

MENDEL UNIVERSITY IN BRNO

Faculty of Regional Development and International
Studies

**Position of Social Entrepreneurship in
European Regions**

Diploma Thesis

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Annotation

BRUŠTÍKOVÁ, A. *Position of social entrepreneurship in European regions*, Diploma thesis. Brno: FRDIS in Brno, 2016.

The main goal of my Diploma thesis is to describe current position of social enterprises in chosen European regions on the basis of questionnaire survey and statistical data. The respondents who were asked for answers are representatives of organisations providing support services for social enterprises. They are experts in the field and could answer on the basis of their long-time experience. The first, theoretical part of the thesis consists of definition and explanations of basic terms needed for understanding the concept of social economy and social enterprises. In this part traditional approaches, history, development and legal backgrounds are described. The second, practical part describes the main questions of research, describe respondents' answers and on the basis of it the results are compared and evaluated. At the end of the thesis final summary is written and recommendations are suggested.

Key words

Social enterprises, social economy, entrepreneur, legal forms, development, research, support

Anotace

BRUŠTÍKOVÁ, A. *Pozice sociálních podniků v regionech Evropy*, Diplomová práce. Brno: FRRMS v Brně, 2016.

Hlavním cílem diplomové práce je na základě dotazníkového šetření a statistických dat popsat současné postavení sociálních podniků ve vybraných evropských regionech. Respondenti, kteří byli osloveni, jsou zástupci organizací, které poskytují podpůrné služby sociálním podnikům. Respondenti jsou experti v daném oboru, a proto mohli na dotazy odpovědět na základě jejich dlouhodobých zkušeností. První, teoretická část práce se skládá z definic a vysvětlení základních pojmů, které jsou potřebné pro pochopení konceptu sociální ekonomiky a sociálního podnikání. V této části jsou popsány tradiční přístupy, historie, rozvoj a právní rámec. Druhá, praktická část popisuje hlavní otázky výzkumu, popisuje odpovědi respondentů a na jejich základě srovnává a vyhodnocuje výsledky. Na závěr práce je popsáno finální shrnutí a jsou navržena doporučení.

Klíčová slova

Sociální podniky, sociální ekonomika, podnikatel, právní formy, rozvoj, výzkum, podpora

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1. Introduction and goal of the work

1.1. Introduction

During the last two decades the terms *social enterprise* and *social economy* are emerging and gaining popularity all around the world. This uptrend brings in various context different approaches to conceptualisation of emerging environment and subjects. The social economy gains economic sense particularly by employing of people who find job vacancies with difficulties and who are somehow excluded from the labour market.¹ This exclusion can be caused by physical disability, mental disability, or social which involves for example former prisoners, any national minority, etc.

The social enterprise is currently widely discussed term. It is the area of an economic activity of individuals or organisations effectively linking economic, social and also environmental or other generally beneficial aspect. The basic principal of operations of social enterprises is economic self-sufficiency as well as social responsibility.²

The social enterprises represent a subset of the social economy which fulfils definitional characteristics (economic and social) set on the basis of researches of the European Research Network EMES. The social economy can be characterized as a part of the national economy, as the *third sector*. The ability of the social economy, by innovative way to respond to social needs which emerge in the last decades, leads to growth of its importance. Nowadays the social economy has more functions: solving problems of a social state, reducing consequences of current economic crisis. The social economy is based on voluntary collective initiative and responds to the concrete problems and to the needs of people.³

The social enterprises represent within the social economy a new stream, they are autonomous and during reaching its economic-social targets they run the economic risks. Typical for them is dynamic and innovations by providing and satisfying needs of people and social groups, especially disadvantaged people who difficultly integrate into the majority society, and contribute to the local development. These enterprises respond to newly emerging needs in the society by creating and providing required types of products and public and social services.⁴

The social entrepreneurship is a term which currently raises interest of academic as well as professional public and it happens worldwide and also in the Czech Republic. This diploma

¹ Dohnalová, M., (2012). *Sociální ekonomika, sociální podnikání. Podnikání pro každého*.p. 9

² Kolektiv autorů, (2014). *Sociální podnikání. Teorie pro praxi*. p. 5

³ Dohnalová, M., (2012). *Sociální ekonomika, sociální podnikání. Podnikání pro každého*.p. 10

⁴ Dohnalová, M; Průša, L., (2011). *Sociální ekonomika*. p. 7-10

this thesis contains definitions of the basic terms such as: entrepreneur, entrepreneurship, enterprise. These definitions give a basis for describing so discussed social entrepreneurship and concept of the social economy and it creates the theoretical part of the diploma thesis. The rest of the work is focused on real situation based on concrete examples from chosen European countries.

1.2. Goal of the work

The activities of the social enterprises usually require initial investments which can be a subject of support from the EU funds. However, follow-up activity has to be self-sufficient, based on building interpersonal relationships, development of employees, regular education with local impacts on the whole society or community. Many cases of good practises exist on the basis of which can be said that socially and disabled disadvantaged people are loyal and honest employees who appreciate the work. A competitive entrepreneurial or business plan is the basis of success, in which case it does not matter if the entrepreneurial plan is new realized by a newly established legal person or a project of already established organisation which wants to contribute to region development of its scope of activity.

The goal of this diploma thesis is to find out a position of the social enterprises in the chosen European countries and this situation compare to the Czech Republic. As it is already written, the phenomenon of the social entrepreneurship is more and more discussed the last two decades. It is obvious that the development of such entrepreneurship is different across the world. But the difference can be observed also within Europe and particular states. This is the main impulse to make an analysis and comparison of the positions of social enterprises from more European countries and on the basis of it to be able to highlight strengths and weaknesses of such type of entrepreneurship in the Czech Republic. Another goal of the diploma thesis is to find out if governmental policies are important for social enterprises or if they are able to support each other by themselves.

As it is mentioned above, the social enterprise can be a subject of support from the EU funds. The opportunity to get money for establishing such business is helpful but the problem can be how to remain on the market when this financing ends. This problem often occurs in the Czech Republic when the social enterprises are not able to survive without financial support from the EU funds. The analysis of situation and positions of social enterprises from different countries can bring possible solution and recommendations for such type of business to be self-sufficient and competitive on the market.

2. Methodology

The idea to focus diploma thesis on the concept of social enterprises is based on the experience with projects financed by structural funds and related to social enterprises in the Czech Republic and its establishments. The initial perception of social enterprises was limited by just Czech environment and without comparison with other European countries. The first step was to choose one thought, one purpose what should be “solved” by the thesis, by the research. After reading of several articles the final purpose was set up: to find out the position of social enterprises in European regions. Another step was focused on methods how to obtain needed information and data to create theoretical part of the diploma thesis and the second step was focused on the way how to obtain real information on the basis of which the analysis of positions of social enterprises within European countries would be possible. For the analysis five different organisations which are closely connected with social enterprises and which provide them with consultancy and any type of needed support were chosen. After final list of the organisations, a questionnaire was created. This questionnaire contains such open-ended questions which ensure obtaining needed information to compare different environments of more European countries. The results of answers of representatives who are representing five chosen organisation are compared and evaluated at separated capture of the thesis. On the basis of the results and found out information several possible recommendations and discussion about it will be defined and described.

As it was already mentioned, the diploma thesis is divided into two main parts. The first part is related to the theory and definitions which are closely connected to the topic of social enterprises. Qualitative research methods are used and the thesis is based on research, analysis and comparison of texts, mainly of primary but also of secondary resources, printed as well as electronic, which are connected with the third sector, social economy and social enterprises. The thesis uses information of key institutions and experts who are focused on the phenomenon of social enterprise. For the theoretical part, several resources, publications, books, articles and studies are used.

The second part of the diploma thesis is focused on own research. Five organisations and its representatives were chosen and on the basis of their experience with social enterprises, the results of the research are created. The representatives from five institutions were asked for answers on several open-ended questions. The most of them were contacted through email, only one representative, Czech one, has answered personally through skype call.

The diploma thesis is mainly dealt with these questions:

- Are social enterprises able to support themselves without governmental support/help?
- Is the concept of social enterprises perceived by the same way among all chosen organisations?
- Is it possible to create supra-national uniform type/model and definition of social enterprise?
- What strengths and weaknesses do social enterprises have?

The questions were designed with the purpose to provide concrete answers which will describe situation of social enterprises in the Czech Republic compared to other countries. On the basis of answers the analysis of current situation is created and similarities and differences are highlighted among concrete countries and institutions which cooperate with social enterprises. The chosen organisations for research are: NESEP, Social Enterprise Europe, COOSS, P3, Social Enterprise UK.

Besides the description of a thesis structure and used methods it is essential to explain a reason why such methods are chosen. As it is written above, for the thesis the qualitative research method is used. The qualitative research is chosen because this method seek answers to questions, collects evidence, and mainly it seeks to understand a given research problem or topic from the perspective of the involved people. The qualitative research is the most useful and effective in obtaining culturally specific information about values, opinions, behaviours, and social contexts of particular populations or groups of people. The qualitative research is used to describe variation, describe and explain relationships, describe individual experience and to describe group norms. Data format which results from the qualitative research is textual and not numerical (as it is usual in the case of quantitative research).⁵

For the research not totally same questions were asked. It depended on type of person, his/her position, experience and knowledge. Within the research various type of people were asked for answers and it was impossible to use the same way of interview and the same order of questions. The questions are open-ended so respondents could mention what they wanted and therefore their answers differ.

⁵ <http://www.ccs.neu.edu/course/is4800sp12/resources/qualmethods.pdf>

3. Literature research

The diploma thesis is focused on social entrepreneurship which is phenomenon of the last two decades. The social entrepreneurship has forms which are basically the same for each of the countries but everywhere a development and approaches to this form of entrepreneurship are different. The thesis is focused on general description of entrepreneurship, entrepreneurs, enterprise, and social economy. To be able to understand concept of social entrepreneurship the theory has to be mentioned.

The concept of social entrepreneurship is relatively new and its development has various forms. Within this diploma thesis the development in Europe and in the Czech Republic will be described and the current situation in chosen countries will be analyzed. The chosen countries are: Czech Republic, Poland, Malta, Romania, and Italy.

3.1. Definitions of the terms

3.1.1. Entrepreneur

An entrepreneur is seen differently by economists, psychologists, businessmen, and also by politicians.⁶

According to the Commercial Code an entrepreneur is:

- Person registered in the commercial register;
- Person who does business under the trade license;
- Person who does business under the other license, than trade license, according to special regulations;
- Person who is engaged in farming and is registered in the evidence according to special regulations.

According to the current Commercial Code an entrepreneur is natural person as well as legal person. In the theory of entrepreneurship authors distinguish primary and secondary entrepreneurs. The primary entrepreneur is always natural person, owner of a company in which case for the owner such company is a tool of his business. In the case that the owner only administers or manages a company, especially big companies, he delegates his entrepreneurial roles and functions to the enterprise which does business as a secondary entrepreneur in the interest of the owner – primary entrepreneur. Real functions and roles of the secondary

⁶ Hisrich, R. D.; Peters, S. M., (1985). *Entrepreneurship, Starting, Developing, and Managing a New Enterprise*.

entrepreneur – enterprise are also implemented by the natural person creating a board of directors, managing authorities, top management of a company etc.

However it should be noted that not all owners of companies play roles and functions of entrepreneur. Some of them own company only for a financial rent or for other delights. This type of owners is called *rentier*.

3.1.1.1. *Historical development of the term Entrepreneur*

Popularly, but very aptly, during one meeting with citizens W. Churchill characterized entrepreneurs: *“The entrepreneurs are sometimes considered either a wolf which should be killed, or a cow which should be permanently milked. But in fact they should be considered horses which drag a cart.”*

Robert D. Hisrich tried to describe the development of theory of entrepreneurship as well as the term entrepreneur and he reached the following conclusions. The term entrepreneur appeared particularly in French language in the Middle Ages within the meaning “intermediary, mediator, person responsible for big projects”. From the military terminology in the 17th century the term entrepreneur moved to a broader social context and was connected with the term risks (of profit or loss) from a contract (especially governmental). In the year 1725 Richard Cantillon distinctly distinguished the term entrepreneur, which means person carrying risk of a project – enterprise, from the term rentier, which means person providing capital for a certain price – rent. This is a fundamental point in thoughts of theorists engaged in entrepreneurship. It was a reflection of the then entrepreneurial practice.

Another shift of thinking was made by Beaudou (1979) when the entrepreneur was understood as a person carrying a risk of some project, person planning, supervising, organizing, and owning a concrete project (enterprise). This phase of entrepreneurship forming as a theory was completed by Jean Baptiste Say (1803). He separated a benefit of entrepreneur from a capital benefit. Francis Walker (1876) thought similarly. He distinguished between persons who provide resources and get interests, and persons whose profits come from managerial skills.

Joseph Schumpeter (1934) added to the entrepreneur a characteristic of innovator who develops non-tested techniques. Giffort Pinchot (1983) used a term intra-entrepreneur which is entrepreneur within already existing organization. This opinion shifts perspective on enterprise to another level which was practically and largely indicated several tens years ago by Tomáš Baťa.

3.1.2. Enterprise

The enterprise is understood as a subject in which inputs are changed to outputs. The enterprise is defined as an economically and legally independent unit which exists for the purpose of doing a business. Economic independent, which is display of freedom in enterprise, is connected with responsibility of the owners for concrete results of business. By legal independent is meant possibility of enterprise to enter into legal relationships with other market subjects, and make an agreement with them, from which certain rights and obligations follow.

Legally, the enterprise is defined as a set of tangible as well as private/personal and intangible parts of business. The enterprise consists of things, rights and other material values which belong to the owner-entrepreneur and serve for run an enterprise (according to Commercial Code).⁷

Any subject involved in economic activity is considered the enterprise regardless of its legal form. It includes especially companies with one owner, family enterprises involved in trades or other activities, and then partnership and association periodically joining in some economic activity.

3.1.3. Entrepreneurship

The entrepreneurship can be defined as an act of identification and capturing of new business opportunities. The entrepreneurship supports innovation, competitiveness, creation of job vacancies and growth. It enables to transform new innovative ideas into successful business activities in branch of top-quality technologies and it can activate personal potential of disadvantaged persons who create a job for themselves and get a better position in society.

Considering that some new enterprises end without success, the entrepreneurship is often difficult and complicated process. Entrepreneurial activities are highly different according to the type of enterprise establishing and according to size of the enterprise which can extend from particular project to big enterprises creating many job vacancies. The most of entrepreneurial activities has a common ability and willingness of entrepreneur to:

- Organize and manage a production (to ensure balance between a capital, working force and pieces of land),
- Innovate processes and products,
- Risk and search opportunities.

⁷ Srpová, J.; Řehoř, V.; a kolektiv, (2010). *Základy podnikání. Teoretické poznatky, příklady a zkušenosti českých podnikatelů.*

3.2. Third sector

Organisations of the civil sector as well as subjects of the social economy have common traditions and value solutions, they occur in similar areas. They partly differ by specialization and roles which they fulfil. In civil society, in its so called third sector, it is possible to meet various organisations and enterprises which are voluntarily established with the aim to fulfil its mission. Content of this mission differs from the aim of profit reaching even if financial incomes are essential for the existence. Some of them have basis in the past and builds on own roots and traditions; others respond to new current problems or social situation. Different origins of these organisations, associations and enterprises include different character of relationships and behaviours; serve for strengthening mutuality, solidarity and humanity. The question of values is so important that it gives a basis for “by values driven organisations of the third sector”.⁸

The third sector is also called as civil sector, non-profit sector, voluntary sector or social economy. The third sector represents public area which is mostly defined by typology of non-profit organisations or by list of subjects of the social economy.⁹

Associations, church institutions, foundations, certain cooperatives, companies etc., are generally called as subjects; are private organisations separated from the state and for-profit subjects which differ in such way that their activities do not consist only and primarily in doing economic activities oriented on reaching a profit.¹⁰

The third sector enters into relationships with public sector and also with for-profit sector. These relationships should be versatily beneficial and should contribute to economic, social and cultural development of society. Any horizontal as well as vertical connections could be between subjects of the third sector. Some of them enter into umbrella organisation and cooperate together.

The importance of the third sector is increasing because of many reasons. The third sector has economic importance especially from the point of view of employment, production and creation of values. States pay higher attention to organisations of the third sector which become important partners during securing of public goods, mainly of services. Different sectors, and so subjects of public, market and also of third sector, can coexist also within the same area; for example in social services, health care, education, culture and sport. Within one area they provide different services and supply it to different consumers (clients, customers) or

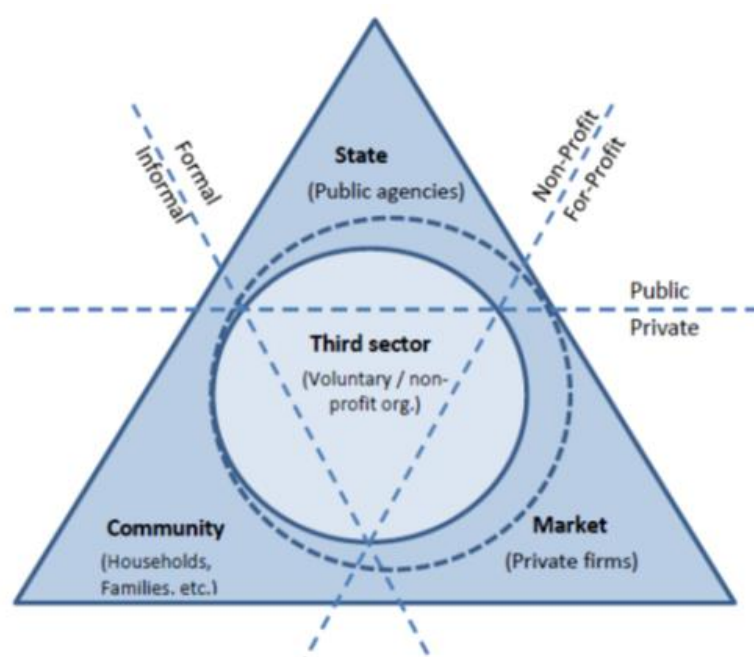
⁸ Dohnalová, M; Průša, L., (2011). *Sociální ekonomika*. p. 11-21

⁹ Evers, A., Laville, J.-L., (2004). *The Third Sector in Europe*.

¹⁰ Anheier, K. H., (1993). *Defining the Nonprofit Sector: Germany*

to different target groups. Alternative choices of consumers reflect their various preferences and in the case of choice of the third sector are connected with higher trustworthiness of organisations. Organisations of the third sector could be more acceptable for citizens than state institutions in the public sector or private commercial companies.

The third sector is perceived as heterogeneous, plural, and mixed economy where three sectors exist next to each other and mutually complement each other. Also in economic theories of social enterprises heterogeneous economy is highlighted. Researchers exploring the third sector discuss about so called *welfare mix* consisting of social responsibility between different types of providers which functions in Europe; and the other suggest “*social triangle*” (see Picture 1) for better understanding of relationships between different sectors.¹¹



Picture 1: Pestoff Triangle - Social Triangle (source: <http://www.transitsocialinnovation.eu/blog/social-innovation-as-an-emerging-phenomenon-of-great-societal-importance>)

3.3. Social Economy

Social economy is created by subjects who are independent on the state: the organizations and companies which produce goods, services of commercial and non-commercial character with the social aim; the enterprises which assert democratic participation of its members and

¹¹ Dohnalová, M., (2012). *Sociální ekonomika, sociální podnikání. Podnikání pro každého*. p. 16-17

employees; the enterprises observing goals of solidarity and common interest and which do not divide its profit between shareholders.¹²

The concept of the social economy was in Europe traditionally connected with associations and cooperatives, mutual companies, foundations, and other types of social enterprises which often employ people from the disadvantaged social groups.¹³

People voluntarily establish organisations which in its activities interconnect mutually and publicly beneficial targets, social and economic purposes. The subjects are publicly beneficial because they satisfy needs of public, and they are also mutually beneficial because are established for needs of members. The subjects have an important role in local conditions because immediately respond to concrete problems and to needs of citizens. They exist almost in all areas of human activities. They provide public services, work for own members, foundations financially supporting activities of other, etc.¹⁴

The social economy differs from the civil sector by involving some cooperatives and newly established types of social enterprises of different legal forms, including also commercial companies. Because of the complexity some authors recommend to use for the third sector the term social economy instead of civil sector.¹⁵ In the countries of the Western Europe scientists state that very important is to define and theoretically explain a concept of the social economy. Defourny asks question if people should speak about economic activities of organisations of the civil sector, about subjects in the social economy, or about the new social entrepreneurship.¹⁶

The social economy includes economic and social entities active in all sectors of the society; they are established in order to respond to needs of people. They are characterized by targets and methods: other way of entrepreneurship which permanently interconnects public interest, economic performance and democratic control. The way of their entrepreneurship is different than commercial companies are. They are private organizations or enterprises which are independent on the public authorities and respond to needs and requires of its members and to needs of public interest. The entities of the social economy unite economic and social dimension. By connecting the vision of “human economy” with support of enterprises and organizations of the third sector the entities are contribution to stability in the national economy.

¹² Dohnalová, M.; Deverová, L.; Petřílková, B.; Svoboda, J., (2007). *Sociální ekonomika. Sociální podnikání*. p. 9-13

¹³ Dohnalová, M., (2012). *Sociální ekonomika, sociální podnikání. Podnikání pro každého*. p. 26

¹⁴ Dohnalová, M., (2012). *Sociální ekonomika, sociální podnikání. Podnikání pro každého*. p. 13-14

¹⁵ Borzaga, C.; Tortia, E. (2007). *The Social Economy. Building Inclusive Economies*. p. 23-60

¹⁶ Borzaga, C.; Defourny, J., (2001). *The Emergence of Social Enterprise*

They can become tools of reducing impacts on the current economic crisis mainly by employing persons who had income from social benefits, or by using local human and other resources.

