

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management



Diploma thesis

**The readiness of the Cidlina and Novobydžovsko
micro regions for social enterprises**

KOBLASOVÁ Tereza

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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DIPLOMA THESIS ASSIGNMENT

Koblasová Tereza

Economics and Management

Thesis title

The readiness of the Cidlina and Novobydžovsko micro regions for social enterprises

Objectives of thesis

Cílem diplomové práce je posoudit připravenost vybraných zájmových skupin v mikroregionu Cidlina a Novobydžovsko pro zavedení sociálního podnikání.

Methodology

Na základě analýzy podnikatelského prostředí ve vybraném mikroregionu včetně posouzení povědomí vybraných zájmových skupin o sociálním podnikání navrhnout konkrétní formy sociálního podniku.

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The Diploma Thesis Supervisor

Tichá Ivana, prof. Ing., Ph.D.

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prof. Ing. Jan Hron, DrSc., dr. h. c.

Head of the Department

Electronic approval: February 18. 2014

Ing. Martin Pelikán, Ph.D.

Dean

I declare that I have developed and written the enclosed Diploma Thesis completely by myself, and have not used sources or means without declaration in the text. Any thoughts from others or literal quotations are clearly marked. The Diploma Thesis was not used in the same or in a similar version to achieve an academic grading or is being published elsewhere.

I would like to thank you to my supervisor prof. Ing. Ivana Tichá, Ph.D., from the Department of Management, and to Eamon Lenihan for their valuable advices and recommendations. My thanks also belong to Ing. Bohuslava Boučková, CSc. for her lectures “Social Economy”.

Title of the diploma thesis in English:

The readiness of the Cidlina and Novobydžovsko micro regions for social enterprises.

Název diplomové práce v českém jazyce:

Připravenost mikroregionů Cidlina a Novobydžovsko na sociální podniky.

Summary:

The main objective of the diploma thesis is to find out whether the Cidlina and Novobydžovsko micro regions are suitable for creation of a social enterprise. To answer this question there is the brief introduction, followed by the literature review, which is compiled of the theoretical background, description of the area and possible financial resources. The chosen methodology helped to understand the issue of the social enterprise in the Cidlina and Novobydžovsko.

Key words:

Social economy, social enterprise, PESTEL analysis, Cidlina and Novobydžovsko micro regions, financing of a social enterprise, social entrepreneurship, structure of a business sphere, SWOT analysis of a social enterprise

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II. INTRODUCTION

1. INTRODUCTION

“Social enterprise is a newer category of business that is growing in popularity. You adopt the social enterprise model when you want to apply business strategies to help you achieve philanthropic goals. This model can be a non-profit or for-profit venture. Social impact is the primary aim of a social enterprise (rather than shareholder return). Social entrepreneurs, or impact entrepreneurs, adopt this model when their main goal is to further their social or environmental goals.”¹

Even in the scientific literature and in the public discourse, there is a broad range of definitions and understandings of the nature of social economy and social enterprise and on the relationship between the two.

The main objective of this diploma thesis is to answer the main research question - *Are the Cidlina and Novobydžovsko micro regions suitable for creating a social enterprise?*

The First Chapter consists of the Content of the diploma thesis and the List of all figures used. Objectives of the diploma thesis are identified in the Second Chapter. There is also literature review, which helps to understand the terms “social economy” and “social enterprise”; followed by description of the area and possible financial resources. In the Methodology there are described four main scientific methods which were thoroughly selected and used to generate necessary information. The key pillar of the diploma thesis is The Research findings in the Chapter number four. There are results of the questionnaire, structure of stakeholders of the social enterprise in the micro regions, PESTEL analysis of the social enterprise in the Czech Republic and SWOT analysis of the social enterprise in the Cidlina and Novobydžovsko micro regions. All results of the research are critically discussed in the fifth Chapter. Finally there is Conclusion and Recommendations based on all findings.

¹ <http://entrepreneurjungle.com/how-to-choose-the-right-business-model>

Reason of writing this DT

The reason of writing this diploma thesis is that the writer would like to create her own business based on principles of social enterprise in the Cidlina and Novobydžovsko micro regions.

2. OBJECTIVES OF THE DIPLOMA THESIS

The main aim of the diploma thesis is to find out whether Cidlina and Novobydžovsko micro regions are suitable for creating the social enterprise. The assumption is that the Cidlina and Novobydžovsko micro regions are generally ready for any kind of business. There might be some problems with a recognition what the social enterprise really represents. Otherwise position of the micro regions and its purchasing power will not limit any possibility of creating such businesses there.

Research question:

- Are the Cidlina and Novobydžovsko micro regions suitable for creating a social enterprise?

Particular questions:

- What is a structure of the business sphere in the Cidlina and Novobydžovsko micro regions?
- How aware are various stakeholders of social businesses in the Cidlina and Novobydžovsko micro regions?

3. LITERATURE REVIEW

Social economy and social economics are two terms which might be interchanged, although they do not have the exact same meaning. This chapter will define these two terms and find out the differences between them. Social enterprises are one part of the social economy. One of the main tasks of this chapter is to specify social enterprise in more detail, learn about legal forms of the enterprise and show good practises from abroad.

3. 1. SOCIAL ECONOMICS

Social economics is a branch of economics that focuses on the relationship between social behaviour and economics. Social economics studies how social norms, ethics and other social philosophies that influence consumer behaviour pattern an economy, and uses history, politics and other social sciences to examine potential results from changes to society or the economy.

3. 2. SOCIAL ECONOMY

“The term social economy first appeared in France during the first third of the 19th century and its relevance has gone far beyond French borders throughout the centuries, finding a great resonance throughout Europe. Indeed, for almost two centuries now social economy institutions have been key players in the broader social and economic development process both at national and at local levels.” (European Research Institute on Cooperative and Social Enterprises, 2013)

In general economies may be considered to have three sectors:

- The business private sector, which is privately owned and profit motivated;
- The public sector which is owned by the state;

- **The social economy** that embraces a wide range of community, voluntary and not-for-profit activities.
- Sometime there is also reference to a fourth sector, the informal sector, where informal exchanges take place between family and friends.

Following Venn diagram (Figure 1 - Position of the third sector and its divisions) shows how these three sectors are interconnected. The third sector is furthermore divided into three equal parts – community, voluntary and social enterprise sector. Next chapters will be dedicated to the term social enterprise and its definition.

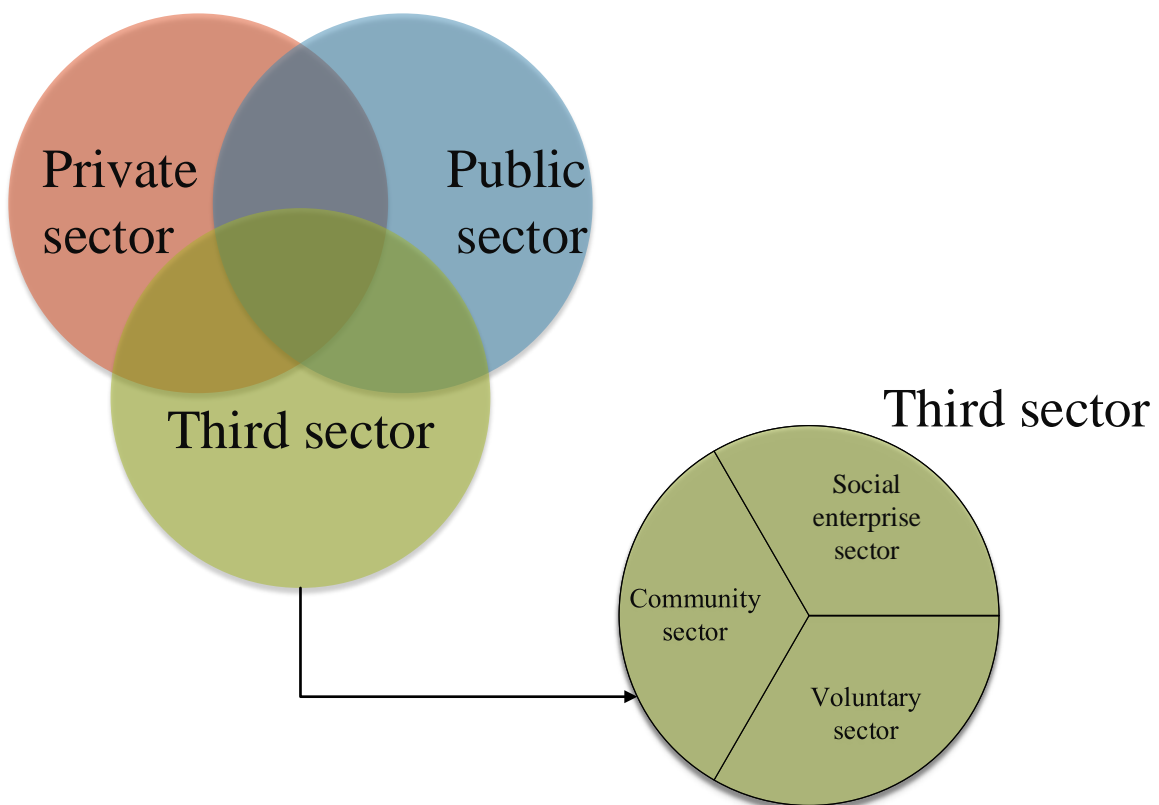


Figure 1 - Position of the third sector and its divisions

Source: own input, (BOUČKOVÁ, 2014)

The social economy is usually founded on the principles of solidarity and individual involvement in a process of active citizenship. Generates high-quality jobs and a better quality of life, and offers a framework suited to new forms of enterprise and work. The social

economy also plays an important role in local development and social cohesion. It contributes to the stability and pluralism of economic markets. Businesses are socially responsible and have democratic platform, where each member has the equal vote. Currently social economy corresponds to the European Union's priorities and strategic objectives: social cohesion, full employment and the fight against poverty, participatory democracy, better governance, sustainable development ...

The social economy accounts for 10% of all European companies, and 10% of total employment. (EMES European Research Network, 2010) In the European Union there is 240 000 co-operatives, 75 000 foundations and 50% of population are members of an association. (Social entrepreneurship and social economy (course), 2014)

Nevertheless the success of businesses in the social economy cannot be measured only in terms of economic performance, which is certainly necessary to the achievement of their goals as mutual societies and in terms of solidarity, but must above all be evaluated by their contributions in terms of social cohesion, solidarity and local benefits.

3. 3. SOCIAL ENTERPRISE

3. 3. 1. Definition of a social enterprise

Definition stated by the European Commission is: Social enterprises are positioned between the traditional private and public sectors.

“Although there is no universally accepted definition of a social enterprise, their key distinguishing characteristics are the social and societal purpose combined with an entrepreneurial spirit of the private sector.

Social enterprises devote their activities and reinvest their surpluses to achieving a wider social or community objective either in their members' or a wider interest.

Within the social economy, social enterprises can be positioned towards the middle of a hybrid spectrum of organisational forms ranging from traditional non-profit organisations to traditional for-profit organisations.

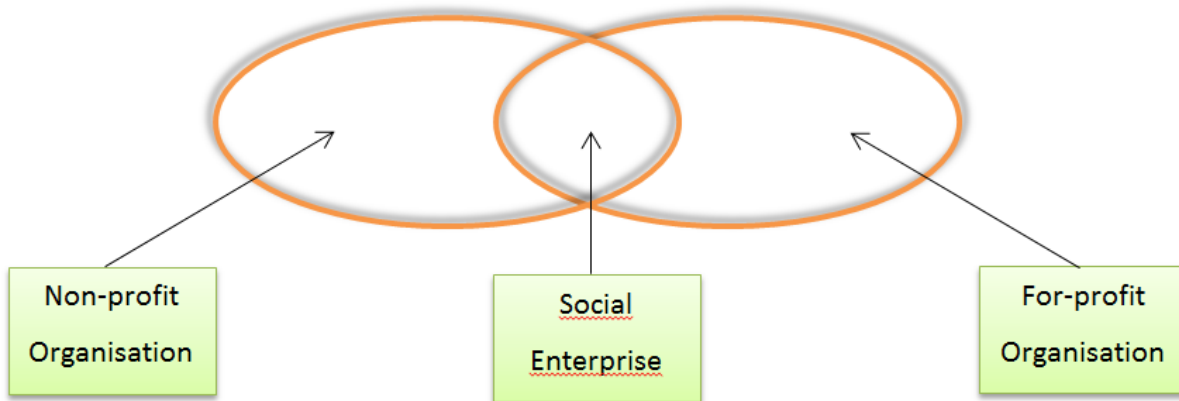


Figure 2 - Position of the social enterprise at the market

Source: Own input, (Directorate General for Internal Policies, 2011)

Towards the non-profit end of the spectrum, social enterprises are surrounded by non-profit organisations with income generating activities and towards the for-profit end they are close to socially responsible businesses. This distinction between non-profit and profit organisations, and between business and third sector, is nonetheless blurred. Also, within the social economy, the main organisational forms identified at European level (co-operatives, mutuels, associations and foundations) partially overlap at national level and a clear distinction between them is not always possible to maintain in the Member States.” (Directorate General for Internal Policies, 2011)

According to Ing. Bohuslava Boučková, CSc. (2014) the social enterprise has to fulfil following requirements:

- The objective of the social economy enterprise is to serve its members or the community, instead of simply striving for financial profit.
- The social economy enterprise is autonomous of the state.
- In its statute and code of conduct, it establishes a democratic decision-making process that implies the necessary participation of users and workers.

- It prioritizes people and work over capital in the distribution of revenue and surplus.
- Its activities are based on principles of participation, empowerment, and individual and collective responsibility.

Organisation Social Economy Europe distinguishes social enterprises from capital-based companies by specifics linked to shared characteristics, in particular:

- The primacy of the individual and the social objective over capital
- Voluntary and open membership
- Democratic control by the membership (one member = one vote)
- The combination of the interests of members/users and/or the general interest
- The defence and application of the principle of solidarity and responsibility
- Autonomous management and independence from public authorities
- The essential surplus is used to carry out sustainable development objectives, services of interest to members or of general interest.

The social enterprises can be found everywhere for everyone, anytime. Specifically, they are active in domains such as:

- Culture, community development
- Community radio and television, publishing
- Education, sports and leisure activities
- Home care, child care, elderly care
- Prison care
- Charity
- Forestry and agriculture co-operatives, women cooperatives
- Social tourism
- Environment, recycling
- Manufacturing (adapted enterprises supplying jobs to handicapped, disadvantaged, women, unemployed, immigrants, minorities), handicraft
- Fair Trade²

² Fair trade social enterprises have created a movement which has challenged mainstream trading practices and offered development opportunities for disadvantaged producer groups in the South.

Triple bottom line

Social Entrepreneurship focuses on the triple bottom line, which includes Profit, People and Planet (also called as "the three pillars", "TBL" or "3BL"). Current economies suffer from many legacy problems, with laws and regulation which have potential for improvement in terms of better array incentives with what is beneficial for our society as a whole. Social entrepreneurship can be described as possessing characteristics of both commercial ventures and non-profit organizations: a process involving the innovative use and combination of Sources to trail opportunities to catalyse social change and/or address social needs.

