

# SOCIAL ENTREPREUNERSHIP: THEORY AND PRACTICE

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- ▶ Sociology is the science of 1) society, of 2) social relations and of 3) social institutions.
- ▶ Social – phenomena which is related with sociality, sociability and social embeddedness.

## THEORY AND DEFINITIONS

Social capital - features of social organization such as 1) networks, 2) norms, and 3) social trust.

Social capital is never completely independent

Social capital ---- trust-----1) Economics – transition costs  
2) Political science - institutions  
3) Sociology – norms

SOCIAL CAPITAL (ZIMMERMANN.,  
JANSCHITZ, 2002)

- ▶ SOCIAL ENTREPREUNERSHIP – BUSINESS AND LOCAL ECONOMICAL DEVELOPMENT TOOL, WHERE IS INVOLVED MICRO SCALE ENTREPREUNERSHIP (WITH SOCIAL CAPITAL) ACTIVITIES AND SOCIABILITY.
- ▶ Local development is a promising choice for such an integrating paradigm.
- ▶ a first phase of building ground in the community,
- ▶ a second phase of further community development,
- ▶ a third phase of establishing a working community economy

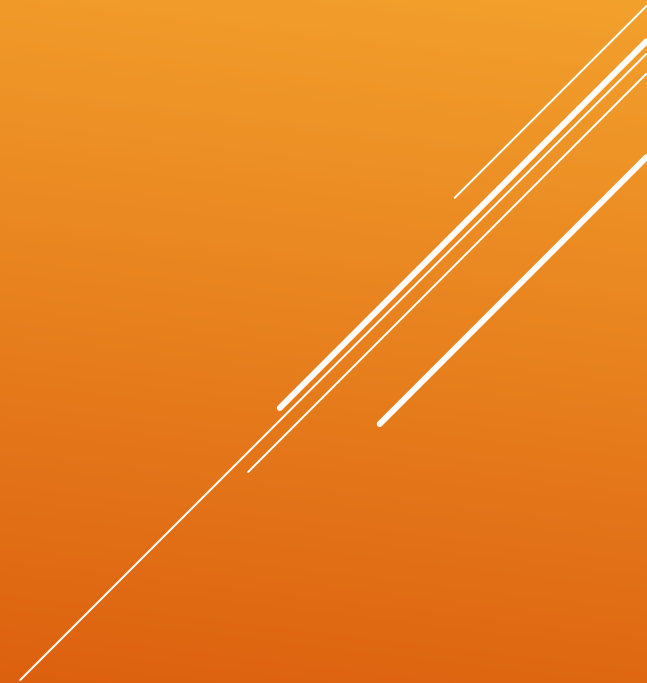


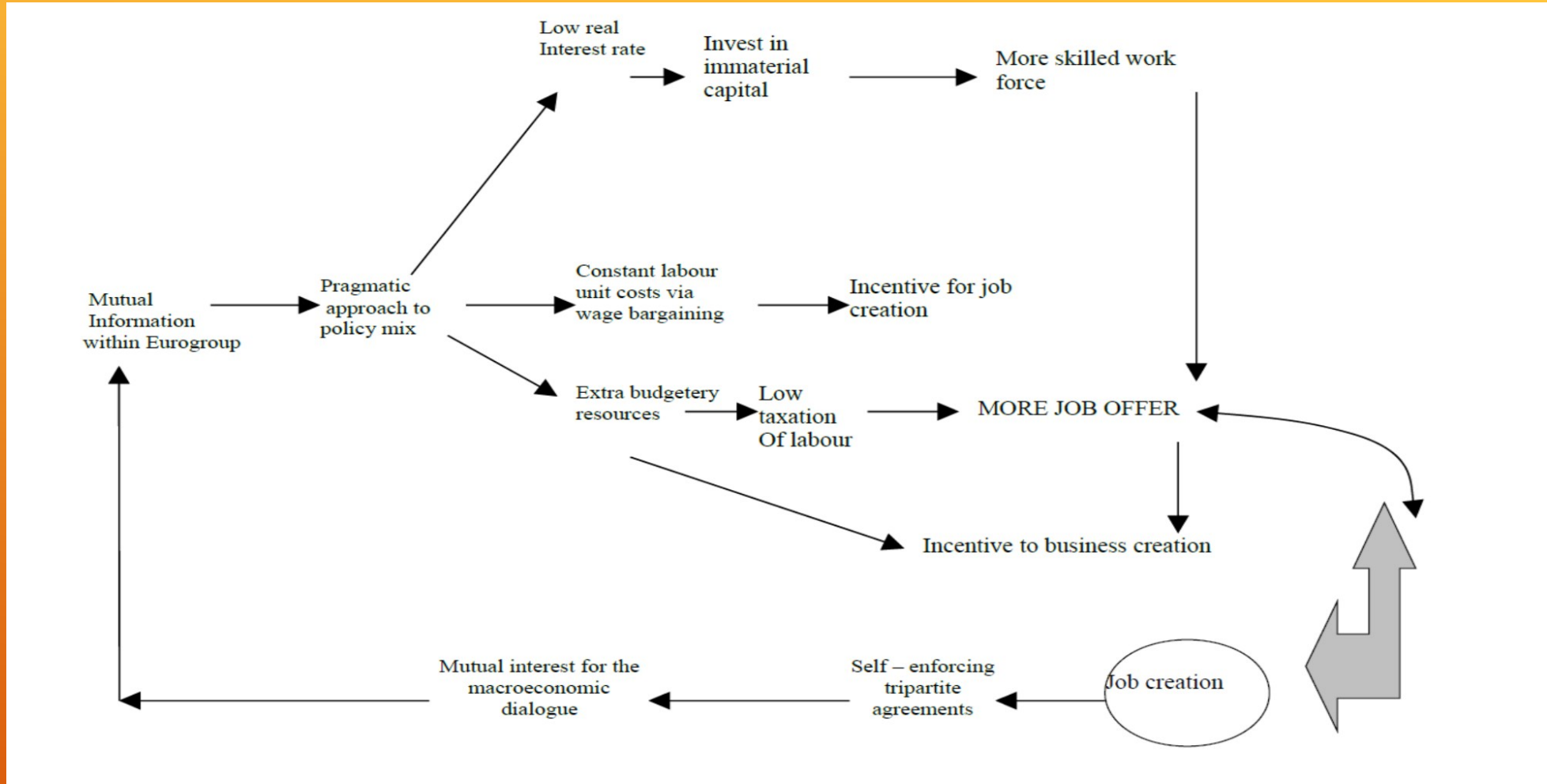
LOCAL  
DEVELOPMENT

WHAT IS SOCIAL ENTREPREUNER AND  
WHAT IS THE DISTINCTION FROM  
ENTERPREUNER? (BANSKI & JANICKI, 2013)

- ▶ From macro to micro scale entrepreneurs;
- ▶ From group to individual interests;
- ▶ Innovation as a priority;
- ▶ Specialization as a priority;
- ▶ Gender balance as a priority;

WHAT IS SOCIAL ENTREPRENEUR AND  
WHAT IS THE DISTINCTION FROM  
ENTREPRENEUR?

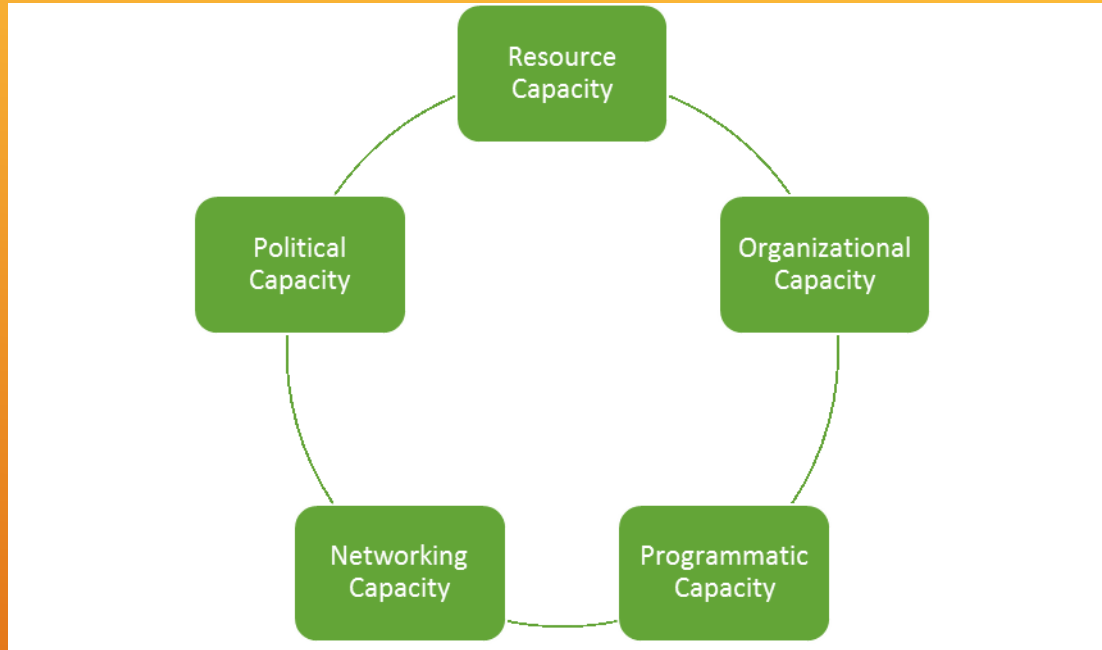




HARD TO EXPLAIN!!! (ZIMMERMANN., JANSCHITZ, 2001)