3.3.1. Defining of the social economy

Currently for defining the social economy two approaches are used:¹⁷

Legally-institutional approach defines legal forms of the entities of the social economy. This approach is evident in the documents of the European Commission where four basic pillars are stated: cooperatives, mutual companies, associations, and foundations. According to the national legislation a new form of social enterprises are added to it.

In some countries, there are social enterprises which employ persons from disadvantaged groups and by this they contribute to their economic independent on the state and to social inclusion. These social enterprises have a different legal form but generally they can be considered as social enterprises of the type WISE – *Work Integration Social Enterprise*.

Normative approach is focused on determining characteristic features of the entities of the social economy which share values defined in principles of the Charter of the social economy. Typical for this approach is connection of an economic activity with social and environmental targets and using of ways or methods of the work which have social benefit. An activity of the subject should be based on the three pillars: economic prosperity, quality of the environment and social capital.

The entities of the social economy are defined by characteristic features and values which share:¹⁸

- preferring persons and social targets to capital;
- protection and enforcing principle of solidarity and responsibility;
- connection of interests of members/users and common interest;
- democratic control from the member side;
- voluntary and open participation;
- self-management and independence on the public power;
- Utilization of a substantial portion of the profit for reaching targets of the sustainable development, in the interest of providing services to members and services of common interest.

¹⁷ Noya, A.; Clarence, E., (2007). *The Social Economy. Building Inclusive Economies*. p. 10

¹⁸ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A6-2009-0015+0+DOC+XML+V0//CS>

The social economy and social enterprise are described in many ways. *The organisation for economic cooperation and development* says that the social enterprise is based on private activities of common interest organized on the basis of entrepreneurial concept which do not have a main reason for its existence maximizing of the profit but satisfaction of economic and social targets as well as ability to create innovative solution of the problem of exclusion and unemployment through production of products and services. A production of socially or locally beneficial products or providing services and supported employment are the main areas of the social economy.¹⁹

The European Research Network EMES says that the concept of social economy dates back to the 19th century when different new types of organisations and enterprises were established collectively by groups of people in respond to the problems caused by changes in the economic system. These types were represented by cooperatives, mutually beneficial companies, associations, and other forms of enterprises focused on managing of production, consumption, on better access to credits, health care and other services on the fairer and more democratic basis. Nowadays the social economy includes enterprises from the cooperative sector, mutually beneficial and insurance companies, foundations, and other types of non-profit organisations which share the common principles and create the third sector of modern economies. The entities of the social economy differ from private profit sector because their main aim is to serve the needs of users or wider public interest not to maximize and divide profit to shareholders or business partners. They also differ from organizations in the public sector even though they can obtain public subsidies to fulfil their mission: they are autonomous private organisations with the rule “one member, one voice” in own decision-making process.

International Centre of Research and Information on the Public, Social and Cooperative Economy CIRIEC says that the social economy is a set of private, formally established companies with decision-making independence and freedom of membership which were established with the aim to fulfil needs of its members through the market and production of products and providing services, insurance and financial services where decisions and any division of the profit or surplus among members is not directly connected with capital or dues paid by the individual members who each of them has his own vote. The social economy also includes private and formally established organisations with decision-making independence

¹⁹ Alaitru, M., (2005). *Social Economy in France*.

and freedom of membership which provide nonmarket services for households and of which potential surpluses cannot be excluded for economic agents who create it, control or finance it.²⁰

So the social economy is a set of activities realizing by different types of entities whose target is the service provided to the members or community via entrepreneurship or support of entrepreneurship. It is created and developed on the basis of so called *concept of triple bottom line* or “three P”: *Profit, People, and Planet*. This concept deals with economic, social and environmental benefit.

3.3.2. Triple Bottom Line

Social benefit – in the social economy the entities are established voluntarily by the citizens and they determine in internal rules the principles of democratic decision-making. They have to respect the legislation and statutory authorities. Into the management they include if possible all workers; it means all employees and volunteers. The social target is connected with contribution of entities of the social economy to public benefit – satisfaction of the society needs (especially in given area) or social groups of people.

Economic benefit – is connected with different use of the profit: it is used for own development and for the local needs. The profit is represented by money earned from self-employment but the subject can have also other financial resources – subsidies, gifts. In the social economy the subject does not perform at once or in the short-term unevenly economic activities – it has to be a continuous activity. The subject is then responsible for this activity – if it is prosperous or without success. The subject is independent on other institutions, is an independent and autonomous unit. This is valid also in the case when the co-founder is a municipality or a private company. The subject can be at the beginning connected only with volunteers but progressively he creates vacancies for employees.

Environmental and local benefit – the social economy is important for a municipality, area, and region. The entities use the local resources (material, human), satisfy the local needs, and communicate with the local authority, local entrepreneurs, and organisations of the public sector, public, and citizens. They profess the social entrepreneurship, publish information about themselves and actively participate in local events. They behave ecologically and influence also own employees and surroundings.²¹

²⁰ Dohnalová, M., (2012). *Sociální ekonomika, sociální podnikání. Podnikání pro každého*.p. 29-30

²¹ Francová, P.; Bednáriková, D., (2011). *Studie infrastruktury sociální ekonomiky v ČR – plná verze*.



Picture 2: Triple Bottom Line (source: <http://www.ridg.com/blog/2015/3/26/usfsp-innovation-overnight-design-thinking-and-triple-bottom-line>)

The entities and their management are not completely dependent on a foreign capital nor on public finances and institutions. They have own incomes. People and their work are determining; internal relationships generate the social capital. A legal form of the subject is not a determining factor.²²

3.4. Social Enterprise

To define social enterprise it is applicable to describe social entrepreneurs as the actors and social enterprises as the organisations through which social entrepreneurs act.²³

The social enterprise is an enterprise which has primary social targets and of which benefits are mainly reinvested to the company or to community instead of making maximum profit in advantage of a stockholder and owners. The social enterprises solve a wide range of social and environmental problems and work at all spheres of the economy.

The targets and purposes of social enterprise are primary based on social area. Social enterprise works with the aim to reach social targets as creation of job vacancies and opportunities, education or providing local services based on ethic values, for example qualification increasing of local communities. The result of these targets is “social benefit” or contribution to the society.

The principle of social enterprises using entrepreneurship to reach public welfare is the idea to have potential to create strong, sustainable economies without social exclusion. Many social enterprises enabled individuals and communities to mutually cooperate with the aim of revitalisation their district.

Social enterprise can have many forms which often lead to confused defining of this term. The form of the social enterprise differs in sense of legal status and relation between

²² Dohnalová, M., (2012). *Sociální ekonomika, sociální podnikání. Podnikání pro každého*.p. 32

²³ Katz, R., A. & Page, A., (2010). *The Role of Social Enterprise*

commercial and social aspects of enterprise. It can be voluntary company, cooperatives, mutual company or Limited Liability Company.

Social enterprise refers to all private activities of a common interest organized on the basis of an entrepreneurial concept which do not have a main reason of existence to maximize profit but to satisfy certain economical and social targets as well as to have ability to create an innovative solution of exclusion problem and unemployment by creating of products and services production.²⁴

EMES Network, the group of leading experts in the area of social economy, has developed widely accepted definition of ideal institutional type of social enterprise. The experts have defined distinguishing features in two main dimensions of activity, which are described in the following table:²⁵

| <i>Economic dimension</i> | <i>Social dimension</i> |
|--|---|
| <ul style="list-style-type: none"> • Take into consideration of economic risk for starting and maintaining of business activity; • Be financially stable and autonomous on the market; • Employ salaried employees; • Be independent on public administration; • Provide services and/or production of goods. | <ul style="list-style-type: none"> • Explicitly define of social mission; • Establish own enterprise on local inhabitants; • Make own decisions democratically with minimum hierarchical management structure; • Involve wide range of stakeholders from around in activities; • Divide profit among stakeholders with limits and reinvest money back into the similar activities. |

One of the current EU descriptions of social enterprise says that: *“Social enterprises seek to serve the community’s interest (social, societal, environmental objectives) rather than profit maximisation. They often have an innovative nature through the goods or services they offer and through the organisation or production methods they resort to. They often employ society’s most fragile members (socially excluded persons). They thus contribute to social cohesion, employment and the reduction of inequalities.”*

The European Commission defines social enterprise as follows: *“A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for*

²⁴ Dohnalová, M.; Deverová, L.; Petříková, B.; Svoboda, J., (2007). *Sociální ekonomika. Sociální podnikání*. p. 9-13

²⁵ Kolektiv autorů, (2014). *Sociální podnikání. Teorie pro praxi*. p. 42-43

the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.”

According to the European Commission, the term social enterprise covers the following types of business:²⁶

- Social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation.
- Profits are mainly reinvested with the aim to achieve social objective.
- Businesses where the method of organisation or ownership system reflects the enterprise’s mission focusing on social justice.

Social enterprises are often called as hybrid organisations. They have some features similar as charities but other their activities could be connected with business. As it is mentioned several times, purpose of social enterprises is to achieve a social mission, but it is done through using of market mechanism. Social enterprises thus combine aspects of charities and also of typical businesses. It is very important to highlight that their primary objective is to deliver social value to the beneficiaries of their social mission, and their primary revenue source is commercial, relying on markets instead of donations or grants to sustain themselves and to scale their operations.²⁷ This sentence is so important because social aspect of social enterprise can confuse perception and understanding of it. Social enterprise could be perceived as unit dependent on any financial support because entrepreneurs through it employ anyhow disadvantaged people. Entrepreneurs through social enterprise want to create such business thanks to which people socially excluded can be active and able to financially secure themselves. By this social enterprise contributes to society socially and also economically.

According to the European Commission, there are four areas in which social enterprises operate the most:²⁸

- a) Work integration – area in which people with disabilities and unemployed people are trained, educated and integrated.

²⁶ http://ec.europa.eu/growth/sectors/social-economy/enterprises/index_en.htm

²⁷ Ebrahim, A., Battilana, J., Mair, J., (2014). *The governance of social enterprises: Mission drift and accountability challenges in hybrid organisations.*

²⁸ http://ec.europa.eu/growth/sectors/social-economy/enterprises/index_en.htm

- b) Personal social services – areas such are well-being and medical care, health, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people.
- c) Local development of disadvantaged areas – social enterprises in distant rural areas, neighbourhood development, development aid and development cooperation with third countries.
- d) Other – areas such are environmental protection, recycling of any materials, art, sports, culture, science, research and development, consumer protection, etc.

SBI – Social Business Innovation defines social enterprises with its three key dimensions. These dimensions are:²⁹

- a) Entrepreneurial dimension – accountability for economic activity and generating profit;
- b) Social dimension – accountability for social mission and its fulfilling;
- c) Governance dimension – existence of governance mechanism to ensure prioritisation of the social purpose and demonstrate sensitivity to different stakeholder interests.

To comply with the EU definition regarding social enterprise, a subject has to meet several criteria, which are as follows:

- Engagement in economic activity;
- Social aim that benefits society;
- Having limits on distribution of profits or assets to prioritise the social aim;
- Independent of the state or other for-profit organisations;
- Having inclusive governance (means characterised by participatory and/or democratic decision-making processes).

Mr. Defourney gave three characteristics according to which an enterprise can be called as social enterprise. The first characteristic is related to the purpose of enterprise activity. It can be said that targets of social enterprise should serve members or community, instead of generating of the profit. On the basis of this characteristic the following question could be asked: what is the difference between social enterprise and non-profit organisation? While non-profit organisations do not admit a possibility of the profit division among its own members or management, the social economy does not exclude it. The partial profit division is tolerated by the social economy. The common characteristic of social enterprises is thus the partial or the

²⁹ ESELA Social Enterprise in Europe. Developing Legal Systems which Support Social Enterprise Growth

whole profit re-investment into the company development (new technologies, equipments, etc.) or into stakeholders' rewards, apart from those who oversee company.

The second characteristic is related to enterprise resources. An activity of social enterprises can be based on resources resulting from market or from subsidies provided by public authorities. Social enterprises can also use non-monetary sources in the form of voluntary work or gifts.

The third characteristic depends on concrete organisational methods. An organisation of the third sector should be independent, self-governing, with own decision-making authorities. Social economy also emphasizes an approach based on participative dynamics. This means that social economy promotes involving of paid workers, volunteers, users and other actors into the management and control of organisation.

On the basis of these characteristics a working definition of social enterprise was created, and it was presented by EMES. The definition is based on characteristic of social enterprise on the social and economic level. This definition has a form of "ideal type" of social enterprise. It cannot be said that enterprise which does not comply with all criteria is not a social enterprise. On the basis of given definition the areas in which this or that enterprise lags behind social enterprises can be defined. The "ideal type" of social enterprise can be described as follows:

- a) On the economic level, social enterprise should be economically active, should accept economic risks, have a high degree of autonomy and have at least a minimal share of paid work. According to these criteria social enterprise should have a defined range of economic activities focused on goods production or providing services and actively participate in activities on open market. In connection with it social enterprise should be ready to take an economic risk. Prosperity and sustainability is fully in the hands of enterprise's employees. The criterion of autonomy or self-governance of social enterprise defines its independence on public institution or on other organisations. As it is already mentioned, social enterprise has an opportunity to receive subsidies or gifts, decides individually about possible expansion or termination of its activities. The last criterion says that each social enterprise should pay wages to its employees.
- b) On the social level, social enterprise should be socially beneficial or beneficial for specific group of people. It should be established on the basis of collective initiative. Decision-making power should not be depended on amount of invested capital. It should have a participative character and profit generated from its activities can be redistributed only to the limited extent. It could be said that social benefits is the main

criterion of social enterprise. Activities, which are done by social enterprise, have to be beneficial for chosen group of people, community, or for whole society. Social enterprise is a social responsible entity. Its establishment should be as the result of initiative of people with common goal or need. The amount of invested capital should not have an impact on decision-making power because each of members of social enterprise should have only one vote. By the engagement of employees, costumers, clients and other stakeholders in decision-making process related to company management and communication the participative character of social enterprise is ensured. And finally, as it is already mentioned, within social enterprise it is possible to partly redistribute the profit, nevertheless the most of the profit should be reinvested back into the enterprise and its functioning.

In reality, the general characteristics mentioned above can lead to different concrete types of social enterprise. Kim Alter divides social enterprises into the three main categories. He did it on the basis of emphasize which enterprises put on social and economic goals and by this he differ the types as follows:³⁰

- a) Embedded social enterprises – entrepreneurial activities and social programmes can be understood synonymously. Entrepreneurial activities are put on social programmes and the other ways around social programmes are based on revenues from economic activity. Social programmes are self-financed through the profit from business. Because entrepreneurial activities and social programmes are fully interconnected, it leads to fulfilment of social and economic goals simultaneously. As an example of embedded enterprise can be bank models of micro-financing.
- b) Integrated social enterprises – this type describes such model of business in which social programmes cover entrepreneurial for-profit activities but are not synonymous. Social and economic programs often share costs, assets and program attributes. Relation between social programmes and entrepreneurial activities is synergic – add value to each other. Integrated social enterprise can be represented as enterprise consisting of two parts which have different but mutually supporting goals. For instance managing of two hospitals by one entrepreneurial subject where in one of them “rich” patients pay for services and in the second one the collected money are used for medical treatment of “poor” people can be as an example of integrated social enterprise.

³⁰ PIRSON, M. A. (2009) Social entrepreneurship: a blue print for human organizations? p.253

- c) External social enterprises – programmes with social value are different from for-profit entrepreneurial activities. Economic activities are not connected with organisation of social programmes or social services. In this model the symbiosis or harmony of social mission with business activities is not expected. The relation between entrepreneurial activities and social mission is supporting, when the profit from entrepreneurial activities serves for financing of social activities. Such enterprises can be established by non-profit organisations which then use the profit and revenues for reaching of own social targets.

3.5. Social Entrepreneurship

Where entrepreneurship is widely acknowledged to bring growth and economic wealth to the society, social entrepreneurship is supposed to play the same role in creating social wealth in times where pressing social and ecological needs are abundant.

The social entrepreneurship has wide and various meanings in legal and business academic literature as well as in the popular press.

Considering that social entrepreneurship is quite new phenomenon, many definitions can be found. One of them is as follows: *“Similar to conventional entrepreneurship, social entrepreneurship involves the provision of goods or services. However, the provision of the product or service is not an end in itself, but an integral part of an intervention to achieve social objectives, thereby contributing to social change. Thus, rather than being only economic endeavours, SE initiatives aim primarily to pursue a social mission and ultimately transform their social environment.”*³¹

Another definition which describes social entrepreneurship from different perspective is as follows: *“Social entrepreneurship is strategic investing that generates two interrelated results: social progress and financial return. Social entrepreneurship approaches a social problem in the same way a traditional business entrepreneur approaches a market opportunity.”*³²

3.5.1. Social Entrepreneur

According to Ashoka, which is world organisation supporting social enterprises, *“social entrepreneurs are individuals with innovative solutions to society’s most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new*

³¹ Mair, J., (2012). *Organizing for Society: A Typology of Social Entrepreneurship Models.*

³² Kerr, J., E., (2007). *Sustainability Meets Profitability: The Convenient Truth of How the Business Judgment Rule Protects a Board’s Decision to Engage in Social Entrepreneurship.*

ideas for wide-scale change. They are visionaries, but also realists, and are ultimately concerned with the practical implementation of their vision above all else. While a business entrepreneur might create entirely new industries, a social entrepreneur develops innovative solutions to social problems and then implements them on a large scale."³³

Professor J. Gregory Dees, one of the pioneers of the field of social entrepreneurship, defined the steps by which the social entrepreneurs should play the role of change agents in the social sector:

- Adopting a mission to create and sustain social value, not just private value,
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand,
- Exhibiting heightened accountability to the constituencies served and for the outcomes created.

After defining these steps, Professor Dees said: "The closer a person gets to satisfying all these conditions, the more that person fits the model of a social entrepreneur." Dees based his definition on the "social mission" which distinguishes social entrepreneurship from regular business entrepreneurship which is defined by Dees as seeking the creation of "private benefits" through "financial returns or consumption benefits." However, it does not mean that Dees limits social entrepreneurship to organisations with social missions that also seek to make a profit or earn income to further and sustain those missions. According to the broad Dees' definition, a social entrepreneur can:³⁴

- Operate solely within the non-profit sector, where he is seeking grants or donations to fund mission of his enterprise;
- Operate within the business sector and fund the mission of his enterprise by using an earned income strategy;
- Operate as a hybrid organisation with characteristics of non-profit as well as for-profit business.

Professor Dees was also CASE's co-founder (The Centre for the Advancement of Social Entrepreneurship). In the article published by Erin Worsham on the CASE's website, the entrepreneur is considered as follows: "*Social entrepreneurs do not just have to create a business model that works, but that business model must balance financial viability and social*

³³ https://www.ashoka.org/social_entrepreneur

³⁴ Blount, J.; Nunley, P., (2014). *What is a „social“ business and Why does the answer matter?*

impact. It is a difficult challenge and leads social entrepreneurs to constantly refine or redesign their business models to achieve more robust, scalable, and efficient impact.”³⁵

Many other definitions of social entrepreneur are based on the same basic principle regarding social mission and social activities. However these definitions differ in other important aspects, particularly if a social entrepreneur must operate like a business and earn income to fund its social mission. The following definition is focused on seeking financial return, but also furthering a social mission: “*The term social entrepreneur is used to refer to one who is willing to create a CSR, corporate social responsibility, firm at a financial loss. The latter sacrifices financial return but gains social satisfaction. Social entrepreneurs are shown to be willing to absorb a financial loss to form a CSR firm and may prefer to form a CSR firm rather than a profit-maximizing firm.*”³⁶

3.6. Traditions of social enterprise and social entrepreneurship

As the terms ‘social enterprise’ and ‘social entrepreneurship’ are defined, it needs to be recognised that that two different traditions exist.

The first tradition is older and in Europe it is more widely understood as collective tradition (including cooperatives, community business, and social firms). This tradition tends to place a lot of emphasis on stakeholder participation.

The second tradition is newer and is emerging mostly in America and UK. This tradition represents much larger individual social entrepreneur movement, which tends to put most emphasis on social impact. It can be represented by any organisational form that best deliver such social impact.

The following table more describes these two traditions.

| <i>EU-style Social Enterprise</i> | <i>US-style Social Entrepreneurship</i> |
|-----------------------------------|---|
|-----------------------------------|---|

³⁵ <https://centers.fuqua.duke.edu/case/2011/03/16/dees-clark-on-the-edge/>

³⁶ Baron, D., P., (2007). *Corporate Social Responsibility and Social Entrepreneurship*

| | |
|---|--|
| <ul style="list-style-type: none"> • Collective action • Labour movement or government response to social issues • Incremental building of social capital and assets • Solidarity and mutuality • Accommodation stakeholders • Democracy (bottom-up governance) • Third sector | <ul style="list-style-type: none"> • Individual action • Entrepreneurial (market) response to social issues • Fast effective achievement of social outcomes • Champions and change agents • Adherence to a 'vision' • Philanthropy (top-down governance) • Any sector |
|---|--|

Distinguishing of traditional approaches to social enterprise is important when looking at the ability of social enterprise to create employment for disadvantaged groups. Many subjects utilise social enterprise to create self-employment, rather than employment in firms.³⁷

3.7. Marketing

Marketing is a social and managerial process of which help people get what they need or what they desire on the basis of commodity production and its exchange for another commodity or for money. It includes a process of planning and concept realizing, creation of prices, promotion and distribution of ideas, goods and services with the aim to create such exchanges which satisfy the goals of individuals and organisations. Marketing is a set of all human activities focused on intermediation of value exchange, it represents an activity of all individuals and organisations focused on recognition and satisfying of human needs. This happens on the basis of exchange of valuable products with others by which individuals and groups obtain what they need and require.