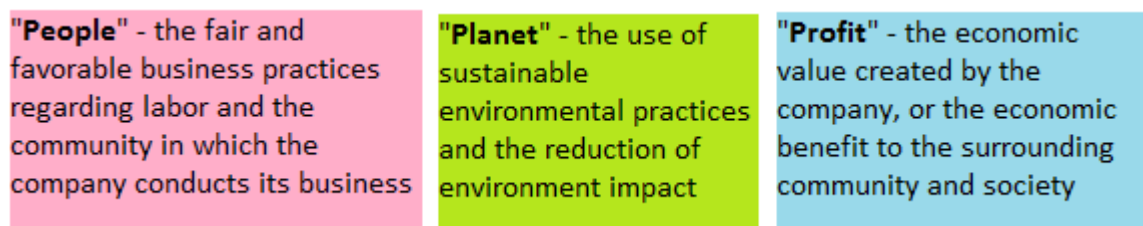


Figure 3 - Triple bottom line

Sources: own input, John Elkington "Cannibals With Forks: The Triple Bottom Line Of 21st Century Business"

The triple bottom line of sustainable development balances three types of capital – social, economic and environmental. This is key if companies want to succeed in a globalizing economy and sustain long-term financial performance. Companies therefore need to re-define their policies, practices and strategies to result in an efficient use of economic capital while simultaneously building and effectively using natural and social capital (United Nations Environment Programme).

The following Figure 4 - The three spheres of sustainability shows the scheme of the triple bottom line. Social enterprises reflect all these components to maintain sustainable development not only of the company but also of the surrounding environment and social capital.

The Three Spheres of Sustainability

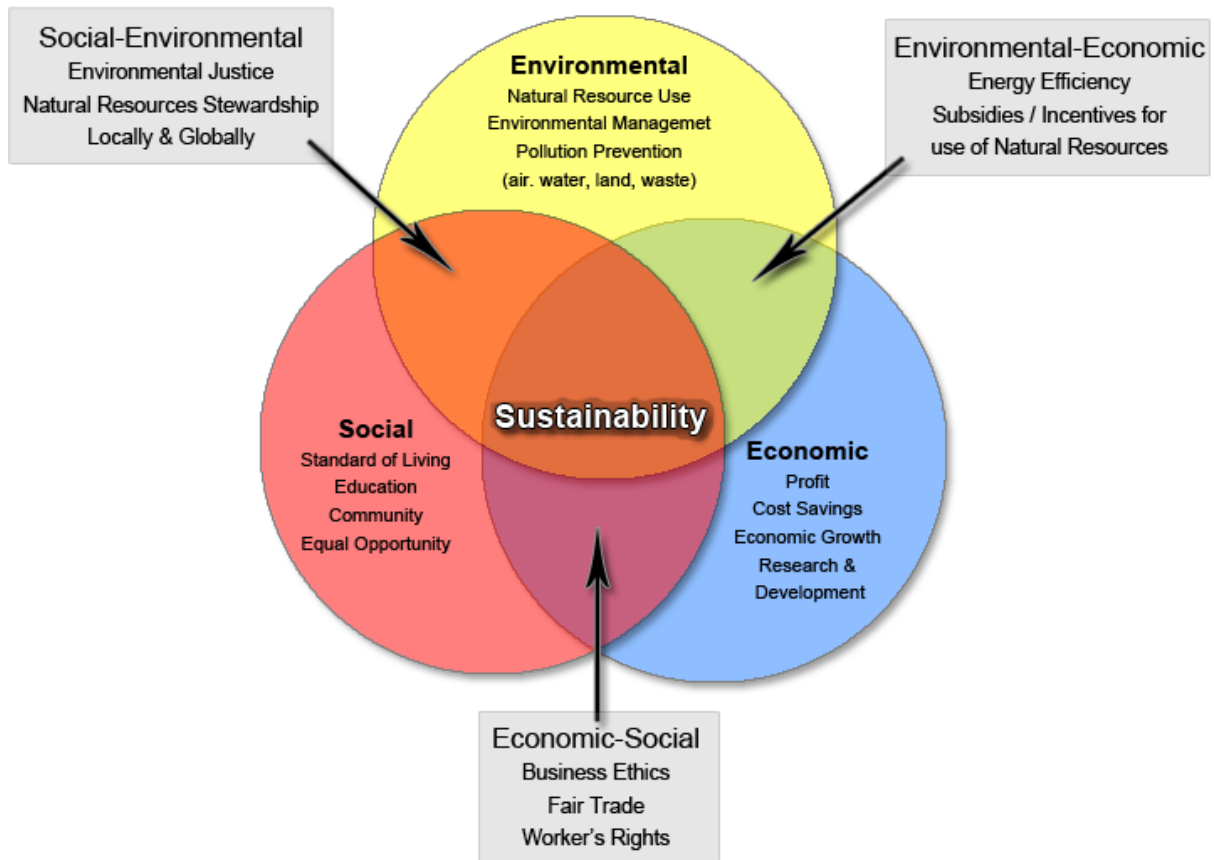


Figure 4 - The three spheres of sustainability

Source: (Vanderbilt University) <http://www.vanderbilt.edu/sustainvu/who-we-are/what-is-sustainability/>

3. 4. SOCIAL CAPITAL

“Social capital describes the pattern and intensity of networks among people and the shared values which arise from those networks. While definitions of social capital vary, the main aspects are citizenship, neighbourliness, trust and shared values, community involvement, volunteering, social networks and civic participation.” (BOUČKOVÁ, 2014)

3. 5. LEGAL FORMS OF SOCIAL ENTERPRISES

Legal form of the social enterprise can be various, but there are four the most common one in Europe (Social eneterpreneurship and social economy (course), 2014):

- Cooperatives
- Mutual Societies
- Associations
- Foundations

3. 5. 1. Social Cooperatives

“Cooperatives, along with other social economy enterprises, play an essential role in the European economy, especially in time of crisis, by combining profitability with solidarity, creating high-quality jobs, strengthening social, economic and regional cohesion and generating social capital. Social economy enterprises should benefit from a clearer and more coherent legislative framework, taking due account of the wealth of diversity among social economy institutions and the specific features thereof.” (European Parliament, 2013).

Numerous good practices can be found in the various EU Member States, demonstrating the excellent results achieved by cooperative enterprises in terms of growth, employment, survival rates and business start-ups, such as the single payment system (‘pago único’) in Spain³ and the Marcora Law in Italy⁴ – which help finance the establishment of new cooperatives through unemployment benefits – and the ‘employment and business cooperatives’ created in France⁵, Sweden⁶ and Belgium. Groups of individual cooperatives can voluntarily form large business groups covering sectors such as industry, agriculture, distribution, finance, R & D and high-level education. Cooperative society, modelled, for example, on the British trust company, can also be an efficient model for good governance of

³ Co-operatives represented 0.86% of Spanish economy in 1998 in terms of number of enterprises and 2.33% in terms of number of employees

⁴ In Italy there were 8 631 co-operatives with 121 894 employees in 1999

⁵ Co-operatives represented 0.64% of total French economy in 1998 in terms of the number of enterprises

⁶ Sweden was the country where co-operatives had the most important weight in the total economy in terms of the number of enterprises: 2.69% in 1998

professional or semi-professional sports organisations, which at the same time facilitates close involvement of the principal stakeholders – the supporters – in the management of a club (whether professional or not).

3. 5. 2. Mutual Societies

“Mutuals play an important role in the European economy and society, providing social coverage and other types of insurance to a significant proportion of European citizens.” (Social Economy Europe3, 2011)

“Together with cooperatives, foundations and associations, mutual societies are one of the main components of the social economy, or third sector, in the European Union. For different concurring reasons, the social economy’s actual and potential contribution to the implementation of EU’s strategic objectives has recently been recalled from several perspectives. The Lisbon Treaty has emphasised the necessity to develop a competitive social market economy⁷, in which social economy enterprises can have a major part to play. At the same time, in the EU 2020 agenda the European Union expresses its commitment to become a smart, sustainable and inclusive economy, taking into account a changing global context⁸, thus incorporating some of the core principles of the social economy into its strategic policy planning.” (Social Economy Europe3, 2011)

In an attempt to identify a common definition at European level, mutuals have been described by the European Commission as “voluntary groups of persons (natural or legal) whose purpose is primarily to meet the needs of their members rather than achieve a return on investment. These kinds of enterprise operate according to the principles of solidarity between members, and their participation in the governance of the business.”

The European Commission further specifies that mutual societies "are governed by private law", which narrows the area of analysis considerably. This definition can be used as a starting point in overview of the main features of mutual societies as a specific business form in EU Member States. Summarising, the following principles are common to most mutuals:

⁷ Treaty on European Union, Article 2

⁸ European Commission, Communication from the Commission: EUROPE 2020 A strategy for smart, sustainable and inclusive growth, Brussels, 3.3.2010, COM(2010)2020.

- **Absence of shares:** mutuals are a grouping of persons (physical or legal), called members, and not a pooling of funds as in the case of corporations;
- **Free membership:** that means free entry (and free exit) for everyone who fulfils the conditions laid down in the by-laws and abides by the principles of mutuality;
- **Solidarity among members:** a historical principle rooted in the 19th century workers' movement and the ideology of the solidarity movement. Today, that means joint liability and a cross subsidisation between good risks and bad risks and no discrimination among members;
- **Democratic governance:** conveyed by the principle "one person, one vote" in contrast to the rule "one share, one vote" which is symbolic of corporate governance. The board's members are volunteers, in contrast to the corporations' practice paying their directors a fee;
- **Independence:** mutuals are private and independent organisations, neither controlled by government representatives nor funded by public subsidies;
- **Limited profit sharing:** the profit of a mutual can be shared among the owners/members, usually as discounted premiums or rebates, but the main part of the company's proceeds is re-invested in it to improve services, finance the development of the business or to increase its own funds.

However, deviations from the EU-wide definition and common principles described above appear per Member State, boosting the debate what can be considered a mutual or not." (Directorate General for Internal Policies, 2011)

3. 5. 3. Associations

"Associations are social economy actors. Associations share the values of democracy, the primacy of the individual and of social objectives over capital and are dedicated to their members and the general interest. Therefore, they distinguish themselves from commercial enterprises by the fact that they are not for profit orientated and that they aim at contributing to the general interest.

Associations are a place for expression and information. They do play different societal functions, such as provision of services, militant activities, assistance, integration and training. They answer needs expressed at all level thanks to their role as social actors; partners in the definition, implementation and follow up of public policies; partners of public authorities in their mission of services of general interest.

Therefore, associations assume a social role and are involved in the development of collective action, of local development, of sustainable development for the people, ensuring a real social productivity.

Associations are important players in the development of the European Union and no progress can occur without the construction of a social and political project for Europe without the participation of its citizens and social actors.” (Social Economy Europe, 2011)

3. 5. 4. Foundations

“Developing a generic definition of "foundation" throughout Europe as a whole may present a challenge. This is due to the many languages and cultures in Europe and the different legal/fiscal environments from one country to the next. Thus, the British refer primarily to a trust, the Dutch to a stichting, the Finnish saatio, the French to fondation, the German stiftung, the Italians fondazione, the Spanish fundación, Swedish stifstelse etc. Nevertheless, there exists across Europe a generally understood and accepted concept of what public-benefit foundations are, as follows:

"Public-benefit foundations are asset-based and purpose-driven. They have no members or shareholders and are separately constituted non-profit bodies. Foundations focus on areas ranging from the environment, social services, health and education, to science, research, arts and culture. They each have an established and reliable income source, which allows them to plan and carry out work over a longer term than many other institutions such as governments and companies." (Social Economy Europe3, 2011)

3. 6. TARGET GROUPS

According to Czech Ministry of Labour and Social Affairs target groups are people who are socially excluded or at risk of social exclusion. There are several specified groups (Evropský sociální fond, 2013):

1) *Persons with disabilities*

People with mental or physical disability

2) *Youth and young adults*

Young people at risk of social exclusion, young adults leaving institutional care, age group 15-26 years, young people who, for example

- Come from socially disadvantaged families,
- Spends their free time mostly passive or unorganized and therefore are in higher risk of socially undesirable phenomena (such as behavioural disorders, violence, vandalism, bullying, crime, racism, drug addiction, alcoholism, prostitution, pornography, gambling, etc.)
- Are in a difficult life situation or have conflict with the social environment and social norms,
- Fail in education and are at risk of unemployment.

This target group does not include graduates who are registered at the Labour Office.

3) *Homeless people*

People who have no accommodation options, respectively live in emergency shelters

4) *Ex-offenders*

People who are leaving facilities for institutional or protective care and people leaving a prison

5) *Victims*

Victims of crime, victims of domestic violence, victims of human trafficking, commercially exploited persons

6) *Person caring for their kin*

People who are at risk of a social exclusion, because they take care of their relatives. Thanks to this care they can get themselves into situations when they are disadvantaged in access to services or the labour market.

7) *People with experience of drug addiction*

Persons diagnosed with substance abuse, which a) have successfully completed at least 3 months of outpatient or inpatient treatment or b) have proven the last three months continuously abstinent.

8) *Unemployed people*

People who are unemployed and are more than 1 year registered as a job seeker at the Labour Office of the Czech Republic

9) *Other*

Other unspecified socially excluded people or people at risk of social exclusion.

3. 7. LEGISLATIVE FRAMEWORK

“Legislative framework of social entrepreneurship in Europe began in the early 90th of twentieth century, appearing in many countries. First was Italy, which in 1991 introduced their concept of social cooperative. Similarly, Belgium in 1995 started to regulate businesses for social purposes and currently provides several legal forms of social enterprises.” (Centrum pro výzkum neziskového sektoru, 2005)

“Spain and France also undertake the concept of social enterprises by introducing a cooperative venture of mutual interest. The objective of these legislative changes was to support business and commercial activities.” (Prague representation of European Confederation of Workers Co-operatives and the enterprise of associated work, Social Co-operatives and Participative Enterprises, 2013)

Before undergoing integration into the legislative amendments in the aforesaid countries, it was preceded by a long period of time and particular countries incorporate elements of social economy in the legislation, according to their own needs and experiences.

However the legal framework regulating these organizations remains uneven and fragmented across Europe. Hence researchers in the proposal creation field identified the need to work with the EU Member States to improve their legislative frameworks in order to provide institutional support to organizations addressing social exclusion and contributing to sustainable economic growth. Prof. Borzaga pointed out that *“it is important to recognize the specificity of these enterprises, both with respect to their structure and with respect to their not-for-profit nature. This means that when we apply policies ranging from the international accounting standards to the issue of state aid we should ensure that cooperative and social enterprises are treated according to their distinctive features rather than being assimilated by default to for-profit corporations.”* (EMES European Research Network, 2010). He also called on the European Union to support the creation of social economy organizations through European structural funds such as the European Regional Development Fund and the European Social Fund.

3. 7. 1. Legislative framework in the Czech Republic

Since 2002, when there was held International Conference on the spread of social economy in Prague, there is a discussion about legislation of social entrepreneurship and social enterprises along the lines of most European countries.

Despite the fact, that in the legal system of the Czech Republic there is no definition of this concept, there are established businesses, which might be called social business or they consider themselves as a social business.

These companies are established only on the basis of the Commercial Code, which governs the status of entrepreneurs, business obligations and other relationships related to business, but it is also used in other legal forms.

3. 8. GOOD PRACTISE FROM OTHER COUNTRIES

3. 8. 1. Single payment system ('pago único') in Spain

The Spanish *pago único* (single payment) system involves the payment of unemployment benefits in a lump sum to people who are setting up their own business, or setting up or joining a workers' co-operative or worker-owned company (2013).