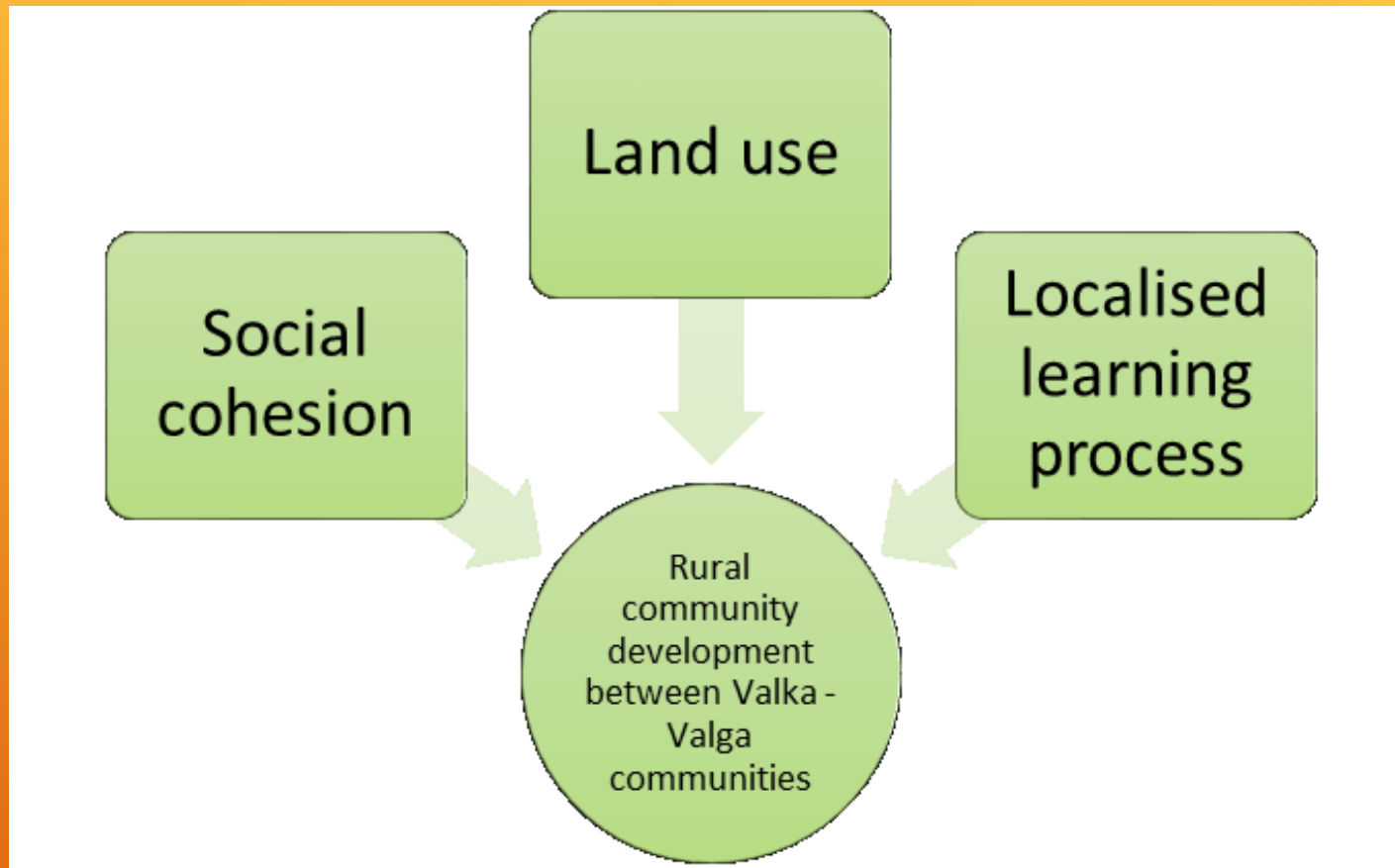
- ▶ The needs of each local community must be the focal point when creating stability in fragile states (Chiarversio., Di Maria., Micelli, 2010).
- ▶ Made interaction between candidate – centred politics, cross – border and federalism concept is to talk about
- ▶ 1) decentralisation,
- ▶ 2) social – cohesion,
- ▶ 3) local development,
- ▶ 4) co - twinning concept as a main instruments for cross – border cooperation between regions and municipalities.
- ▶ Fiscal federalism and regional self - financel models are the basis for independent actions for localized learning process and social cohesion implementation in the further action plan development.