3.7.1. Social marketing

Social marketing represents technique usage of business marketing for analyses, planning, implementation, and evaluation of programmes which have an intention to influence voluntary behaviour of the target groups. It should be done correctly and it should improve personal benefit as well as benefit of the society.

3.7.2. Marketing of the social enterprises

Universal definition of success on the market does not exist. Each of the enterprises or organisations has to use its own imagination, ideas and skills in order to create and realize an effective marketing programme. Effective marketing requires a good overview about what

³⁷ Cox, G., Southcombe, C., (2013). Albania report. Social Enterprise Europe

happens in the world, inside or outside of the organisation. Effective marketing program depends on thorough understanding of the past, current reality and trends of the future. The social enterprise has to understand its role in order to well target its marketing efforts.

Marketing is a way of recognition what people want and need. It is a way how to connect individuals and groups which want or need something, with them who can satisfy their wishes and needs. It is focused on satisfaction of clients, customers and consumers.

Strategic planning and marketing planning create an important partnership. The social enterprise uncovers and understands wishes, needs and characteristics of its own target groups. The social enterprise, which wants to survive, has to be ready on innovation as well as on risk connected with it. The part of management is to undergo an adequate risk – such which shifts the organisation to the future without significant threat of its resources. An ability and willingness to be changed and to grow are necessary in the social economy.³⁸

Marketing of the social enterprises becomes a component significantly influencing its success in the competitive environment. The identification of a customer of the social enterprise and creation of value for customer is the key moment of putting together a marketing strategy. The value is not a quantity of absolute meaning, but it is a relative quantity. The needs and financial resources, in other words purchase power of the customers, differ among people. The roots of this difference lie in different motivational accent of the customer on preferences and extent of saturation of his needs. Natural economic effort of each customer is by money to reach as high satisfaction of his needs as possible. The value extent of product for the customer is a final motivational factor for buying such product. But it is obvious that the effort to maximize value for the customer has its own limits which are:

- a. Undesirable, i.e. too high or too low size of by customer demanded utility
- b. The size of purchase power of the customer

The entrepreneurially behaving producer on the way to maximize value for the customer cannot exceed above mentioned limits as regards his products. He should choose the way of:

- a. Optimization, no utility maximization, which is provided by produced product or provided service
- b. Optimization of costs with tendency to its maximization needed for production and utilization of produced product.

³⁸ Dohnalová, M.; Deverová, L.; Petrlíková, B.; Svoboda, J., (2007). *Sociální ekonomika. Sociální podnikání*. p. 15-16

4. Development of the social enterprise

The term social enterprise was unknown in the past, although far into the history, intellectually similar phenomenon could be found. The modern concept of the social enterprise started to emerge, according to the literature, in 90s of the 20th century.

4.1. Development of the social enterprise in Europe

In Europe the social enterprise as a new concept was set up also in 90s in connection with the cooperative movement. In 1991 the Italian Parliament accepted the law determining a special status of the social cooperatives which in this period in Italy extraordinarily increased. The cooperatives initially substituted for the society missing public services but with the development of social state and basic services the sense of social enterprises shifted from the fundamental services to the other social problems and started to be more connected with the social innovations and solutions of actual societal challenges. With the year 1990 the first significant attempts started to emerge which tried to make a research of the new phenomenon - social enterprise. The magazine *Impresa* was one of the first subjects who were focused on exploring of entrepreneurial intentions with social content. The research continued in other countries and in 1996 a net of 15 states, member countries of the EU, was created. The net dealt with the research of the social enterprise. Everything was speeded up in 2002 when Blair's government established the Coalition for the social enterprise and socially entrepreneurial union for education of the population about the social enterprise with the aim to mainly promote the social enterprise. During this activity the first list of social enterprises was created in the United Kingdom and also the first definition was drafted.³⁹

Significant step forward in understanding of the social enterprise in Europe was caused by the net EMES which to a large extent unified the understanding of the social enterprise.

If we compare America with Europe the social enterprises have the same feature – reaching social targets. The social enterprises are established with the idea to solve certain social problem. In Europe, the striving for social change has collective character based on group initiative and shared effort. Therefore from the beginning this concept was developing strongly hand in hand with cooperative system. In many European definitions the conditions such as democratic character and collectivity of management of the social enterprises are set.

The European approach emphasizes using of non-market resources – public finances. It reflects the traditional difference in relation of the state and non-profit sector in Europe and USA. The American approach sees the social entrepreneurship as fully non-profit-making

³⁹ Borzaga, C.; Defourny, J., (2001). *The Emergence of Social Enterprise*

which have to return the whole profit to the business. The European approach allows partial division of the profit among owners or often among members of the social enterprise.⁴⁰

4.1.1. Models of social enterprise in Europe

The European Commission emphasizes in Europe 2020 Strategy one of the three priorities of European governance for smart, sustainable and inclusive economy: inclusive growth – a high employment economy delivering economic, social and territorial cohesion.⁴¹ The Strategy integrates the social economy and social enterprises as a medium and long term solution for good governance in time of crisis and also in post-crisis times.

The elaboration of action plans in social enterprises domain at European level has its roots in national experiences and traditions. In Europe three reference models exist: British, Italian and French models.⁴²

a) *British model*

The British model of social enterprise represents a reference model at European as well as international level. The social enterprises have a clear mission at national level, which is: *”social enterprises do not exist to create shareholder value; they exist to create social or environmental value. They create that value through trading activities and generating wealth in their communities and like any other business, they seek to make a profit. The differences come in why they trade, how they work and what they do with that profit – for social enterprises, social impact is the most important.”*⁴³

British government supported the development of social enterprises by creating Social Enterprise Unit within the Department of Trade and Industry in 2001. In 2011, Department of Business, Innovation and Skills created a guide for legal forms of social enterprises which emphasizes these categories:⁴⁴

- a) Category 1 – Unincorporated forms
- b) Category 2 – Incorporated forms

The specificity of the British model is that the social enterprise benefits from the maximum trust and support of the government in all intervention areas. Public services are delivered and reformed by the capacity of providing improved services – by combining enterprise elements, social purpose and customer focus, local innovation, impact, variety and high quality of

⁴⁰ Dohnalová, M., (2012). *Sociální ekonomika, sociální podnikání. Podnikání pro každého*

⁴¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>

⁴² European Commission, (2013). *Social economy and social entrepreneurship.*

⁴³ Social Enterprise UK, (2011). *Fight back Britain. A report on the State of Social Enterprise survey.*

⁴⁴ Department of Business, Innovation and Skills, (2011). *A Guide to legal forms for social enterprise.*

services. Social and financial inclusion is done through the employment and training possibilities for disadvantaged persons.⁴⁵

b) Italian model

The Italian model of social enterprises is recognized by the social cooperative movement and it is considered a reference model across Europe and at global level, by the legal approval of social cooperatives in 1991 by adopting the Law 318/1991 on social cooperatives.⁴⁶ This law about social cooperatives, *cooperativa sociale*, defines such type of organisation by its mission of “following the general interests of community by promoting social and humanity integration through:⁴⁷

- a) Health and educational services management
- b) Accomplish agricultural, industrial, commercial or services activities with the aim of work integration of disadvantaged people

According to an institutional perspective, Italian movement of cooperatives strongly influences the development trends in the third sector in Europe. Besides the influence on discussion in the third sector, the existence of Italian social cooperatives represents the source of inspiration in creating EMES European Research Network. The experience of social cooperatives in Italy determined the public organisations’ position in adopting a new vision on the third sector – the legal regulation of social enterprise. In 2005 in Italy the Law 118/2005 on social enterprises discipline was adopted. It defines the social enterprise as the private non-profit organization with the main activity based on economical production or exchange of goods and services of social utility, for achieving the general interest.⁴⁸

The Ministry of Labour and Social Policies is managing the complementarities between corporate social responsibility and the third sector organisations, the active citizenship and civil society.

The main activity domains of social enterprises in Italy are: health and medical assistance, environment, trade, information and communications technology and tourism.

⁴⁵ Department of Business, Innovation and Skills, (2002). *Social Enterprise: a Strategy for Success*.

⁴⁶ Spear, R.; Bidet, E. (2003). *The Role of Social Enterprise in European Labor Market*.

⁴⁷ Law 381/1991 on social cooperatives art. 1.

⁴⁸ Law 118/2005 on social enterprises, art. 1.

c) *French Model*

In France, the social economy is represented by legal private persons democratically governed by all stakeholders in reaching the enterprise's mission and in applying management principles for maintaining or developing the enterprise's activity.

In France in 1999, a new phenomenon of the social enterprise was mentioned in the context of European debates which was identifying two main categories:

- a) Work integration social enterprises
- b) Social focused enterprises (services provision)

In 2013 the legislative project dealing with social and solidarity economy mentioned the organisations which can produce and provide goods and services. These organisations are: cooperatives, mutual, foundations and associations and commercial societies for social utility.⁴⁹

4.1.2. Development in the European Union

In EU social enterprises are perceived as a business model that can support economic growth and social progress. Since 2012, the European Commission has been supporting social enterprises through policies under the Social Business Initiative. The main aim is to create the right-ecosystems of support to drive the growth of social enterprises. In 2014 in Strasbourg, more than 2000 social entrepreneurs and stakeholders from the whole Europe met to agree some key actions for the future regarding social enterprises. The main concluded thought made by all representatives was: *“There is no part of Europe that cannot benefit from social enterprises. At this time of economic crisis and with the challenges of an ageing population, youth unemployment, climate change and increasing inequalities, Europe needs more social enterprises.”* According to this thought the representatives agreed on a key recommendation which was: *“In partnership with the social enterprise sector, Member States, regional and local authorities must fully support the growth of social enterprises and help them build capacity. For example through legal frameworks, access to finance, business start-up and development support, training and education and public procurement.”*

According to the ESELA (The European Social Enterprise Law Association), legal frameworks play an important role in any eco-systems for social entrepreneurship.⁵⁰

⁴⁹ Sandu, Ch.; Haines, R., (2014). *Theory of Governance and Social Enterprise*.

⁵⁰ ESELA Social Enterprise in Europe. Developing Legal Systems which Support Social Enterprise Growth

4.1.3. Social Business Initiative

The European Commission has identified social enterprises as subjects contributing to smart, inclusive and sustainable growth and as catalysts for social innovation. Social enterprises are key for the social and economic transformation sought by the Europe 2020 Strategy.

In 2011, the European Commission established the Social Business Initiative (SBI). The SBI was created with the aim to introduce a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation. The initiative is implemented in close partnership with stakeholders in the sector and EU countries. The plan contains 11 priority measures, organised around three themes which are:⁵¹

- Theme 1: Making it easier for social enterprises to obtain funding
- Theme 2: Increasing the visibility of social entrepreneurship
- Theme 3: Making the legal environment friendlier for social enterprises

José Manuel Barroso, President of the European Commission 2004-2014, said that: *“Social business can be indeed a very powerful agenda for change. To deliver better outcomes for the common good. To show that it is possible to do things more responsibly and more fairly, whilst still being a success on the market. And to become a real engine of growth in the EU. Europe must not only be part of these changes. Europe should be in the lead.”*⁵²

4.1.4. Development of the social enterprise in the Czech Republic

Social enterprise was developed from the 19th century until the Second World War and then it was interrupted. Social enterprises started to emerge again from 90s of the 20th century as a new phenomenon in specific conditions of social and economic transformation of the society.

The roots of social enterprises in the Czech Republic can be found in the philanthropy which is characterized by Frič as “help for socially weak groups of civil society.”⁵³ The first basis in the form of cooperatives can be found in Europe in 40s of the 19th century. It was also like phenomenon of the Industrial Revolution. The First Republic was a period of the boom of civil and religious organisations. In this period also many foundations and associations were established. Mrs Dohnalová has stated that Tomáš G. Masaryk highly influenced the

⁵¹ http://ec.europa.eu/growth/sectors/social-economy/enterprises/index_en.htm

⁵² ESELA Social Enterprise in Europe. Developing Legal Systems which Support Social Enterprise Growth

⁵³ Frič, P., Goulli, R. (2001). *Neziskový sektor v ČR*

establishment because he saw the basic moral principle of society in philanthropy.⁵⁴ The reason why new philanthropic and charitable organisations were established also could be tough time of economic fluctuations and crisis which were reflected in society. From this period of the First Republic another person should be mentioned, Tomáš Baťa, whose factories had some characteristics of social enterprise. Baťa's entrepreneurial approach, which is nowadays called as socially responsible, was based on three pillars: economic, social and environmental.⁵⁵ Besides these mentioned pillars, care of employees should be also highlighted. Baťa secured housing for his employees in so called "Baťa's houses", organised leisure activities, gave gifts parents for childbirth, financially supported long-time ill employees, he cared of children of his employees, company employed blind people, etc.

The association, foundation and cooperatives life was interrupted by the Second World War. After this period, such life was restored again but communist regime in the year 1948 suppressed it. Representatives of social economy were transformed into state-owned enterprises where they lost some of their typical features, mainly their independence. After the Second World War in the central and east Europe cooperatives and organisations of the third sector were influenced by communist pressure related to collectivism of private and cooperative sector. The representatives of communism dissolved many foundations and associations and by this they got rid of the rest of voluntary organisations. The boom of social economy came in the central and east Europe in 90s of the 20th century. It happened thanks to democratization, decentralisation and structural changes which also caused fast growth of unemployment and deepening of social differences. It also changed the policy of European Union which advices countries to solve the problem of social exclusion and unemployment.

The revitalisation of social economy occurred again after the "Velvet Revolution" in 1989 and it can be characterized as an effort to build on the traditions of the First Republic which was accompanied with revitalisation of cooperatives. The cooperatives failed to build on the tradition and mainly the bad experience with credit cooperatives led to the loss of confidence of people in such form of enterprise.⁵⁶ During 90s of the 20th century the first social enterprises of the type WISE (Social Enterprise for Work Integration) were established and since 2000 the concept of social economy is shaping, as we know it today. From this point of view the history

⁵⁴ Dohnalová, M; Průša, L., (2011). *Sociální ekonomika*.

⁵⁵ Kunz, V. (2012). *Společenská odpovědnost firem*. p. 70-74

⁵⁶ Francová, P.; Bednářiková, D. (2011). *Studie infrastruktury sociální ekonomiky v ČR – plná verze*

of social enterprise in the Czech Republic is short because it involves approximately two decades of its shaping.

In the Czech Republic, and also in other European countries, it is still an ongoing debate about what social enterprise is, which subjects can be considered as a subject of social economy, which do not belong to this category and if already existing European concepts and approaches can be used in the Czech environment. Within this discussion in 2007 NESEA was established. It is an expert group for social-economic activities. In 2009 TESSEA, thematic network for development of social economy, built on the NESEA's activities. TESSEA unites students, entrepreneurs, non-governmental and non-profit organisations, universities, etc., with the main aim to promote social economy and social enterprises and increase public awareness and support development of social economy.

According to TESSEA social enterprises do entrepreneurial activities benefiting for society and environment. Social enterprises play significant role in local development and it often creates work opportunities for people with health, social or cultural disadvantage. The profit is mainly used for further development of social enterprise. For social enterprise it is important to generate the profit as well as to reach social benefit.⁵⁷

The Czech Republic has still not adopted legislation or legislative regulation related to social enterprises and no one from the public authorities this concept administers. In 2004 during the conference in Krakow Defourny presented several main barriers which hamper in the central and eastern European countries acceptance of the concept of social economy. He mentioned these reasons:⁵⁸

- Governmental policy which emphasize power on free market,
- Distrust of cooperatives and associations, negative perception of people who connect it with communist regime,
- General distrust of solidarity negotiations at the level of entrepreneurial activity,
- Problem with mobilization of financial as well as human resources.

TESSEA has defined WISE – integrated social enterprise (see Appendix 5 – TESSEA definition for a WISE). This definition determines that publically beneficial goal of integrated enterprise is employing and social integration of people disadvantaged on the labour market. Principals of the enterprise of the WISE type have been expanded by the requirement to develop work

⁵⁷ Francová, P.; Bednářiková, D. (2011). *Studie infrastruktury sociální ekonomiky v ČR – plná verze*

⁵⁸ Dohnalová, M; Průša, L., (2011). *Sociální ekonomika*

competences of disadvantaged employees and support of employees which should lead to increasing of work productivity. Abilities of all employees should be taken into consideration.

4.1.5. The questionnaire survey of social enterprises in 2015 in CR

P3 – People, Planet, Profit o.p.s. organised for the third time telephone survey in order to map situation of social enterprises in the Czech Republic. Within the survey P3 chose a quantitative research method. Firstly, researchers of P3 created a database of social enterprises operating in the Czech Republic. The total number of social enterprises which were asked was 151.

This survey has found out that:

- The most widespread activity of social enterprises is plant care and cleaning,
- The most of social enterprise operates in Prague,
- The enterprises employ mainly handicapped people,
- The average annual turnover in the last two years is 4 514 541Kč (based on 96 responses),
- 98 (65%) asked enterprises received subsidy from the Structural Funds – 62% from the Operational Program Human Resources and Employment; 7% from the Integrated Operational Program (calls no. 1 and 8); 18% of enterprises received subsidies from the both programs; 13% of all asked enterprises stated other calls and programs,
- Only 76 enterprises answered if they operate also after financing from subsidies – 19 from these enterprises are still financed from subsidies; 38% of enterprises did not reduce its operations, some of them even expend the operations; 18 (24%) said that their situation got worse. It leads to lower amount of employees or lowering of salaries.
- 49% (from 123 respondents) of enterprises answered that they have to solve mainly operational problems; 37% have to solve problems with the target group; and 24% do not have time for development and planning,
- 33% (from 123 respondents) of enterprises do not have a marketing and communication plan; 31% miss a competent person; 14% cannot seek new customers,
- 67 respondents (from 123) confessed problems and more than a half mentioned one or more lacks in the area of trade and contracts,
- 78 respondents (from 123, it means 63%) mentioned one or more lacks in the area of finance – in the most cases the enterprise is dependent on financial support, for instance on subsidies or money from the structural funds (42%); another problem is connected

with the lack of time to find other opportunities of financing (24%); in some cases (22%) systematic financial management is missing,

- In the case of the question “what could help you?” 68% of respondents (from 115 respondents) answered that subsidy can help; 64% answered that subsidizing the employment of disadvantaged people would help; for 43% of enterprises any consultancy would be helpful; and 24% would use a loan,
- 80% of respondents (from 123) think that the law on social enterprises should be created – the reason are, for instance, that many social enterprises abuse its status, or that it could increase proper public and business partners’ perception and awareness,
- 58% from 134 respondents think that an authority for control of compliance with conditions of social enterprises should be established; 32% of respondents is against the establishment and in the most of cases the reason was their fear from administrative burden.

As it is already mentioned, P3 organised three surveys, in 2013, 2014 and 2015. The questionnaires contained nearly the same questions. To be able to describe current situation compared with the previous years, it is beneficial to highlight following facts. In 2014 48% of respondents stated that their enterprise is operating well; 34% chose the average and 16% stated that they failed in business. In 2015 the positive answers rose to 57%, so it was increased by 9%. The amount of average answers increased by 4% and negative answers fell by 11%, it means that only 5% stated that they failed in their business. This can be considered as good development of social enterprises in the Czech Republic.

According to the survey took place in 2015, social enterprises employ in average approximately three times more employees from disadvantaged group in comparison with “normal” employees. In social enterprise on average 13 persons disadvantaged on the labour market work and their job is comparable to job of “normal” employees of social enterprises. Social enterprises, which were involved in survey in 2015, employed in total 1724 disadvantaged people. In the period of two years the average amount of all employees and the average amount of disadvantaged people is increased. This fact reflects an important role of social enterprises in the case of integration of disadvantaged people on the labour market.⁵⁹

⁵⁹ http://www.ceske-socialni-podnikani.cz/images/pdf/Socialni_podniky_setreni_2015.pdf

5. Law and Social enterprise

In April 2013, the European Commission asked the consultants ICF and the UK law firm Bates Wells Braithwaite to create a study which would be focused on the shape and nature of social enterprises and their activities in 29 European countries. It was a part of its flagship “Social Business Initiative.” An association of European social enterprise resulted from the idea to map situation of social enterprises. No such group of legal experts existed till that time. ESELA – the European Social Enterprise Law Association was therefore established in January 2015. ESELA’s mission is to play a key role in the development of the social enterprise economy across whole Europe. ESELA is used as a source of knowledge and expertise that can highlight and share good practice, help member states learn from each other and make recommendations about the effect of EU wide laws and policies on social enterprises.⁶⁰

The Mapping Study consists of 850 pages of expert analysis on the law and regulations of Social Enterprise. The study covers different Member States of the European Union and Switzerland. The Czech Republic was represented by Lenka Deverova and Petr Jan Pajas, who are Independent Consultants.

