” (Chipea et al., 2010: 93). A study on the dimensions of the NGOs in Central and Eastern Europe shows that in Romania, “this sector remains an extremely fragile organism, struggling to meet the overwhelming humanitarian, cultural, environmental, and development needs of the Romanian society without yet having a firm domestic support structure” (Săulean et al., 1999: 352). Nevertheless, after the 1990, the NGO sector has witnessed impressive dynamics. The NGOs sector is the most developed domain of the third sector as to the number of entities and their employees (Lambru, Petrescu, 2012: 167). At present, a number of 62,000 organizations are registered in Romania, with more than 21,000 active organizations under various forms, which shows that the non-governmental organizations remain “a rather little visible and know actor in the domestic public landscape” (CSDE, 2010: 6). The NGOs are active in a various range of fields – social, human rights, environment, education, sports and recreational activities, social services etc. From a statistic point of view, according to the number of registered legal persons, the most dynamic sectors are education, sports and recreational activities (Lambru, Vameșu, 2010: 59). Beyond the specific delimitations between the public and private sectors, the structures characteristic to the NGO organizations – associations and foundations – have the opportunity to acquire an adequate position in relation to other present economic subsectors. When the basic activities target social objectives, the economic activities of the associations and foundations are most relevant for the social economy. The fundamental role consists in coordinating actions in a responsible way, so that people, communities and natural resources may not be negatively affected (Cace et al., 2011: 82). The NGO sector may be the main contributors to the development of the social economy sector in Romania (Stănescu et al., 2012: 252).
Mutual aid units are non-profit organizations operating according to the general legislation represented by Government Ordinance no. 26/2000 regarding associations and foundations, with the subsequent changes and annotations, and to special normative acts, depending on whether they are intended for employees (Law no. 122/1996), or for pensioners (Law no. 540/2002). There are two types of mutual credit organizations for employees and mutual credit organizations for pensioners, the latter also working as a social service provider for its members (Petrescu and Stănilă, 2012: 356). This structure comprises the employees’ mutual-help associations (Mutual Assistance Houses for Employees – MAHE), and pensioners’ mutual-help associations (Mutual Assistance Houses for Pensioners – MAHP). Unlike many organisations of this type from Western Europe which provide insurance/reinsurance services, these mutual assistance houses operate as credit unions, providing loans to its members, as well as some decease-related costs (especially the MAHP) (Lambru, Petrescu, 2012: 168). These mutual organizations enjoy great notoriety among Romanian citizens. According to a recent national survey, 12% of the respondents are contributory members of MAHEs or MAHPs, exceeding the affiliation to union organizations (11%) or political parties (6%); the membership data recorded by the federative structures show that MAHEs and MAHPs cumulate more than 5 million members (Lambru, Vameşu, 2010: 52-55).

In turn, the cooperatives develop the social capital and help communities to improve their life quality. The cooperative system in Romania encompasses consumption cooperatives, crafts, credit, agricultural and fishing cooperatives (Petrescu, Stănilă, 2012: 353). After the fall of the communist regime, there was a decline in the number of consumer cooperatives (from 3392 units in 1991 to 894 in 2009) and employees (from 208,826 in 1989 to 8,942 in 2009). The number of handicraft cooperative has increased after the communist period (from 562 in 1989 to 784 in 2009), whereas their number of employees has decreased drastically (Petrescu, Stănilă, 2012: 354).

Another feature of the current trends is the pronounced local character of the activity carried out by cooperatives and a reduction in the exportation activities. As the main supplier of services and producer of goods in certain fields, the cooperative had been an important actor in the local development process, especially in the rural areas. After the fall of the communist regime, the role of these entities in the local development process has decreased considerably, especially due to a decrease in their economic power. They are no longer important stakeholders in all the environments in which they activate, especially if their activity is related to the rental of trading spaces. Another important local development factor is the exploitation of local resources in the economic activity of the cooperative. We hereby refer to human, as well as raw material resources. Most of the beneficiaries are from the local level (Petrescu, Stănilă, 2012: 355). The features of these entities – the non-profit character, the social purpose of the activity, the participation of the members in the government – enable these organizations to activate local resources, stimulate the creation of social capital at the level of the community and ensure the welfare of the members of the community.
3.2. Social entrepreneurship

Social entrepreneurship has become an important business model. Social entrepreneurship may be regarded as comprising of three elements: identifying a “stable but inherently unjust equilibrium causing the exclusion, marginalization, or suffering of a segment of humanity” that does not have the financial means or political power to generate advantageous changes; identifying an opportunity, in this unjust equilibrium, “developing a social value proposition, and bringing inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state’s hegemony”; and creating a new, stable equilibrium which exploits the potential, or eases the suffering of the targeted group, as well as creating a stable ecosystem around the new equilibrium, ensuring a better future for the targeted group and even society at large (Roger Martin and Sally Osberg, 2007: 35). The two authors believe that a clear definition of social entrepreneurship will aid the development of the field, which states that a social entrepreneur should be understood “as someone who targets an unfortunate but stable equilibrium that causes the neglect, marginalization, or suffering of a segment of humanity, who brings to bear on this situation his or her inspiration, direct action, creativity, courage, and fortitude, and who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large” (Martin and Osberg, 2007: 39).