## SOCIAL ENTREPREUNERSHIP AS TOOL FOR COMMUNITY DEVELOPMENT (SMITH, 2013)



SOCIAL ENTREPREUNERSHIP AS TOOL FOR  
COMMUNITY DEVELOPMENT  
(ZIMMERMANN., JANSCHITZ, 2002)





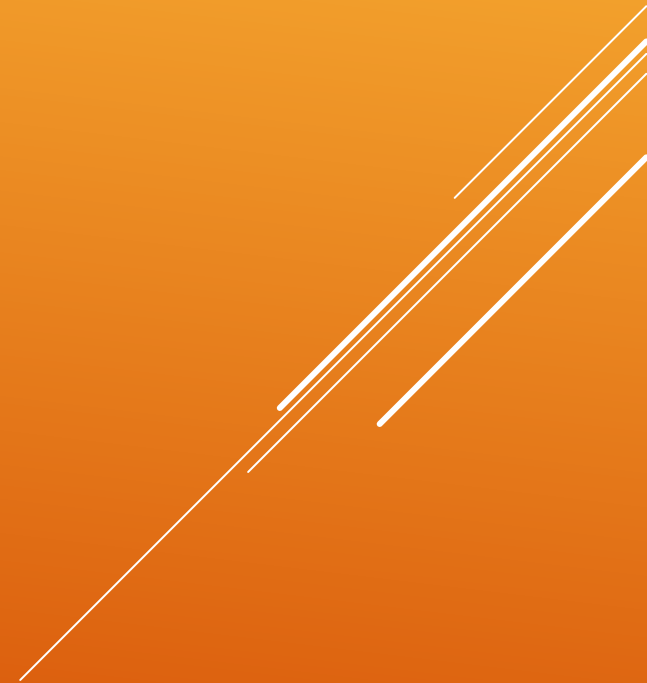
SOCIAL ENTREPREUNERSHIP AS TOOL FOR  
COMMUNITY DEVELOPMENT (TESTART,  
2013)

- ▶ The Europe 2020 strategy identifies three key drivers for growth, to be implemented through concrete actions at EU and national levels:
  - ▶ • smart growth (fostering knowledge, innovation, education and digital society);
  - ▶ • sustainable growth (making our production more resource efficient while boosting our competitiveness) and:
  - ▶ • inclusive growth (raising participation in the labour market, the acquisition of skills and the fight against poverty);
- ▶ SOCIAL ENTREPREUNERSHIP MEANS ECONOMICAL GROWTH

## SOCIAL ENTREPREUNERSHIP AS A REGIONAL ISSUE

- ▶ Enforce deregulation to increase competitiveness;
- ▶ Renew old structures and adapt to new needs;
- ▶ Reduce bloated bureaucracies of administration;
- ▶ Increase flexibility and efficiency;
- ▶ Increase business friendliness of legal structures;
- ▶ Enforce private actions by empowering the people;
- ▶ Deal with life – long learning;