The Study found out that activities of social enterprises are recognised and regulated by some form of legislation in 16 European countries. However, the most of social enterprises tend to use and adapt legal forms which are not specifically designed for them. The Study makes difference between legal status and legal forms. Legal forms relate to the fundamental legal structure of an organisation, and legal statuses attach to a number of Legal forms meeting certain characteristics and affect the treatment of those legal forms. Legal forms are primary legal building-blocks of social enterprises. The examples of social enterprise forms can be found in UK, France and Italy. These forms are especially designed for social enterprises and were created through tailoring and adaptation of already existing legal forms. The presence of such forms reduces transaction costs and risks for social enterprises starting-up. It also increases visibility of them and makes easier to identify and support social enterprises and its growth.

In countries such as Italy and Belgium, there are social enterprise statuses. These statuses can be obtained by a number of different legal forms which meet several prescribed criteria designed to identify and define social enterprises. Such criteria were set by the Social Business Initiative (SBI).

⁶⁰ esela.eu/about-esela/

In Member states, three main types of legal forms used by social enterprises can be found:⁶¹

- a) Non-profit organisations
- b) Co-operatives
- c) Share Companies

The following table describes these three types more clearly.

| | |
|---------------------------------|---|
| <i>Non-profit organisations</i> | <ul style="list-style-type: none"> • Associations, foundations, non-profit companies • May be democratic or controlled by managers • Do not distribute profit • Trade with supporting of a social purpose |
| <i>Co-operatives</i> | <ul style="list-style-type: none"> • Owned and controlled on a democratic basis by its members • Distribute profit from economic activities to its members • Can have a social purpose |
| <i>Share companies</i> | <ul style="list-style-type: none"> • Owned and controlled by shareholders • May trade with supporting of a social purpose • May have other governance characteristics to subordinate profit to purpose |

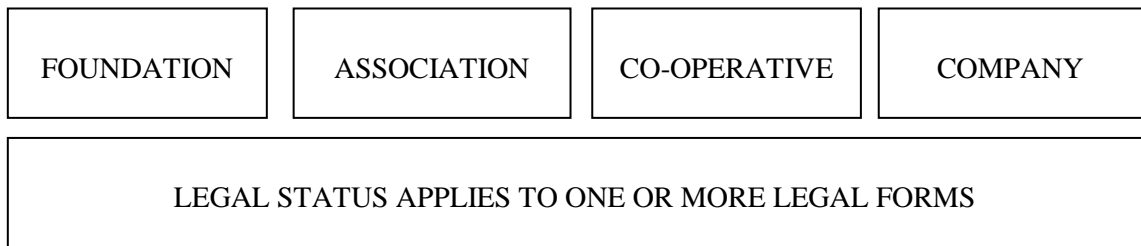
According to the European Commission, there is no single legal form for social enterprises. They function in the forms such as social cooperatives, private companies limited by guarantee, mutual companies, non-profit-distributing organisations – like provident societies, associations, voluntary organisations, charities or foundations.⁶²

Because of no single legal form for social enterprises it is difficult for governments to design and target specialist support or fiscal incentives for them. As it was already written, social enterprises adopt several types of legal forms and statuses. The Mapping study made by ESELA revealed the following types:

- a) Existing legal forms – associations, foundations, co-operatives, companies;
- b) Social enterprise legal forms – exclusively designed for social enterprises through the tailoring or adaptation of existing legal forms;
- c) Social enterprise legal statuses – can be obtained by different legal forms which comply with a number of defined criteria.

⁶¹ ESELA Social Enterprise in Europe. Developing Legal Systems which Support Social Enterprise Growth

⁶² http://ec.europa.eu/growth/sectors/social-economy/enterprises/index_en.htm



According to the legal experts, it is very difficult to identify and support social enterprises, because no legal form made exclusively for them exists. That is the reason why costs and risks of start-ups can be increased and why the visibility of social enterprises can be reduced.

In the Member states of EU several legal concepts can be found, which somehow overlap each other. Therefore it can be difficult to understand and to distinguish them. These concepts can also complicate and confuse discussions about social enterprises. It is obvious in such discussions across borders between people coming from different backgrounds and disciplines, including especially legal practitioners and experts. According to the legal experts social enterprise is primarily a policy concept and not a legal or regulatory concept.

In the Czech Republic, the law related to social enterprises started to be prepared in 2014. Its promoter is the Minister for Human Rights; co-presenters are the Ministry of Labour and Social Affairs and the Ministry of Industry and Trade. Submission of legislative intention to the Government, which should be originally in September 2015, was postponed to the first quarter of 2016.⁶³

⁶³ http://www.ceske-socialni-podnikani.cz/images/pdf/Socialni_podniky_setreni_2015.pdf

6. Challenges of social enterprise

Social enterprise is perceived as a promising tool for creation of social and commercial value. Because of these two sides of its activities social enterprise is at risk of losing side of their social mission in its efforts to generate revenue, a risk referred to as mission drift. The loss of sight of social mission can happen during attempting to survive and to be efficient. Although the risk of mission drift is not specific for social enterprises, it is especially very important for them because of two main reasons:

- a) As it is already mentioned, social enterprises are dependent on commercially generated revenue in order to be able to remain on the market and be self-supporting. In fact they are at risk of putting priority to their commercial activities, which enable them to generate profit and thanks to it they are able to survive, over their social activities, which on the other hand enable them to achieve their social mission.
- b) Social enterprises started to exist because of their social mission. Consequence of mission drift can be critical because it can threaten their sense of existence. If social enterprises lose sight of their social mission, it will cause failing in achieving their goals to deliver social value to their beneficiaries.

Because of these two reasons, social enterprises face a unique governance challenge, which is *how to solve trade-offs or how to establish balance between social activities and commercial activities so as to generate enough profit but without losing sight of their social purpose.*

Social enterprises are responsible for a social mission as well as for making profit; therefore their definition of success includes both dimensions. Oftentimes these dual objectives are contradictory therefore they often create a risk to the mission.

Social enterprises are also responsible to multiple “principal” stakeholders. They often face to different interests of the beneficiaries targeted by their mission and of their funders or investors. This is a reason why multiple principal stakeholders are defined with their different objectives. The key role for governance is in such case to avoid mission drift and to get managers to be responsible in such settings.

7. Research – Chosen Actors of social enterprises

Within the processing of the diploma thesis the main aim was to contact chosen organisations and their representatives and get back their opinions if they think that governmental policies play a crucial role in activities of social enterprises. They were asked to answer questions based on their experience and knowledge. The questions were focused on social enterprises' work and if they are able to support each other by themselves or if governmental policies are needed for their support. Before presenting the final results all asked entities and their representatives should be introduced.

7.1. NESEP

The North East Social Enterprise Partnership represents social enterprises. The partnership helps to deliver positive social, economic and environmental change. The main aim of the organisation is to represent and support social enterprises in the North East of England. It is a membership organisation, which means that social enterprises can apply to become members of NESEP. NESEP members can receive advice and business support from the organisation to help them plan and run their own social enterprises, become more sustainable, reorganise their legal structure, and so on. NESEP also promotes social enterprise activity in the North East of England with events, campaigns and social media/website activity.

According to the own description, the NESEP is run by social enterprises for social enterprises. The organisation is engaged in several activities, such are:

- Informing of news, events and opportunities relevant to social enterprises,
- Introducing of social enterprises, their services and products,
- Representing social enterprises – the organisation help with forming of strategies, policies and procedures that could affect business of social entrepreneurs,
- Providing social enterprises with support through appropriate sources of advice and finance, which lead to saving of their time,
- Connecting of social enterprise with other social enterprises – this activity increase business opportunities.

Besides social enterprises, the organisations offer support also for other organisation, which would like to cooperate with social enterprises. In this case the NESEP provide following activities:

- Informing of all relevant facts, information and issues concerning social enterprises in the North East region,

- Providing organisations with support to work with social enterprises,
- Arranging a communication and delivering messages between organisations and social enterprises,
- Connecting with other people or organisations working with social enterprises in the North East region.

NESEP is a company limited by guarantee and without share capital. The company is owned and controlled by its members. The management of the company is ensured by a board of directors who are responsible for it. The amount of these directors should not be less than four and not more than twelve. The company uses the elections of directors which are divided into more groups according to who is choosing them. Social Enterprise Members may nominate and elect six directors, Associate Members may nominate and elect two directors and up to four other directors may be co-opted by the board.

According to the NESEP the central purpose of social enterprises is their social or environmental purpose. By this they differ from many commercial businesses which would consider themselves to have social objective. Social enterprises do not maximize shareholder value but their main aim is to generate profit to further their social and environmental goals. The NESEP have highlighted information that according to 2005-2007 data from the Annual Survey of Small Business UK, there are approximately 62,000 social enterprises in the UK with a combined turnover of at least £27 billion. At that time social enterprises accounted for 5% of all business with employees, and contributed £8.4 billion per year to the UK economy.⁶⁴



Picture 3: Logo of NESEP (source: <http://nesepe.co.uk/>)

Bob Stoate

He works at the North East Social Enterprise Partnership (NESEP). He is an administrator, which means that he is responsible for helping the day-to-day operations of the organisation go smoothly. He arranges meeting with clients, helps to write bids and reports, manages the

⁶⁴ <http://nesepe.co.uk/about/>

compliance for EU funding claims, and things like that. He also delivers some elements of business support, particularly those relating to IT matters. He works closely with the Chief Executive and the Business Development Manager. His role at NESEP encompasses a range of digital research, project co-ordination, communication and operational support activities, in concert with delivering business support to NESEP clients that includes digital and ICT issues, accreditation and bid-writing.

7.2. Social Enterprise Europe Ltd

SEE is a leading and innovative company in the field of social enterprise. It has values led business developing social enterprise throughout the world. The company aims to create a fair and equitable society, high quality of life for all and a sustainable planet. Its expertise is in making strategic interventions that make a difference to communities and social wealth organisations. SEE's approach is to challenge thinking and beliefs, creating space for enhancement.

SEE works across all sectors to cultivate knowledge and understanding of social enterprise, promoting the benefits for public policy and encouraging good governance and efficient management practice. SEE develops resources and materials to spread its ideas and inspires others to follow.

Social Enterprise Europe is a forward thinking and dynamic business which collaborates extensively with a range of like-minded partners to achieve extensive impact. SEE is founded by Cliff Southcombe and it is a Company Limited by Guarantee. Its directors are based in UK, Sweden, Germany, France and Italy and its associate consultants are based in Europe, Middle East, Africa and Far East. Its Associates are all leading experts in governance, legal structure, social auditing and all aspects of social enterprise and social entrepreneurship. SEE is a co-operative network of educators, consultants and social enterprise advocates in four continents. SEE has worked in over 43 countries in the past two decades.

In 2012, SEE and two of its Directors co-founded Social Enterprise (CASES) Ltd, the world's first FairShares Company which delivers co-operative and social enterprise support and management services. In 2013, three SEE directors co-founded the FairShares Association to protect, develop and promote the FairShares Brand and Model of social enterprise development.

Company members, associate consultants and Social Licence holders have been leading social enterprise development in their respective countries for more than 20 years.⁶⁵



Picture 4: Logo of SEE (source: <http://www.socialenterpiseurope.co.uk/>)

7.2.1. FairShares Association

The association promotes the FairShares Model, a new brand and model for self-governing social enterprises operating under Association, Company and Cooperative Law. It offers multi-stakeholder approach through its integration of entrepreneurs, producers, consumers and investors. Its advocacy of Creative Commons manages members' intellectual property.⁶⁶

According to FairShares Association, there are many social enterprises which are focused on poor people. But very important and needed also is to be focused on sharing wealth and power more fairly. The following statements say how the FairShares Association is seen by its co-founders.

Rory Ridley-Duff, Assistant Professor of Co-operative and Social Enterprise, Sheffield Business School, co-Founder of FairShares says that: *"I see FairShares as a way for every person to become a co-owner of organisations they work for, buy from and need to secure their well-being. We have devised a new approach to sharing control..."*

Cliff Southcombe, Managing Director, Social Enterprise Europe Ltd, co-Founder of FairShares says that: *"For me, FairShares emerges as a direct continuation of our original (social enterprise) movement – a bit like a ship out of the fog powered by the latest engineering – reminding us of our founding values..."*

Steve Wagstaff, Co-operative Group, South Yorkshire & Chesterfield, co-Founder of FairShares says that: *"Intense concentrations of wealth have been caused by the private corporation. The FairShares Model of co-operative enterprise distributes surpluses equitably. It is a much-needed part of the social economy's infrastructure..."*

⁶⁵ <http://www.socialenterpiseurope.co.uk/>

⁶⁶ <http://www.fairshares-association.com/>

Nicola Dickins, Co-founder of Make It Happen Consultancy, co-Founder of FairShares says that: “*The ability to enfranchise those who put in money, those who use an organisation and those who work for it, is hugely appealing. It is the future development of social enterprise and a more democratic society...*”⁶⁷



Picture 5: Logo of the FairShares Association (source: <http://www.fairshares-association.com/>)

Rory Ridley-Duff

His day job is Reader in Co-operative and Social Enterprise at Sheffield Business School, Sheffield Hallam University. He is also a non-executive director of Social Enterprise Europe Ltd, Co-operative and Social Enterprise Support Ltd, the FairShares Association Ltd, and a board member of the International Co-operative Business Education Consortium. All of the organisations he devotes his time to are engaged in providing management and entrepreneurship education, research, and consultancy to social enterprises (including the university).

Rory has authored three books, 37 scholarly papers and two novels. One of the books is called *Understanding Social Enterprise: Theory and Practice*. It has helped to establish the field of social enterprise studies in four continents. His latest book brings together 15 years of social economy research to make *The Case for FairShares*.

Rory’s research has been accepted for publication in many journals: Corporate Governance: An International Review; Human Relations; International Journal of Entrepreneurial Behaviour and Research; Social Enterprise Journal; etc. He has also won best paper awards from Emerald Publishing in 2011 for a paper on ethical capital, and from the 31st Institute of Small Business and Entrepreneurship Conference (ISBE) for critical research on the Social Enterprise Mark. In 2014, he published the world’s first social enterprise novel – *The Dragons’ Apprentice*.

Cliff Southcombe

⁶⁷ <http://www.fairshares.coop/>

He was the co-founder of the Social Enterprise Partnership, the UK's first social enterprise development agency, and is now the managing director of Social Enterprise Europe. He was recently elected as a UK representative to the Euclid network of European Third Sector Leaders after forming many social enterprise agencies and networks throughout Europe, and building an international profile through training and development work for the British Council. In addition to delivering social enterprise courses at Hull University, Cliff has provided a range of bespoke and accredited training courses for more than 20 years. Cliff is one of the founders of the social enterprise movement and is committed to the promotion and development of Social Enterprise world-wide. He is imaginative and innovative in his work and has a thorough grasp both of the barriers and risks associated with social enterprise development and the amazing benefits that social enterprise can deliver.

7.3. Social Enterprise UK

Social Enterprise UK is an organisation which provide not only social enterprises with several service. Its representatives help for example run effective campaigns carry out robust and respected research to help paint a picture of the UK's social enterprise movement, build networks between social enterprises, raise the profile of people and social enterprises in the sector, etc. Besides offered services, the organisation runs the annual UK Social Enterprise Awards with the aim to recognise the high achieving organisations and people in social enterprise.⁶⁸



Picture 6: Logo of SE UK (source: <http://www.socialenterprise.org.uk/about/about-us>)

7.4. P3

People, Planet, Profit o.p.s. was established in 2011. It is a Public Service Company. The mission of P3 is to promote social enterprises in the Czech Republic. P3 is a respected professional company which outwardly behaves transparently. The main values of the company are: professionalism, trustworthiness, and openness. P3 in its activities is a partner of government, local government, entrepreneurial sector, and the media. Its activities are utilised by general public, public administration, universities and research institutions, non-

⁶⁸ <http://www.socialenterprise.org.uk/about/about-us>

governmental and non-profit organisations, commercial subjects and current and potential social enterprises and social entrepreneurs.

The activities of P3 which are connected with social enterprises are following:

- It promotes and supports social enterprises in CR
- It coordinates the Thematic network for social economy TESSEA
- It provides consultancy, organises seminars and workshops
- It administrates www.ceske-socialni-podnikani.cz, it is the biggest source of information about social enterprises in CR



Picture 7: P3 logo (source: <http://www.p-p-p.cz/>)

7.4.1. TESSEA

The Thematic Network for Social Economy is a platform of opinions uniting individuals, entrepreneurs, non-government and non-profit organisations, universities and other institutions which are connected by a common interest – to promote social economy and social enterprises with the aim to increase public awareness.



Picture 8: TESSEA logo (source: <http://www.p-p-p.cz/cz/165-co-je-tessea2>)

Petra Francová

She is a founder of P3; she works for a long time in the non-profit sector where she is engaged on social problematic. With cooperation with British Know-How fund she established network of civil advisory centres in the Czech Republic. From 2003 she has been dealing with the European Social Fund – firstly at the Ministry of Labour and Social Affairs in the Department of Aid Management of the European Social Fund, and then in the Civil Society Development Foundation, where she was responsible for the regranting programs financed from the EU funds.

Since 2004 she has been engaging in issues of social economy and social enterprises. She worked as an expert the National Thematic Network for Social Economy in the program EQUAL where she coordinated a creation of principles and standards of social enterprises for the Czech Republic. After, she co-founded New economy (Nová ekonomika, o.p.s.), where she managed the project Thematic networks for development of social economy TESSEA. She is a director of the company P3 – People, Planet, Profit, o.p.s.⁶⁹

7.5. COOSS

COOSS Marche provides health care and social services, as well as training and educational services to the people in need. It directly owns and manages residential homes, kindergarten, daily centres; main users are: elderly, disabled, minors at risk and, in general, disadvantaged people.

COOSS is certified by Marche Region as provider of VET Agency (Vocational Education and Training) and AE (Adult Education) Centre. The Training and Education services concern mainly the qualification of unemployed people and the professional re-training of people employed in health and care sector. Trainees might also be disadvantaged groups (people with special need) and Health and Care providers for training and counselling initiatives (service management).

About 800 trainees per year participate to VET and AE courses developed and provided by COOSS Marche.

Since 1993, the Research and Development Department has been surveying, analysing, developing, exchanging and testing best practices on the following areas:

- Education (ERASMUS+, LLP, EIF, FSE, etc.)
- Social challenges (Progress, Daphne, Equal, Youth, etc.)
- Research and Technologies (AAL, FP, CIP-ICT PSP, etc.)
- Cooperation (INTERREG, IPA Adriatic, EuropeAid, etc.)

COOSS hosts also an Employment and Vocational Guidance Services Area with the aim of accompany people in the definition of an educational and/or professional project, particularly through the development and promotion of individualized professional training and active job search. This Area develops research and analysis in order to verify and monitor constantly

⁶⁹ <http://www.p-p-p.cz/cz/o-nas>

changes and offers from the labour market, with the support the entire Department which is active for many years in the field of interventions insertion social-work aimed at people with high fragility (the disabled, immigrants, prisoners, etc.).

The integration between the areas of the Department and the constant discussion with the local and national European, they have led to the development of a system of services and diversified centric user needs.

COOSS counts today about 48 millions € of turnover and reinvest the profit back into the enterprises in improvement of services.



Picture 9: COOSS logo (source: <http://www.cooss.it/en/>)

Romina Boraso

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7.6. Social Enterprise Lanka – additional organisation

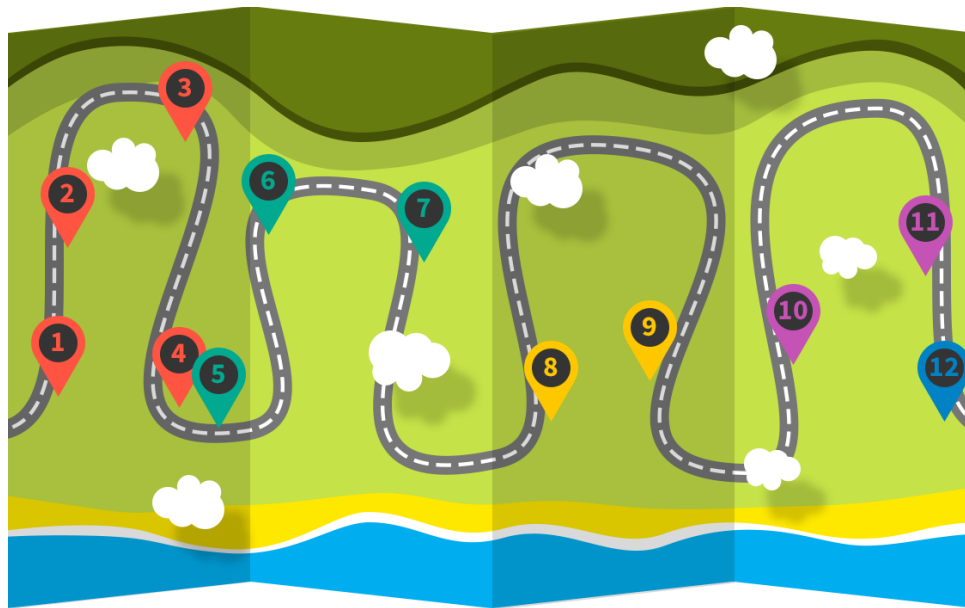
Social Enterprise Lanka is only one example of newly established organisation which does not have several years of experience. This organisation was established by Eranda Ginige and Anoka Abeyrathne. Both of them are professionals doing social and environmental 'good', cooperating with many public, private and third sector organisations. Social Enterprise Lanka was created with the main aim to build and support the social enterprise sector in Sri Lanka. The founders believe that this is only way how the biggest problems could be solved by found sustainable solutions.

