

Social Entrepreneurship: A General Preview and Development Factor Analysis

Marija LUGONJIĆ

<https://orcid.org/0009-0007-8084-5845>

Faculty of Business Studies and Law
University "Union – Nikola Tesla", Belgrade, Serbia
marija.lugonjic@fbsp.edu.rs

Ružica USKOKOVIĆ

<https://orcid.org/0009-0008-1859-6320>

Faculty of Business Studies and Law
University "Union – Nikola Tesla", Belgrade, Serbia
ruzica.uskokovic@fbsp.edu.rs

Article's history:

Received 21st of August, 2023; Received in revised form 25th of September, 2023; Accepted 27th of September, 2023; Available online: 30th of September, 2023.

Published 30th of September, 2023 as article in the Volume XVIII, Fall, Issue 3(81).

Copyright© 2023. The Author(s). This article is distributed under the terms of the license [CC-BY 4.0.](https://creativecommons.org/licenses/by/4.0/), which permits any further distribution in any medium, provided the original work is properly cited.

Suggested citation:

Lugonjić, M., and Uskoković, R. (2023). Social Entrepreneurship: A General Preview and Development Factor Analysis. *Journal of Applied Economic Sciences*, Volume XVIII, Fall, 3(81), 169 – 174. [https://doi.org/10.57017/jaes.v18.3\(81\).04](https://doi.org/10.57017/jaes.v18.3(81).04)

Abstract:

The global development of society dictates changes in the field of economy, technology and, inter alia, the importance of the responsibility of the individual to society. We know that the changes dictated by various forms of promotion on the one hand and on the other hand of very aggressive marketing forms of organization have also recently caused reactions by individuals and society as a whole, who, despite consumer-driven market practices, want higher rates socially responsible behaviour of organizations.

With regard to the all-round development of both the economy and society, social entrepreneurship is an inevitable consequence of the orientation towards the perception of entrepreneurship in terms of strengthening social solidarity and the greater interaction towards the perception of entrepreneurship in terms of strengthening social solidarity and the greater interaction of social good in the concepts of business operations. Where is the future of the development of the entrepreneurial profession, and is social enterprise capable of overtaking existing forms of entrepreneurship? The answer would be accompanied by the fact that the incentive to increase social entrepreneurship in the last decade has been created with a similar reason than in the wake of the development of the social economy.

The financial and economic crisis in the European Union has diminished confidence in the market, products and services and to managers at the global level. Generating a "new" form of entrepreneurship was therefore a logical consequence of distrust in the free market and capitalism. Therefore, with the help of social entrepreneurship and social enterprise, the confidence building was built primarily on the market itself, and a higher level of tendency towards the development of this kind of activity was established. Slovenia followed the development with the social enterprise justification with the Social Entrepreneurship Act, the content of which was partly presented in the paper.

Keywords: entrepreneurship; social entrepreneurship; social economy; development; social responsibility.

JEL Classification: P31; O35.

Introduction

When it comes to social entrepreneurship, it is necessary to define the concept of social entrepreneurship as a novel field of research that has recently been recognized as an important discourse in the field of entrepreneurship studies. When it comes to social entrepreneurship, there is a noticeable growing interest and importance that academic and managerial circles devote to an increasing number of published papers on this topic with the aim of better understanding this new concept. What is characteristic is that from the end of the nineties of the twentieth century, there is a growing interest in this subject, which is certainly encouraged by significant changes in the political, economic and living environment. These changes have led policy makers, citizens and vulnerable communities to begin to focus on private entrepreneurs who are, by their very nature, innovative and who, for the sake of survival in the market, have to create sustainable solutions that deal with business improvement issues (Retakis, 2006). Such alternative approaches to sustainable economic development have attracted the attention of academic researchers who are particularly interested in exploring the phenomenon of entrepreneurial behaviour and practice in the context of creating a social, not a personal profit (Certo and Miller, 2008). The research of social entrepreneurship used the previous work and knowledge related to entrepreneurship and its ideas for solving the problem.