## SOCIAL ENTREPRENEURSHIP AS A GLOBAL ISSUE

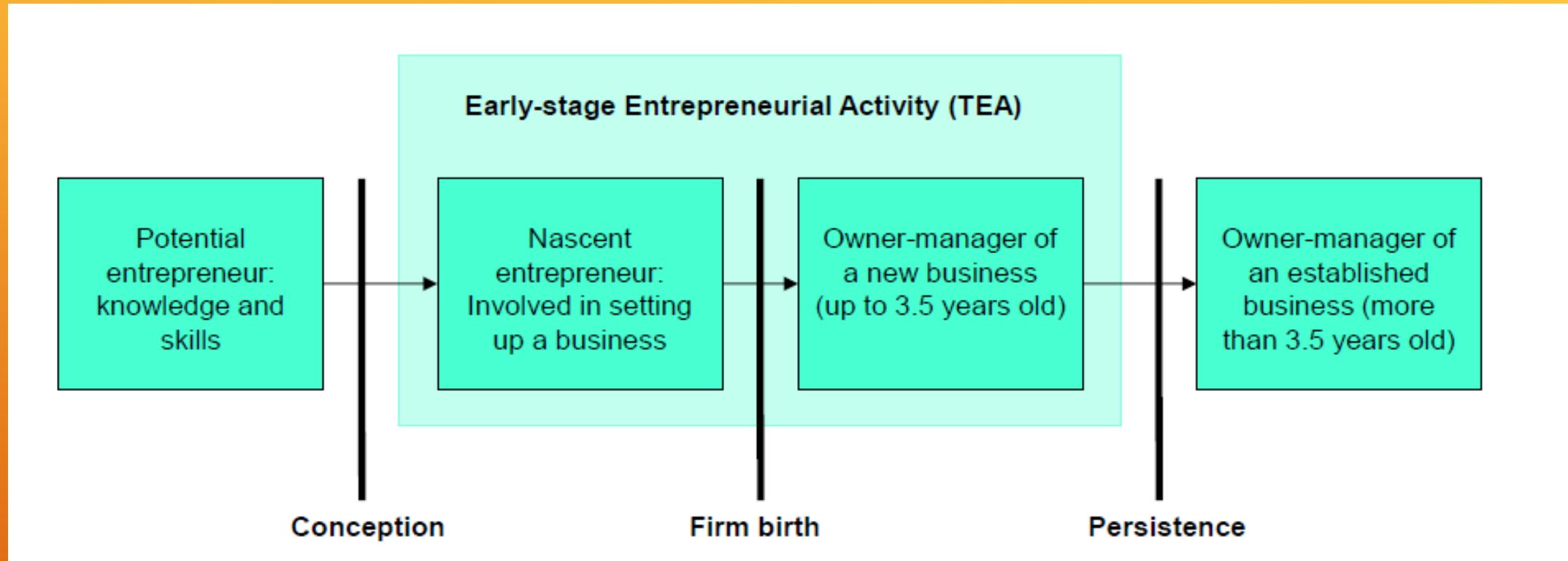


# ▶ IDEA BUSINESS PLAN

- ▶ Stage 1: Organizing the Effort
- ▶ Stage 2: Doing the Local Economy (Competitiveness) Assessment
- ▶ Stage 3: Creating the LED Strategy
- ▶ Stage 4: Implementing the LED Strategy
- ▶ Stage 5: Reviewing the LED Strategy

HOW TO CREATE SOCIAL  
ENTREPREUNERSHIP? (ATHIAS, 2013)





# COMPONENTS FOR ENTREPREUNERSHIP (BRIXY, 2014)

1. State or governmental financial resources (subsidies) -
2. Municipal and local government resources (decentralized financial resources)
3. International and regional funds - Foreign Direct Investment (FDI) is an investment in a foreign company where the foreign investor owns at least 10% of the ordinary shares, undertaken with the objective of establishing a „lasting interest” in the country, a long – term relationship and significant influence on the management of the firm. FDI firms include equity capital, reinvested earnings and other direct investment capital (Blatter, 2000).
4. Private funds (investments) - local entrepreneurs and

## FINANCIAL RESOURCES (CAPITAL)

- ▶ Visualization using step by step.
- ▶ This model allows for flexibility and short response times that large firms with fixed assembly lines are often unable to provide. It is important to point out that firms are interdependent, but do not necessarily have relations of dependency.

## SOCIAL ENTREPREUNERSHIP MODEL AND PARTICULAR STEPS

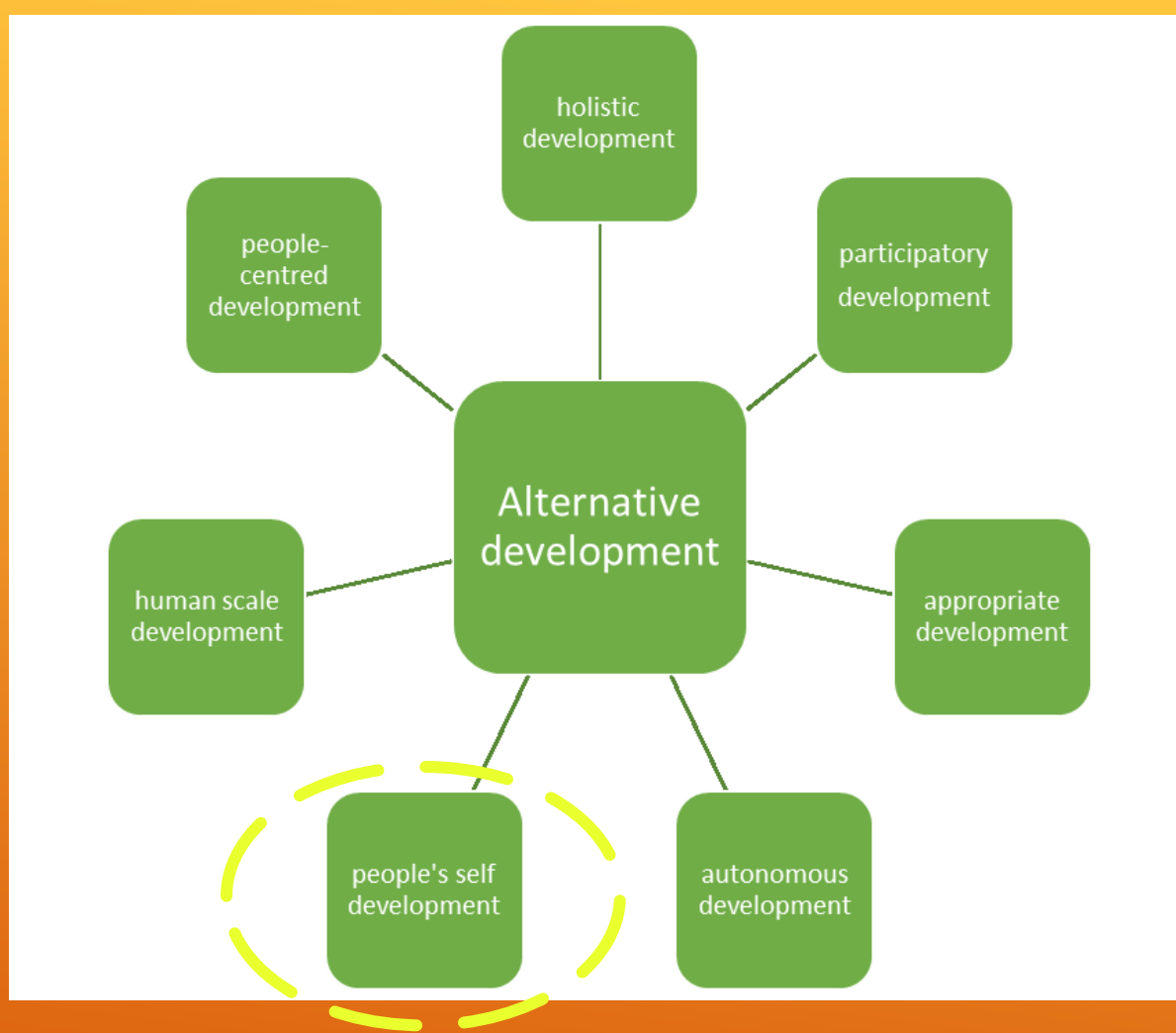
- ▶ 1. systems in which many small firms are simply direct competitors for the same product and have just a few, or no, reciprocal relationships, such as systems of monosectorial craftsmen, or sectors with low scale, but rigid productive cycles;
- ▶ 2. systems of the same type, but with one, or a handful, of micro - size firms emerging as local leaders;
- ▶ 3. systems based exclusively on small and micro firms with intense reciprocal relationships of subcontracting;
- ▶ 4. subcontracting systems located around one, or several, large main contractors;
- ▶ 5. systems based on specialized medium-sized companies and articulated in complementary businesses in differentiated market niches;