People setting up as self-employed can receive up to 60% of their accrued benefit to invest in the business (80% for younger people, 100% for disabled people). People joining a workers' co-operative or worker-controlled company may receive the amount they need to invest in shares to become a co-operative member or worker shareholder. If this is less than the amount to which they are entitled, the rest can go towards social security payments.

3. 8. 2. Marcora Law

Italy's Marcora Law (law 49/85) allows redundant workers to use their accumulated unemployment benefit to capitalise a buyout co-operative. It thus forms part of the welfare bridge from unemployment to self-employment.

3. 8. 3. Business and employment cooperatives (BEC) in France

“The Business and Employment Cooperative is a concept which provides a new and original solution for helping and developing the potential for business and self-employment. It also offers a way for people to leave the black market or move away from minimum social benefits.” (Shared enterprises initiatives in Europe, 2012)

The BECs offer a solution that will generate jobs and economic Sources, through shared management systems, and thus provide an alternative way to create individual businesses by developing a new concept: shared entrepreneurship.

“The BEC concept is a tool for implementation of the Lisbon Strategy (established by the 2005 EC Treaty of Lisbon) which aims to achieve full employment in the European Union by 2010.” (Shared enterprises initiatives in Europe, 2012).

BECs concentrate their efforts on building up stronger and more long-lasting growth and on creating more and better quality jobs. Potential entrepreneurs are offered a legal status, accounting services and tax registration for their business as salaried entrepreneurs. The accompaniment services are both individual and collective, based on an ‘on-the-job’ apprenticeship which allows them to test their business idea while having security during the early phases.

3. 8. 4. Cooperative companies in Belgium

Cooperative societies promote democracy and redistribution of profits depending on their cooperative activity.

In Belgium there are two sets of cooperatives: the cooperatives and the cooperatives authorized under the National Council for Cooperation (CNC). The latter have certain advantages and they have to respect some additional principles, in line with the cooperative spirit. Registered cooperatives represent approximately 2% of all cooperatives in Belgium.

3. 8. 5. Belgium - Social purpose companies

“Initially, the objective of SFS status was to offer a legal status to activities that combine a social purpose with the main pursuit of commercial or industrial activities.” (VITA, 2012).

Social purpose companies are commercial companies like others; yet, they have chosen to introduce 9 additional, specific conditions in their statutes.

- partners cannot seek a financial benefit or they can only seek a limited one
- clear definition of the social purpose
- definition of the allocation policy of profits in accordance with the social purpose
- nobody may own more than 10% of votes (5% if a worker is also involved)
- if the company provides a limited sum of money to its members, this benefit may not exceed a set interest rate
- a special report must be annually prepared to explain how to reach the set social objectives
- ways for a worker to become partner
- ways for an ex-employee not to remain a society's partner
- in case of liquidation, surplus liquidation must be allocated to a goal that more resembles the original society's scope.

3. 9. SOCIAL ENTERPRISES IN THE CZECH REPUBLIC

There are about 120 social enterprises currently in the Czech Republic (Feb. 20, 2014), which call themselves a social enterprise. They do business in almost all areas of the economy (production and services of all kinds). Mainly they are cleaning services, coffee shops, candy bars, restaurants, manufacturing and processing companies, graphic studios, digitization workshops, call centres, maintenance of gardens and parks, etc. (BEDNÁRIKOVÁ, a další, 2011)

The most common legal form of the social enterprise in the Czech Republic are:

- Public benefit corporation
- Civic association
- Co-operative
- Commercial company – limited liability company
- Freelancer

The social enterprises are active the most in services. Even though they tend to have various legal forms, major type is the commercial company. The main reason for their formation is a social motivation. The vast majority, ie 90% of businesses employ disadvantaged people, predominantly including disabled. These are small businesses that employ an average of less than 15 employees, 10 of them are disadvantaged, and have an annual turnover of more than 3.6 million CZK. More than half of their revenue comes from their own activities. Almost two thirds of social enterprises plan their development, but they need to obtain additional financial Sources. Based on the results of the investigations (BEDNÁRIKOVÁ, a další, 2011) we can say that in the Czech Republic there is a peculiar social enterprise sector, which continues to grow and we should count on it.

4. DESCRIPTION OF THE CIDLINA AND NOVOBYDŽOVSKO MICRO REGIONS

4. 1. LOCATION

Monitored area is located on the flat area of 313.4 square kilometres of eastern Bohemia in the south-western part of the Královéhradecký region in the vicinity of Chlumec Cidlinou and Nový Bydžov, which act as a natural catchment centres in the region. The territory borders on the west with Central Bohemia region and on the south with Pardubice region.

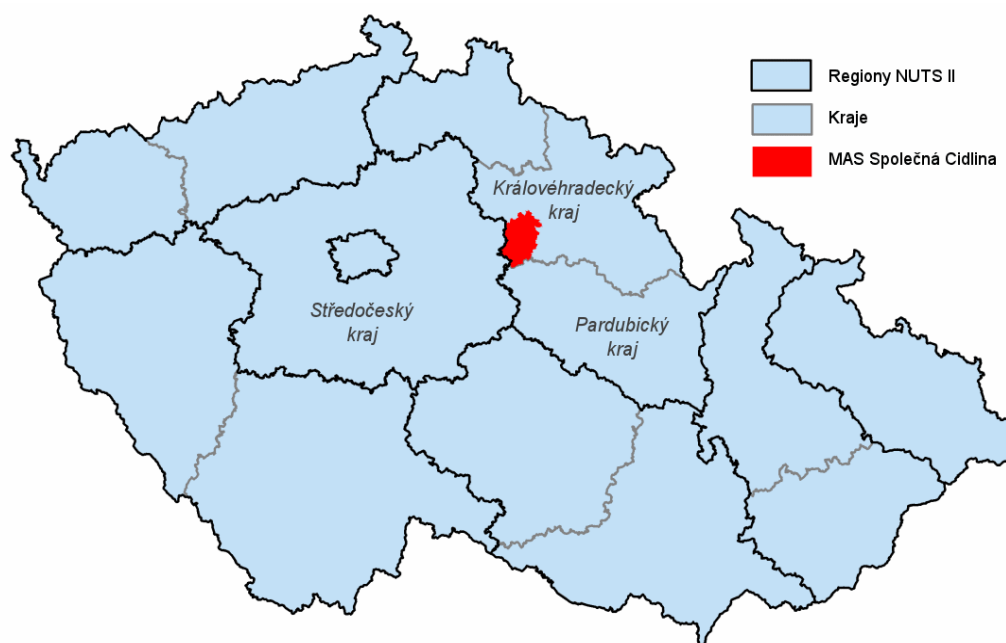


Figure 5 - Location of the Cidlina and Novobydžovsko micro regions

Source: [GIS](#)

The area is comprised of two micro regions - Novobydžovsko and Cidlina and also includes villages Klamoš and Olešnice, which are not members of any bundle. The whole area covers 6.5% of the region and 0.4% of the country. In total there are 38 municipalities (2 of them are typically rural major cities).

Region NUTS II	Severovýchod (Northeast)
Region	Královehradecký
District	Hradec Králové
Area (km ²)	313.4
Population (Apr 1st. 2011)	27 081
Density (people/ km ²)	83
The unemployment rate in 2011 (%)	11,2
Involved towns	Babice, Barchov, Hlušice, Humberky, Chlumec nad Cidlinou, Chudeřice, Káranice, Klamoš, Kobylice, Kosice, Kosičky, Králíky, Lišice, Lovčice, Lužec nad Cidlinou, Měník, Mlékosrby, Myštěves, Nepochy, Nové Město, Nový Bydžov, Ohnišťany, Olešnice, Petrovice, Písek, Prasek, Převýšov, Sekeřice, Skřivany, Sloupno, Smidary, Stará Voda, Starý Bydžov, Šaplava, Vinary, Zachrašťany, Zdechovice, Žlunice

Figure 6 - Basic information about the micro regions

Source: <http://www.spolecnacidlina.cz/index.php?nid=6571&lid=cs&oid=1077024>

The Cidlina and Novobydžovsko micro regions are joined under local action group (LAG) Společná Cidlina. LAG territory is contiguous territory of south-western part of the Královehradecký region. The area was chosen with regard to the border of the Královehradecký region and the Northeast region.



Figure 7 - Map of the Cidlina and Novobydžovsko micro regions

Source: <http://www.spolecnacidlina.cz>

4. 2. POPULATION

LAG Společná Cidlina has a total of 27,081 inhabitants (Apr 1st, 2011). Population in the region from 1961 to 2001 has decreasing character. Since 2001 the number of citizens grew by 2.3% in the region. (Collective of MAS Společná Cidlina, 2013)

Czech nationality prevails in the micro regions, another large group are Slovaks. A significant indicator is also a large population (26%) who was surveyed in the 2011 and did not specify their nationality, so the structure can not be objectively evaluated.

The average unemployment rate is always higher during years 2007 to 2011 compared to the national level..

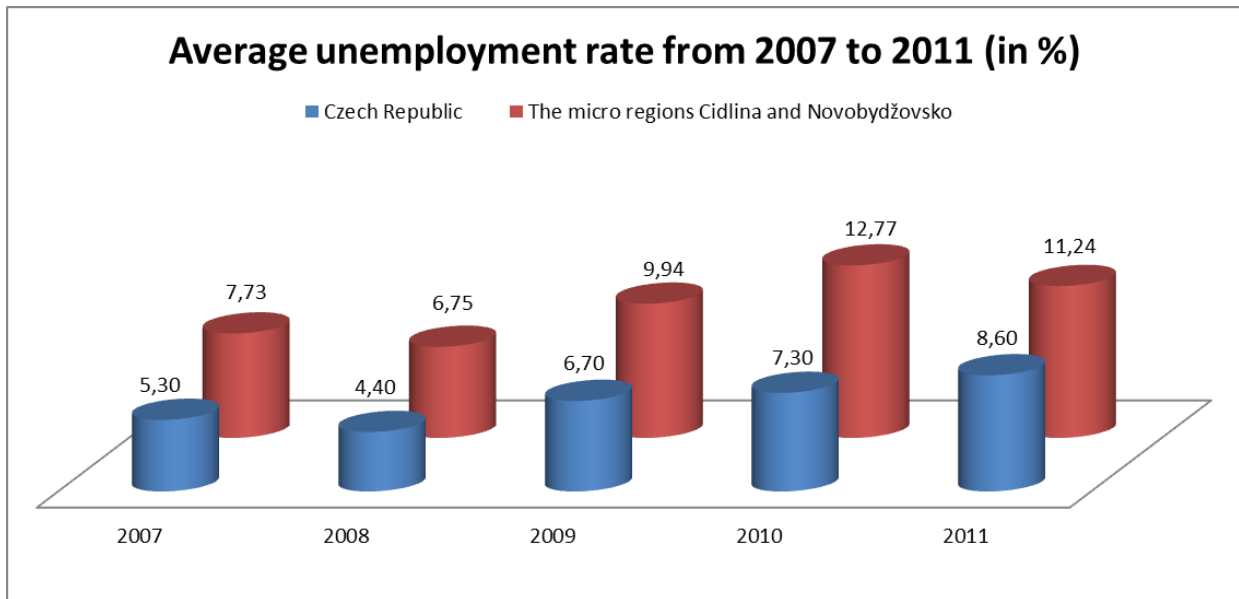


Figure 8 - Average unemployment rate (2007 - 2011) in the micro regions

Source: The Czech Statistical Office, own computation

4. 2. 1. Education

The level of education in the last decade has increased. The number of residents who graduated increased by 5% and the number of tertiary educated raised about 3%. However it is still below the average level of education in comparison with the Czech Republic.

Most of the people were educated in professional school or gained secondary education with graduation and found their job in the region. The micro regions have a significant number of kindergartens and primary schools. City Nový Bydžov is a centre of vocational and secondary education. The priorities of the micro regions are maintaining the existing capacity of secondary and vocational education and increase the range of courses, or provide retraining courses. It is desirable to support small businesses, because of increased proportion of the population in working age.

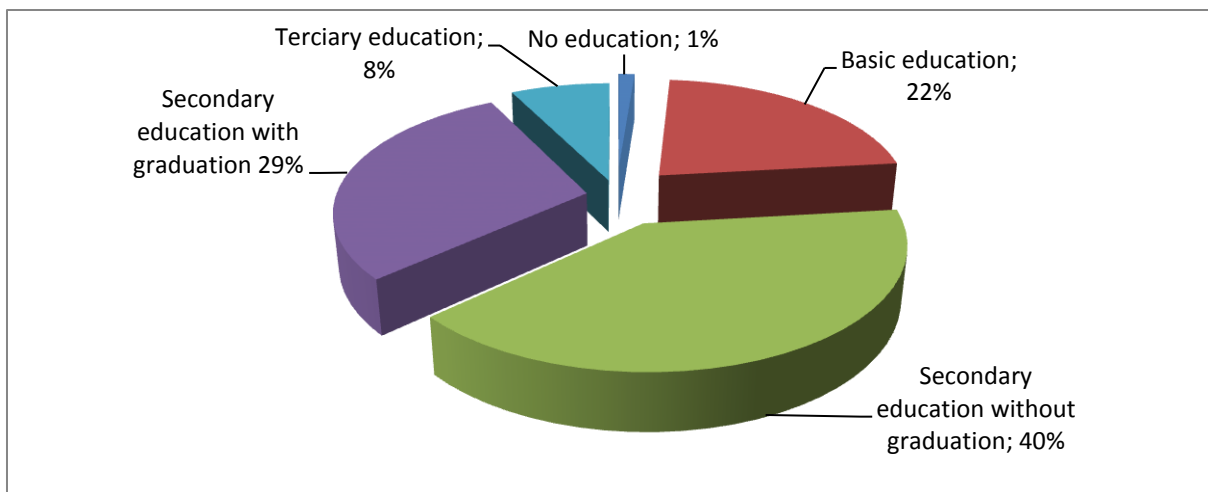


Figure 9 - Education level in the micro regions

Sources: (Collective of MAS Společná Cidlina, 2013), CSO

4. 2. 2. *Social services*

The micro regions have a sufficient range and capacity of health and social services. The problems are financing, and identifying the need and effectiveness of services, which are not established in the micro regions and whose usefulness is marginal. Planning social and related services are done by only by the Novobydžovsko region, the Cidlina micro region has not started yet, but the trend of financing social services will requests it.

4. 2. 3. *Accommodation*

According to the development of socio-economic situation in the region, there is a need to address the low-cost housing, possibly simple flats, especially in residential centres of Nový Bydžov and Chlumec nad Cidlinou. Although there is an increase in population, there is a gradual reduction in the number of occupied houses in the micro regions.

4. 2. 4. Culture and Sport facilities

Both cities and smaller communities have a variety of sporting and cultural facilities. Nový Bydžov and Chlumeč nad Cidlinou recently invested in the renovation or construction of these facilities. Next season will require funds to maintain all refurbished equipment and other Sources for the reconstruction of old buildings.

The micro regions have a large number of non-governmental organizations and associations that provide cultural and active life to its communities. Their work is supported by municipalities.