What is the need of such organisation operating in Sri Lanka? Social Enterprise sector there is in its “infancy”. At least 1000 entities in Sri Lanka can be considered to be social enterprises. A few companies operate there which identify themselves as social enterprises and many others do not even know that they could be running a social enterprise. Another important fact is that the most social enterprises are at start-up stage so they need services such are consultancy and seminars which will help them to operate in the proper way.

Social Enterprise Lanka wants to create a strong position of social enterprise sector. It knows which areas of support should be covered by its activities and services. These are for example:

- Business planning,
- Sales,
- Working capital,
- Product design,
- Development,
- Impact investment,
- Need of measuring and reporting of social, environmental and economic impact (measured and reported against global standards),
- Need to be recognised and rewarded for achievement.

Social Enterprise Lanka has created a plan for the future which contains time periods and activities which should be done. The plan is shown by the following picture.



- | | | | |
|--|---|---|---|
| 1 2015 (q1) Social Enterprise Lanka Starts | 4 2015/16 (q4-1) Social Enterprise Awards held | 7 2016 (q3) Impact Investment Fund launched | 10 2018 (q1) Social Stock Exchange launched |
| 2 2015 (q2) Membership drive & media campaign | 5 2016 (q1) BUY SOCIAL Campaign starts | 8 2017 (q1) SE in school & university curriculum | 11 2018 (q4) SE recognised as a sector by the government |
| 3 2015 (q3) First series of training programmes | 6 2016 (q2) Impact Measurement Tool finalised | 9 2017 (q4) Legal registration model introduced | 12 2019 (q1) Social Value Act implemented |

Picture 10: Plan of the building the social enterprise sector in Sri Lanka (source: <http://socialenterprise.lk/wp-content/uploads/2013/10/Social-Enterprise-Lanka-Strategic-Road-Map-V1.png>)

Social Enterprise Lanka wants to share all information, experience, knowledge and skills with all social enterprises which became its members. The membership is for free and the vision is to have everybody's information in one place, so it is easier to plan, share it with others and be considered and presented as one sector. Therefore the Social Enterprise Lanka is searching for social entrepreneurs everywhere in Sri Lanka to create a huge community. Its purpose is to build a thriving social enterprise sector in Sri Lanka by 2025.⁷⁰



Picture 11: Social Enterprise Lanka logo (source: <http://socialenterprise.lk/#post=711>)

⁷⁰ <http://socialenterprise.lk/#post=711>

8. Questionnaire Survey

As it is already mentioned in the methodology, to be able to make a research the questionnaire survey was created. The main aim was to choose such respondents who have long-term experience with social enterprises and who have a wide overview of this topic. The reason, why concrete social enterprises were not chosen is that organisations which are cooperating with them and providing them with a wide range of services have better overview and can evaluate the concept of social enterprises on the basis of long-term experience and knowledge gained from such cooperation. The organisations can evaluate and describe wider situation and this ability is not based only on one social enterprise and its experience as it would be in such case when concrete social enterprises would be asked within the survey. The questionnaire survey with all questions is presented by Appendix 1.

For the research already described organisations were chosen because they have been working with social enterprises for a long time and they are able to evaluate current situation. The representatives who have answered on the asked questions are such persons who are highly educated in the area of social enterprises and have such experience and knowledge which enable them to be experts in this area. Very important aspect also is that the chosen organisations with its representatives have experience based not only national situation but they cooperate with other organisations within the whole Europe as well as with the world. This fact makes them more important for the area of social enterprises as well as for questionnaire survey made for the thesis.

The most of the respondents are persons having written their own publications and articles. It shows that they are real experts in the field. The advantage of questionnaire with open-ended questions is that respondents could describe their feelings, can describe current situation based on their own experience and they are not limited by exact types of answers. Such research gives not numerical data but answers consist of more words and describing what respondents think and know.

The questionnaire research is consists of such questions which are focused on social enterprises and their roles. As it is already written, the concept of social enterprises is quite new and especially it is still developing. What can really influence the development of social economy and social enterprises is culture, history and public awareness. Nevertheless these areas differ among European countries. Even when we are speaking about the same concept, the real situation is different in European countries. That is also one of the reasons why five

organisations coming from different countries were chosen for the research. Because when we would be focused only on the Czech Republic and environment here, it provides only one side, one perception and probably one limited experience. But more valuable is when we can such concept, as social enterprises are, can compare with other European countries.

As it is already written in the methodology used for the research, four main questions were defined which should be covered by the research and its results. The first question is if social enterprises are able to act without help provided by government and its policies or if social enterprises are able to support each other by themselves without any governmental help. This question and especially answers on it are very important because governmental policies differ across Europe and besides this very important also is that social enterprises do not have its own legal form which would be used in European countries. Because governmental policies differ within Europe and governments have different approaches to this concept it is very interesting to find out how the role of governments are perceived by organisations helping social enterprises.

The second question which should be answered by the results is if the concept of social enterprises is perceived by the same way among all five chosen organisations. As it is written, very important role in the perception is played by history, culture, development and environment in which social enterprises are created. We can expect that European countries are similar to each other enough in the case of business and its types. But on the other hand we can take into the consideration not only current situation, when European Union tries to create one unit consists of member states, but also already mentioned history, culture, development of environment which will be always different among countries of European Union. So this is also an important question if such phenomenon as social enterprise is can be perceived similarly or totally differently. For this question a wide range of work of chosen organisations and its representatives is undoubtedly very contributive because all of them are not focused only on national situation and national affairs but they are working internationally through various projects or any other type of cooperation. Thanks to wider range of activities which are connected also with international work the organisations can bring something new to their own environment.

The third question can be described similarly as the previous two. If any uniform type, model or definition of social enterprises at supra-national level is possible is also interesting question because it can be influenced by many aspects. As it was many times mentioned, history, culture,

and environment of each country are different and it can play very important role in the development of social economy and social enterprises. As said before, European Union tries to create a unit of member states so we can expect that also uniform form and definition of social enterprises will be created. But this is the question which can be answered by actors who are working in real situation, who are closely connected with social enterprises and see how this area is changing and developing.

The last question is focused on strengths and weaknesses of social enterprises. According to the articles and publications which provide us with definitions and theoretical facts maybe we would be able to create a list of strengths and weaknesses. We are also able to compare it with “normal” or “common” type of business which is more familiar for us than social enterprises. But the most contributive is to evaluate it on the basis of real situation and not only theoretically. Five chosen organisations have a long-time experience in the field of social economy. For example Czech organisation P3 was established by woman, Mrs. Petra Francová, who is engaged in the topic of social economy and social enterprises since it started to emerge in the Czech Republic. She knows this environment very well and can highlight strengths and weaknesses of social enterprises and she can do it on the basis of her experience from national as well as supra-national experience and knowledge. Also the rest of respondents are experienced people who are engaged in this topic for a long time so they see how this area is changing and developing.

The qualitative method for the research was chosen because as it is possible to notice for such questions is more suitable to choose open-ended answers by which the respondents can express their thoughts, knowledge and own opinion and suggestions. Basically the research results are not based only on questionnaire because the communication with the respondents took several months and every email and any other comment was contributive and bring some additional information.

The following part of this capture brings results of the research.

8.1. Research results

As it was already mentioned, five organisations and their representatives were chosen for the research. Two organisations, NESEP and Social Enterprise UK, come from the United Kingdom, but from different parts of it. The next one is from Italy, another one from the Czech Republic and the last one is working in several European countries such are UK, Sweden, Germany, France and Italy and its associate consultants are based in Europe, Middle East,

Africa and Far East. Some additional information is also connected with Social Enterprise Lanka coming from Sri Lanka, so therefore it is also mentioned in the research.

8.1.1. Are social enterprises able to support each other by themselves without governmental support/help?

As we already know, the environments of social enterprises differ a little bit among the European states. But despite this fact we can still find any similarities. In the case of the first question the most of the respondents concur in such answer that all companies, and does not matter if we are speaking about private companies or other types of enterprises, need governmental support for the beginnings when they are establishing. Beginnings are basically the same and especially social enterprises, which are not on markets as long as other types of businesses need help and support. To be more concrete and specific, for example according to Bob Stoate (NESEP) states can support social enterprise by improving access to social investment, providing or funding business support programmes that recognise the unique needs of social enterprises. He also says that social enterprises can sustain themselves in the long term, but they often need help to get started and to find the balance between the need to generate income and the need to have a social benefit. As Bob has said, the social enterprises have to be balanced between social and income purpose and, as it is also written in the theoretical part of the thesis, this is the biggest challenge for them.

The Czech respondent, Mrs. Petra Francová representing P3 organisation, says that their perception of governmental role was changed during the period since they began to work with social enterprises until now. She says that firstly they do not agree with strong government interventions nor with any defined legal form, and still she can see weak points of governmental role in this concept. The most important for her is that the concept and idea of social enterprises is based on people initiative so it is created from the bottom and it is not fallen within the state or government authority, that's mean that it cannot be created from the top. Social economy and social enterprises are always based on people's effort to bring something innovative, to bring socially positive impact and mainly to create a strong social capital. The environment of social enterprises in the Czech Republic and the area in which they are engaged the most could be a little bit confusing. When we look at social enterprises in the Czech Republic, it seems that its the main aim is to help disadvantaged people and support their employment. However the impact and sense of social enterprises is wider, in the Czech Republic it is caused by Ministries and their policies to support social enterprises in the case of employing of disadvantaged people. Several calls on the basis of which approved social enterprises obtained financial support in the

form of subsidy/grant were organised and it caused that many such enterprises were established with the main aim to employ disadvantaged people. And this fact also changes public awareness because most of the people think that this is the role of social enterprises and nothing else. Such policies which support only certain areas of social enterprise functions degrade a real sense of it.

Another respondent, Dr. Rory Ridley-Duff, Reader in Co-operative and Social Enterprise, Sheffield Business School and SEE representative, says that the best thing governments can do is to maintain a 'back office' role supporting social enterprise network formation and development, updating legal options for sustaining activities, and providing procurement guidelines that legitimate the social value that social enterprises create (particularly co-operative social enterprises). According to Dr. Rory, governments/states have intervened in unhelpful ways when they privilege one approach over another. Lead bodies can have the same effect. In the case that social enterprises support each other without help or contributions of government policies, he thinks that support would be more efficient if free of government, except where network bodies are concerned. He thinks network bodies supporting the sector (and catalysing network development) are a good government intervention in the short-medium term (5 – 15 years), but not long-term. The risk of abuse cuts both ways. Without government, there is a risk of abuse of emerging standards, but the government itself can abuse pre-existing (emergent) standards too. As Dr. Rory is working in the close connection with other actors occupying with the concept of social enterprises, he has heard about such argument that the healthiest social enterprises are those that are most distant from government. To a certain extent he has some sympathy with that view. But he still believes government can play an enabling role.

A person, who is strongly sympathizing with the idea of social enterprises supporting each other by themselves, is Mr. Cliff Southcombe, a Founder Director and manager of Social Enterprise Europe Ltd. He thinks that the role of Governments and States is not as important as some people think. The movement has a momentum that is not that influenced by Government or state policies. It is more important to turn the mirror around – Governments should ask themselves – do they understand social enterprise and what lessons about governance, power sharing, appliance of ethics can they learn from them. Governments should decide where social enterprises can help them best to meet their own goals and then try and support them to do that. He says that social enterprises are getting better at supporting themselves. Like all businesses they need access to good specialist support about law and running their business. The problem is that traditional support, business advisers, accountants and lawyers can be toxic to them because these people do not understand social enterprise and how different they are. One third

of legal advice to social enterprises in the North East of UK (NESEP survey) was wrong. Because of the open nature and sharing ethics social enterprises are better at making good use of social media and informal networks on an international scale and these should be supported. In Myanmar (Barma) SEE is focusing on a cohort of would be specialists (future trainers, consultants, managers) to make sure that they understand the key differences between social enterprise and private sector/NGO practice. The rest they can figure out for themselves. Mr. Cliff also highlighted any examples he has met within his work: In places like South Korea the government supports social enterprise but has a very narrow definition of them and the Government decides the definition. Therefore the tax rebates that recognised social enterprises receive are not available to those outside the definition. In Macedonia there is a similar problem and now the Government wants to tax registered social enterprises in order to pay for the business advice that will be provided by the Government. In the UK the Government supports SEUK but the SEUK model is based on Charities and more democratic and cooperative based social enterprises are not supported by them (supporting the Government agenda).

In the case that social enterprises support each other without help or contributions of government policies Mr. Cliff answered that the support networks that social enterprises are developing are not unlike the ones existing in the private sector – i.e. Chamber of Commerce = Social Enterprise Network. Networks are very difficult to sustain on just membership fees, so the choice they have is to either set up projects or offer consultancy and that can cause them to lose their purpose or they seek Government Funding but then have to obey a Government agenda (like using social enterprise to replace public services). Perhaps the more successful ones are those who simply use social media as a tool to support dialogue (as for example SOCAP does) or the one that Mr. Cliff and some his colleagues have started in North Yorkshire – Totally Socially. It means a social enterprise network with no constitution. All they do is throughout the year find cafes in different towns in their region that have quiet times. They book the café for free during that time and simply invite through the internet all social enterprises to come to that place and meet. There is deliberately no agenda, no speeches and no presentations. People are so happy to meet up in a relaxed atmosphere that the amount of trading and informal advice giving is very high. The cafés of course are happy to get the customers at the time when they would have few customers. There is not real work from the organisers – and now cafes are approaching them.

Mr. Cliff thinks that it is useful for Governments to define their priorities on how they intend to support social enterprise but not try and say what they should or should not be.

In Italy, there is totally different approach to governmental support than it is described above. In Italy, cooperation with public authorities represents one of the main best practices in the development and implementation of support initiatives for social enterprises. An explanation is that cooperatives, which is the most used form of social enterprises, need to interact with public officers who have a good knowledge of the of the social enterprises' sector. In Italy, many non-public forms of support are also available to social enterprises. These initiatives are developed within social enterprise sector as well as within the financial sector. Mrs. Romina, COOSS representative, says that in Italy networks of social cooperatives are well established and these networks enable them to work in consortia to be effective in the market place. Such consortia of social enterprises are funded with membership fees and act at local and national level providing support for the start-up and growth of social enterprises.

8.1.2. Is the concept of social enterprises perceived by the same way among all chosen organisations?

How social enterprises are defined is described in the theoretical part of the thesis. If real situation is the same or if organisations and their representatives see and perceive social enterprises differently, it is a question answered as follows.

Dr. Rory defines that a social enterprise is an organization that applies commercial strategies to maximize improvements in human and environmental well-being; this may include maximizing social impact alongside profits for external shareholders. Social enterprises can be structured as a for-profit or non-profit, and may take the form (depending in which country the entity exists and the legal forms available) of a co-operative, mutual organization, a disregarded entity, a social business, a benefit corporation, a community interest company or a charity organization. They can also take more conventional structures. What differentiates social enterprises is that their social mission is as core to their success as any potential profit. He says that any enterprising activity that creates social value (i.e. has a positive impact on people or the environment) is a potential social enterprise. This extends the concept, whether it takes place through the agency of a formal organisation or not. So, an individual could be engaged in social enterprise (as an activity), and later constitute a legal entity to continue that activity (an organisation). It is the viable social value creating activity that is the essence of social enterprise, in his opinion, rather than the legal person that sustains it.

According to Mr. Cliff, the social enterprise movement is very catholic and the common theme is that instead of doing business to make money for itself they do business to make money for a

purpose. Often that purpose is to help disadvantaged people but it can be many other things including tackling wealth distribution, and for every social purpose there is many social enterprises approaching that purpose differently. Mr. Cliff thinks that it is a core issue, not so much what the definition is but who defines it. For him and his colleagues they have a "working definition" that reflects the current thinking of their Directors, Social Licence Holders and those they are working closely with. They recognise that this will continually change. Their argument is that social enterprise is a movement that continually defines itself driven by forces that are outside government or their policies. One of the reasons, to look at the network organisations, is that they are (or should be) facing the movement and drawing their definition of that movement from the activities, values and views of their members.

In the Czech Republic, the perception of the social enterprises is very similar. It seems that no significant differences would be possible to find out. Mrs. Francová says that social enterprises are as results of such process when people by their activities try to achieve any civil efforts. That is the reason why social enterprises should be created by people/citizens, it means from the bottom, and not by for example municipalities, states, etc. P3 tries to ensure that municipalities cannot set up a social enterprise because if they can it is contrary to the main purpose and sense of social enterprises. If municipalities can establish social enterprise it can cause a preference for such enterprises and it would lead to disadvantaging of others especially in financial support.

In each country which respondents come from the perception of social enterprise is similar. Always we are speaking about the concept which is focused on positive social impact and then on the profit making. We can say that everywhere social enterprises balance between these two sides and within their activities and efforts to remain on the markets they are facing such challenge to stay socially oriented and also generate the profit for surviving.

8.1.3. Is it possible to create supra-national uniform type/model and definition of social enterprise?

According to aspects which can influence types and models of social enterprises, it is presumable that answers on this question can differ much more than the rest of the questions. The respondents most often mention legal form of social enterprises. Such legal form which would be common within Europe does not exist. Furthermore even the most of countries do not have own legal form designed exclusively for social enterprises within their own country. Only Italy is an exception. When we put together all answers we can see that it is not so different.

Dr. Rory thinks that a single legal form for social enterprise would be as limiting as a single legal form for private enterprise. A private enterprise can be anything from a sole trader, to partnership, to private company, to public (listed) company, with an emphasis on bringing capital under private control to maximise profit for (largely absent and passive) shareholders. He expects there to be a similar variety of social enterprise forms that are committed to bringing capital under social (democratic) control to maximise wealth and power sharing amongst (mostly active and engaged) stakeholders.

In his work to-date, he has differentiated charitable trading activities, co-operatives and mutual companies, public service social enterprises and social businesses. Each has different underlying logics and different legal forms to support them, but they all exist ‘for-purpose’ and are driven by social value creation rather than private capital accumulation. Dr. Rory thinks the diversity is helpful.

Mr. Bob has answered that since 2005 in the UK there has actually been a legal form for companies called a “Community Interest Company”, or CIC. This is a form in which the company is legally committed to reinvesting its surplus income into the community it serves. CICs are not intended to be “the legal form for social enterprise”, as such, but many CICs, if not most, are social enterprises by definition. However, he does not think that a single legal form for social enterprises is completely necessary. It’s possible that too strict a legal form would be inhibiting to social enterprise activity – if social enterprise is about using trade to generate social good, we need to encourage companies of all kinds to do this. He and the whole NESEP like to think that social enterprise is something that we “do” rather than something that we “are” – perhaps it is better to say that some businesses are “socially enterprising” rather than “being social enterprises”. Every company, we think, can be socially enterprising, whatever their legal form.

What Mr. Cliff says is that social enterprise is a grass roots movement that is constantly changing and redefining itself. All legal forms available to companies are being used. A unified legal form would be impossible to agree upon and would only serve to hamper the growth of social enterprises.

In the Czech Republic, the perception of social enterprise and its uniform form is similar as above described answers. Mrs. Francová says that a uniform form which would be valid within Europe is not possible. She says that only mutual cooperation on the basis of common features is possible. Nevertheless respondents’ answers in the case of legal forms created within their

countries are a little bit different. As Mrs. Francová said, initially she did not agree with legal form which should be valid within the Czech Republic. She thought that it would limit activities of social enterprises. But now she sees a legal form as a contributive tool. Because her experience with this topic and experience of the whole P3 organisation is the most valuable within the CR, preparing law about social enterprises is created with the cooperation with the P3. The law is not approved yet and some parts are still topics of discussion. For example, it is not clear yet what type of legal form will be valid. Two options exist, either commercial form would be approved or it will be without any limitations.

Italy is totally different than countries of other respondents. Italy is known as one of the few countries with a law on social cooperatives – legal form, as well as a law on social enterprises – legal status. The Law on Social Cooperatives is valid since 1991 and the Law on Social Enterprises is valid since 2006. In Italy there are no marks, labelling schemes or certification systems designed for social enterprises. There are such systems for social reporting which are specifically targeted at social enterprises ex lege and social cooperatives. Social cooperatives and social enterprises ex lege are two legally recognised forms of social enterprises.

According to the Mrs. Francová, countries can have its own social enterprise mark. This kind of “certification” is used more and more. We can find it in UK, also in Finland, etc. Within one country it is possible to define some aspects which should be fulfilled in order to gain a mark. But it cannot limit activities and work of social enterprises. But it is not possible to implement it supra-nationally within the European Union or whole Europe.

8.1.4. What strengths and weaknesses do social enterprises have?

It is mentioned many times that the concept of social enterprises is quite new. It is still developing and changing so therefore it is interesting what strengths and weaknesses it already has, if so. In the case of this question it is also not easy to say if answers will be similar or different.

According to Dr. Rory, the biggest advantage is (or should be) a gradual improvement in well-being, empowerment and self-respect of the stakeholders in a social enterprise. As he said, he can't see any disadvantages compared the private business when the quality of the outcomes for wider society and working people are paramount. Entrepreneurs who – first and foremost - want to become rich would not choose the social enterprise option. Functioning social enterprises offer goods/services that improve well-being, sell them in ways that do not take advantage of the customers/users' ignorance, and produce them in ways that do not harm the

people providing the labour. The best social enterprises do this with a governance system that promotes direct democracy (and where direct does not work, some form of representative democracy).