It should be pointed out that the concept of entrepreneurship refers to the identification, evaluation and exploitation of opportunities that could be used to create new products or services as new outputs that would be sold at prices higher than their production costs, all for the sake of profit. This definition implies that the basic mission of entrepreneurial activities means the creation of profit and the personal wealth of entrepreneurs. On the contrary, it is important to present the difference that separates social entrepreneurship because, in addition to identifying, evaluating and exploiting opportunities, creating profit as well as entrepreneurial activity, it makes the difference that this profit helps social entrepreneurs to have results in social value versus personal or shareholder wealth. The essence of the entrepreneurship itself is to recognize the opportunities that are at the heart and is placed in both traditional and social entrepreneurship as the only ultimate goal of gaining profit motivated by different achievements (Certo and Miller, 2008).

Benefits that motivate social entrepreneurs arise from social problems and involve an attempt to create social value. Social value does not have any connection to profit because it refers to meeting basic and long-term needs such as providing food, water, housing, education and health services to specific critical groups. It is precisely this fusion of entrepreneurial spirit and social component that led to the creation of social enterprises as organizations in which economic activity is focused on achieving the social goal and implementing social changes. Social entrepreneurship in the modern world involves a broad spectrum ranging from production of goods to the provision of services, analogous to conventional entrepreneurship (Mair, Battilana and Cardenas, 2012). However, social entrepreneurship is not sufficient in itself, but it is a means of achieving social goals, which contributes to social changes in terms of creating certain benefits. Focusing on the economic activity of marginalized groups is important for distinguishing social entrepreneurship from standard forms of social movements, as well as from charities and philanthropic entities (Shaw, et al., 2013). Nevertheless, transformative social ambition distinguishes social entrepreneurship from classical entrepreneurship in terms of conscientiousness and other forms of good business. Often, by analysing such companies, it can be seen that social entrepreneurs not only have the goal of earning money without harm to the environment, but also the achievement of the social mission they are pursuing and which in fact is their primary goal. In this respect, social entrepreneurship necessarily implies the assumption of entrepreneurship as a form of business venture that generates income which, by its very existence, is focused on social benefits rather than on net profit. Thus, in order to understand what social entrepreneurship actually represents – it is important to have a connection between the profit and social purpose of a particular business endeavour.

1. Crisis of Traditional Business Models as a Cause of the Presentation of the Concept of Social Entrepreneurship

If, for a moment, we consider the situation in the global economy through the prism of social entrepreneurship, we can see that the last big economic crisis greatly accelerated the need to review the existing role of the market, the state, the tertiary sector and individuals, and helped identify certain values and directions in which the development should be directed to eliminate the negative consequences of the crisis (Carini and Costa, 2013; Parhankangas and Renko, 2017).

In this context, it is possible to recognize a strong tendency to find a response in the form of a new kind of organizations that would distance themselves from the capitalist system and, by their very existence, undermine the logic of traditional business models. Modern business trends impose the need for a certain "more sophisticated

form of capitalism" that would in some way be linked to social goals (Defourny and Nyssens, 2013; Stephan et al., 2016). In this context, in the work of many world economists, it is possible to recognize the view that social purpose is no longer only the responsibility of non-profit organizations or charitable activities, but rather, it must be understood as something that stems from a combination of economic activities and social mission and erases borders between traditionally different types of companies, by developing new ways of cooperation with society (Eckhardt and Shane, 2003; Clarke et al., 2019.). Such principles were the basis for the development of new industrial branches in which the traditional way of doing business has been significantly rearranged. One of the most important examples is the concept of microfinance. This concept refers to the pioneering idea of Nobel Peace Prize laureate professor Muhammad Yunus on creating a way to give funding to those who are usually unable to get financing from commercial banks. According to his view, the formal financial institutions are not designed to help people who do not have financial assets. This is mainly because large loans allow banks to earn more money in relation to small loans, and the same goes for savings accounts. In this way, poor people are left out of traditional financial services and must adopt informal savings mechanisms, with serious constraints that this implies.