4. 3. NON-PROFIT ORGANIZATIONS IN THE MICRO REGIONS

There were 206 registered NGOs in the Cidlina and Novobydžovsko micro (Collective of MAS Společná Cidlina, 2013). The non-profit organizations support mainly leisure activities, cultural, sporting and social events in this area. The table below shows that the "Volunteer Firefighters" and "Sokol" are in each village. Associations of hunters, farmers and gardeners are also quite numerically represented. Breeding horses is particularly widespread in this area. Less non-profit organizations focuses only on children and young people, it is due to the fact that almost all the organisations arrange also activities for children. The inclusion of "other" non-profit organization includes women's groups, churches, and various civic associations as a complementary activity to the governmental and other interest groups (modellers, cynology, dance, etc.)

Activities of NGOs	Volunteer Firefighters	Sport	Hunting	Children and youth	Farmers and gardeners	Social services	Culture	Other
No.	46	50	21	6	19	4	7	53

Figure 10 - Activities of NGO's in the micro regions

Sources: (Collective of MAS Společná Cidlina, 2013)

The number of NGOs / 1,000 population compared with an average of Czech Republic is lower. Over the last 10 years there has been a significant increase of NGOs in the country. The number of NGO's increased only by less than 1% in the micro regions.

Year	The Czech Republic	The Cidlina and Novobydžovsko micro regions
2000	6,43	6,85
2011	10,6	7,78

Figure 11 - Share of NGO to 1 000 population in the micro regions

Sources: (Collective of MAS Společná Cidlina, 2013)

The capacity of the public administration is not sufficient to cover all the requirements of citizens in civil engineering and infrastructure as the activities of leisure, social, sporting and cultural in the micro regions. The non-profit sector voluntarily anticipates these activities. Financing of all these activities comes largely from public funds. People, who work in the non-profit sector, have an interest in the issue and do not gain any private or political benefit. Each member of the non-profit organization enters voluntarily into an alliance in order to meet not only their needs, but also to help the development of their municipalities. Especially the support of the non-profit sector in rural areas is very strong.

NGOs employ only a small proportion of workers that is why NGOs have got a great potential in terms of employment. From a subjective point of view, these organizations are lowly equipped to develop their activities. This is related to problems with multi-source funding and the need for high quality of accounting donations and grants. The members and local communities have the highest contribution in financing their activities. Awareness of funding opportunities has improved mainly through regular meetings of these organizations in the micro regions. Only part of these NGOs tries fundraising. If there are sufficient human Sources in organizations and sufficient information it can be a significant potential for NGOs drawing funds from the EU and the implementation of development projects in the region. (Collective of MAS Společná Cidlina, 2013)

5. FINANCING

5. 1. EU FUNDS

From this year (2014) there is a new programming period for EU funds. There is still no precise distribution of Sources into particular ministries and then to certain programs. Already is announced that there should be at least five operational programmes across three ministries (Ministry of Social Affairs, Ministry for Regional Development and Ministry of Industry and Trade) which will support social enterprises and their activities. (Social eneterpreneurship and social economy (course), 2014)

5. 1. 1. Operational Programme Human Sources and Employment

One of the main sources of finance for social enterprises during period 2007 – 2013 was Operational Programme Human Sources and Employment (OP HRE) of the European Social Fund. Operational Programme Human Sources and Employment was focused on reducing unemployment through active labour market policies, vocational training, as well as the inclusion of socially excluded people back into society, improving the quality of public administration and international cooperation in these areas.

Priority Axis	Name	Aim of the Axis is to
1	Adaptability	prevent unemployment by encouraging investment in human Source development and advanced systems management
2	Active labour market policies	improve access to employment and the sustainable inclusion of persons seeking employment and unemployment prevention of vulnerable groups in the labour market

3	Social integration and equal opportunities	provide help to people at risk of social exclusion, improving the quality and accessibility of social services and the introduction of measures to increase the employability of these people, including the promotion of equal opportunities for women and men in the labour market
4	Public Administration and Public Services	increasing institutional capacity, quality, efficiency and transparency of public institutions and improve the quality and accessibility of public services
5	International cooperation	promotion of international cooperation in human Sources development

Figure 12 - Operational Programme Human Sources and Employment (2007 - 2013)

Source: own input adapted from (European Social Fund in the Czech Republic, 2013)

The EU funds allocated for OP HRE total of € 1.88 billion, which represents approximately 7% of all funds allocated from EU funds to the Czech Republic. The Czech public sources added further € 0.33 billion. In total there was 5 155 approved projects in total sum of 58.2 billion CZK. It is expected that the Programme will continue under name Employment Operational Programme (2014 – 2020) and will be analogical to the previous programme.

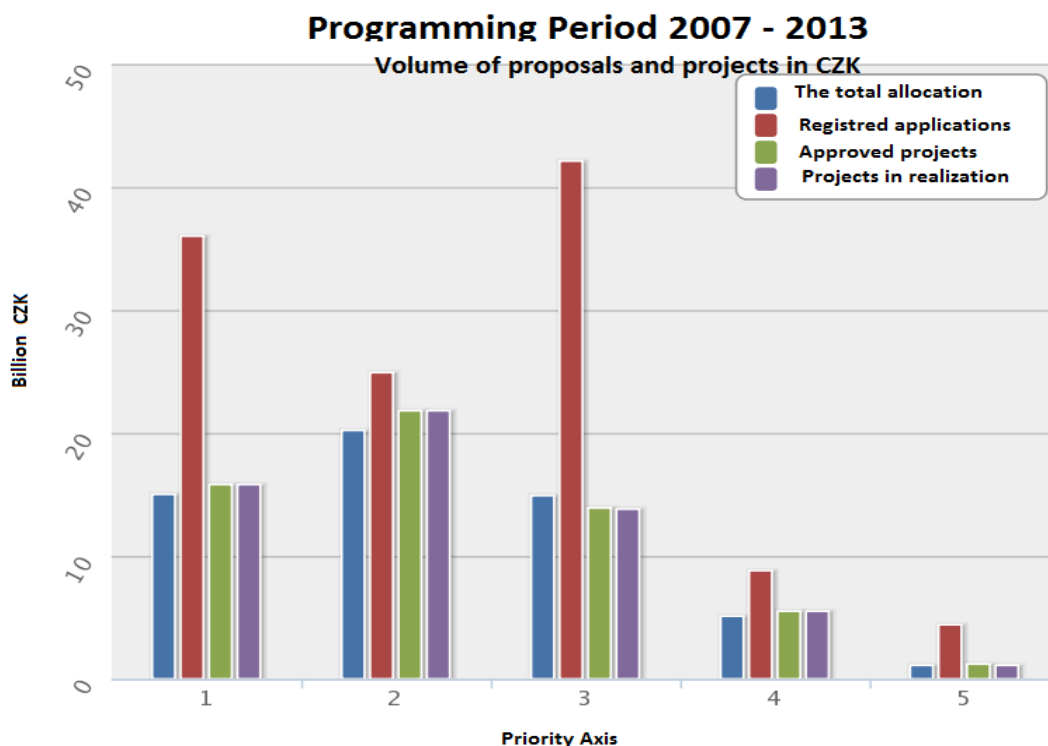


Figure 13 - Summary of volume of proposals and projects in OP HRE; Source: (Evropský sociální fond, 2013)

5. 1. 2. Employment Operational Programme

Operational Programme proposal was drawn up in relation to the requirements of the relevant EU legislation, in particular the draft General Regulation and the draft Regulation on the European Social Fund. Structure, chapter titles and the extent of the information are constructed according to a pattern and instructions of the European Commission for the contents of the operational programme.

The amount of the allocation has not been published, that is why the current version shows only percentage allocation of the EU contribution to the particular axes. These data will be added after the decision on the allocation of the individual operational programs in the country.

Priority Axis	Name	Aim of the Axis	Allocation
1	Promoting employment and adaptability of the workforce	Increase the employment of supported persons in particular through the implementation of the active employment policy, the implementation of specific measures to support the reduction of differences between position of women and men in the labour market and the harmonization of private and professional life, the development of further education, increasing knowledge, skills and competences and competitiveness of enterprises , and will be supported by a modernized public employment services by increasing the quality and effectiveness of active employment policy and other services provided, and the implementation of targeted measures to support youth employment.	59%
2	Social inclusion and combating poverty	Increase the employability of people at risk of social exclusion or socially excluded in the labour market, social development, health services, services for families and children, and other services and activities aimed at people who are socially excluded or at risk of social exclusion, promoting social entrepreneurship and to support developing strategies managed by the local level to prevent and solve problems in the field of social inclusion	30%

3	Social innovation and international cooperation	This priority axis will contribute to fulfilling the objectives of the Priority Axis 1 and 2 and is dedicated to social innovation and international cooperation in the areas of access to employment for job and inactive people, including local employment initiatives and mobility of the workforce and active inclusion particularly in order to increase employability and in improving the efficiency of public administration	2%
4	Effective Governance	Strengthening institutional capacity and efficient public administration and is aimed at increasing the efficiency and transparency of public administration, reduce administrative and regulatory burdens and streamline the management of human Sources in public administration.	5%
5	Technical support	funding the support management, implementation, control, monitoring, evaluation and publicity of the operational programme	4%

Figure 14 – Proposal of the Employment Operational Programme (2014 - 2020)

Source: own input adapted from (European Social Fund in the Czech Republic, 2013)

5. 2. THE LABOUR OFFICE OF THE CZECH REPUBLIC

Contribution to employer for establishing or allocation of a socially useful workplace⁹

The employer establishes or allocates the workplace on the basis of an agreement with the Labour Office of the Czech and occupies it with a job seeker, who cannot be employed under normal conditions.

⁹ In Czech “Příspěvek na zřízení nebo vyhrazení společensky účelného pracovního místa zaměstnavatelem”

III. METHODOLOGY

This chapter discusses the research method of this study and the detailed implementation of the research design.

In order to answer all research questions a mixed method approach through method triangulation of quantitative and qualitative methods was chosen. Several scientific methods have been chosen to address all aspects of the diploma thesis. The Figure 15 graphically shows all types of methods which were applied, what Sources were used, what the main reason of the particular method was and what the result of the research is expected.

The sociological research is based on the quantitative research (generating data about businesses in the micro regions; questionnaire) and sociological research methods including PESTEL and SWOT analysis.

<i>Type of the research method</i>	<i>Sources</i>	<i>Reason</i>	<i>Output</i>
<i>Secondary data collection</i>	Searching engines, websites of municipalities	Finding out what kind of businesses are in the micro regions and where might be a gap	Structure of businesses in the micro regions
<i>Questionnaire</i>	Inhabitants and in-groups in the area	Find out what is the level of awareness of the stakeholders in the micro regions	Stakeholders awareness and consumers will
<i>PESTEL analysis</i>	Own findings	Find out what might be the present and future development of social enterprises in	General picture of the sector

		the Czech Republic	
<i>SWOT analysis</i>	Own findings	Advantages and disadvantages of the social enterprise in the micro regions	Strengths, Weaknesses, Opportunities and Threats

Figure 15 - Summary of the sociological research methodology used

Sources: Own input

1. COLLECTION OF THE DATA

The secondary data concerning the scientific part of the study has been collected through searching databases like www.ares.cz, www.risy.cz, www.novybydzov.cz/firmy, www.chlumecnc.cz and www.firmy.cz.

Searching process:

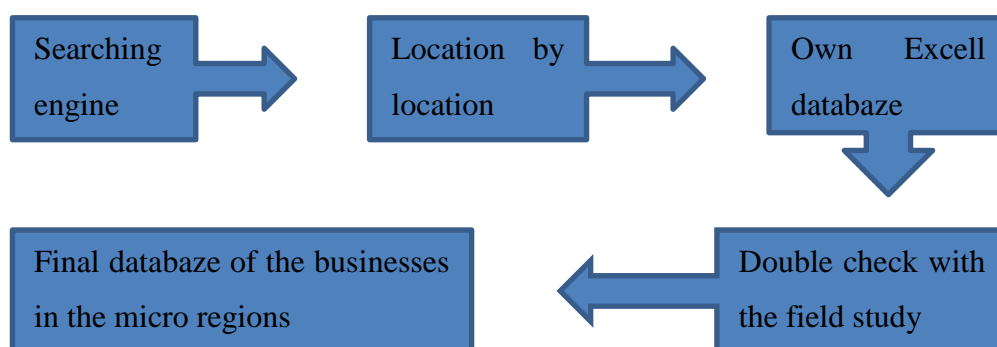


Figure 16 – Scheme of the searching process

www.risy.cz/cs/vyhledavace/ekonomicke-subjekty?nazev=&ic=&kodNace=&nace=&typNuts=4&nuts2=&krajNuts=&okresNuts=&obecNazev

Vyhledávání

Název:

IČ:

NACE:

Umístění: Chlumeck nad Cidlinou [Zrušit](#)

Vyhledat

1 | 2 | > >> celkový počet záznamů: 24

Název	Obec	IČ	Detail	Mapa
Bikers Crown, s.r.o.	Chlumeck nad Cidlinou - Chlumeck nad	25988140	Detail	
Building Plast, s.r.o.	Chlumeck nad Cidlinou IV	47473860	Detail	
C2P, s.r.o.	Chlumeck nad Cidlinou I	26003279	Detail	
Despa OK, s.r.o.	Chlumeck nad Cidlinou IV	25951653	Detail	
Dělný a doprava, s.r.o.	Chlumeck nad Cidlinou IV	27462692	Detail	

Figure 17 - Example of the search engine; searching by location "Chlumeck nad Cidlinou"

Source: www.risy.cz

A field study was done in the area by searching existing companies and freelancers in the observed micro regions. It was based on visible signs of their business on the buildings or fences of their plants/houses. Name of the company and its identification number¹⁰ was recorded and then searched in the databases mentioned above to prove, if the company legally exists and in which field operates.

Finally there was created a list of all companies and main information – their name, legal form, location, number of employees, sector and industry they run their business.

¹⁰ In Czech called IČ

2. QUESTIONNAIRE

The questionnaire under heading “Social enterprises in the Cidlina and Novobydžovsko micro regions” intended for stakeholders of the social enterprise in the Cidlina and Novobydžovsko micro regions comprised of fourteen questions. The first four questions were socio-demographic. The remaining ten belonged to the category of closed questions. For them interviewees were asked to circle only one of the suggested possibilities. Questions number five and six were constructed to find out what the level of awareness of the stakeholders about the term “*social enterprise*” is. The rest of the questions (from seven to fourteen) sought their views on importance of the social enterprise. The research was anonymous.

The template of the questionnaire is attached in the supplement of this Diploma thesis (Chapter X.1).

The researched was conducted in September 2013 and carried out at all towns of the Cidlina and Novobydžovsko micro regions (Babice, Barchov, Hlušice, Humburky, Chlumeč nad Cidlinou, Chudeřice, Káranice, Klamoš, Kobylce, Kosice, Kosičky, Králíky, Lišice, Lovčice, Lužec nad Cidlinou, Měník, Mlékosrby, Myštěves, Nepolisy, Nové Město, Nový Bydžov, Ohnišťany, Olešnice, Petrovice, Písek, Prasek, Převýšov, Sekeřice, Skřivany, Sloupno, Smidary, Stará Voda, Starý Bydžov, Šaplava, Vinary, Zachrašťany, Zdechovice, Žlunice). The researcher spent two hours in average with collecting data from the locals in each town. Selection of the respondents was systematic random sampling in the micro regions. Local municipalities were kindly asked via email, to fill in the questionnaire. There were 50 questionnaires sent and 27 returned. It total there were 500 respondents.