Mr. Bob and NESEP think that social enterprises are businesses like any other; they are just founded for a social purpose. The most successful social enterprises are those that take the flexibility and the income-generating potential of conventional businesses to deliver a social purpose, rather than relying on grants or donations (after all, businesses that rely completely on grants or donations are more like charities than social enterprises). They think social enterprises are businesses that want to give something back to their communities.

Mr. Cliff has highlighted several areas in which social enterprises have an advantage. These are: use of profits; motivation of workers; loyalty from customers; access to in kind support from volunteers, donations; added value of their products. Another advantage of social enterprise in comparison with other private sector is that social enterprises support each other, share information and companies from other private sector try to destroy each other and compete between each other.

To make a summary of strengths and weaknesses of social enterprises, we can highlight some which were mentioned by respondents.

Strengths

- bring a positive change to people, communities and society,
- it has social benefits in the form of provided facilities to disadvantaged people,
- profits are reinvested back into the organisation/enterprise, it is further used for development new products, services, activities,
- flexibility and freedom of being able to trade commercially whilst still fulfilling social aims,
- Have a big potential for further improvement and development.

Weaknesses

- SEs have to compete in the commercial market and face the same challenges and risks common to all businesses,
- Social entrepreneurs are often less skilled, they miss managerial skills, marketing skills, etc.,
- Public awareness about social enterprises is low (especially in the Czech Republic),

- Incessant balancing between social purpose, social mission and generating profit.
Disadvantage of challenge to maintain itself balanced.

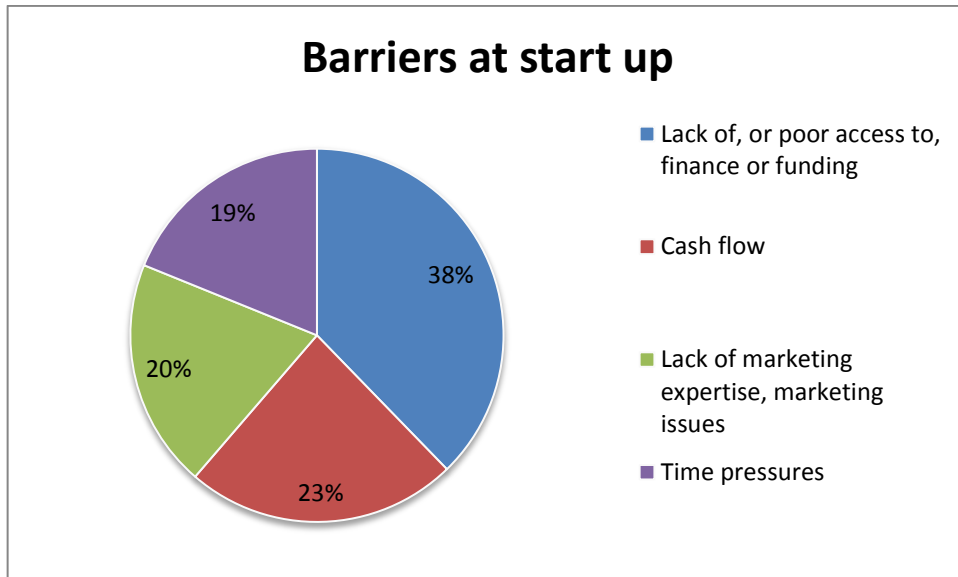
9. Statistical data

The first part of diploma thesis consists of research which brings us opinions of representatives of five organisations. To give another idea of current situation in chosen European regions it is beneficial to mention also statistical data showing us numbers on the basis of which we can compare situations from another perspective. So the second method which was chosen for the diploma thesis is a comparison of statistical data describing each of the chosen European countries.

9.1. United Kingdom

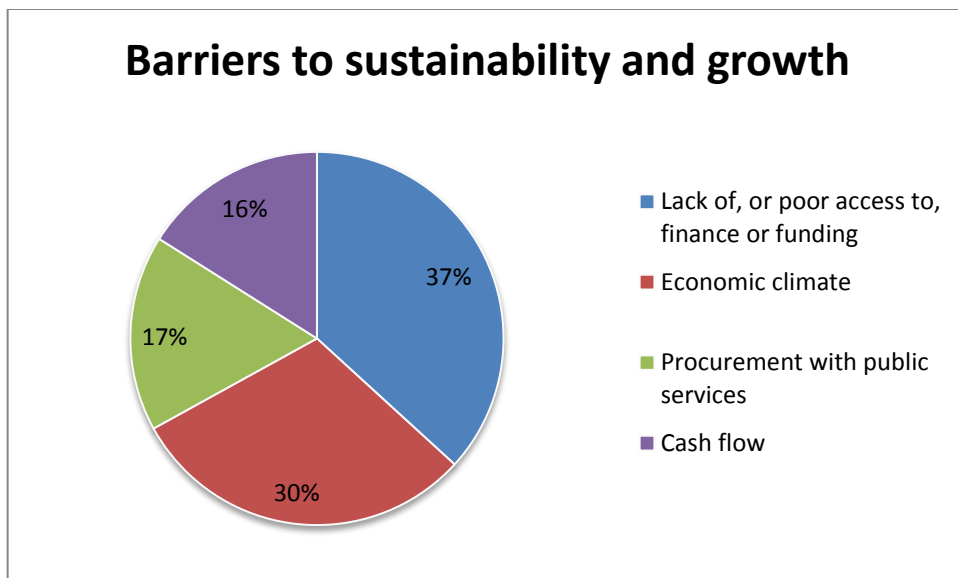
The UK Government defines a social enterprise as follows: *“Social Enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.”*

In UK we can find many publicly funded support schemes for social enterprise. It is on local, regional and also on national level. Social enterprises work/cooperate there mostly through partnerships or networks created by support providers. Social Enterprise UK is one of the specialist providers which offer many different support services. In UK also education institutions, such as the School for Social Entrepreneurs, have been established. Besides such support, in UK there is also fast growing social investment market. It means establishing base of specialist Social Investment Finance Intermediaries which include social banks, impact investors, venture philanthropy funds and Community Development Finance Institutions. The social investment market is supported by UK Government. Many funds financially supporting social enterprises exist in UK so we would say that the environment for social enterprise development is strong there and enterprises are supported not only publically but also financially. But still some barriers which constrain the start up and influence development of social enterprises exist. So we can see that even in UK which seems to have a good environment for social enterprises is not ideal. The barriers and its percentage share are shown in the following graphs.



Graph 1: Barriers at start up

The first graph shows barriers which influence start up of social enterprises in UK. As it is shown, the lack of, or poor access to, finance or funding is still the biggest barrier even though in UK many funds and other institutions which support social enterprises exist. Barrier with the second highest percentage is cash flow and then lack of marketing. The barrier with the lowest percentage is time pressures.

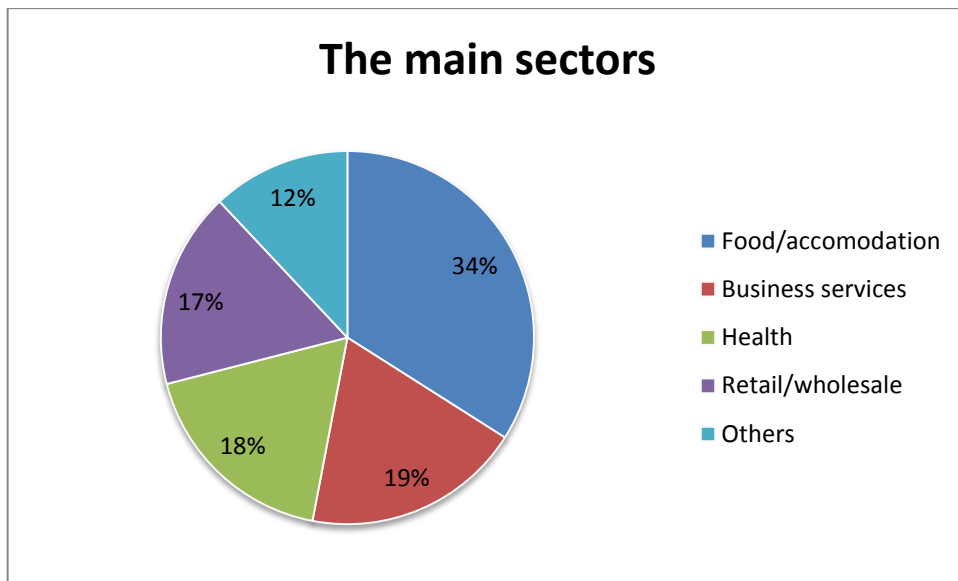


Graph 2: Barriers to sustainability and growth

Graph 2 shows barriers to sustainability and growth of social enterprises. According to the graph we can see that except the first barrier, which is same as in the case of barriers at start up, the other barriers are different. We can see that the second barrier which constrains social

enterprises is economic climate in UK. Social enterprises in UK think that economic climate is still so different for them than for “normal” types of business even though it should be the same with the same conditions. Other barriers are procurement with public services and cash flow, which is mentioned also in the case of start up.

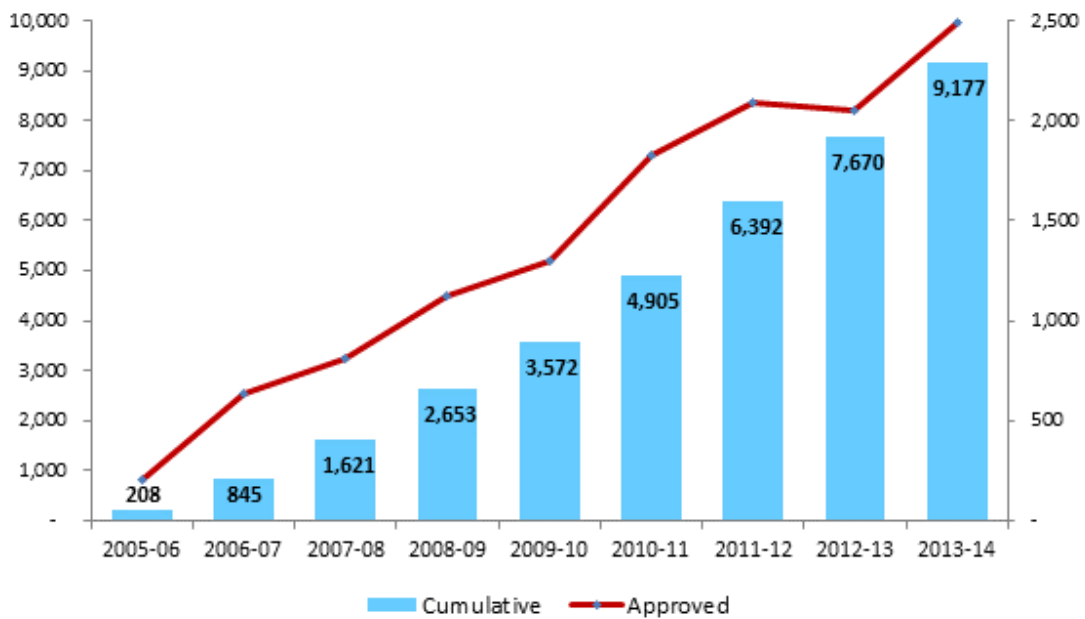
An amount of social enterprises operating in UK is estimated approximately 290 000. But the number of social enterprises meeting the EU operational criteria is significantly lower. It is estimated to be in amount of 80 000, so we can see a big difference between these numbers. The following graph shows in which sectors social enterprises operate.



Graph 3: The main sectors of social enterprises in UK

As it is visible in the graph 3, social enterprises in UK mainly operate in food and accommodation sector. The rest of the sectors has quite equal percentage share. These sectors are: business services, health and retail/wholesale. The last piece of graph is consists of other different sectors.

In the case of legal framework for social enterprises in UK, the community interest company (CIC) was established in 2004. On one hand this company has the same structure as a traditionally company but on the other it requires extra special features which are: requirement only to act in the community interest; an asset stock; a cap on dividend payments. Not all social enterprises in UK have a CIC legal form but nonetheless this legal form is very popular there. More than 200 CICs were established during the first year of its introduction. In 2014 the amount of CICs was more than 9 500.



Picture 12: Growth in CICs, July 2005 to March 2014 (source: Regulator of Community Interest Companies 2014, Community Interest Companies Annual Report 2013-2014, London)

The Picture 11 shows increasing curve of CICs number. We can see significant development.

In UK, the problem is that no only one legal form exists which would be defined for all. Besides CIC a number of other legal forms which are available for social enterprises exist there. It causes that some entrepreneurs are confused about the differences between these types of legal forms. We can find these types of social enterprises in UK: companies limited by guarantee or shares; some fall under the general 'companies' legislation; Industrial and Provident Societies (IPS) – these can be Co-operative Societies or Community Benefit Societies; charities.

Even though in UK uniform legal form for all social enterprises does not exist, the government states that social enterprises must:

- See themselves as a social enterprises and meet this definition: a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners;
- Cannot generate less than 25% of income from trading;
- Cannot generate more than 75% of income from grants and donations;
- Cannot pay more than 50% of profit or surplus to owners or shareholders.

The following table describes how many employees are employed by social enterprises in UK.

Table 1: Estimated number of people employed by social enterprises in the UK (2015)

| | No of social enterprises | Average number of employees per enterprise | Total number of persons employed |
|---|---------------------------------|---|---|
| <i>Sole traders (no employees)</i> | 214 300 | 1 | 214 300 |
| <i>Micro-businesses (1-9 employees)</i> | 58 200 | 3,10 | 180 420 |
| <i>Small-businesses (10-49 empl.)</i> | 13 600 | 20 | 272 000 |
| <i>Medium businesses (50-249 empl.)</i> | 3 100 | 110,2 | 341 620 |
| <i>Large businesses (250+ empl.)</i> | 800 | 450 | 360 000 |
| <i>Working proprietors</i> | - | - | 39 200 |
| Total | 290 000 | 4.0 | 1 407 540 |

In Table 1 we can see that estimated 290 000 social enterprises employ almost 1,5 million people in the UK. When we take into the consideration that the concept of social enterprises is quite new the number of employed people is really high and we can suggest that it will be much higher in the future.

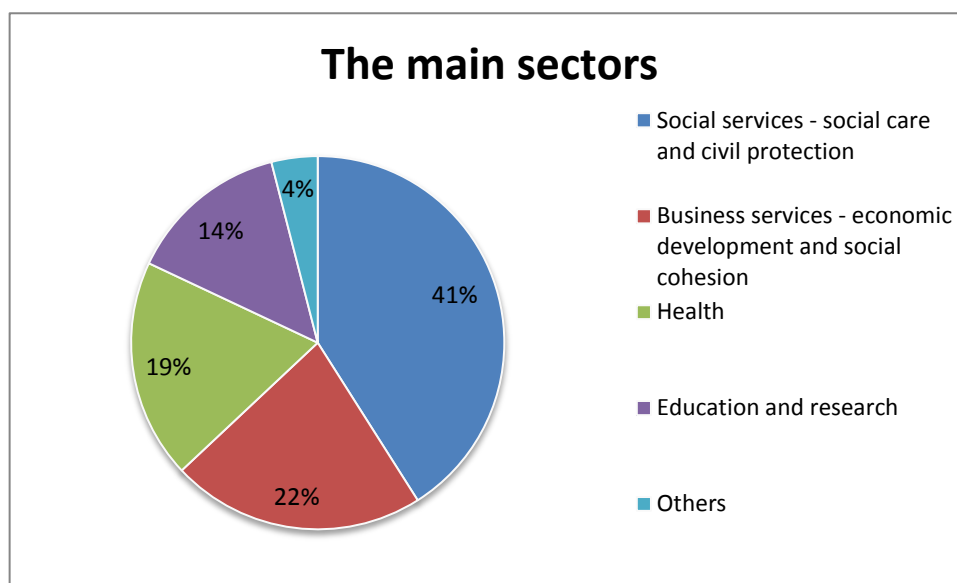
The total turnover generated by social enterprises in UK in 2014 was £164.3 billion.

9.2. Italy

Italy has a longer history of the concept of social enterprises. The term was firstly used in the 1980s there. It was related to the innovative private initiatives established by volunteer groups which had the main aim to deliver social services or help disadvantaged people to integrate in the labour market. Initially these initiatives used existing non-profit legal forms but in 1991 the Act on Social Cooperatives was passed and the initiatives obtained their own distinct legal identity (Law no. 381/1991). Later on in 2005 the Law on Social Enterprises was introduced in order to promote a diversification of sectors of activity (Law no. 155/2006). So as it is already mentioned, Italy is one of the few countries which have a law on social enterprises (legal status). We can also say that in Italy there is very well developed as well as diverse ecosystem for social enterprises, if we compare it to other European countries.

Social enterprises in Italy rely largely on their own financial resources. It is estimated that almost 70% of them are mainly self-funded. The main sources of finances are the contributions from cooperative's members and the surpluses resulting from business activities. The most important form of social enterprises is social cooperatives. They represent almost a third of the stock of social enterprises.

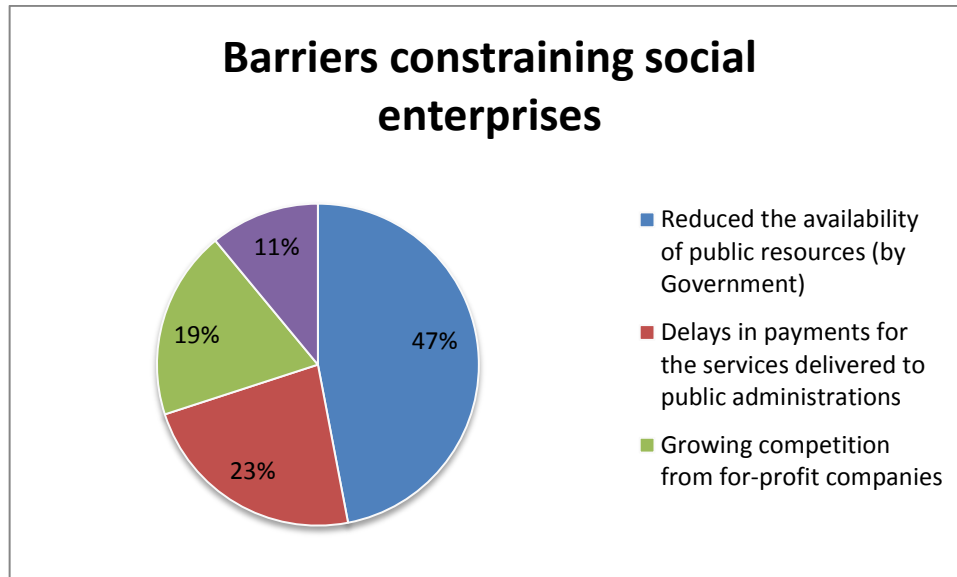
The following graph shows the main sectors in which social enterprises operate the most.



Graph 4: Main sectors of social enterprises in Italy

As we can see in the graph above the sector in which social enterprises operate the most is social services which include social care and civil protection. The second area is business services which mean economic development and social cohesion. The next sectors are health and education. Besides mentioned sectors social enterprises cover activities also in instruction and professional training, environmental and eco-systems protection, development of cultural heritage, etc.

As in the case of social enterprises in UK, also social enterprises in Italy see some barriers which influence their start up or their development and growth. The following graph shows these barriers.



Graph 5: Barriers constraining social enterprises in Italy

It is visible that barriers mentioned by Italian social enterprises are different than in the UK. The first barrier is related to reduction of availability of public resources. It is reduced by the Italian Government in response to the economic crisis. This reduction refers to sectors that are fundamental for social enterprises (mainly the sector of welfare). It has a consequence of reduction of opportunity for social enterprises to expand. But on the other hand it can have also a positive impact. Social enterprises are driven to diversify into new markets and are becoming more innovative. Another barrier is delays in payments for the services which social enterprises deliver to public administrations. This barrier affects sustainability of social enterprises. The third barrier is connected with growing competition which comes from for-profit companies. They start to emerge in some markets which are traditionally served by social enterprises. The last barrier which was mentioned is difficulty in attracting effective managers.

As it is already mentioned, the most of social enterprises are self-financing and the main sources are payments from cooperative's members and profits from business activities. In 2015 almost 40% of social enterprises planned to make investments in 2016 and almost 30% of them will be relied on public finances. In Italy also financial market has favourable conditions for social enterprises. During the last few years innovative instruments in financial market have been created. These instruments are: impact investing, social impact bonds and social venture capital. Besides an ability of self-financing, social enterprises are financed by traditional banks, specialist financial intermediaries, foundations and public grants. Appendix 2 presents

Overview of publicly funded schemes specifically designed for or targeting social enterprises in Italy.

The table below shows an estimation of the number of social enterprises operating in Italy in 2014. So we can expect that the number is a little bit higher this year.

Table 2: Estimated number of social enterprises in Italy (2014)

| | Organisation type | Estimated number |
|--|--|-------------------------|
| <i>Legally recognised social enterprises</i> | Social cooperatives | 12 570 |
| | Social enterprises ex lege | 1 650 |
| <i>De facto social enterprises</i> | Businesses having the term 'social enterprise' in their business name (potential legal SE) | 510 |
| | Foundations | 2 980 |
| | Associations | 11 300 |
| | Cooperatives (excluding social cooperatives) | 1 820 |
| | For profit enterprises | 9 340 |
| Total | | 40 170 |

As we can see in the Table 2, not all social enterprises in Italy are registered as legally recognised. Many organisations, such associations, foundations, etc., have also characteristics typical for social enterprises. Appendix 4 presents spectrum of social enterprise in Italy. The total number (estimated) of social enterprises in Italy in 2014 was 40 170. When we take into the consideration all businesses operating in Italy, social enterprises represents approximately 0.8% of the total business population, with its 514 870 employees (estimation). Appendix 3 presents examples of support initiatives in Italy.

