

LEADERSHIP IN SOCIAL ENTERPRISES

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Abstract

This paper analyses management styles in social enterprises. By the combined research in the years 2015 and 2016, it was confirmed that in the area of social enterprises is applied leadership style based on a shared vision and its implementation. Bennis (2007) argues that effective leadership will have to create not only any vision but the vision that makes sense. Well set up management processes support the unity between workers on one page, on the other hand, they set up regulations, divide the powers and responsibilities and eliminate duplicities. They are focused on achieving the objectives of the organization, as such, are the bearer of the mission and the strategic functioning of the social enterprise. Managers in non-profit organisations elect a democratic or liberal leadership style, with a high participation of employees. A positive finding is that the involvement of employees in the decision-making process uses 85 percent of social enterprises involved in the research. The approach can also be used in profit organisation because of changing values and expectations of newly coming generation Y. Generation Y expects similar leadership style as it is used in social enterprises.

Key words: Leadership, Social Enterprises, Vision, Non-profit Organisations, Generation Y

JEL Code: L31, M12, M59

Introduction

Social enterprises and their importance show an increasing trend. Managing people in the non-profit sector is very important. The paper based on qualitative research among 27 organisations describes the main issues in leading employees in social enterprises.

Non-profit sector has in the Czech Republic a long tradition that was interrupted for fifty years during the time of Second World War and the era of socialism. After the velvet revolution new types of non-profit organisations appeared and were developed mainly by the shared vision and mission. Nowadays there is a trend towards professionalization of non-profit sector and their leaders. The main goal of the research represented in this paper is to map the type of leadership in such type of organisations.

1 Social Enterprises

Managing people in social enterprises is a crucial issue. The head of social enterprise is the holder of the vision and mission, and its main role is to support and motivate employees to achieve this mission. It corresponds with the definition of a leader rather than a manager. The basic essence of the difference between management and leadership quite aptly described Armstrong (2008) in the book *Management and Leadership*. Armstrong (2008) sees the main difference in motivation, engagement, and involvement of other people. He uses the most widely used citation of Bennis and Nanus (1985): "Managers do things right and leaders do the right things". I am inclined to believe, that most of the leaders are managers at the same time, but not every manager is a leader. More authentic leaders we can find in top management of companies, where it is important the question of setting the vision and getting employees' agreement to support and follow this vision.

Bennis (in Gibson, 2007) states further that effective leaders will have to create not only any vision but the vision that makes sense. This sense is important not only for itself but in particular for the employees, who together with the leader fulfil the vision they share. Drucker (1994) states that the most important for the real leader is the mission and following and sharing. It can be considered as bearing in case of social enterprises.

In the Czech Republic, entities of different legal forms, including civic sector organisations provided they continuously carry out economic activities, are called social enterprises¹. A notion „social enterprise“ is used in the Czech Republic even though it does not yet have legal recourse. It may refer to institutions disseminating ideas of social entrepreneurship and supporting social enterprises or to individuals who found social enterprises. More than two hundred enterprises openly identify themselves with the principles of social entrepreneurship. Other enterprises, despite of complying with requirements for this type of entrepreneurship, do not consider themselves being social enterprises primarily due to a fact that notions of social economy and solidarity economy are not widely known in the Czech Republic and therefore they are not much supported.

The question of leadership is important in social enterprises, as it is based on the definition of social enterprise, from which it is, in particular, of the following parts:

(1) High level of independence

Social enterprises have a high independence in managerial decision-making and management is not dependent on external founding's instigators. Social enterprises are initiated by groups of people and are controlled by them, by the plans, which they produce

themselves. They have a high degree of autonomy. Social enterprises have the right to "decisive voice", and the right to extend or terminate the activity independently. This definition clearly puts high demands on the ability of managers of social enterprises. They cannot rely on instructions from the owner, but they create their plans and strategy, usually with participation of colleagues and employees in the organization.