The results are analysed in the Chapter IV.1.

3. PESTEL ANALYSIS

“PESTEL model involves the collection and portrayal of information about external factors which have, or may have, an impact on business.”¹¹

PESTEL analysis is a simple and effective tool used in situation analysis to identify the key external (macro-environmental) forces that might affect a sector. These forces can create both opportunities and threats for an organization in the sector.

The PESTEL analysis consists of Political, Economic, Social, Technological, Environmental and Legal forces and is written in more detail in the Chapter IV.3 PESTEL Analysis of the Social Enterprise in the Czech Republic). The aims of the PESTEL analysis in this diploma thesis are detection of the current external factors which affect social enterprises in the Czech Republic; identification of the external factors that may change in the sector in the future and exploitation of the results in the SWOT analysis of a social enterprise in the micro regions Cidlina and Novobydžovsko. The information and data required for the analysis was obtained through various Sources – mainly public reports (BEDNÁRIKOVÁ, a další, 2011), articles, the Czech Statistical Office, own input, etc.

The outcome of PESTEL is an understanding of the overall picture surrounding the social enterprises in the Czech Republic.

¹¹ Rothaermel, F. T. (2012). Strategic Management: Concepts and Cases. McGraw-Hill/Irwin, p. 56-61, (JUREVICIUS, 2013)

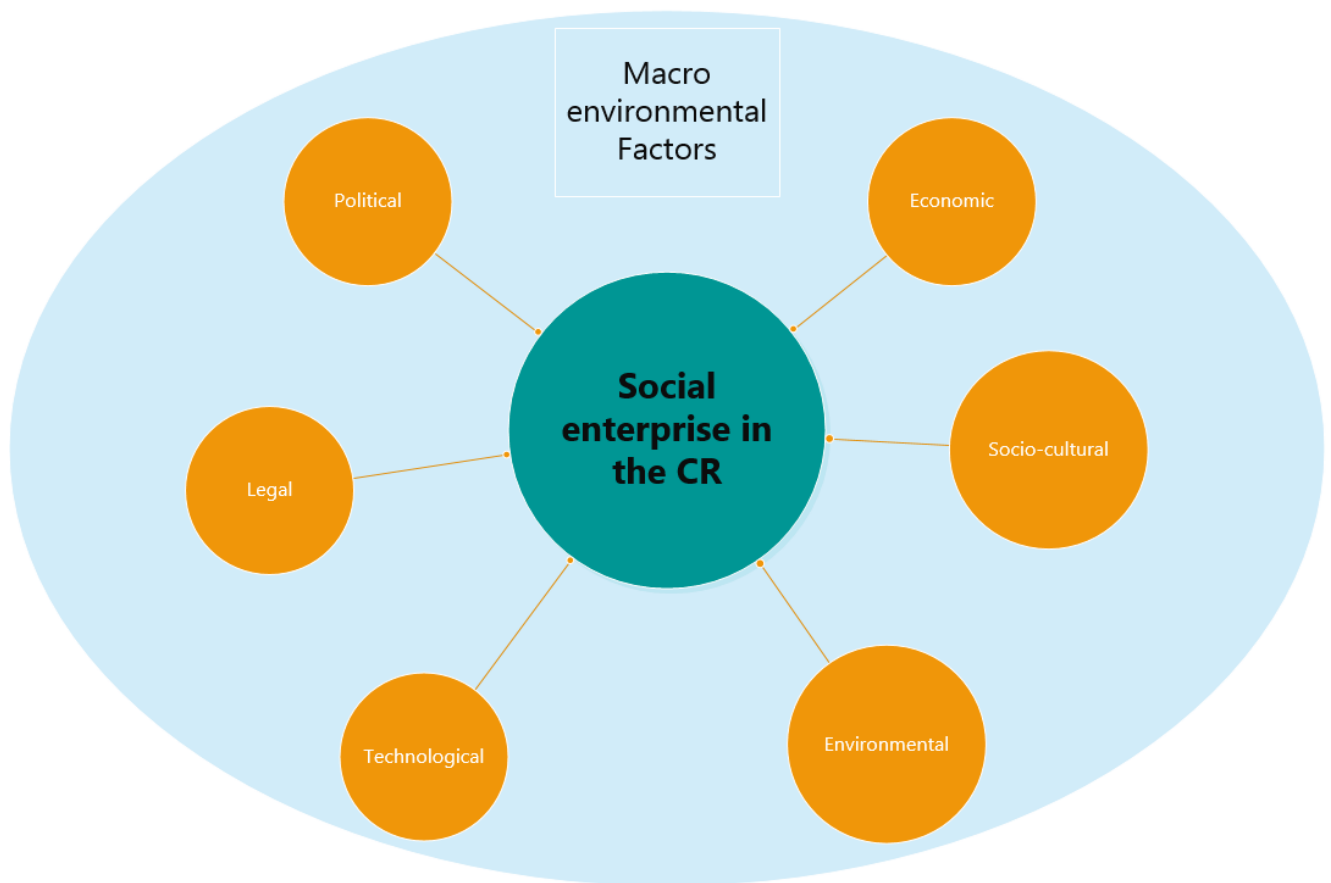


Figure 18 - Schema of PESTEL analysis

Source: Own input, (JUREVICIUS, 2013), Strategic management course

4. SWOT ANALYSIS

The research in the Chapter IV.4 mainly employs the SWOT analysis to identify the current situation of the social enterprises in the micro regions and potential development and contribution to the local economy. The information and data required for the analysis was obtained through interviews with the representatives of the stakeholders of the potential social enterprise who are identified later on. The review of the public reports (eg. (Collective of MAS Společná Cidlina, 2013)) has also provided valuable information for better understanding of the current socioeconomic conditions of the micro regions.

IV. RESEARCH FINDINGS

1. QUESTIONNAIRE

There were 500 respondents in total - 288 female and 212 male, almost all of them lived in the Cidlina and Novobydžovsko micro regions. Most of them attended some college or high school, their current position is employee or other (student, pensioner). Almost 90% of the surveyed never heard about the term “social enterprise”. Although almost three quarters of the respondents would purchase products or services from the social enterprise. 40% of the respondents would recommend products/services of the social enterprise to their friend or associate. Almost half also thought that the social enterprises provide socially beneficial products/services. Social aspect of a company, which was defined as *employing people with some disadvantage at the market, solving social problems, democratic decision-making, profit of the company used for its further development*, is extremely important for 15% and quite important for 34% of the respondents when choosing a company while purchasing its products/services. A corporate social responsibility, which was identified as *a integration of social, environmental, ethical human rights and consumer concerns into business operations and core strategy in close collaboration with their stakeholders*. This aspect was extremely important for 15% and quite important for 32% of respondents when choosing a company while purchasing its products/ services. 18 % of the respondents would definitely, 21% probably welcome the social enterprise in the Cidlina and Novobydžovsko micro regions.

The complete result of the survey is attached in the Chapter X.2 Results of the questionnaire.

2. STAKEHOLDERS OF THE SOCIAL ENTERPRISE IN THE MICRO REGIONS

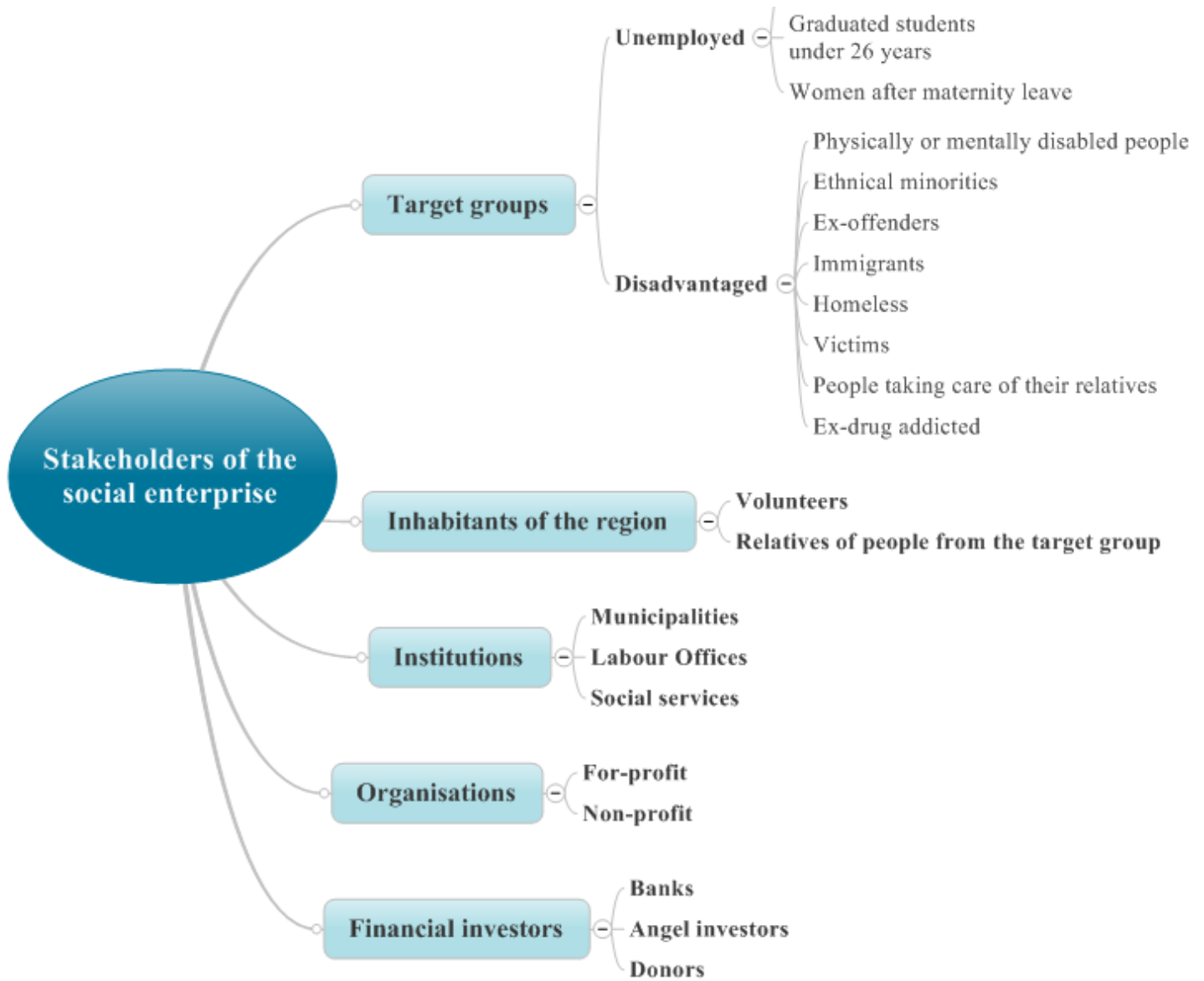


Figure 19 - Structure of stakeholders of the social enterprise in the micro regions

Source: Own input

2. 1. STRUCTURE OF THE BUSINESS SPHERE IN THE MICRO REGIONS

Majority of businesses (89%) are registered as a sole trader. It means that there is a lot of self-employed with a few employees.

Legal form of businesses in the micro region

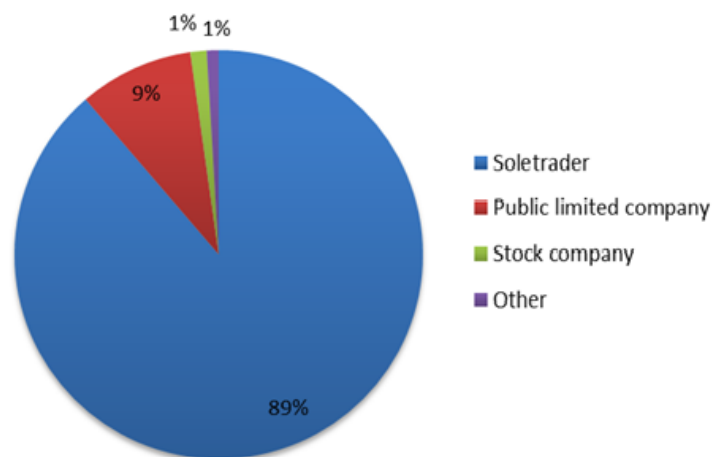


Figure 20 – Legal forms of businesses in the micro regions

Sources: Own input

The majority (80,2%) of the companies provide services in the Cidlina and Novobydžovko region. 16,1% are in the manufacturing industry and only 3,4% in agriculture.

Sectors of the businesses

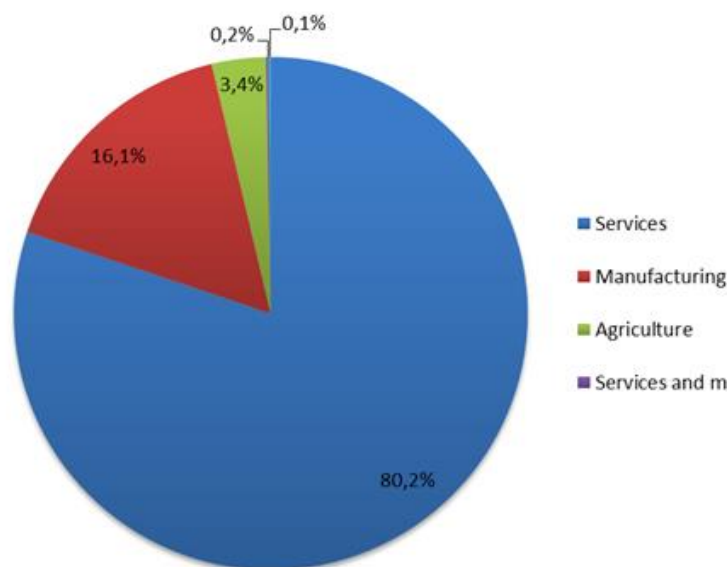


Figure 21 – Sector of businesses in the micro regions

Sources: Own input

Cities Chlumec nad Cidlinou and Nový Bydžov are the biggest and that is why there is the most registered companies. There are 194 in Chlumec nad Cidlinou and 184 in Nový Bydžov. Number of companies registered in Prasek, which lies close to Nový Bydžov, is 111.