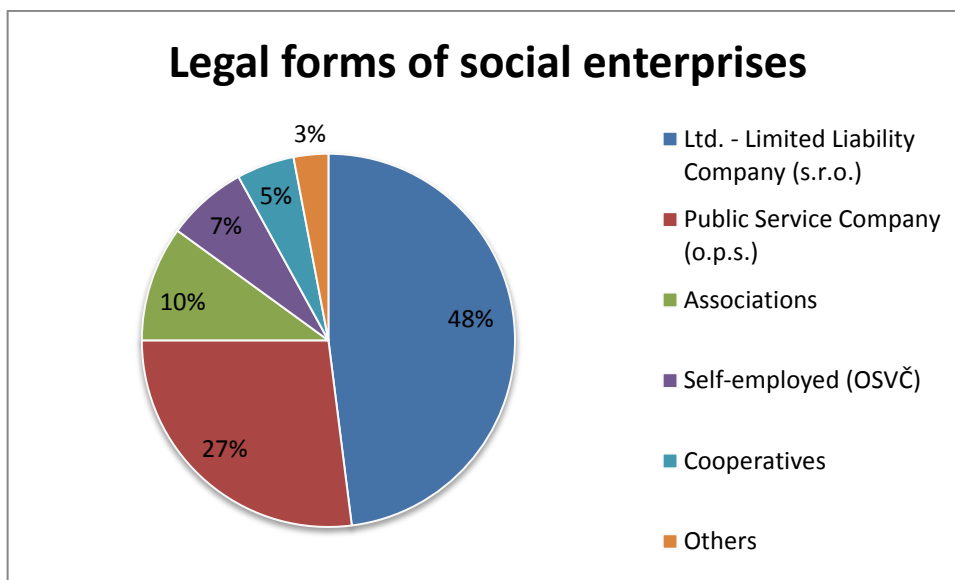
9.3. The Czech Republic

Even though social enterprises are still not defined in national legislation in the Czech Republic and there is no specific policy document which would be specialized in social enterprises a law which will be designed exclusively for such type of businesses is already in the phase of preparation. The organisation P3 is cooperating on this law. Approximately 80% of social enterprises think that such law should exist and should be created. Stakeholders which are engaged in social enterprises in the CR include Ministry of Labour and Social Affairs, Agency for Social Integration, Association of Czech and Moravian cooperatives, etc. Public support for

social enterprises is quite poor in the CR. No systematic policy at national as well as regional policy levels does exist. Public support tends to be characterized by one-off project grants. The only systematic support is provided for WISE – integrated social enterprises. They can claim financial contributions from the Labour Office to employ people with health disabilities.

We can estimate that in CR there are approximately 350 organisations which meet the criteria of EU operational definition designed for social enterprises. However in 2016 it is suggested that this number will be increased because Integrated Regional Operational Program (European Fund for Local Development) through opened calls supports already existing all newly established social enterprises. The type of social enterprises which is supported the in CR are WISEs (already explained in theoretical part in chapter 4.1.4).

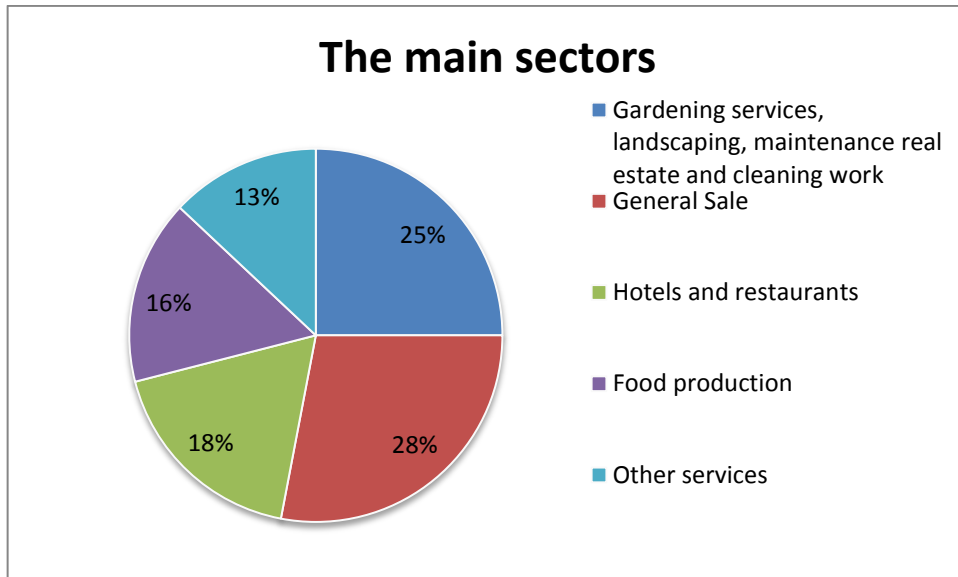
As it was already written, social enterprises in CR do not have legal form which would be designed exclusively for them. It means that social enterprises have various legal forms which are presented in the following graph.



Graph 6: Types of legal forms used by social enterprises in CR

It is visible that almost half of all social enterprises are limited liability companies. The second legal form which is used by social enterprises is Public Service Company. The rest of legal forms, such as association, self-employed and cooperatives, have quite equal percentages.

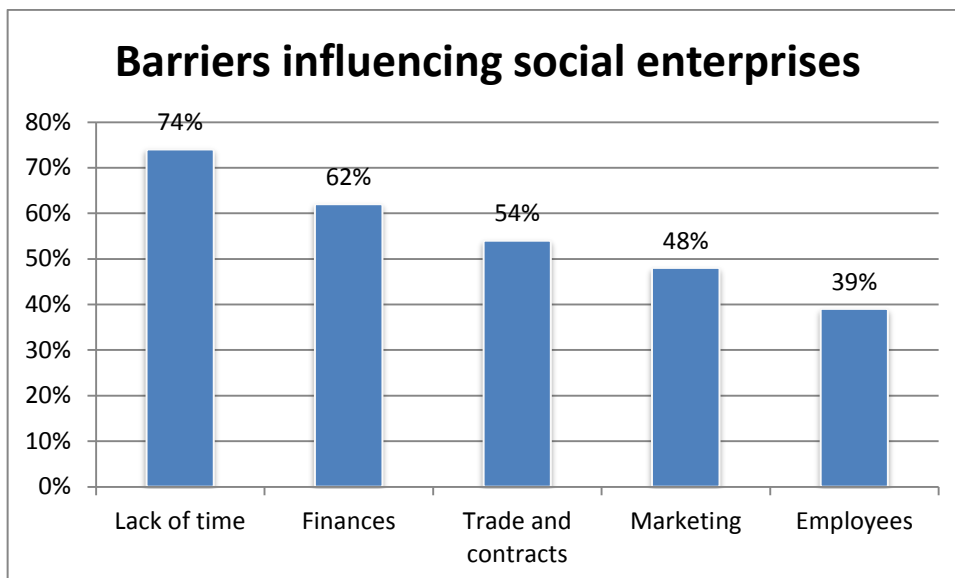
The following graph presents in which sectors social enterprises are operating the most.



Graph 7: The main sectors of social enterprises in the Czech Republic

The sectors in which social enterprises operate the most in the Czech Republic are different than in the UK and Italy. The highest percentage represents general sale, the second area is gardening services, landscaping, maintenance real estate and cleaning work. Social enterprises are also engaged in hotels and restaurants and in food production. In the Czech Republic social enterprises are mainly focused on employment of disadvantaged people. It means that these people are excluded from society because of their mental or physical disadvantage/handicap. The group of disadvantaged people also include former prisoners or people from minorities. These people represent a significant part of all unemployed people and social enterprises try to help to reduce unemployment in CR. The most of social enterprises in CR employ disabled people (67% of SEs).

The following graph shows barriers influencing development, sustainability and growth of social enterprises in CR. The answers were obtained during survey in 2015. Respondents could choose more options so therefore different type of graphic illustration is chosen.



Graph 8: Barriers influencing social enterprises in CR

The lack of time which was chosen by the most of respondents is connected with solving of operational problems which take a lot of time. The second barrier is finances. It means that enterprises are dependent on financial support for instance subsidies, grants from structural funds. The third barrier is trade and contracts, and other is marketing and employees. In the case of marketing, enterprises see that they miss marketing and communication plan or they do not have a competent person for it.

According to the survey took place in 2015, social enterprises employ in average approximately three times more employees from disadvantaged group in comparison with “normal” employees. In social enterprise on average 13 persons disadvantaged on the labour market work and their job is comparable to job of “normal” employees of social enterprises. Social enterprises, which were involved in survey in 2015, employed in total 1724 disadvantaged people so it is estimated that the number is significantly higher in practice. In the period of two years the average amount of all employees and the average amount of disadvantaged people is increased. This fact reflects an important role of social enterprises in the case of integration of disadvantaged people on the labour market.

Average annual turnover of social enterprises in CR in two last years was almost 5 million CZK. The turnover would be higher but many social enterprises were established recently so they were not able to estimate it.

9.3.1. Examples of good practices of social enterprises in the Czech Republic

a) SECONDHELP

Social enterprise SECONDHELP was established in 2010 as a project of Public Service Company '*Možnosti tu jsou*'. The main aim of the social enterprise is through processing and sale of quality clothing from the second hand to create and maintain work places for disabled people for a long time. Social enterprise employs more than 80% of disabled people in its shops. The social enterprise has a model of franchise and thanks to it, it is expanded to other cities in the Czech Republic. The place of origin is Plzeň, and nowadays we can find its shops in Klatovy, Nýrsko, Rožnov po Radhoštěm, Sušice and Valašské Meziříčí. The social enterprise plans to open more shops and plans to be more expanded. Besides employing of disabled people the social enterprise manages all its activities to ensure self-financing and avoid being dependent on grants or other financial support. It is possible to say that SECONDHELP is a successful project because in May 2016 it opened another shop in Plzeň.



Picture 13: Logo of social enterprise (source: <http://secondhelp.cz/>)

b) DUHOVÁ PRÁDELNA

'*Duhová prádelna*' is a small, professional laundry equipped with new and modern laundry machines and driers with daily capacity 200kg of laundries located in Prague. The laundry employees nine professionally trained workers who offer services such as washing, mangling and ironing of shirts. Social enterprise employs more than 50% of disabled people.

The initial initiative to establish this social enterprise was made by non-profit organisation called Společnost DUHA, z. ú., which already 24 years offers social services to adult people with mental disability.

'*Duhová prádelna*' has two main goals:

- Expand the possibilities for employment of persons with disabilities in the open labour market,

- Make a profit, which will be returned to the enterprise's development or to support the founding NGOs.



Picture 14: Logo of the social enterprise (source: <http://www.duhovapradelna.cz/O-Nas>)

The mentioned social enterprises are good practices operating in the Czech Republic. The main thing which should be highlighted in the case of both of these enterprises is that it was created by people with effort to contribute to Czech society. The idea to establish both of them is interesting and moreover it is also creative. Nowadays many people are interested in secondhand shops or in local markets. The idea to establish a net of stores with such orientation and connect it with employing of disadvantaged people is contributive and original. The stores sell clothing and therefore it is able to be self-funded and it does not need any subsidy. A fact that Secondhelp opened in 2016 next store is a proof of prosperousness.

In the second case, Duhová prádelna, it is also an example of good idea to provide such service which would be used by people. Another positive is that it is established by organisation which has a long time experience with providing social services so it knows what is needed and what can be successful.

The both cases meet criteria of social enterprises and definitely can be presented as successful and good practices in the Czech Republic.

9.4. Comparison of chosen European regions: Italy, UK, CR

We already know that the concept of social enterprises is developing differently among the European countries. For the comparison three of them are chosen and even in these cases we can see some similarities as well as differences. The following table compares all data and findings related to the three European regions, UK, Italy and CR.

Table 3: Comparison of chosen European regions

| | United Kingdom | Italy | Czech Republic |
|--|--|--|--|
| Law on social enterprises | No | Yes | No |
| No of social enterprises | 290 000 | 40 170 | 350 |
| No of employed persons | 1,5 million | 514 870 | 2000 |
| Total annual turnover | £164.3 billion | - | 5 million CZK |
| Main sectors | - food/accommodation, - business services, - health, - retail/wholesale | - social services – social care and civil protection, - business services – economic development and social cohesion, - health, - education and research | - gardening services, landscaping, maintenance real estate and cleaning work, - general sale, - hotels and restaurants, - food production |
| Main barriers | - lack of, or poor access to, finance or funding, - cash flow, - lack of marketing expertise, marketing issue, - time pressures - procurement with public services | - reduced the availability of public resources (by Government), - delays in payments for the services delivered to public administrations, - growing competition from for-profit companies, - difficulty in attracting effective managers | - lack of time, - finances, - trade and contracts, - marketing, - employees |
| Social investment market | Fast growing | Fast growing | Poorer |
| Consultancy services and support for SEs | Very good | Very good | Poor |

According to the Table 3 we can see that even in the case of compared three European countries it is possible to find many differences. It is found out that only Italy has a law on social enterprises, which is valid from 2005. The UK does not have it at all but the Czech Republic is preparing its law on social enterprises even though it is not approved yet. In the Czech Republic P3 is cooperating on this law because it is the most experienced Czech organisation. When we compare not only the chapter with statistical data, but also answer of respondents, we can see that some of them think that any law or governmental policies are not necessary for social enterprises. This opinion is typical mainly for those coming from UK, but who have a lot of experience with establishing of social enterprise concept all around the world. This opinion is interesting and also in the Czech Republic, representative of P3 had the same opinion in the past. She and her colleagues though that such governmental “intervention” could limit activities

of social enterprises. But now, they have changed their mind and see that it is needed to create a law on social enterprises and include it into the legislation.

The biggest difference is seen in the case of amount of social enterprises operating in chosen European countries. We can see that the UK has a big amount of them. These enterprises employ almost 1,5 million people and they have £164.3 billion. We can say social enterprises in the UK play an important role and have quite big share on employment and economy. Italy also has a strong environment of social enterprises. It has a strong support there. As it is already written social enterprises represent approximately 0.8% of the total business population. They employ more than a half of million people there. Its turnover is not mentioned so it cannot be compared. However we can say that the share on economy could be also significant because social enterprises in Italy are from 70% self-funded and are able to survive on the basis of own activities. In the Czech Republic the number of social enterprises is low but it is expected that in the near future the number will increase because structural funds support through calls their establishment or maintenance of already existing social enterprises.

In the case of sectors in which social enterprises are operating the most we can find differences. The UK social enterprises operate in food and accommodation, Italian in social services – social care and civil protection and Czech enterprises operate mainly in gardening services, landscaping, maintenance real estate and cleaning work. These sectors represent the highest numbers of social enterprises in each country. Some sectors are similar but others are not. For example social enterprises in the Czech Republic do not operate in health while in the UK and Italy it is also one of sectors with quite high incidence of social enterprises.

The mentioned barriers are quite similar among the UK and the CR. Italy has stated the most different. However, the barrier of finances is typical for all of the countries. The financing is one of the areas which affect social enterprises the most. Even when in the UK and Italy social investment market is growing and many funds supporting social enterprises exist there, enterprises still have a problem with financing. Another problem which affects social enterprises in the UK as well as in the CR is marketing. The social enterprises see that it is one of the barriers which influence their start up as well as development and growth. The third barrier which could be highlighted is time pressure. Social enterprises do not have enough time to solve operational problems and it affects their functioning. They do not have enough experts who would help them with operational issues and who would save time.

When we compare overall situation in these three chosen countries, the UK, Italy and CR, it is visible that the Czech Republic has the weakest social enterprise sector. In CR networks and cooperation among social enterprises is not so strong and also consultancy and other services which are provided to them are poor. In CR many people still do not know what social enterprise is so public awareness is also poor. Of course, we have to take into the consideration that the UK as well as Italy is bigger countries but in comparison to them we can say that CR is still at the beginning of growth of social enterprise sector.

On the basis of the research results and results of above described comparison of social enterprises in the UK, Italy and the Czech Republic we can try to create a model of social enterprises which would be the most beneficial. But the question is: Is it possible? The uniform model of social enterprises is impossible to create because many factors play its role. We can start with history and continue with development of this concept. Both areas are different in each of the countries and also support provided to social enterprises is different. Nowadays because not all countries have a law on social enterprises, in the case of observed countries it is only Italy; social enterprises use many types of business forms. Each of type is characterized by something and it is hard to say which type is the best. It is mentioned that in the Czech Republic, a law on social enterprises is preparing. It is discussed now if social enterprise should have just a commercial form or if it should be without any limitation. Also according to Mrs. Francová (P3 organisation) any uniform model of social enterprises is not possible to create. Social enterprises can cooperate together on the basis of common or mutual features. In the case of social enterprise model, we can also ask if “normal” type of enterprises have a model according to which they operate or are established.

10. Results – summary, discussion and recommendation

10.1. Summary

The diploma thesis consists of two main parts. The first part is related to the theory dealing not only with the concept of social enterprises. Firstly it was necessary to mention definition of the terms such as entrepreneur, enterprise, and entrepreneurship. It is important because social entrepreneurs are closely connected with these terms. It was also necessary for highlighting differences between the terms. In the case of “normal” business as well as social enterprises it is important to know, who entrepreneur is, what activities he does and through what he does it. The biggest difference which should be highlighted between entrepreneurs and social entrepreneurs is effort to generate a profit and making money for own utility. Entrepreneur starts to run a business with the aim to make money and to be profitable. The more money he has the better it is. Entrepreneurs compete between each other and try to be better in supplying of goods and services. Many times we can see a strong rivalry among them. They do not care about any social impact or contribution. They are interested mainly in economic side of their entrepreneurship. But if we compare it to social entrepreneurs so many differences can be found. The most significant is that social entrepreneurs start to run a business primarily because of some social purpose. By their enterprises they want to contribute socially to society. As it is written, social enterprises solve a wide range of social and environmental problems and work at all spheres of the economy. Social enterprises work with the aim to reach social targets such as creation of job vacancies and opportunities, education or providing local services based on ethic values. The principle of social entrepreneurs is through enterprise to reach public welfare. They want to create strong, sustainable economies without social exclusion. Besides social targets, social entrepreneurs do their business not for their own prosperity but they generate the profit with the aim to reinvest more than a half of it back into the company or to community.

According to the theoretical part, we already know that social enterprises belong to the social economy. It is not enough to be interested only in social enterprises because it is only a small part of the whole social economy. It should be highlighted that social economy is created by subjects who are independent on the state. It consists of such organisations and companies which produce goods, services of commercial as well as non-commercial character with the social aim, social mission. Another subject of social economy is enterprise which asserts democratic participation of its members and employees. The last group of social economy is created by enterprises observing goals of solidarity and common interest and which do not

divide its profit between shareholders. Social economy in Europe was mainly connected with associations, cooperatives, mutual companies, foundations and other types of social enterprises which often employ people from the disadvantaged social groups. Nowadays the importance of social economy is increasing and more and more people call for social approaches. The most important characteristic of social economy is that it is created and built on human initiatives and efforts. It is something “new” and socially innovative and it totally changes the sense of enterprises and businesses.

As it is written, the modern concept of social enterprises started to emerge in 90s of the 20th century. In Europe we can say that one of the first country in which the concept started to be developed was Italy. This is also a reason why this country is chosen as one of those observed by the research in the diploma thesis. In Italy the movement was connected mainly with social cooperatives and in 1991 the Italian Parliament accepted the law determining this “special” status. The second country which is chosen for the research is the United Kingdom. One of the reasons is that in 2002 Blair’s government established the Coalition for the social enterprises and socially entrepreneurial union for education of the population about social enterprise with the aim to mainly promote this concept. Because of it we can see that also development of social enterprise concept in the UK started quite early and therefore it is beneficial to mention current situation.

The main aim of the research was to compare current situation of social enterprises in the UK, Italy and the Czech Republic and find out differences, similarities, strengths and weaknesses. The practical part of the diploma thesis which is related to the research is divided into two parts. For the first part of the research five people representing five organisations were chosen in order to provide answers to four main questions mentioned also in the methodology. To compare all of the answers it can be written that in Italy social cooperatives, social enterprises have their own position in society and are perceived as something normal and common. In the UK and in CR social enterprises still find their position although in the UK the situation is better. In the Czech Republic, the problem is that social enterprises are unknown, it means that many people still do not know what it means and public awareness is really low. In Italy as well as UK many networks and services supporting social enterprises exist. Such services are missing in the Czech Republic and it could be one of the reasons why many of them are not able to remain on markets.

In the theoretical part, three models of social enterprises are mentioned and described. These models are British, Italian and French. Because in the practical part British and Italian organisations are a part of the research, it is suitable to highlight these models.

The advantage of the UK social enterprises is that the government started to support the development of social enterprises by creating Social Enterprises Unit within the Department of Trade and Industry and then the Department of Business, Innovation and Skills created a guide for legal forms of social enterprises. What is specific for the British model is that social enterprises there benefit from the maximum trust and support of the government in all intervention areas. Interesting is that the support is significant even though any law on social enterprises is not created there. Maybe it is better, maybe not. According to the respondents, namely Bob and Rory coming from the UK, social enterprises should be supported mainly during its establishment and its beginnings. They need especially financial support. Here it is important to mention that also “normal” companies are often supported so the difference is not so big in this case. The difference is if social enterprises, when their main aim is to achieve some social mission instead of making money, can compete with other private companies which are led by the vision of profit and if they can remain on the market and be attractive for consumers/customers.