(2) Ability to manage economic risks

Persons that constitute the social enterprises have to be aware of the risks associated with economic activities. Unlike most public institutions, sustainability, and financial viability depends social enterprise on the efforts of the staff and volunteer members to provide the necessary resources. This definition clearly shows the importance of correct management and motivation of employees. For social enterprises is it even more complicated, their resources are limited and variable. The need to work with the constant change, the changing circumstances, and conditions are crucial for leaders of social enterprises as well as for their employees.

(3) Trend toward paid work

At least the minimum percentage of paid work is a precondition for social enterprises. Similarly, as traditional civic society organisations can social enterprises combine monetary and non-monetary resources, paid and volunteer work. However, the activities of the social enterprises require at least a minimum share of paid work. Initially, it is not necessarily required to create paid jobs. In the initial stage of the undertakings may arise by voluntary work, but it must be a clear trend to create paid jobs. Job creation carries with it the responsibility for their actions and ability to lead them. Initially, a social enterprise can function by the enthusiasm of the workers, in the long term, it is necessary to work with the processes of personnel management to retain the motivation of employees high.

Based on the research carried out in social enterprises by the company 3P (2014) was confirmed the importance of the presence of a functioning leadership. Well set up management processes support the unity between employees on the one hand, on the other hand, they set up regulations, divide powers and responsibilities and eliminate duplicates. Leader at the top position is focused on achieving the objectives of the organization, as such, he/she is the bearer of the mission and the strategic functioning of the social enterprise. Managers in non-profit organisations elect a democratic style, to the liberal, with a high participation of employees. A positive finding is that the involvement of employees in the decision-making process uses 85 percent of enterprises (P3).

The demographical development also belongs into the area of people management. The change in the demographic situation significantly hit all businesses, not just social enterprises. In the context of the changes, especially changes in the values of individuals, it can be assumed that social enterprises become a more preferred employer. It is closely related to the generational difference, especially to the emerging generation Y. Generation Y is the generation born between 1981 and 2000. Members of this generation are entering the job market, and they have high expectations and looks forward to the entry into real life. Meier (2010) confirms in his research that Generation Y expects from the work more sense and from their superiors more focus on individuals and their motivation. They are also very capable in use of technological innovations (Legnerova, Pecakova, 2015).

Generation Y prefers democratic management style and the meaningfulness of the work. It can replace even financial awards. If the work does not make sense to them, quickly and spur of the moment they may decide to leave the job. The question of the behaviour of superiors is very important for them. They prefer the democratic and participatory style of leadership, the ability to be involved in problem-solving and possibility to bring new ideas, which they can at the same time also implement. On the other hand, young workers (15-24 years) are the most affected by the consequences of the economic crisis and the subsequent recession (Paliskova, 2014).

2 Leadership in the Czech Social Enterprises

2.1 Research Sample

The main findings in this paper are based on the combined research provided in 2014 and 2015. First part represented the qualitative research. The research sample consisted of 27 social enterprises, where were provided semi structured interviews with the leading persons. The sample consists of different types of social enterprises in the Czech Republic. Out of 27 social enterprises, the majority of social enterprises had a legal form of a Limited Liability Company (10), second most frequent form were public service companies representing seven companies (8), followed by self-employed persons (7), and two co-operatives. The collected answers were coded and summarized based on the frequency of appearance. The quantitative research was widened on the analyses of secondary sources based on published interviews with the winners of the competition “Non – profit organisation of the year”. The sample represented eight respondents.

2.2 Main findings

All respondents unanimously agreed that the existence of a mapped out a vision or mission of the organization can help managers lead the employees. The vision helps especially in the period of different crises. The importance of vision is important also for security and performance settings for employees. The vision and mission of the organization are important for the employees. The scope is on the beneficial target, not to profit, and this is reflected in their motivation to work.