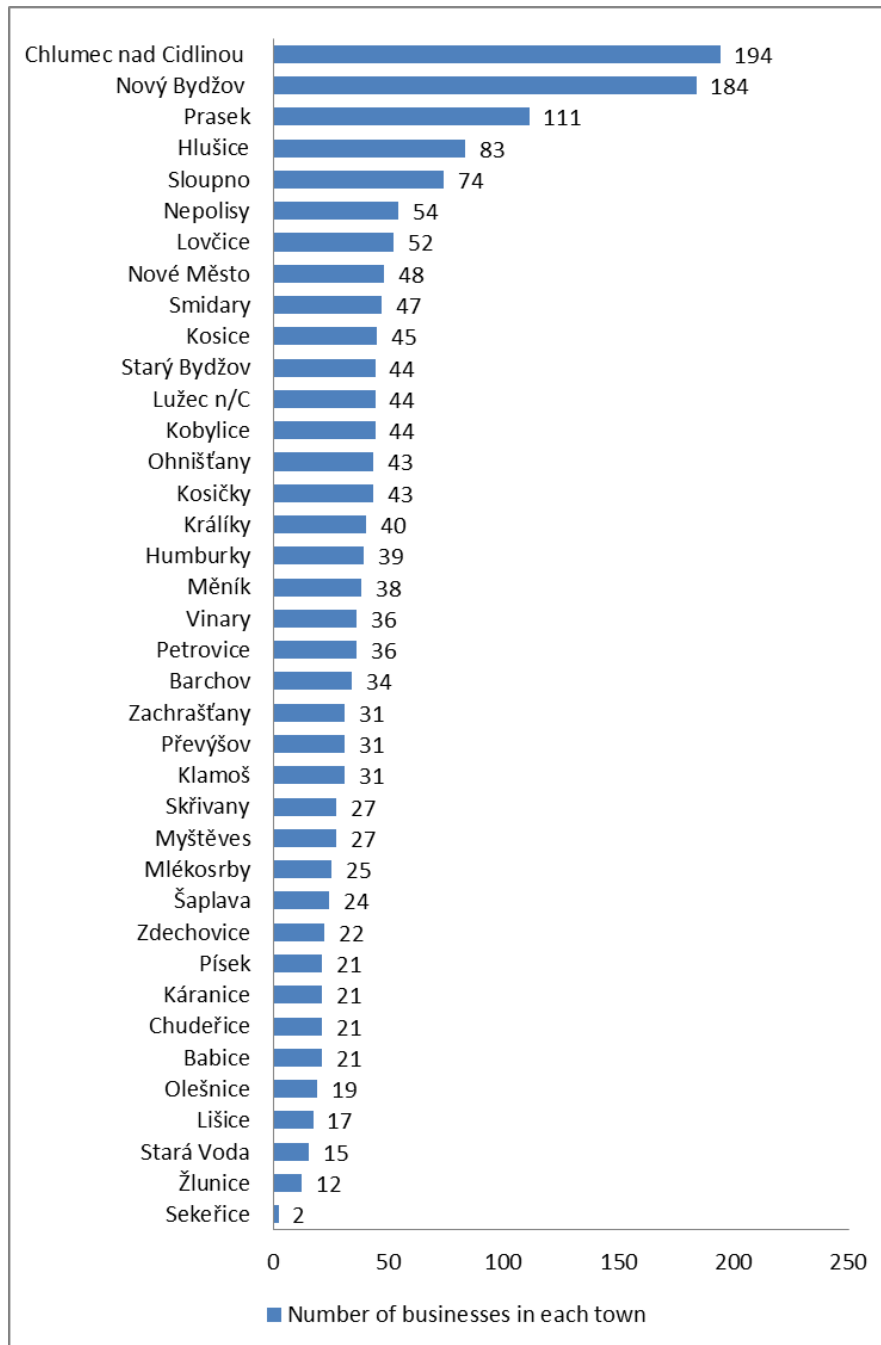


Figure 22 – Number of businesses in each town of the micro regions

Sources: Own input

In total there are 1700 companies in the Cidlina and Novobydžovsko micro regions. The most common (264) branch is the manufacturing. 100 companies state that they operate in the construction branch. In the procurement operate 95 businesses, 82 in retail, 75 in repairs, 73 in the hospitality sector and 71 hairdresser's, Cosmetics and other services..

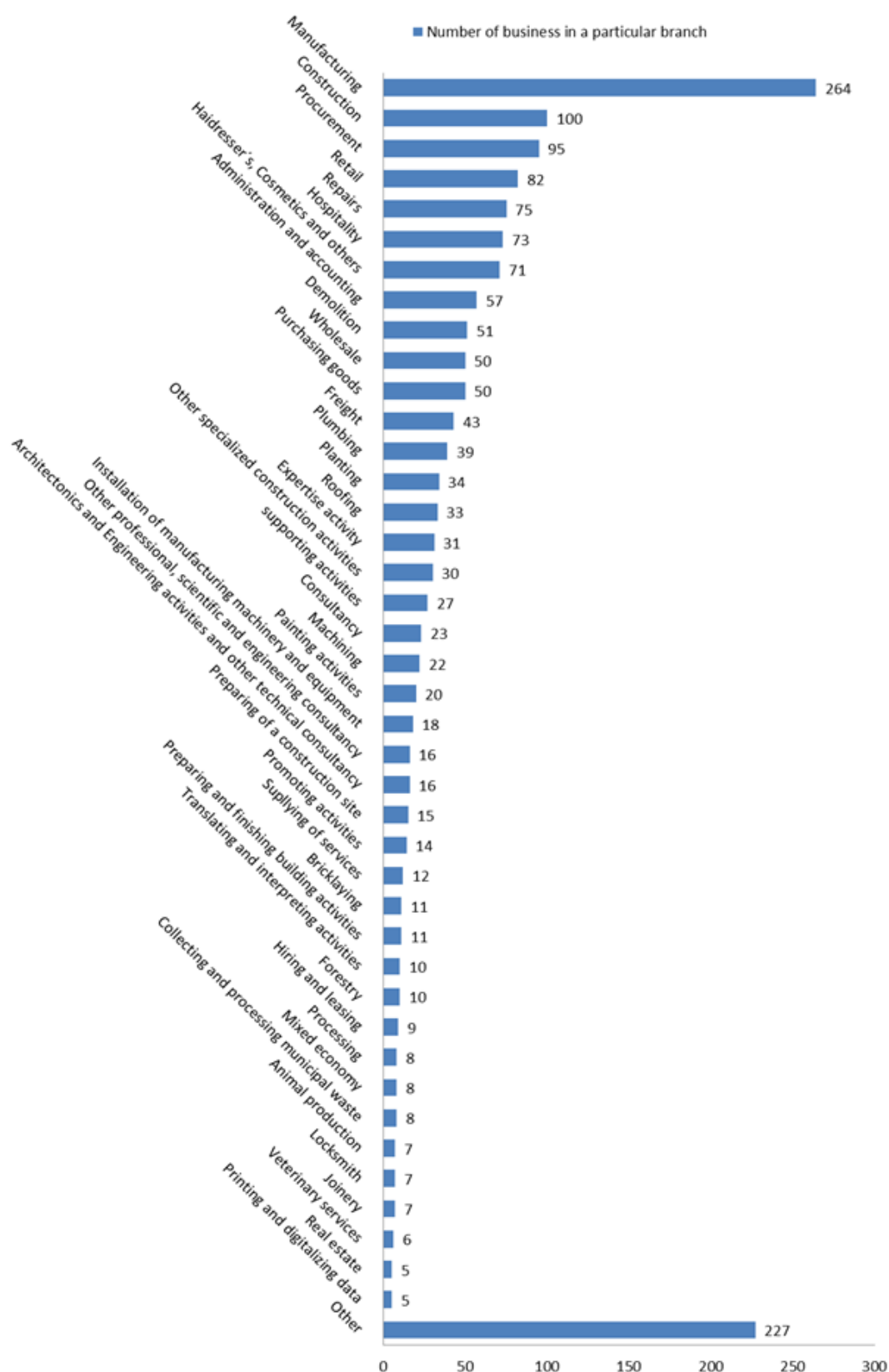


Figure 23 – Number of business in the micro regions in the particular branch

Sources: Own input

According to research (P3 – People, Planet, Profit o.p.s. , 2013) the most social entrepreneurs run their business in the hospitality sector, than there are frequently represented cleaning, household, gardening, landscaping and repairing services, food production and retail.

Potential social enterprises

■ Hospitality ■ Repairs ■ Retail ■ Other

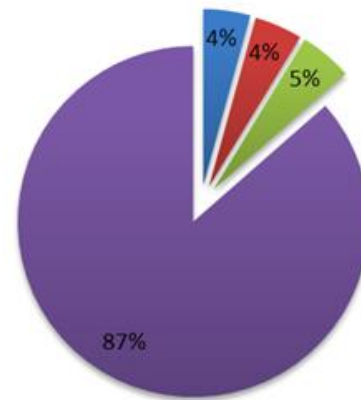


Figure 24 - Potential Social enterprises in the micro regions

Sources: Own input

There is potential of minimum 230 businesses which could follow principles of social enterprise and also there are gaps in the market, which could be filled up with newly created social enterprises, for instance gardening and landscaping services, cleaning services, food production etc.

2. 2. TARGET GROUPS OF EMPLOYEES

- Long term Unemployed

There is 401 job seekers registered more than one year at the Labour Office Nový Bydžov (30th Nov. 2013).

- Disadvantaged groups (people with a large distance to the labour market)
 - Immigrants

There are several Vietnamese communities, mainly in Nový Bydžov, Chlumeck nad Cidlinou and also in a few villages. Fortunately these people do not need to be employed, because they are usually self-employed or work with their relatives at their shops. Nevertheless it would be worth to include them into the local society somehow.

- Ex-offenders

Number of members of this target group is difficult to find out. There is the nearest custody prison in Hradec Králové and a prison in Pardubice. The prison offers employing of prisoners in Pardubice, however they prefer to use their space. The only one place in the micro regions, where prisoners are employed, is at Loučná Hora at the local sawmill.

- Persons with mental or physical disabilities

There is 105 registered persons (30th Nov. 2013, the Labour Office Nový Bydžov) in the micro regions.

2. 3. PUBLIC INSTITUTIONS

There are several social institutions which could cooperate with the social enterprise in the micro regions.

Institution	Target group	Activities	Location
Duha o.p.s.	Seniors, lightly handicapped persons	Nursing care homes	Chlumec nad Cidlinou
Domov v Podzámčí	Lightly handicapped persons	Protected housing	Chlumec nad Cidlinou
Domov sociálních služeb Skřivany	Mentally and Health disabled	Protected housing, Home for persons with health disabilities	Skřivany
Podzámčí, agentura podpory rodiny a služeb o.p.s.	Families, senior, single-mothers, foster-parents	Volunteers, consultancy, free time activities	Headquarters in Nový Bydžov, otherwise both micro regions
Dron-in centre DoPatra	Children and youth	Free time activities, education, consultancy, integration	Nový Bydžov

Figure 25 - List of social institutions in the Cidlina and Novobydžovsko micro regions

Source: own input

2. 4. VOLUNTEERS

The volunteering has got some history in the micro regions. Since 2003 there is the Centre of volunteers called “Podzámčí” located in Nový Bydžov. The centre arranges volunteer services to the regions Chlumecko, Novobydžovsko, Hořice and Královehradecko. It cooperates with social service providers and helps them with the recruitment of volunteers, paper work,

insurance, attendance, moral valuation, coordination and promotion of volunteer's work. There are two programmes – *Senior* and *Primary prevention*.

Senior programme - Volunteers are engaged in the activities described below depending on the capabilities of their free time. They are usually students of secondary schools or universities, unemployed, pensioners at a younger age and retirees with an invalid pension. This programme takes place in most partner organization.

Activities provided to partner organizations:

- the client's escort to the doctor
- bedside companion
- walking companion
- help with social events
- games
- assistance in occupational therapy and educational activities
- canisterapie

Primary prevention programme is linked to the drop-in centre for youth called "DoPatra" in Nový Bydžov. There are several volunteers depending on the capabilities of their free time and they are usually students of secondary schools and universities.

3. PESTEL ANALYSIS OF THE SOCIAL ENTERPRISE IN THE CZECH REPUBLIC

PESTEL analysis can be utilised as a regular review tool, and with the current and future desired position in mind. The following represents a snapshot across social enterprises in the Czech Republic.

There is and mind map describing PESTEL analysis of the social enterprises in the Czech Republic.



<p>Political</p> <ul style="list-style-type: none"> • Ecological/environmental issues • European/international legislation • Local politics – potential partnerships • Funding policies and funders’ attitude to social enterprise aims • Lobby • Promotion 	<p>Economic</p> <ul style="list-style-type: none"> • Funding • Home economy trends • General taxation issues • Taxation specific to product/services • Market routes and distribution trends • Labour cost • Unemployment trends
<p>Social</p> <ul style="list-style-type: none"> • Lifestyle trends • Move towards socially responsible and active society • Demographic changes – growing/ageing population, fluctuation • Media influence on trends • Social adaptation • Public awareness 	<p>Technological</p> <ul style="list-style-type: none"> • How consumers do their shopping • Innovation potential • Global communications • Technology access, licencing, patents, price
<p>Environmental</p> <ul style="list-style-type: none"> • Solving environmental problems • Local resources • Local markets • Recycled materials 	<p>Legal</p> <ul style="list-style-type: none"> • Legal changes affecting services and the company model • Current legislation at the home market • Future legislation • Corporation law – tax, personnel EU legislation • Health and Safety – staff, volunteers trainees

Figure 26 - PESTEL analysis of the social enterprises in the Czech Republic

Sources: Own input

Political

The most significant impact has obviously political environment in the Czech Republic. This environment is often described as the unstable and rapidly changing environment. Constant changes in legislation are often criticized as well as relatively strong role of government and the Parliament of the Czech Republic to the functioning of the economy. This prevents effective longer-term and short-term strategic planning.

Low confidence in the current government has also a significant impact. The future development might be affected by the growing dissatisfaction with constant belt tightening and political corruption and bribery scandals.

There is no strong lobby for the social enterprises and it might cause that there will be no easements for the enterprises at the market. Some political support of the social enterprises is expected in the future, because this topic is strongly highlighted in the EU Horizon 2014 – 2020.

Economic

GDP is one of the most watched economic indicators. GDP in the Czech Republic and also in the whole EU is currently constantly affected by the economic crisis, which took place between 2008 and 2009.

The market is the same as for conventional businesses there is no special easement or support of the social enterprises. Some changes are expected in the future, because there is increasing number of unemployed people and social/environmental issues, which might be addressed by the social enterprises more efficiently than the traditional way.

Taxation rate is the same as for the conventional company. In the future there could be lower rate or other kind of help for the social enterprises.

Social

Social factors might be very important in this field. The social enterprises are based on the social aspect. Many people have decided to follow trends by buying ecologically or environmentally friendly products, carrying about corporate and individual's responsible behaviour. Nowadays this group of people is not wide, but it is getting bigger, as the awareness of individuals is changing. The media play an important role in delivering information and trends.

“While an increasing number of consumers want to buy socially responsible products and services, many don't know what a social enterprise is; they are just automatically looking for the Fair Trade label. One of the predominant issues that affects consumers' decisions to buy the ethical product is how easy it is to purchase. Shoppercentric's report found that 39% of shoppers reported that they would buy more ethical products if they were easier to locate and 38% said they would buy them "if there was more selection available.” (WESTWATER, 2013)

Technological

Social enterprises are considered as very innovative. They might use new communication or selling channels to save money or bring more attention of its products. This could be quite difficult to understand for an average customer who does not look behind the curtain and does not care about the story of the products he or she purchases.

Price of licences or patents is the same as for the conventional business; nevertheless the most of the social enterprises operate in the field where there is no need for such things.

Environmental

Strong environmental aspect of some of the social enterprises is undoubtable. They might be created to address some local environmental problems (waste management, recycling, landscape care, education, farming, etc.).

Legal

The Czech legal system is generally considered an environment with relatively low efficiency of law enforcement and the high bureaucracy, even though the national legislation is harmonized with EU legislation. The distrust of the general public (including the business sector) to politicians reinforces an incidence of corrupt behaviour.

Summary of the PESTEL analysis

The key aspect of the social economy is understanding its needs and the needs of the stakeholders. Main role in sharing information play three actors – state, media and people. The government of the Czech Republic can support social enterprises and their activities not only by easements in some parts (legislation, taxation, bureaucracy,...) but also by the right promotion. The same role also has media which can influence what people think and what kind of products/services they are going to buy. And last but not least is a power of word of mouth. Satisfied people talk, but unsatisfied talk even more. At the beginning people are often afraid of new things and there is just a small group of people who makes the first step into the dark. These three groups should encourage the others.