## SOCIAL ENTREPREUNERSHIP SYSTEMS



- ▶ Alternative development as a loose profile, a paradigm, and a post- paradigmatic way of thinking about alternative development.
- ▶ Alternative development has chemistry, reasoning and limitations.
- ▶ Alternative development has been concerned with alternative practices of development – **1) participatory and 2) people-centred.**





# ALTERNATIVE DEVELOPMENT AND SOCIAL ENTREPREUNERSHIP

Alternative development

**VERTICAL APPROACH**

**HORIZONTAL APPROACH**

Social Entrepreneurship

# ALTERNATIVE DEVELOPMENT AND SOCIAL ENTREPREUNERSHIP (ZIMMERMANN., JANSCHITZ, 2000)

MODELS	GROWTH	SOCIAL TRANSFORMATION
Objectives	Accumulation	Capacitation. Human development
Resources	Capital, technology, trade, foreign investment, external expertise	Human skills, local resources, social capital, local knowledge
Features	Growth-led	Equity-led
Agency	State-led. Or market-led. Development banks	People, community. Synergies society, government, business
Epistemology	Science	Critique of science and indigenous knowledge
Modalities	Exogenous examples, demonstration effect, technology transfer. Modernity vs. tradition	Endogenous development, modernization from within. Modernization of tradition
Methods	Import substitution industrialization, export-led growth, growth poles, innovation, SAP	Participation, micro credit, sustainability, democratization
Social policy	Trickle-down, Safety net	Trickle-up. Social capacitation through redistribution
Development co-operation	Aid, assistance	Partnership, mutual obligation.
Indicators	GDP	Green GDP. HDI. Institutional densities

- ▶ ***“The heart of development is institutions and politics, not money and technology, though the latter are undeniably important”***

**IMPORTANT!!!**

- ▶ Mainstream development here refers to everyday development talk in developing countries, international institutions and development co-operation. It now seems a long time since development was denned as growth and simply measured by means of per capita GNP-----Human Development Index
- ▶ An intermediate option is the `growth plus' approach:
  - ▶ 1) growth plus redistribution,
  - ▶ 2) participation,
  - ▶ 3) human development, or
  - ▶ 4) `sustainable growth'.

MAINSTREAM DEVELOPMENT, WHERE  
SOCIAL ENTREPREUNERSHIP

- ▶ 1. Subnational authorities throughout the EU have been involved in this policy area;
- ▶ 2. That such involvement has allowed them to mobilize at the EU level in a number of novel ways;
- ▶ 3. That they have thus managed to entertain relations with European institutions and other subnational authorities that they would have hardly entertained had it not been for this policy;
- ▶ 4. That such participation has represented an opportunity for creating, reviving, or intensifying their linkages with their respective societies;

## SOCIAL ENTREPREUNERSHIP IN EU LEVEL

1. Static and dynamic efficiency of SE projects;
2. Mobile factors in SE project ;
3. Theoretical steps for SE;
4. Methodology for starting SE;
5. The Motivation for SE plan and strategy;
6. Factors of SE project;

CONTENTS:

- ▶ Social Entrepreneurship project is a highly practical program focused on how to apply business skills to important global social problems.

