

SOCIAL ENTREPRENEURSHIP AS A SOCIAL INNOVATION

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Abstract

The paper's content is the analysis of social entrepreneurship based on the outputs from international research organized by the European research company EMES. The authors reviewed the enterprises in the Czech Republic using the methodology of global research to determine the state of social entrepreneurship in the Czech Republic in comparison with Europe.

The paper presents the results of research using the methodology of cases studies. The research sample represents sixty Czech social enterprises. The study focuses on the verification of the theory "Diffusion of innovation" (Dearing, 2018). Based on the research of commercial companies and non-profit organizations, the analysis confirmed the characteristics of a social enterprise as set out in the EMES international principles methodology. The study aimed to find out what aspects of social innovations accept the managers of commercial companies in the for-profit business or managers of non-profit organizations in fulfilling their mission and how they can influence each other. The diffusion of innovation theory focuses on new approaches to linking social and economic goals.

The result of statistical analysis brings the comparison of the perception of innovation by managers of commercial and non-profit organizations in the social aspects of their work.

Key words: social entrepreneurship, social innovation, diffusion of innovation

JEL Code: M12, M14, O35

Introduction

By social entrepreneurship we understand diverse activities of entities of various legal and organizational forms. Therefore, it is important to specify, define and determine characteristics of a social enterprise (Nicholls, 2010). The European concept and definition by European institutions represent an initial starting point for the Czech environment being part of the European Union. It primarily involves findings of the Belgian EMES researchers (The Emergence of Social Enterprises in Europe) and their projects of both global dimensions and impacts. The last *International Comparative Social Enterprise Models* (ICSEM) international

project involved 50 countries. The ICSEM project revealed several models of social enterprises both in the market private sector and in the non-profit private sector, identifying following „social enterprise models“:

- 1) social enterprises: promoting entrepreneurship as an effective way to solve social issues, where entities are engaged in commercial activities pursuing a primary social purpose or mission;
- 2) social co-operatives: aim of the social co-operation model is to implement forms of democratic governance; social co-operative combines promotion of the interests of its members with pursuit of interests of the whole community or specific target group;
- 3) non-profit business organizations: all non-profit organizations developing any type of (related or unrelated) entrepreneurship with income supporting their social mission;
- 4) social enterprises co-operating with the state (so-called "public sector spin-offs") taking over the provision of public goods from the state (Defourny, Nyssens, 2016). For the purposes of international comparative research, authors Jacques Defourny and Marthe Nyssens developed a methodology containing characteristics of a social enterprise in three groups: *a social perspective group, an economic perspective group and a participatory company management perspective group*. Defourny emphasized that the characteristics of a social enterprise correspond to a socially responsible entrepreneurship. In addition to this social enterprise definition, there is a great diversity of views in foreign literature. Markusen (1999) explains that a social enterprise is typical example of a „vague concept“. Teasdale emphasizes that a social enterprise has different meanings for different people over time and content (2012). Diversity and wide range of activities of social enterprises together with diversity of their organization types and legal forms call for the classification of social enterprises (OECD, 1999; Defourny, 2017; Nicholls, 2010; Galera and Borzaga, 2009; Ridley-Duff & Bull, 2011; Teasdale 2012; Gordon, 2015). The wide range of activities of social enterprises is also given by the fact that they interconnect both economic and social goals. Social enterprises operate in many areas ranging from vocational training, health or social care to retail or financial services.

1 Methods and materials

Studies and research of social enterprises, socially responsible companies and establishing contacts with foreign institutions have been carried out for several years by the Charles University in Prague, Department of Civil Society Studies of the Faculty of Humanities (FHS

UK). Marie Dohnalová and Kateřina Legnerová have been implementing projects using the European Research Society EMES foreign methodology since 2008. Every year, case studies of the Czech social enterprises are being developed, in recent years using the ICSEM project that was granted through involvement of the researchers in the „International Comparative Social Enterprise Models“ international project. The recent research suggests that the adoption of innovations represents a key motive for establishment of a social enterprise that links social and economic goals. The Diffusion of Innovation Theory was introduced by E. M. Rogers in 1962. It answers the question why and how people respond to news, new things (innovations) and how they make decisions. It provides explanation on factors influencing the process by which innovative products are adopted (Rogers, 1995). There are certain differences in the understanding of innovations between social enterprises from the market private sector and social enterprises from the non-profit private sector, which are based on the pursuit of social and economic goals.