In this context, microfinance is introduced as a solution to this problem, which consists of securing loans, savings and other basic financial services for the poor. His basic idea is that low-income people can be able to get out of poverty if they are allowed access to financial services. An example of modern microfinance is Grameen Bank, a microfinance organization and a community development bank established in Bangladesh by Muhammad Yunus in 1976 (Yunus, 2003). Grameen Bank serves 9 million borrowers, 97% of whom are women, which are actually represents as many families. Borrowers are actually the owners of the bank, which borrows over half a billion dollars a year (30 billion since the opening), and loans are on average \$ 120, without any collateral or legal instruments. The Bank offers funds to generate income, assets for securing housing and for higher education of borrowers; it also provides loans without interest. Its deposit base is higher than the loan. It is important to note that the bank is not in loss: 98% of the loan was repaid. Moreover, the bank collects deposits, provides other services and manages several economic activities aimed at fostering development¹.

Also, it can be noticed that enterprises belonging to the social entrepreneurship domain have new ways of organizing work through the involvement of different partners and several categories of actors: employees for salaries, volunteers, beneficiaries, support organizations of both local and public authorities where there are very often all those partners in the same enterprise project (Certo, Miller, 2008; Kreutzer, 2022). This not only led to a major revolution in production and business processes, but this collaboration has led to the transformation of the way of organizing activities through a form of joint construction of supply and demand in which providers and users cooperate in the organization and management of outputs. With the development of social entrepreneurship, the social economy is developing in parallel, which is described in the literature as an entrepreneurial, non-profit sector that seeks to improve the social, economic and environmental conditions of communities. A mistake can arise if this term is identified with a social market economy, where it is important to note that, although similar in name, these two terms refer to two completely different political and economic concepts. The social economy is used to define a specific part of the economy that functions together with the market and the state and represents a set of organizations that primarily achieve social goals and are characterized by participatory management systems.

The analysis of social entrepreneurship itself also indicates that it is very important to identify the actors of this concept, so that the organizations that fall within the concept of social economy are animated by the principle of reciprocity in order to achieve common economic or social goals, often through social control of capital (Certo and Miller, 2008; Bruder, 2020). The general goal of their activities is not emphasized on the aspiration to create profit and its distribution to owners as the ultimate goal, but this organization strives to achieve objectives of general interest. These organizations tend to preserve and increase employment and service quality for their members and customers, even by reducing their margin of profit. Another specific feature relating to social economy organizations is their ownership structure. In these organizations, proprietary rights are granted to interested parties (e.g., workers, buyers, volunteers), but not to investors (Mair, Battilana and Cardenas, 2012). Voluntary work is another feature of social economy organizations, as well as democratic decision-making processes, where all its members have the right to vote. In practice it is possible to identify four types of organizations that exist in the concept of social economy. The first are social co-operatives represented by organizations owned by members who adhere to the principles of democracy and solidarity and are focused on creating social values, with the primary goal of responding to the needs of communities or vulnerable groups in the community (Glough, et al. 2019; Arsenijević, Lugonjić, 2023).

Social cooperatives first appeared in 1991 when the Italian Parliament adopted a law establishing them as organizations of members acting for the purpose of creating social values for certain communities. The second

¹ <https://www.linkedin.com/advice/0/how-did-grameen-bank-create-global-movement>