## WHAT IS SOCIAL ENTREPREUNERSHIP PROJECT?



	<b>Static efficiency</b>	<b>Dynamic efficiency</b>
<b>Goals</b>	Short – term optimization, (budgetary savings, time saving etc.)	Long – term development (development smoothing, choice broadening, protecting non – market values)
<b>Instruments</b>	Technical feasibility analysis, public providers and market actors	Commitment, credibility, reputation
<b>Constraints</b>	Existing financial and human resources, administrative procedures	Institutions, informal cooperation patterns

## STATIC AND DYNAMIC EFFICIENCY OF SE PROJECTS (DALLAGO., BLOKKER, 2009)

- ▶ Economic structures and the rise of the service economy there has been a growing recognition that:
- ▶ i) mobile factors of economic development have smaller weight for an overall well – being of the society than had been believed; and
- ▶ ii) mobile factors of production are attracted not only by cost advantages – social and cultural factors.

## MOBILE FACTORS IN SE PROJECT (TESTART, 2013)

Trustness, Investment, Loyalty, Trade (TILT – related Local Policy Governance LPG)	Locality, Objective, Cooperation (LOC – related Local Policy Governance LPG)	Business, Investment, Management (BIM – related Local Policy Governance LPG)
Good social communication and open local debate	Strong local political associations	Compotent local administration
Active cultural institutions (e.g. local museum)	Strong local cultural associations	Dense network of business support institutions
High – quality educational instututions	Existing local traditions of mutual help	Light administration with little red tape
Producers and products with high regional identification	Culture of cooperation and consensus orientation of local leaders	Spending transparency/no corruption

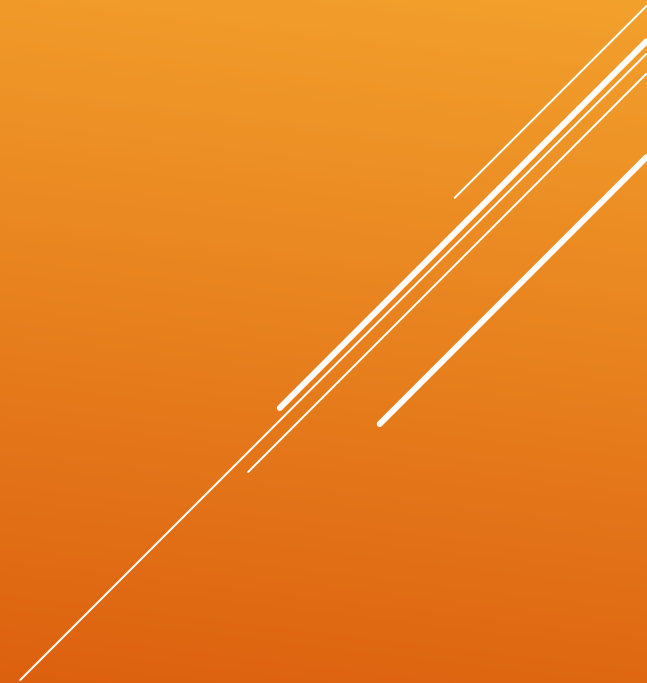
## IMPORTANT ASPECTS FOR SE PROJECT (DALLAGO., BLOKKER, 2009)

- ▶ 1. Create particular stages of public deliberation by local societal members, where will be discussions how to make a solutions for problem issues.
- ▶ 2. Establish neighborhood network which will consist by the local communities from both sites of borderland sites.
- ▶ 3. Build „social mapping” strategy, like provide a information from locals, where is problematic areas in the urban and rural areas (like damaged public spaces).
- ▶ 4. Create a consensus strategy which will be created by local NGO's,

## THEORETHICAL STEPS FOR SE (CHESHIRE., DURANTON, 2004)

- ▶ Identify the problem - naming is the first step towards for common understanding.
- ▶ Consider relevant macro factors – socioeconomic data, distribution (%) of land use, population and demographic information.
- ▶ Determine who is affected by the problem – which groups or local societies are affected by the particular problem.