The Diffusion of Innovation Theory was verified in the research from the perspective of new approaches in linking social and economic goals of Czech social enterprises established in the market sector (commercial companies and co-operatives) and in the non-profit sector (non-profit organizations).

Research objective:

- 1/ To determine how managers of social enterprises – commercial entities and co-operatives and managers of social enterprises – non-profit organizations understand a social innovation.
- 2/ To determine which characteristics of a social enterprise are met by social enterprises – commercial entities and co-operatives and which characteristics of a social enterprise are met by social enterprises – non-profit organizations.

Hypothesis: Social innovation is associated with fulfilment of selected characteristics of a social enterprise.

Research sample: 60 Czech social enterprises. The research sample included two groups – a group of legal form of commercial entities and co-operatives and a group of legal forms (association, public service company, institution and church organization) of non-profit organizations. Social enterprises were selected by a special-purpose selection from the list at: www.ceske-socialni-podnikani.cz.

Methods:

- interviews with social enterprise managers
- secondary analysis of documents (case studies) aimed at meeting the characteristics of a social enterprise

- statistical methods of data processing.

Observed characteristics of a social enterprise according to the ICSEM international project methodology and according to the specification by the authors of the research focused on the Czech environment:

- social vision/objectives; social benefit; social impact; profit redistribution;
- economic vision/objectives; economic activity; economic risks; paid work; business plan; marketing plan; public relations;
- originated from grass-root citizens' s initiative; autonomy; participatory management; independence; local needs; ecology.

The research was conducted in spring 2020.

2 Results and discussion

The researched sample consisted of 60 social enterprises: 34 social enterprises from the market private sector (24 limited liability companies and 10 co-operatives) and 26 social enterprises from the non-profit private sector.

The method of interviews with managers of social enterprises revealed that:

Social innovation in social enterprises from the market private sector means the pursuit of social vision/mission and social benefit.

Social innovation in social enterprises from the non-profit private sector means the pursuit of economic and entrepreneurship-related activities.

Outcomes of the case studies analysis:

Social enterprises from the market private sector comply in 80 % - 100 % with the characteristics:

- economic vision/objectives; economic activity; economic risks;
- paid work; business plan; marketing plan; public relations;
- originated from grass-root citizens' s initiative; autonomy; participatory management; independence; local needs; ecology.

Tables 1, 2 and 3 represent the results of the research based on the outputs from the case studies analysis divided by type of organisations.

Tab. 1: Characteristics of social enterprises by sectors part 1

Legal forms	Social vision	Social benefit	Social impact	Profit redistribution	Economic vision/objectives	Economic activity	Economic risks
market sector	18	24	20	23	34	34	32
non profit sector	26	26	26	26	13	21	7

Source: own research

Tab. 2: Characteristics of social enterprises by sectors part 2

Legal forms	Paid work	Business plan	Marketing	Public relations	Grass-root citizens' s initiative	Autonomy
market sector	33	34	34	34	24	34
non profit sector	18	8	9	9	23	23