group is represented by mutual societies that are autonomous associations of persons united voluntarily for the primary purpose of satisfying their common needs in the insurance, health and banking sectors and whose activities are the subject of competition and their capital is conceived in the form of shares or joint funds and which they manage together and in an indivisible way. In order to participate in a joint venture, future members must pay for services provided without purchasing a share in the capital or paying membership fees. The third type is an association - a permanent organization for a specific purpose that can be cultural, as well as recreational, social or economic, whose goal is to fulfil the general interests of the society. Usually, the association provides services to its members, other people (often certain categories of people, for example children), or the community as a whole (e.g., Greenpeace). Finally, the fourth group is represented by foundations as organizations that involve the use of endowments or are engaged in systematic fundraising activities, managed by legal entities established to achieve specific goals for the benefit of a particular group of people or the community as a whole. It is interesting to note that in 2012 the European Economic and Social Committee mapped social economy organizations across European countries, and then the dominance of associations and foundations was recognized in comparison with other analysed categories, with the highest number of entities being in Great Britain (870,000) and Germany (505,984). Italy is the country with the largest number of cooperatives (71,578), followed by France and (24,870) and Poland (8,823). This survey also showed the least existence of these organizations in Luxembourg (56), Malta (57) and Latvia (74) in line with a smaller size of these countries.

Ten years later, social economy in Europe accounts for 2.8 million organisations and entities and more than 13 million workers, which is over 6% of the total workforce (Social Economy Europe Annual Report 2021). While this is a positive figure, it hides huge disparities in the Member State, although EU has invested a lot in fostering social economy in different parts and countries of EU through various programs, options and grants. Therefore, authors strongly believe that social economy development largely depends on the profile of the society and type of economy development; not on the other inputs, but rather on local inputs: legal frame and willing of the state to implement social economy ideas and the will of society to implement these ideas and stay with them in a period longer than a decade or two.

Conclusion

Most of the initiatives of social entrepreneurship are in line with laws regulated by non-governmental organizations (NGOs) or associations and cooperatives, and enterprises. The ministries responsible for economics, social protection, labour and entrepreneurship are mainly responsible for this sector and in fact they regulate the area in which social entrepreneurial initiatives operate.

Although three decades have passed since its legal definition and since it has developed, still funding is scarce for most forms of social entrepreneurial ventures from a state that is still a small participant in this regard and the system does not have strong incentives for philanthropy and tax deductions (Shaw et al., 2013). Therefore, social entrepreneurial ventures must rely on foreign donors and development programs.

It is also obvious that for this sector state aid is very important, which should come from various funds used for financing projects for civil society organizations, grants for cooperatives and active labour market measures conducted through national employment services. None of these sources of funding is specifically allocated to social enterprises, however, some of them are used to support social services provided by private entities and the employment of vulnerable persons or persons with disabilities, and are basically used to support social economy activities. State financial support is also observed in the reduction of taxes for certain forms of enterprises belonging to the social economy sector. On the other hand, the donor community is focused on solving local economic development, and the greatest contribution comes from the EU. Loans and microcredit instruments are not available in all countries, and some microfinance, which is the most adequate form of support for social entrepreneurial initiatives.

Despite the fact that nowadays there are many companies operating in the direction of socially responsible behaviour, it is only a social enterprise that, in addition to social responsibility, is based on self-sufficiency and a special purpose oriented towards social impact. Social effect is the basis of the process of social enterprises, as classic companies still justify the social effect as an indirect activity of their own activities.

Credit Authorship Contribution Statement

Marija Lugonjić: Conceptualization, Investigation, Methodology and Formal Analysis, Writing – original draft.
Ružica Uskoković: Investigation, Data curation, Visualization, Writing – review & editing. The corresponding author is responsible for ensuring that the descriptions are accurate and agreed by all authors.