Social entrepreneurship means acting within markets to support a societal cause, by creating additional value, aiming at sustainable solutions (Volkmann, Tokarski, Ernst, 2012: 8). The essence of the idea, concept and practices of social entrepreneurship may be highlighted by means of some examples of success, presented by the literature. For example, the Grameen Bank, founded by Muhammad Yunus, developed an administration and collection process by lending circles, which designated a number of borrowers in each community. The mission of Grameen Bank is to promote, in the community from Bangladesh, personal entrepreneurship and autonomy, by providing bank services to the poor (Yunus, 2010: 10). The Timberland Company represents another example of success in the field of community services to the benefit of society, voluntary support in care centres for the old and in kindergartens, free lessons for pupils, assistance in the construction projects (Gordon, 2012: 172). In its turn, the Feed Me Better campaign has drawn the attention of the entire population to the risks of unhealthy diets. Jamie Oliver, the initiator of this programme, has triggered a real revolution in the area of the diet of students from Great Britain, involving authorities, communities, the media into active participation for improving the services provided (Kotler and Lee, 2008: 48-49).

Social entrepreneurs act like agents of change in the social sector, by: undertaking the mission to create and sustain social value (not just private value); recognizing and constantly pursuing new opportunities to pursue that mission; undertaking continuous innovation, adaptation, and learning, acting beyond the limitations of the resources currently at hand, accounting for the obtained outcomes (Dees, 2001: 4).

Unfortunately, in Romania, the term of social entrepreneurship is quite new and almost unknown to the wide public, the lack of clarity in defining the concept and the various interpretations applied to it contributing to broadening the scope of this activity field and of the “entrepreneurial spirit”, so that it includes various agents such as founders of
non-profit organizations or persons who, by starting a business, also undertake social responsibility in how they approach the activity and operate inside the organization (Vlăceanu, 2010: 170). According to *Dicționarul Explicativ al Limbii Române*, the idea of entrepreneurship is limited to the notion of “enterprise”, respectively an enterprise which performs industrial, commercial, construction etc. works; “entrepreneurial” occurs as an explanation “related to the entrepreneur”, whereas for “entrepreneur”, the definition is “owner of an enterprise” (Ghenea, 2011: 39-40).

According to specialists, the significations of the concept of social entrepreneurship has become increasingly vague and inaccurate, distancing itself from its original meaning: on the one hand, *entrepreneurship* implies a sum of inborn individual qualities, such as the ability to identify and exploit business opportunities in the economic and social space in which one lives, the determination to put initiatives into practice; on the other hand, the label of *entrepreneur* implies the idea of economic success, once the test of profit and success has demonstrated his entrepreneurial skills (Diaconu, 2009a: 271).

In Romania, we cannot speak of an entrepreneurial culture because the lack of financial resources, a financing system, the fiscal uncertainty, respectively the legal frame have a major impact upon the process of planning business and represent real obstacles from this perspective (Diaconu, 2009b: 10). One global study on entrepreneurship, conducted in 26 countries, among which Romania, show that the fear of failure represents the major obstacle in developing a business: 70% of the respondents assumed this point of view (AMWAY, 2013: 8). 20 years after `89, the social and economic role played by the entrepreneurs remains too little understood, almost unknown by the public and not taken into consideration at all by the public policies: “the post-December governments have idolatrized the so-called strategic investors, have given in to concessions, sometimes scandalous and contrary to the principles of the free-market and the interests of the consumers, to the benefit of corporations that have monopolized whole markets, ignoring, on the other hand, the small-scale enterprisers, those who have played the main part in the market economy transition and one of the most essential roles in the social change from the post-December period” (Diaconu, 2009b: 8-9).