Source: own research

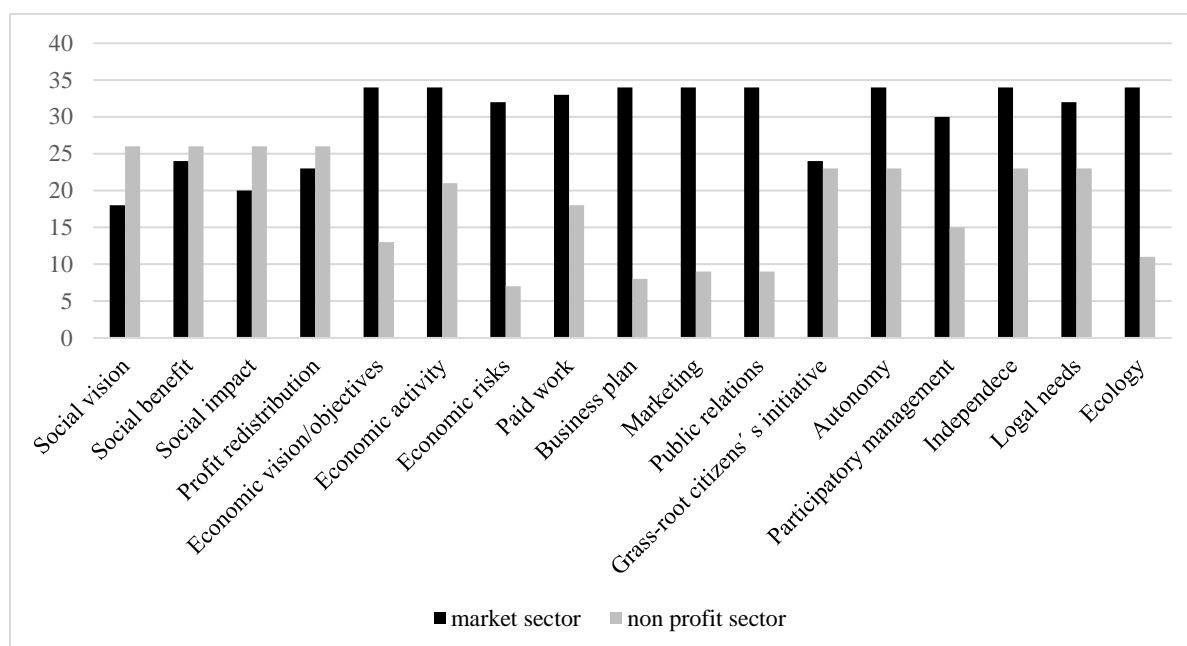
Tab. 3: Characteristics of social enterprises by sectors part 3

Legal forms	Participatory management	Independence	Logal needs	Ecology
market sector	30	34	32	34
non profit sector	15	23	23	11

Source: own research

Figure Nr. 1. shows graphically the results according the characteristics of social enterprises.

Fig. 1: Characteristics of social enterprises by sectors



Source: own research

Social enterprises from the non-profit sector comply in 80 % - 100 % with the characteristics:

- social vision/objectives; social benefit; social impact; profit redistribution;
- originated from grass-root citizens' s initiative; autonomy; participatory management; independence; local needs; ecology.

The comparison of legal forms of researched organisations shows differences in the characteristics of social enterprises.

Tab. 4: Characteristics of social enterprises by sectors part 1

Legal form/ number in research	Social vision	Social benefit	Social impact	Profit redistribution	Economic vision/ objectives	Economic activity	Economic risks	Paid work
association 16	16	16	16	16	8	12	4	10
public service company 6	6	6	6	6	3	6	2	4

institution 2	2	2	2	2	2	2	1	2
church organisation 2	2	2	2	2	0	1	0	2
limited liability companies 24	14	16	14	15	24	24	24	24
cooperative 10	4	8	6	8	10	10	8	9