The Italian model of social enterprises is recognized by the social cooperative movement and it is considered a reference model across Europe and at global level. Italian movement of cooperatives strongly influences the development trends in the third sector in Europe. Social enterprises and social cooperatives in Italy are determined by the law and the role of the state and government as perceived as important there.

When we compare the answers on the first question, which is *“Are social enterprises able to support each other by themselves without governmental support/help?”* We can find several differences. In Italy social enterprises cooperate with many organisations which provide them with consultancy and support but they are also supported by the government. People in Italy think that the role of government is important in the case of social enterprises. Respondents from the UK agree that social enterprises should be supported by the Government especially during their establishing and beginnings. In the Czech Republic Mrs. Francová says that initially she disagreed with the law on social enterprises because she was afraid that it would limit the activities of social enterprises. But during the years of engaging in this issue she changed her opinion and nowadays she cooperates on and contributes to creation of law on social enterprises

in the Czech Republic. She thinks that the law is needed and social enterprises should be supported, but only to the certain extent. Such governmental support cannot limit the activities of social enterprises.

We can say that social enterprises need governmental support as well as private companies and other types of businesses need it. The difference is that social enterprises try to have as huge positive social impact as possible and that is the reason why it is beneficial for them to be a part of any network and share information and experience based on good practices. Governmental support should work but to a certain extent.

One of the respondents, namely Cliff Southcombe, is the most “controversial” in comparison with others. He is a representative of Social Enterprise Europe Ltd. and he is sure that governmental policies are not important for social enterprises. He says that the concept of social enterprises is still changing and governments cannot know what the best is for it. He also says that governmental interventions can influence the main aim of social enterprises because they will want social enterprises be somehow beneficial for them. He cooperates with many organisations across the world and he helps establish the concept of social enterprises for example in Sri Lanka (the organisation is described in the sub-chapter 7.6), Myanmar, Vietnam, etc. According to Cliff social enterprises should be interconnected through some network or organisations which help them with all necessary issues.

The second question is *“Is the concept of social enterprises perceived by the same way among all chosen organisations?”* In each country which respondents come from the perception of social enterprise is similar. Always we are speaking about the concept which is focused on positive social impact and then on the profit making. We can say that everywhere social enterprises balance between these two sides and within their activities and efforts to remain on the markets they are facing such challenge to stay socially oriented and also generate the profit for surviving.

The third question is *“Is it possible to create supra-national uniform type/model and definition of social enterprise?”* According to the respondents’ answers we can summarize that a uniform type or model of social enterprises is impossible because this concept is still changing and developing and defined single model can affect and limit social enterprise growth. As Mrs. Francová says social enterprises can cooperate together on the basis of similar features which enterprises can share together and exchange their experience and knowledge. She also says that some countries have own marks, which are understood as kind of certification, and if social

enterprises meet defined criteria they will obtain the certificate. As long as social enterprises can have various legal forms it is not possible to define a concrete model. Again mentioned, social enterprises can be connected on the basis of the similarities.

The last question is “*What strengths and weaknesses do social enterprises have?*” The mentioned strengths and weaknesses of social enterprises are applicable in all European region chosen for the research, i.e. UK, Italy, CR. If we summarize all strengths of social enterprises, they are as follows: gradual improvement in well-being, empowerment and self-respect of the stakeholders in a social enterprise, flexibility and the income-generating potential of conventional businesses to deliver a social purpose, use of profits; motivation of workers; loyalty from customers; access to in kind support from volunteers, donations; added value of their products, enterprises support each other, share information. Almost the biggest advantage is that social enterprises have a strong potential because interest of people is increasing and communities engaged in this concept are created.

The biggest weaknesses could be as follows: social enterprises have to compete in the commercial market and face the same challenges and risks common to all businesses, social entrepreneurs are often less skilled, they miss managerial skills, marketing skills, etc., public awareness about social enterprises is low (especially in the Czech Republic), incessant balancing between social purpose, social mission and generating profit. Disadvantage of challenge to maintain itself balanced. The biggest disadvantage is that social enterprises have to operate on the same markets with for-profit companies. They cannot be separated so they have to find a way how to remain there and be attractive for customers.

To summarize the practical part of the diploma thesis, it should be mentioned that social enterprises are perceived by the same way in the countries observed in the research, i.e. the UK, Italy or CR: “*Social enterprises seek to serve the community’s interest (social, societal, environmental objectives) rather than profit maximisation. They often have an innovative nature through the goods or services they offer and through the organisation or production methods they resort to. They often employ society’s most fragile members (socially excluded persons). They thus contribute to social cohesion, employment and the reduction of inequalities.*” (EU definition) The most important role in the current situation of social enterprises in chosen countries plays the way of development, and if social enterprises are provided with needed services. In Italy many experts help social enterprises; in the UK the situation is similar. In the

Czech Republic there is still a lack of experts who would help and support social entrepreneurs who often do not have required skills and knowledge.

According to the practical part it can be evaluated that the situation in the Czech Republic should be improved to can equal the UK and Italy. The concept of social enterprises in CR is connected mainly with employment of disadvantaged people but the concept and the sense of social economy is wider. This current perception is influenced by the support of Ministry of Labour and Social Affairs which provided financial support to social enterprises employing disadvantaged people. Other barrier which affects development and growth of social enterprises in the CR is that consultancy services are quite poor. In CR only few of organisations and network are created with the aim to support social enterprises.

Interest of people in the concept of social economy and social enterprises is increasing. It could be predicted that the concept will be support more in the future and that social enterprises will have a stronger position on markets. The future also shows if it has a sense and if society is positively influenced. On the basis of current situation and creating networks we can confirm that social enterprise can be an enterprise of 21st century.

10.2. Discussion and recommendation

One of the initial goals of the diploma thesis was to be able to create an ideal model of social enterprise which would be valid internationally within the Czech Republic, but also supra-nationally within Europe. To define the model of social enterprise the following “criteria” should be met:

- Adopting a mission to create and sustain social value, not just private value,
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand.

To specify concrete features is impossible because according to all information gained from the research any ideal or uniform model of social enterprises can be very limited. The concept is still changing and developing. According to Mr. Cliff also definitions of social enterprises are changing over time. If something is growing and developing and we set boundaries it will hamper the transformation of it.

Nowadays we can find out opposing opinions of people who are engaged in the concept of social enterprises. In the diploma thesis, only three European regions are compared, and even in

these cases we can see significant differences and disagreements. Because the concept of social enterprises is still quite new every sphere has to be formed and the best is to do it on the basis of good practices.

During the processing of all data, in theoretical as well as practical parts, one of the ideas was if the status of social enterprise cannot be abused. Of course it can, but also for-profit companies can abuse their positions. Such risk exists almost at all cases and sectors.

In the Czech Republic many social enterprises were established because of financial support provided from European funds. Enterprises were financed for the certain period of time but after the end of financing they have often problem to survive. On the basis of all obtained information the recommendations how to be more successful can be following:

- Before running a business make a market analysis and by established enterprises bring something new, something innovative which would contribute to society with positive social impacts;
- Have defined exact target of business – social as well as economic;
- Control when the financial support ends because many enterprises do not do it and then they do not have time to care about other possibilities how finance their activities;
- Be informed in time about possible financial sources, for instance bank offers, etc.;
- Cooperate with other social enterprises, share ideas, opinions, knowledge, experience and everything on the basis of good practices;
- Be interested in situation abroad, be informed about any news relating to the concept of social enterprises, it can be very inspiring;
- Be interested in training, be willing to participate in any courses which would get better own managerial skills, marketing skills, skills helping with operational issues, be trained and educated in work with disadvantaged people, etc.;
- Be opened to new ideas, innovations, creativity;
- Do not be like a boss but like a part of work team – listen to employees, communicate with them, help and advice each other.

Be inspired by the Italy and mainly by UK, create more visible and active networks of social enterprises would be very contributive. Social entrepreneurs should share their experience and be somehow interconnected. Some workshops or just meeting with discussions and chat should be organised. Social entrepreneurs should be also inspired by foreign enterprises, they should

follow discussion of experts and professionals. And mainly social entrepreneurs should educate themselves all the time. The concept of social enterprises can be seen as a fashion. It is all about new trends, about creativity, about sharing. And it is still moving somewhere, developing and changing and who wants to be successful he/she has to follow news.

These are some recommendations which can help to maintain functioning of social enterprise. Of course, it is not only about the entrepreneur. It also depends on the environment in which he is running his business. The experts who would help such entrepreneurs are very important. Possibilities of consultancy should be active in the countries. Without it people who do not have experience cannot succeed, and if yes it is very hard. Another measure which can contribute to the concept of social enterprise is to increase public awareness. As it is already implemented in the UK, it would be beneficial to incorporate the topic of social economy and social enterprises into curriculum at schools and universities. Students represent future labour generation which will influence labour market and they can be the target group which should be informed about such type of business.

Another approach which is very interested and which could be implemented in more countries is such already organised in the UK. Mr. Cliff said within the research that he and his colleagues organize meetings for social entrepreneurs. During these meetings no trainings or even no exact timetable of activities are created. These events serve only for informal discussions and friendly chat. Social entrepreneurs can talk about their businesses but also they might not, it depends on them. Such idea is very interesting and it is worth trying it.

In the case of Italy and the UK it is hard to suggest any recommendations because that's the question if all provided information are true and real. It seems that concept of social enterprises is growing fast in both countries. But for successful enterprises we can recommend the same steps as are mentioned above in the case of the Czech Republic.

11. CONCLUSION

The concept of social economy and enterprises is more and more popular. Many people seek alternative ways also in the business sector. Nowadays the issue of sustainability is discussed and it happens in many spheres such as economy, society, agriculture, etc. Social enterprise is seen as an enterprise of the 21st century and maybe it could significantly contribute to sustainability, because in the concept of social economy and social enterprises all three pillars, social, economic and environmental, are interconnected. We can find many definitions of social economy and social enterprises. In its basis they are all the same. We can ask ourselves if an ideal model of social enterprise can be created. Maybe yes but maybe not. The concept is quite new and still changing and developing. As one professor says people are different and one thing can be perceived and understood by many ways. Many definitions exist but to reality shows, whether it was correct or not. It is the same also in the case of social enterprises. An ideal model can be created but because the concept is still changing and developing it can be shown in the future that such model is limiting and hampering in development.

Still, as countries have different cultures, policies, environments, also the development of social enterprises is different. The main aim of the diploma thesis was to compare three countries on the basis of five respondents who represent organisations supporting social enterprises in their own countries, and in fact not only there. To be able to understand the concept of social enterprises it was necessary to start with basic definitions. Therefore the diploma thesis has two parts, theoretical and practical. Because of theoretical part we know what social entrepreneur, social enterprise, social economy, third sector, etc. mean. We also know the difference between traditions of social enterprise and social entrepreneurship, we know the history and development of social enterprises in Europe as well as in the Czech Republic and finally we know legal background of social enterprises in Europe. All these parts are essential for practical part.

The practical part is focused on differences in position of social enterprises in European regions, Italy, UK and CR. The research is based on answers of respondents representing five organisations, NESEP, Social Enterprise UK, Social Enterprise Europe, COOSS and P3. The representatives are highly experienced experts in the issue of social economy and social enterprises. Through organisations they cooperate with social enterprises so therefore they could describe current situation and position of social enterprises in their countries. Most of them have their experience and opinions based on long-time cooperation with organisation from all over the world.

To more emphasize differences of social enterprises in chosen European regions, statistical data were also used. According to them it can be said that social enterprises have stable position with long tradition in Italy. Italy as only one has defined the law on social enterprises. In the UK there is quite different situation. The law is not defined but social enterprises have a strong governmental support and also many organisations and networks served social enterprises are created and established. In the Czech Republic the position of social enterprises is still forming. It is necessary to increase public awareness about this concept and it is needed to provide more services for social entrepreneurs because in many cases they are not as skilled as needed. They are missing for example managerial skills, they have a problem to create effective time management, they have poor or no marketing, etc. In the Czech Republic on one side grants and financial supports are offered to social enterprises which already exist or are established but follow-up service is poor. And this should be changed.

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13. Appendix

Appendix 1 – Questionnaire survey

QUESTIONNAIRE

(Diploma Thesis – How social enterprises support each other?)

1. Can you briefly describe the organisation in which you are working, together with your position and field of work? What is the main aim of your organisation?
2. Within not only Europe a unified legal form or legal status of social enterprise does not exist. Do you think that social enterprises are negatively influenced by this fact? Or the other way around, could it be somehow beneficial for them?
3. By which ways or steps can governments, states support social enterprises? According to your opinion, what do you see as crucial or what should be changed?
4. Do you think that the environment and positions of social enterprises are strong enough to support each other by themselves and by their activities? What kind of support could be used by social enterprises?
5. With which forms of social enterprises have you co-operated the most?
6. Do you know any limitations how government/state intervenes in activities of social enterprises? For example any reports ... Or should they comply with some criteria to have status of social enterprise?
7. In the case that social enterprises support each other without help or contributions of government policies, could it be efficient? Does any risk of abuse exist? If yes, is this risk high?

8. Have you experienced any signs of abuse of the status of social enterprise? If yes, what kind of abuse?

9. According to your opinion, what can contribute to proper functioning of social enterprises? And on the other hand, what can lead to their downfall or disability to compete with typical types of businesses?

10. Is actually possible to compare social enterprises with typical types of businesses?

11. What do you mean by the term social enterprise?

12. According to another person dealing with social enterprises: governments and their policies are not so important because they are not in direct contact with social enterprises. According to him, the environment of social enterprises is changing in such extent that only social enterprises can know what is the best for them and how to support each other by themselves. Do you have the same opinion? Do you think that position of social enterprises can be strengthening thanks to their mutual sharing of experience and knowledge?

13. Do you think that social enterprises should be a part of network thanks to which they can be supported by others instead of acting as individuals searching for governmental support?

14. Do you think that some "Social Enterprise Mark" could be used for determining a status of social enterprise, which would be recognized almost all around the world?

15. Do you think that for social enterprises is better to cooperate transnationally, with foreign social enterprises? Or to be focused only on SE within own country?

16. According to your experience and knowledge, can you highlight any advantaged/disadvantages or weaknesses/strengths of social enterprises?

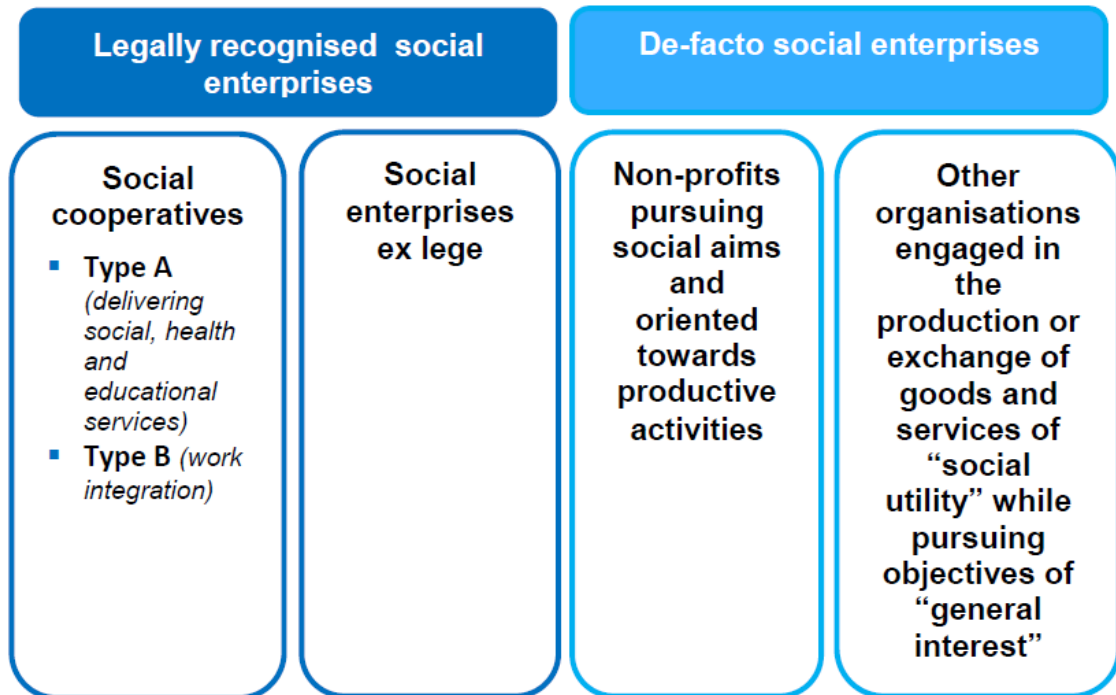
Appendix 2 – Overview of publicly funded schemes specifically designed for or targeting social enterprises in Italy

| Support type | Are there any schemes specifically targeting social enterprises? | Are any of these schemes funded by ERDF/ ESF? |
|---|--|---|
| Awareness raising (e.g. award schemes, communication, advocacy) | ✓ | ✓ |
| Social entrepreneurship education (e.g. academic courses) | ✓ | X |
| Pre-start / start-up support e.g. <ul style="list-style-type: none"> ▪ Business support e.g. mentoring, consultancy, coaching etc. ▪ Grants ▪ Infrastructure e.g. incubators | ✓ | ✓ |
| Grants and business support for established enterprises (e.g. business planning, management skills, marketing, training and coaching etc.) | ✓ | ✓ |
| Investment readiness support | ✓ | ✓ |
| Dedicated financial instruments (e.g. loans, guarantee schemes, social impact bonds etc.) | ✓ | ✓ |
| Physical infrastructure (e.g. shared working space) | ✓ | ✓ |
| Collaborations and access to markets | ✓ | X |
| Networking, knowledge sharing and mutual learning initiatives | ✓ | X |

Appendix 3 – Examples of support initiatives in Italy

| Name of initiative | Geographical scope | Description |
|---|--------------------|--|
| <i>Fertilità project (competition notices published in 2001 and 2006)</i> | National | The project was launched in 2001 by the National Agency for Inward Investment Promotion and Enterprise Development in cooperation with the Ministry of Labour and Social Policy. The project supports the start-up of social cooperatives through the provision of training, consultancy services and coaching by established social cooperatives or consortium of cooperatives |
| <i>Oasis fund (competition notices published in 2001 and 2007)</i> | National | Oasis was managed by two non-profit organisations ('Fondazione Europa Occupazione' and 'Compagnia Sviluppo Imprese Sociali') and involved funding from the European Regional Development Fund. The project targeted small and medium-sized social cooperatives (Type A and Type B). The forms of support included equity loans and funding for the acquisition of goods and services. |
| <i>Start-up di imprenditoria sociale (ongoing)</i> | National | This initiative has been launched by the national union of chambers of commerce, 38 chambers of commerce at local level and Universitas Mercatorum, the university promoted by Italian chambers of commerce. The initiative, targeting social enterprises, aims at providing support for up to 450 start-ups. The chambers of commerce's objective is to provide start-ups with free planning and technical support services. |
| <i>Sostegno alle imprese sociali (2000 – 2006)</i> | Regional | This initiative was introduced by the Emilia Romagna region and it ran between 2000 and 2006. The aim of this initiative was to promote projects for social inclusion and employment of disadvantaged people. The initiative supported micro-enterprises by financing investments for growth and innovation. The project targeted social cooperatives. |
| <i>Piccoli sussidi Puglia (2007 – 2013)</i> | Regional | This measure, promoted by the Puglia region, targeted a wide range of non-profit organisations, including legally recognised social cooperatives and social enterprises, NGOs and associations. The initiative focused on three main areas of intervention: (i) the development of existing organisations through technological innovation and improvement of the quality of the services provided; (ii) the support of the starting-up of new organisations; and (iii) the support of long term social inclusion in the labour market. The initiative was developed through the support of the European Social Fund 2007-2013 and aimed at providing grants in support of a range of activities, including the start-up of social enterprises and technological innovation. |
| <i>Fondo di garanzia e finanziamenti a tasso agevolato a favore delle cooperative sociali (ongoing)</i> | Regional | This initiative, launched in August 2013 by the Piedmont region, supports social enterprises through the provision of guarantees for investments and low rate financing. For the purposes of this fund, social enterprises are identified through the legal form of social cooperative. |
| <i>Global grant ESPRIT3 (ongoing)</i> | Regional | This grant, promoted by the Tuscany region, aims at supporting projects for social inclusion of disadvantaged and disabled people through the provision of funding opportunities for projects developed by organisations operating in the sector of services. |

Appendix 4 – Spectrum of social enterprise in Italy



Appendix 5 – TESSEA (CR) definition for a WISE

| PRINCIPLES OF SOCIAL ENTERPRISES | Social benefit | Economic benefit | Environmental and local benefit |
|---|--|---|---|
| Characteristics (those underlined are not required) | a) Employment and social integration of people disadvantaged on the labour market. b) Employees and members participate in the enterprise's strategic decision-making. c) Emphasis on development of work skills of disadvantaged employees. | a) Any profits preferentially used to develop the social enterprise and/or fulfil publicly beneficial goals. b) Employees are encouraged to increase their work productivity in line with their capabilities. c) Independence (autonomy) from external founders in decision-making and management. d) At least a minimum share of total revenues and growth thereof from sales of products and services. e) Ability to manage economic risks. | a) Preferential satisfaction of the local community's needs. b) Preferential use of local resources. <u>c) Preferential satisfaction of local demand.</u> d) Consideration for environmental aspects of both production and consumption. e) Social enterprise cooperates with important local actors. |