Respondents agreed that the importance of the work was closely related to the motivation of subordinates. Their motivation to work is often stronger thanks to the activities that are beneficial and help others than the financial evaluation. Still, the respondents indicated that it was important to motivate employees. Many executives said that more freedom and informal relationships to each other was specific to the work in social enterprise. Therefore, the leadership is often not about the commands and the authority, but of discussion and negotiation. There is a greater degree of personal relationships. The workers know each other and are closer. Leaders mentioned that employees of the social enterprises were motivated mainly by the meaningful sense of their work. The financial evaluation and associated fund-raising are other specifics in non-profit organizations. Many respondents said that up to their opinion the voluntary sector is very low financially rewarded. Therefore, it is then up to them to appraise the work. Therefore, this is one of the reasons for which they may be bound, and they must adapt their leadership style according to the financial options that the organization has.

Employees are motivated by the possibility to participate in the introduction of new and more demanding, yet unresolved tasks. The extraordinary tasks enable them to exercise their creativity and specialization and open up the chance to become an expert. Other respondents indicated that the most important was to have organizational skills. A good leader can communicate with people, can appreciate others and admit their mistakes. Important and associated with the character of social enterprises is to remind employees of sense and target of the organization constantly. Furthermore, respondents also stated that they held the role of coach rather. As a consultant who will guide, advice, but others leave on their own. This participatory leadership style is typical for social enterprises.

Similarly, respondents stated that it was important that the manager could lead a fruitful discussion with their employees, give them space to express their views. But always with a certain degree of and with the rule that those leaders have a right to the last word and decision which is influenced by the views of employees. All respondents indicated that they

tried to access their employees in a friendly spirit. They do not occupy fully authoritative approach to management. The most of them hold participatory leadership style.

They are trying to support and manage employees, but also check, but so that it will be beneficial to both sites. The results are often presented in the form of an individual interview. The leaders give a large space for employees to express their ideas and support creativity. Leaders are trying to give them space for their full involvement in the running of the organization and are also trying to inform them about all the issues within the organisation.

As one of the important tools how to build a relationship with employees were mentioned different forms of meetings out of the office; informal meetings in the form of team building, Christmas parties, sitting in a pub. It creates more space for open communication, and leaders take it as an important part of their work when they strengthen relations within the team. For the employees, it is a special form of remuneration for their work.

The personal contact is a very important tool used by leaders for the managing their subordinates. It may be a shared office, formal meetings, informal gatherings outside the workplace, the space for a personal interview. Respondents concurred that for employees in the non-profit sector is their reason and motivations, why they work in such an organization, always higher than for workers in the private sector.

Their enthusiasm for their activity is not and cannot be motivated only by the financial reward that is often lower on the abilities and qualifications of the employees themselves. The satisfaction with work, recognition from colleagues and superiors, high credit organization in the eyes of the public, the views of the employment promotion, the opportunity to be creative at work and have their responsibility completely overshadow the financial reward.

The results of the qualitative research confirmed identical, certain elements in the management of social enterprises and the management of employees' generation Y. It includes the meaningfulness of the work, the democratic style of leadership, participation in decision-making, the ability to use creativity and to get recognition. By research carried out, it can be assumed that work in the field of social entrepreneurship could satisfy better the Generation Y's needs and expectations. On the other hand, we cannot omit the fact that the work in the non-profit sector is financially less attractive than in the profit sector. It depends on the individuals, what their main motivation factors will be and how they will decide.

Conclusion

The paper summarises the outputs of the research that was provided in 2015 and 2016 in the Czech social enterprises among 27 respondents, leaders of the non-profit organisations. Existence of a strong shared vision is crucial for leading a successful social enterprise. The employees' motivation to work in non-profit sector is strong thanks to the activities that are beneficial and help others. Nevertheless the respondents agreed that the motivation of employees is an important role of the leader. They motivate employees by informal working atmosphere, teamwork, possibility to be involved in the decision making and creating space for creativity. Contact between leaders and employees in social enterprises is less formal. The leadership style was defined as democratic. The findings of the research confirmed that for the people in social enterprises are the main motivation factors the sense of their work and help and recognition of the society. The result can correspond also with the expectation of generation Y' employees. For generation Y is important the meaningful job and more freedom at work. This thesis will be confirmed or rebut by further research.

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