Conflict of Interest Statement

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

References

- [1] Arsenijević, O. Lugonjić, M. (2023). Social entrepreneurship to preserve and promote the cultural heritage of Kosovo and Metohija. Kosovo and Metohija through facts, interpretations and symbols, Books 3, 191 – 207.
- [2] Bruder, I. (2021) A social mission is not enough: Reflecting the normative foundations of social entrepreneurship. *Journal of Business Ethics*, 174(3), 487-505. <http://dx.doi.org/10.1007/s10551-020-04602-5>
- [3] Carini, C., and Costa, E. (2013). Exploring the performance of social cooperatives during the economic crisis: The Italian case. Italy: *Euricse Working Paper*, 59(13), 21. <http://dx.doi.org/10.2139/ssrn.2335302>
- [4] Certo, S. T., and Miller, T. (2008). Social entrepreneurship: Key issues and concepts. *Business Horizons*, 51(4), 267–271. [10.1016/j.bushor.2008.02.009](https://doi.org/10.1016/j.bushor.2008.02.009)
- [5] Chaves, R., and Monzón, J. L. (2012). *The social economy in the European Union*. European Economic and Social Committee. https://www.ciriec.uliege.be/wp-content/uploads/2015/12/resume_CESE2012_en.pdf
- [6] Clarke, J. S., Cornelissen, J. P., and Healey, M. P. (2019). Actions speak louder than words: How figurative language and gesturing in entrepreneurial pitches influences investment judgments. *Academy of Management Journal*, 62(2), 335–360. <https://doi.org/10.5465/amj.2016.1008>
- [7] Clough, D. R., Fang, T. P., Vissa, B., and Wu, A. (2019). Turning lead into gold: How do entrepreneurs mobilize resources to exploit opportunities? *Academy of Management Annals*, 13(1), 240–271. <https://doi.org/10.5465/annals.2016.0132>
- [8] Defourny, J., and Nyssens, M. (2013). Social co-operatives: When social enterprises meet the cooperative tradition. *Journal of Entrepreneurial and Organizational Diversity*, 2(2), 11-33. <http://dx.doi.org/10.5947/jeod.2013.008>
- [9] Eckhardt, J. T., and Shane, S. A. (2003). Opportunities and entrepreneurship. *Journal of Management*, 29(3), 333-349. [https://doi.org/10.1016/S0149-2063\(02\)00225-8](https://doi.org/10.1016/S0149-2063(02)00225-8)
- [10] Kreutzer, K. (2022). On the discursive construction of social entrepreneurship in pitch situations: The intertextual reproduction of business and social discourse by presenters and their audience. *Journal of Business Ethics*, 179(4), 1071-1090. <https://doi.org/10.1007/s10551-022-05161-7>
- [11] Mair, J., Battilana, J., and Cardenas, J. (2012). Organizing for society: A typology of social entrepreneuring models. *Journal of Business Ethics*, 111(3), 353-373. https://emes.net/content/uploads/events/4th-emes-international-research-conference-on-social-enterprise/Mair-et-al-Organizing-for-Society-EMES-2013_01.pdf
- [12] Parhankangas, A., and Renko, M. (2017). Linguistic style and crowdfunding success among social and commercial entrepreneurs. *Journal of Business Venturing*, 32(2), 215–236.
- [13] Porter M. E., and Kramer M. R. (2006). *Strategy and society. The link between competitive advantage and corporate social responsibility*. *Harvard Business Review*, 78-92. ISBN: 978-1315259222
- [14] Restakis, J. (2006). *Defining the social economy-the BC context*. Prepared for: BC Social Economy Roundtable. <https://ec.msvu.ca/server/api/core/bitstreams/2d741941-4c9c-4b37-b4f4-7cf2cf2396b6/content>
- [15] Shaw, E., Gordon, J., Harvey, C., and Maclean, M. (2013). Exploring contemporary entrepreneurial philanthropy. *International Small Business Journal*, 31(5). <https://doi.org/10.1177/0266242611429164>
- [16] Stephan, U., Patterson, M., Kelly, C., and Mair, J. (2016). Organizations driving positive social change: A review and an integrative framework of change processes. *Journal of Management*, 42(5), 1250–1281. <https://doi.org/10.1177/0149206316633268>

- [17] Yunus, M. (2003). *Banker to the poor: The story of the Grameen Bank*. Aurum Press Ltd; New Edition (11 July 2003), 245 pp. ISBN: 978-1854109248
- [18] *** Social Economy Europe Annual Report 2021. <https://www.socialeconomy.eu.org/wp-content/uploads/2022/05/annual-report-social-economy-2022-interactive.pdf>