Source: own research

Tab. 5: Characteristics of social enterprises part 2

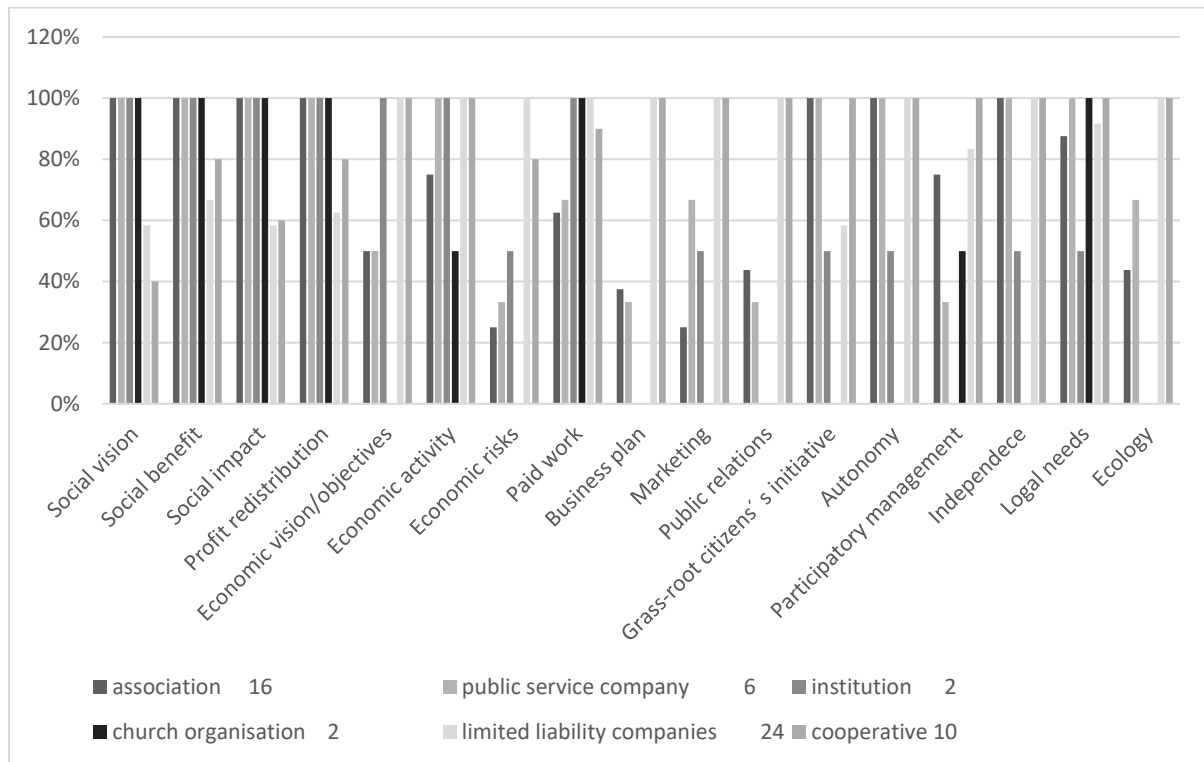
Legal form/ number in research	Business plan	Marketing	Public relations	Grass- root citizens' s initiative	Autonomy	Participatory management	Independece	Logal needs	Ecology
association 16	6	4	7	16	16	12	16	14	7
public service company 6	2	4	2	6	6	2	6	6	4
institution 2	0	1	0	1	1	0	1	1	0
church organisation 2	0	0	0	0	0	1	0	2	0
limited liability companies 24	24	24	24	14	24	20	24	22	24
cooperative 10	10	10	10	10	10	10	10	10	10

Source: own research

Figure 2 shows the characteristics of social enterprises by legal form in percentage. Most of the researched organisations fulfil the characteristics of social vision and social benefits. It corresponds with the theory of social innovation.

The hypothesis that social innovation is related to compliance with selected characteristics of a social enterprise has been confirmed.

Fig. 2: Characteristics of social enterprises by legal form



Source: own research

Leaving aside legal forms and comparing social enterprises from the market private sector with social enterprises from the non-profit private sector, we may observe differences.

Conclusion

There are differences in the perception of social innovations in social enterprises from the market private sector and social enterprises from the non-profit private sector. These differences are linked to the main objective pursued during establishment of a company or organization. In the market private sector, commercial companies and co-operatives are established to achieve economic goals and to succeed at the market. In the non-profit private sector, organizations are being set up to fulfil their social mission. Logically, social enterprises most fulfil the characteristics that are associated with the reason for their establishment. With respect to the requirement to combine social and economic objectives, the social innovation is perceived as pursuing social objectives/vision (social benefit, social impact, profit redistribution) in the market sector and pursuing economic objectives/visions (economic risks, business plan

development, marketing, public relations) in the non-profit sector. When making decisions, managers take into account identification with social entrepreneurship principles and adoption of new (for them) characteristics of a social enterprise.

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