In the future there could be for example some common logo, which would signalize a product which was produced by the social enterprise.

4. SWOT ANALYSIS OF THE SOCIAL ENTERPRISE IN THE MICRO REGIONS

In this chapter is included SWOT analysis of the social enterprise in the Cidlina and Novobydžovsko micro regions. The SWOT analysis focuses entirely on the two Internal factors – Strengths and Weaknesses (the Sources and experience readily available to the enterprise) and two External factors – Opportunities and Threats (things the enterprise does not control).



Figure 27 - SWOT analysis of the social enterprise in the micro regions

Source: Own input

Strengths

1. Location

The Cidlina and Novobydžovsko micro regions lie close to two big cities Hradec Králové and Pardubice and have got a good traffic connection there. The D11 motor high way is located in the east of the micro regions and offers comfortable and fast connection to Prague. (More in the chapter II.4. 1 Location)

2. Exploitation of local Resources

Local businesses abound vast range of products and services which could be used by the social enterprise in the Cidlina and Novobydžovsko micro regions. (More in the chapter 2. 1 Structure of the business sphere in the micro regions)

3. Potential customers & 4. Costumers' willingness to buy products/services of the SE

72% of the respondents of the questionnaire answered that they would purchase products/services of the social enterprise. (Question No. 7 of the questionnaire)

5. Potential employees

The unemployment rate is usually higher than the state average. There are at least 401 long-term unemployed and 105 disabled registered at the Labour Office in Nový Bydžov. (More in the Chapter 2. 2)

Weaknesses

6. Absence of important skills

Social enterprises usually do not demand high skilled employees, but there is lack of potential managers or creators of the social enterprise. (More in the Chapter II.4. 2. 1)

7. Possible low productivity

Employees of the social enterprise might not be full time workers, because their disabilities. They can provide the same level of the product, but I might take more time.

8. Weak brands

There are no social enterprises in the micro regions.

9. The same economic risks as a conventional company

10. Customers satisfied with competing products

According to the questionnaire, customers are satisfied with competing products, so it will be more difficult to find its place at the market. (Question No. 8 of the questionnaire)

Opportunities

11. Low competition

There are no social enterprises in the micro regions, and there are only 120 in the whole Czech Republic. Nevertheless there is competition in the form of any conventional business.

12. Changes in government policies

There might be a future progress in the state support of the social enterprises.

13. Cooperation with local institutions

There is enough local institutions with a direct (state social care providers, municipalities) or indirect (municipalities, local cooperatives) intention to support social enterprises. (More in the chapter IV.2. 3)

14. EU funds & 15. EU horizon 2014 – 2020

There is planned, not only financial, support of the social enterprises in the new programming period from 2014 to 2020 in the European Union. (More in the chapter II.5)

15. 72% of respondents would welcome SE in the region

16. Spreading the information via the Internet and TV

The power of public media plays an essential role in transmitting information about the concept of social enterprises, as well as usage of social media to change current trends and perception of individuals.

17. Importance of social aspect of the company

Customers pay higher attention to the social aspects of a company according to the survey in the micro regions. (Question No. 12 of the questionnaire)

18. Importance of the CSR of the company

Customers pay higher attention to the CSR of a company according to the survey in the micro regions. (Question No. 13 of the questionnaire)

Threats

19. Low awareness of the stakeholders

Almost 90% of the respondents never heard about the term “*social enterprise*”. (Question No. 5 of the questionnaire)

20. No governmental easements

There is lack of governmental easements or support of the social enterprise on the national and also local level.

21. Limited financial Sources

There are already announced expected operational programmes of the European Social Fund, however they are still not ready for application.

22. Customers' distrust

People in general are afraid of new things. Inhabitants of the micro regions who were interviewed are not sure, if they would welcome the social enterprise in the micro regions. (Question No. 14 of the questionnaire)

V. DISCUSSION

Awareness

The results of the questionnaire (question No. 5¹²) shows that people in the micro regions have got a low awareness about the term “social enterprise”. This might be caused by the lack of a right advertisement of the social enterprises on the national level and also by the fact that there are no real social enterprises in the observed area. The other perhaps good point that may contribute to low awareness could be the fact that social enterprises are mostly at this point in time, small businesses, which do not really have a sizeable marketing budget to be well recognisable, so they are either regarded as normal businesses, or kind of non-profit charity. Another reason for this may be that it is hard to define the social enterprises. The respondents, who are in touch with the term “social enterprise” on a regular basis, were mostly the public servants and have known the term via their job. It could mean that they work in some social facilities or follow-up services. The highest portion of the respondents got to know about the term via Internet. It could mean that there are some articles or an online discussion about the topic and it grabbed the reader’s attention, because he or she remembers it.

¹² How familiar are you with term „Social enterprise“?

Potential

At the beginning of the questionnaire was a brief description of the social enterprise, so respondents could imagine what social enterprise represents. Almost three quarters of them would purchase products or services of social enterprise. The ones who would not purchase its products marked, that they are satisfied with competing products/services currently available at the market. It means that services and products sold in the micro regions are sufficiently covered by the local businesses however it does not mean that all desired services or products are supplied and available.

40% of the interviewees would recommend services/products of the social enterprise to their relatives or associates. This could mean that they would also purchase the services/products by themselves.

There is a potential market for the social enterprise at the Cidlina and Novobydžovsko micro regions.

Trends

Well-educated respondents care more about the social aspect or the corporate responsibility of the businesses. The most liked fact about the social enterprise is employing people with some disadvantage at the market. The second high ranked fact is exploitation of local resources. People are more aware about the changes in the society. They hear from a television and read the newspapers that there is the high national unemployment rate and also that there are increasing prices of material (especially oil). They are told to act in more responsible way – to recycle, to use local resources or to behave more eco-friendly and environmental-friendly. This all might affected the results of the questions number 9¹³, 13¹⁴ and 14¹⁵.

¹³ What do you like most about the concept of social enterprise?

¹⁴ How important is a “social aspect“ when choosing a company while purchasing its products/services?

¹⁵ How important is “corporate social responsibility (CSR) “ when choosing a company while purchasing its products/ services?

VI. CONCLUSIONS

Social enterprises exist in a way not unlike any other normal enterprise does, to generate sustainable revenue and livelihood. Social enterprises also aims to seek out the entrepreneurial spirit and creativity that would be the driving force behind an business of any other nature, whilst pursuing outcomes to accomplish their intended social or environmental reasons.

The social enterprise can be positioned towards the middle of a hybrid spectrum of organisational forms ranging from traditional non-profit organisations to traditional for-profit organisations. There is long tradition of both organisational forms in the Cidlina and Novobydžovsko micro regions.

The main aim of the diploma thesis was to find out whether Cidlina and Novobydžovsko micro regions are suitable for creating the social enterprise. The assumption that both micro regions are generally ready for any kind of business, was partly confirmed by the study of the business structure in the micro regions but refused by the results of the questionnaire which shown that potential customers are not ready. Even though there are some problems with the recognition what the social enterprise really represents. Position of the micro regions and purchasing power of its inhabitants do not limit any possibility of creating such businesses there.

The potential customers of the social enterprise are not ready. They do not know the term “social enterprise”. Even though, if they were told basic facts about the social enterprises, they would welcome such businesses in the micro regions.

VII. RECOMMENDATIONS

The research is a part of a possible business plan. There are several basic recommendations for creating the social enterprise in the Cidlina and Novobydžovsko micro regions. They are the same as for any conventional business. Firstly, there should be written a good business plan. Any business plan consists of several key elements as:

- Executive summary
- Market analysis
- Company description
- Organisation and management
- Marketing and sales strategies
- Service/Product line
- Funding

Company description, management, marketing, sales strategies as well as the product line is very individual to any business that is why any start-up should pay attention to this areas it selves. Nevertheless this diploma thesis covers partly market analysis and funding. The summary of the target market is below in the Figure 28 - Market analysis based on own results. There are the factors which have certain impact on the environment in the micro regions.

Factor	Environment in the micro regions	Results based on
Potential social enterprises	Positive	Structure of the business sphere in the micro regions
Market gap	Positive	Structure of the business sphere in the micro regions
Legal form	Positive	Good practise from other countries, Social enterprises in the CR
Potential employees	Positive	The Labour Office, unemployment rate
Potential customers	Positive	Answers form the questionnaire
Awareness of the customers	Negative	Answers form the questionnaire
Potential partners	Neutral/Positive	Stakeholders of the social enterprise in the micro regions
Financing	Neutral	Financing part (EU Funds)
Location	Neutral/Positive	Map

Figure 28 - Market analysis based on own results

Source: Own input

Social enterprises can be created out of already existing conventional businesses in the micro regions or as a new activity, because there is a market gap in certain branches. The legal form of the enterprise can be one of the four most popular across Europe (social cooperative, mutual society, association or foundation) however these are not really popular in the Czech Republic; especially any kind of cooperatives which is perceived negatively by the Czech nation, because of long history of common agricultural cooperatives which were well spread across Czechoslovakia during the communist regime were not really democratic. Popular legal form is the commercial company (private limited company) in the Czech Republic especially due to limited liability of the owners. According to the local Labour Office there is enough potential employees (mainly from the target group long-term unemployed and mentally or physically disabled) in the micro regions. The survey revealed that even though the citizens of the micro regions are not familiar with the term “social enterprise”, social aspects and corporate responsibility of the company is quite important for them. 72% of respondents would welcome the social enterprise in the micro regions. The non-profit organisations and volunteering have got some history in the micro regions, so we can see some pattern of pro-social behaviour of the habitants. Financing issue is a bit blurred. Although the new programming period of the EU funds has already started, the precise level of support and appeals are not set yet. The only information which has leaked is that there will be five Operational programmes under three different Czech Ministries. Anyway any good business idea can be financed the “normal” way.

There is a threat in form of lack of stakeholder’s awareness about the social enterprises. This creates great potential. The social enterprises need a better promotion supported by the government, local municipalities and also by the related institutions. There has to be set cooperation with local communities to increase their consciousness. The lack of awareness would be probably improved by a better marketing the social enterprises at the micro regions. There are several ways how to do it. Firstly it would be helpful if there is a higher support of the social economy from the government in form of promotion on the national level. Secondly the local municipalities could also promote this kind of businesses in the area. And last but not least are non-profit organisations or other local institution which could arrange some workshops, seminars or public discussions about the social entrepreneurship for all interested parties.

This lack of awareness can be improved by more publicity of social enterprises, as well as more teaching about social enterprises in schools.

In order to fulfil all requirements of the new social enterprise is crucial to understand the market as well as the needs and wants of the customer. Potential customers of the social enterprise do not know about the term social enterprise that is why they do not know that they want products and services of this business. Basic recommendation on the base of the results from the research is to create a right marketing plan of the starting social business and cooperate with local institutions and municipalities to raise stakeholder's awareness.

The survey is not comprehensive. There has to be conducted more detailed research to find out why the stakeholders have got a low awareness and how the situation can be enhanced.

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X. SUPPLEMENTS

1. TEMPLATE OF THE QUESTIONNAIRE

“Social enterprises in the Cidlina and Novobydžovsko micro regions”

My name is Tereza Koblasová and I am a Master student of the Czech University of Life Sciences Prague. This questionnaire is a part of my Diploma thesis on topic “Readiness of the Cidlina and Novobydžovsko micro regions for social enterprises”. I would be glad, if you could kindly fill in following questions. In case of further information you can contact me via tereza.koblasova@gmail.com.

Thank you very much.

1) What is your gender?

- Female
- Male

2) What is your present occupational position or (if no longer working) was your last position?

- Self-employed
- Employee
- Public servant
- Other (Student, Pensioner)

3) What is the highest degree or level of education you have completed?

- Less than high school
- High school graduate (includes equivalency)
- Some college, no degree
- University degree

4) Do you live in the micro regions Cidlina or Novobydžovsko?

(Babice, Barchov, Hlušice, Humburky, Chlumeck nad Cidlinou, Chudeřice, Káranice, Klamoš, Kobylice, Kosice, Kosičky, Králíky, Lišice, Lovčice, Lužec nad Cidlinou, Měnik, Mlékosrby, Myštěves, Nepochy, Nové Město, Nový Bydžov, Ohnišťany, Olešnice, Petrovice, Písek, Prasek, Převýšov, Sekeřice, Skřivany, Sloupno, Smidary, Stará Voda, Starý Bydžov, Šaplava, Vinary, Zachrašťany, Zdechovice, Žlunice)

- Yes
- No

5) How familiar are you with term „Social enterprise“?

(An operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners. It operates by providing goods and services for 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)

- Never heard of it (skip to question no. 7)
- I am aware but have never used it
- Use it only sometimes
- Use it on a regular basis

6) How did you first hear about the term Social enterprise?

- TV
- Radio
- Magazine
- Newspaper
- Internet
- Friend/relative/associate
- Not sure
- Other

7) Imagine, that there would be the social enterprise in your area, would you purchase its products or services?

- Yes
- No

8) If you are not likely to use service/to buy a product of the social enterprise, why not?

- Do not need a product/service like this
- Do not want a product/service like this
- Satisfied with competing products/services currently available
- Cannot pay for a product/service like this
- Not willing to pay for a product/service like this
- Other (please specify)

9) What do you like most about the concept of social enterprise?

- Employing people with some disadvantage at the market
- Solving environmental problems
- Using local resources
- Not striving only for financial profit
- Democratic decision-making
- Nothing
- Other (please specify)

10) Would you recommend products or services of the *social enterprise* to a friend or associate?

- Definitely
- Probably
- Not sure
- Probably Not
- Definitely Not

11) Do you agree that the social enterprise provide socially beneficial products/services?

- Strongly Agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly Disagree
- No Opinion

12) How important is a “social aspect“ when choosing a company while purchasing its products/services?

(Social aspect means employing people with some disadvantage at the market, solving social problems, democratic decision-making, profit of the company used for its further development)

- Extremely important
- Quite important
- Moderately important
- Slightly important
- Not at all important

13) How important is “corporate social responsibility (CSR) “ when choosing a company while purchasing its products/ services?

(Socially responsible enterprises should integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders)

- Extremely important
- Quite important
- Moderately important
- Slightly important
- Not at all important

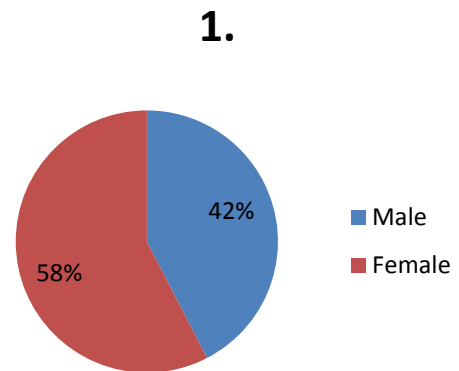
14) Would you welcome the social enterprises in the Cidlina and Novobydžovsko micro regions?