These aspects are responsible for the very few entrepreneurial projects implemented in the Romanian business environment, the entrepreneurial culture being quite poor in this respect. The greatest difficulty is given by the prejudices and attitudes that obstruct the entrepreneurial environment, precisely at a moment at which this needs support more than ever. In any market economy, the entrepreneurs are those who generate economic progress and create jobs (Ghenea, 2011: 313). *Excellency in Entrepreneurship*, a research conducted by the Biz & Unlock Market Research magazine (2013) highlights several local successful businesses, among which *Class Living*, the multi-brand furniture company, *Valvis Holding*, mineral water brand or *Trotter Prim*, an impressive network of restaurants and cafés. Among the benefits brought to the community, there is the creation of jobs, developing the relation with the community, social responsibility. That is why, the implementation of entrepreneurial projects which may respond to the needs of communities demands a public recognition of the social benefits brought by the entrepreneurial initiatives, creating a favourable frame which may encourage entrepreneurship, as well as modern educational programmes for developing entrepreneurial skills.
4. Conclusions

The domain of social economy is relatively new in Romania, the lack of a unanimously accepted definition, as well as of the communication between the main actors of social economy renders a limited visibility of the concept. The concept of social economy is quite unknown to the entities which could implement projects, as well as to the beneficiaries, there being no concrete actions for promoting social entrepreneurship. At the same time, legislative projects do not regulate and promote sufficiently a reference frame which may enable the development of this sector of activity (Cace, Arpinte, Scoican, 2010: 233; Stănescu et al., 2012: 65). This sector suffers from fragmentation and lack of cooperation between the public policies and the representatives of the various types of social economy organizations. The Romanian social field needs thorough changes in the political approach, as well as in the manner in which public authorities (whether central or local) sustain social entrepreneurship, understand the potential of social economy of the actors involved in local development, cohesion and social inclusion. Such an initiative would render more visibility and credibility to the social economy and social entrepreneurship actions and would raise the desire of local collectivities to engage in and support social economy activities. This transformation in the vision and attitude regarding the social economy sector should surpass the state-centred approaches and open the public markets to social enterprises and social innovation by means of institutionalized mechanisms of support (resource and information centres, entrepreneurial education programmes) and mechanisms for identifying good practice models.

The European Commission proposes a new definition of CSR as „the responsibility of enterprises for their impacts on society”; the concept of social responsibility tries to bring to terms, at the level of the social sector, the companies’ need to generate profit and the solving of the problem of social exclusion by promoting, within organizations, actions with social objectives (EC, 2011: 6). Therefore, entities such as ONGs, cooperatives, MAHs, associations, may be extremely favourable for developing socially responsible businesses, with visible benefits at the level of the civil society. This implies the obligation of the decisional factors to act for protecting and enhancing the welfare of the society as a whole, in agreement with its objectives and values (Davis, Blomstrom, 1975: 23). The concept and practice of social responsibility may be better understood from three perspectives which focus on the responsibilities regarding the accomplishing of the basic functions of an enterprise, respectively production, jobs, economic growth; the evolution of society and its expectations, taking into consideration the issues of environment protection, social relations or information about the consumers; social inclusion, by creating jobs for vulnerable persons (CED, 2011-2012). Therefore, such a view enables the adoption of a responsible behaviour within society, which implies improving living standards, creating jobs and welfare, and providing social services.

In our opinion, social economy may turn into an organic reality in Romania when congruence is achieved between social programmes, the attitude towards stakeholders, the attitude towards the environment, respectively the attitude towards business. In Romania, the concept of social economy needs to respond to a series of challenges so
that it may cover two issues: the elaboration of the legislative frame which establishes the functional lines of social economy; identifying the economic and social field in demand of the reactivation of the practices based on economic cooperation and solidarity. In this case, social economy and social entrepreneurship may represent a sustainable investment in the development of the community and the civic society, by increasing the living standard, creating jobs and an environment in which “the business must answer the call for a new era of responsibility” (CED, 2009).

In the current context, social entrepreneurship may become an attractive model for the Romanian society, a profitable business opportunity which may generate social responsibility, sustainability and a management oriented towards co-interested groups (Diaconu, 2009a: 267). Social entrepreneurship may be easily understood if we realized the fact that it crosses the boundaries of the traditional business model and may occur in any other type of business, for example in the private for-profit and/or not-for profit and the public sectors. The growing and pronounced presence of social entrepreneurship in the business sector has generated an increase in its impact and popularity, as well as its constant expansion as a feasible business model, at a time when the global society demands for socially conscious and responsible organizations.

**Acronyms:**

AMWAY – short for American Way  
CED - Committee for Economic Development  
CSDF – Civil Society Development Foundation  
ICRIPSCE – International Centre of Research and Information on the Public, Social and Cooperative Economy  
EC – European Commission  
EU – European Union  
ISE – Institute of Social Economy  
LSE – The Law of Social Economy  
MAH – Mutual Assistance Houses  
MAHE - Mutual Assistance Houses for Employers  
MAHP - Mutual Assistance Houses for Pensioners  
MWFSPAP – Ministry of Work, Family, Social Protection and Aged Persons  
NPO – Non-profit Organizations  
SE - Social Economy
References