- Definitely
- Probably
- Not sure
- Probably Not
- Definitely Not

2. RESULTS OF THE QUESTIONNAIRE

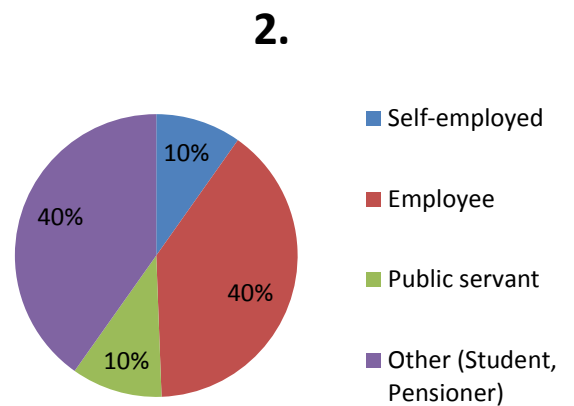
1. What is your gender?

There were 288 female and 212 male surveyed in the Cidlina and Novobydžovsko micro regions.



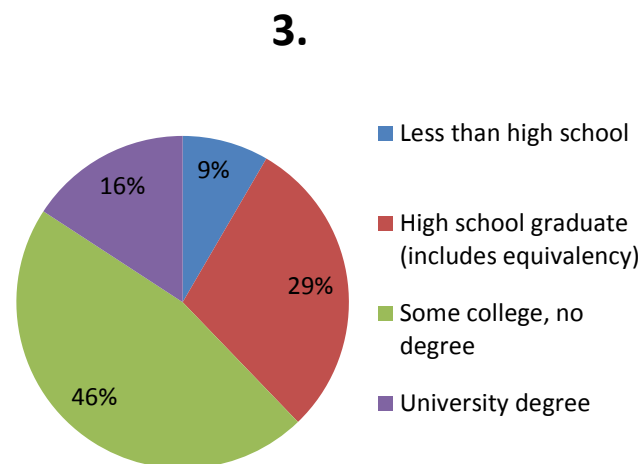
2. What is your present occupational position or (if no longer working) was your last position?

Self-employed	49
Employee	198
Public servant	52
Other (Student, Pensioner)	201



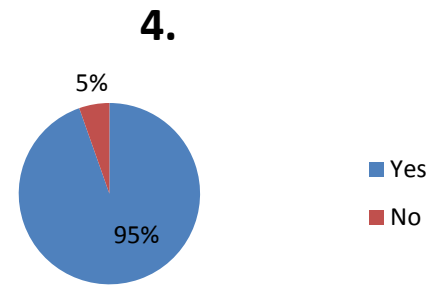
3. What is the highest degree or level of education you have completed?

Less than high school	42
High school graduate	147
Some college, no degree	232
University degree	79



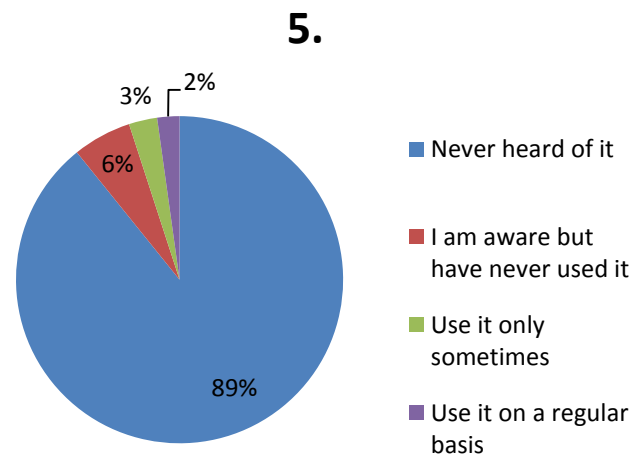
4. Do you live in the micro regions Cidlina or Novobydžovsko?

Almost all interviewees lived in the Cidlina and Novobydžovsko micro regions, only 27 people lived somewhere else.



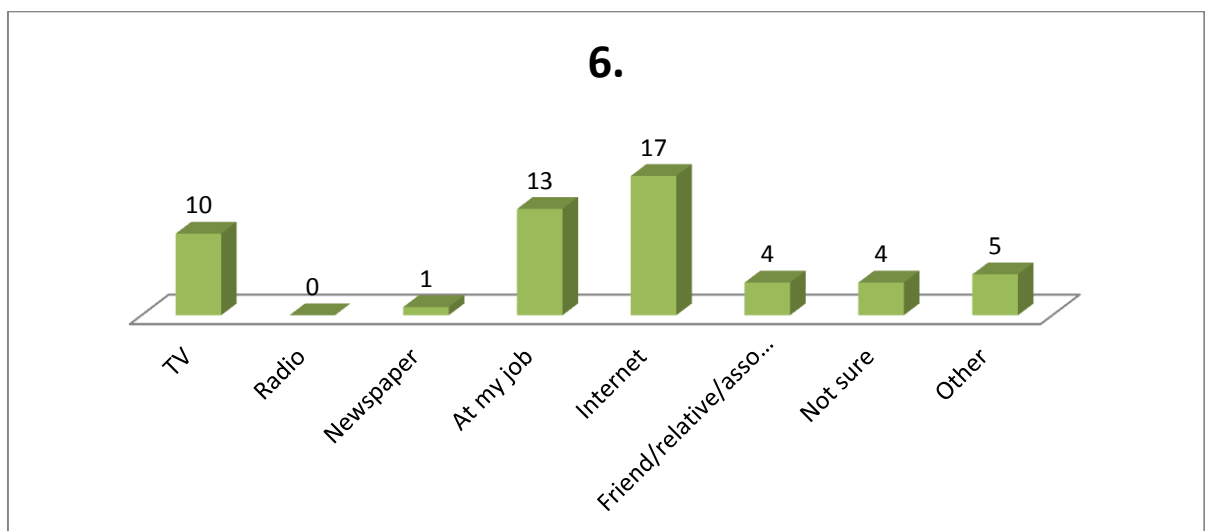
5. How familiar are you with term „Social enterprise“?

Never heard of it	446
I am aware but have never used it	29
Use it only sometimes	14
Use it on a regular basis	11



6. How did you first hear about the term Social enterprise?

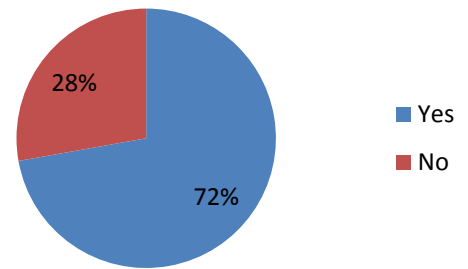
In the way how people get to know the term, the essential role plays the Internet (17 respondents), their job (13 respondents) and television (10 respondents).



7. Imagine, that there would be the social enterprise in your area, would you purchase its products or services?

Almost three quarters of the respondents would purchase products or services of the social enterprise.

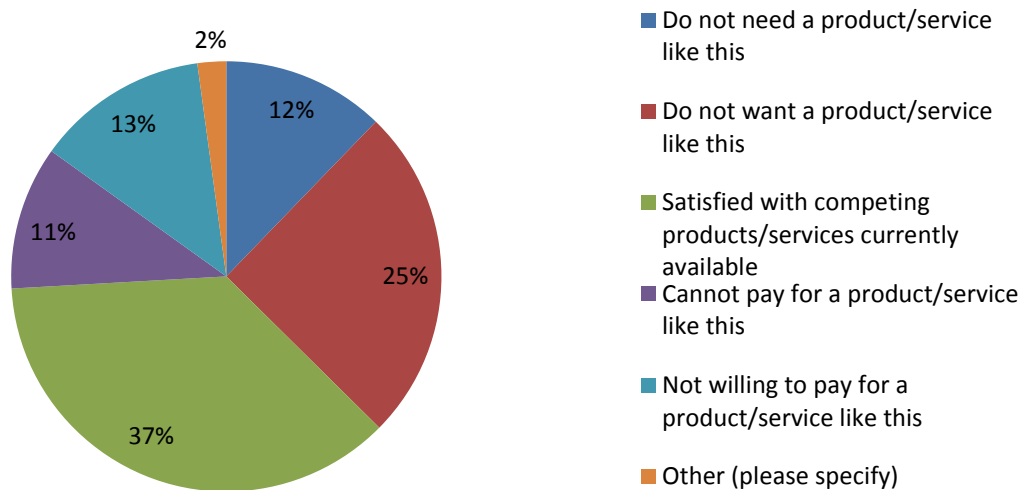
7.



8. If you are not likely to use service/to buy products of the social enterprise, why not?

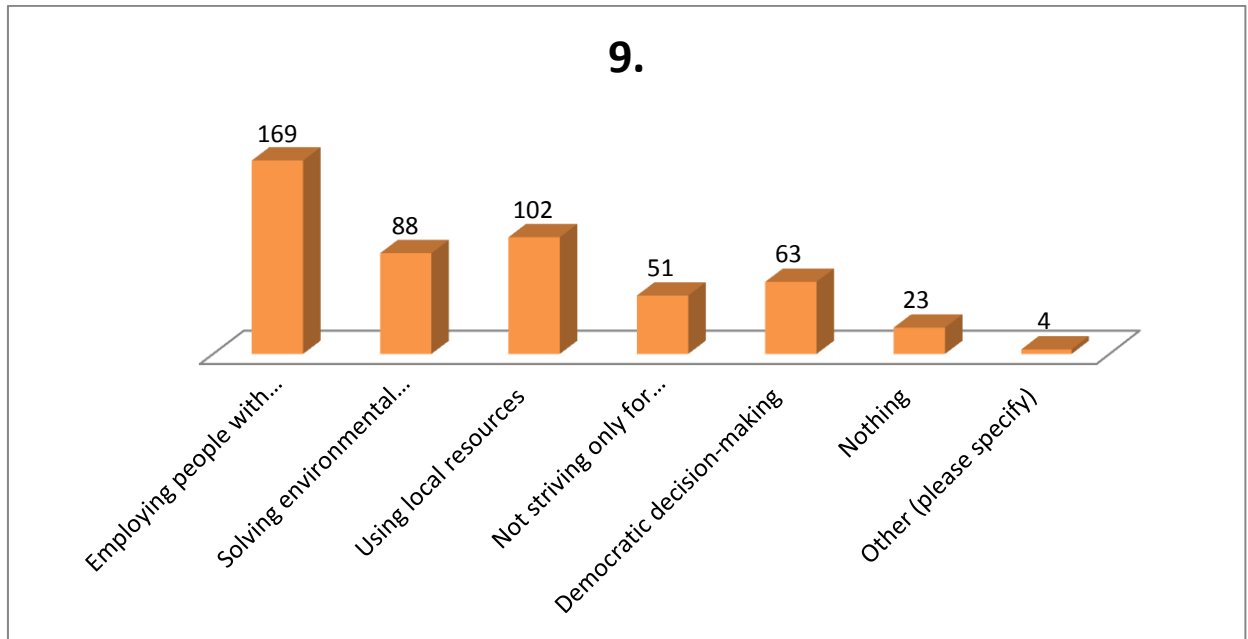
Do not need a product/service like this	17
Do not want a product/service like this	35
Satisfied with competing products/services currently available	51
Cannot pay for a product/service like this	15
Not willing to pay for a product/service like this	18
Other (please specify)	3

8.



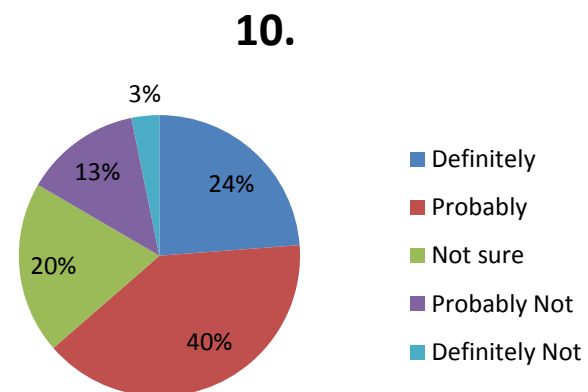
9. What do you like most about the concept of social enterprise?

Respondents liked the most that the social enterprises employ people with some disadvantage at the market (169 respondents), they also liked that social enterprises use local resources (102 respondents) and solve environmental problems (88 respondents). 51 respondents marked democratic decision-making.



10. Would you recommend products or services of the social enterprise to a friend or associate?

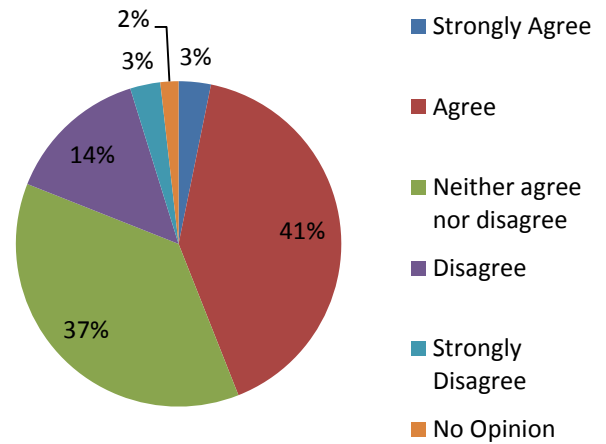
Definitely	119
Probably	199
Not sure	99
Probably Not	67
Definitely Not	16



11. Do you agree that the social enterprise provide socially beneficial products/services?

11.

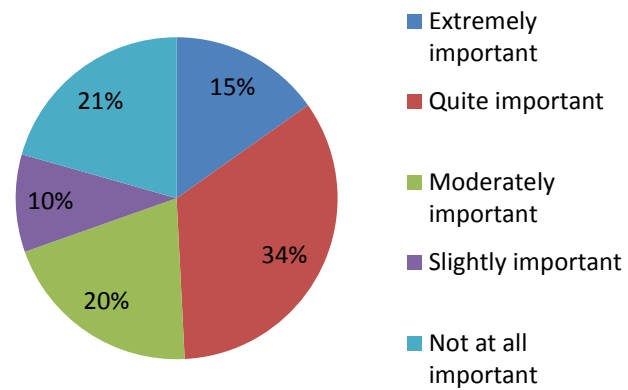
Strongly Agree	16
Agree	204
Neither agree nor disagree	185
Disagree	71
Strongly Disagree	15
No Opinion	9



12. How important is a “social aspect“ when choosing a company while purchasing its products/services?

12.

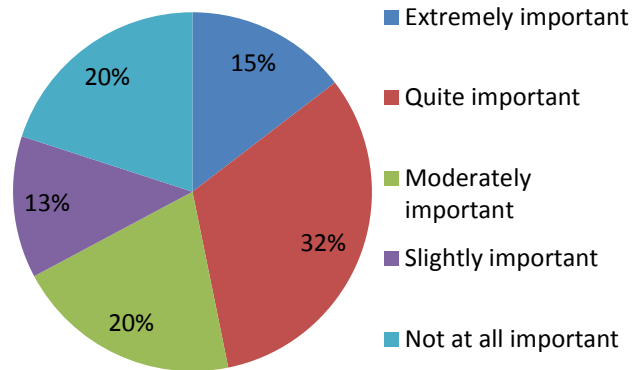
Extremely important	76
Quite important	170
Moderately important	102
Slightly important	49
Not at all important	103



13. How important is “corporate social responsibility (CSR) “ when choosing a company while purchasing its products/ services?

13.

Extremely important	73
Quite important	161
Moderately important	102
Slightly important	64
Not at all important	100



14. Would you welcome the social enterprises in the Cidlina and Novobydžovsko micro regions?

14.

Definitely	88
Probably	105
Not sure	161
Probably Not	112
Definitely Not	34