## METHODOLOGY FOR STARTING SE (PADOVANO, 2007)

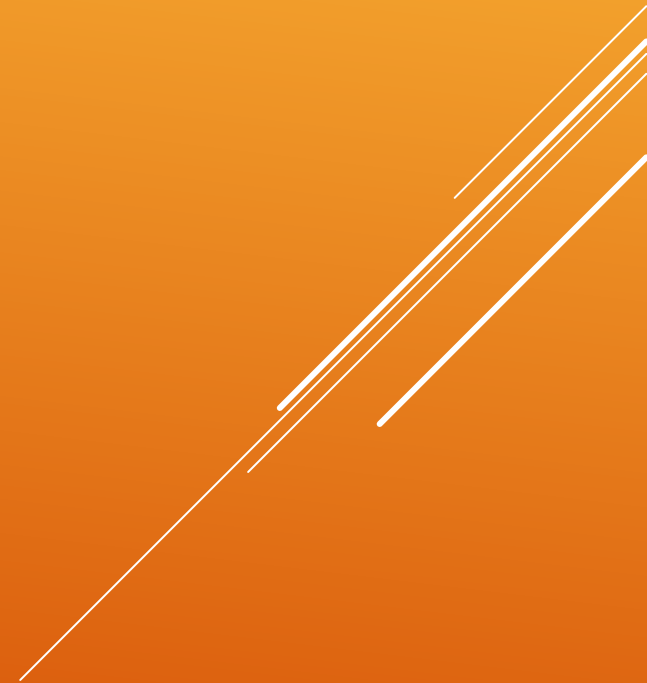


- ▶ 1. Improved socioeconomic situation;
- ▶ Creation for new job places (1.1);
- ▶ Provide sustainable commercial sites and „employment lands” in strategic areas (1.2).
- ▶ Increase innovation and skills development (1.3).
- ▶ Improve opportunities and access to jobs for disadvantaged communities (1.4).

## THE MOTIVATION FOR SE PLAN AND STRATEGY (DAVIES, 2013)

- ▶ 2. Improved local skills and employability for local planning;
- ▶ Supporting rural tourism (2.1).
- ▶ Supporting traditional craft (2.2).

## THE MOTIVATION FOR SE PLAN AND STRATEGY (DAVIES, 2013)



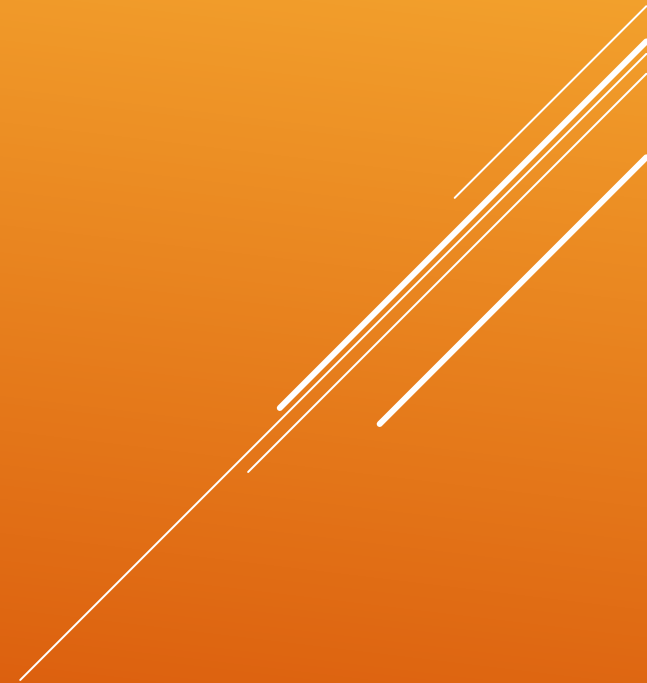
- ▶ 3. Establish a structure for monitoring of local governance, to create a good governance;
- ▶ • Implement good governance (consensus oriented, participatory, follows of the rules of law, effective and efficient, equitable and inclusive, responsive and transparent) (3.1).
- ▶ 4. Post – industrial zone revilitization, like former peat extraction;
- ▶ Provide advanced economical and financial condotions for two different stages of the local economy – growth and decline (4.1).

## THE MOTIVATION FOR SE PLAN AND STRATEGY (DAVIES, 2013)



- ▶ 5. Environmental protection and waste management;
- ▶ Ecological ~ social capacity is one of the primary problem issues as the former Peat polder towns were built on top of the agricultural pattern, often retaining it, while settlements in drained peat lakes were developed as part of the landscape (5.1).

## THE MOTIVATION FOR SE PLAN AND STRATEGY (DAVIES, 2013)



- ▶ 6. Build a successful community coalition that involves all relevant sectors of the community to address violence in the community. There should implement key aspects from Rio + 20 strategy. The following 8 criteria should be considered as key for models (6.1):
  - ▶ 6.1. Attractive – smart, innovative and inclusive process of local growth
  - ▶ 6.2. Accepted – confirmed by local people and active participation from local citizens
  - ▶ 6.3. Realistic – practical implementing projects, which is based on local knowledge;
  - ▶ 6.4. Easy to understand – green education, which is more closer to inhabitants
  - ▶ 6.5. Visible and tangible - transparent co-operation based on some type of legal arrangement, common permanent 1) secretariat controlling its own resources and existence of an explicitly documented development strategy;

## THE MOTIVATION FOR SE PLAN AND STRATEGY (DAVIES, 2013)

- ▶ 1. The degree of factory mobility;
- ▶ 2. The structure of labor markets;
- ▶ 3. The discretion of decentralized governments in the administration of the redistributive programs;
- ▶ 4. The set of rules that governs the allocation of fiscal policy to the different levels of government.

FACTORS OF SE PROJECT (YUE; LI; JIN  
AND FELDMAN, 2013):

1. Microcredits;
2. Microinsurance;
3. Microsavings

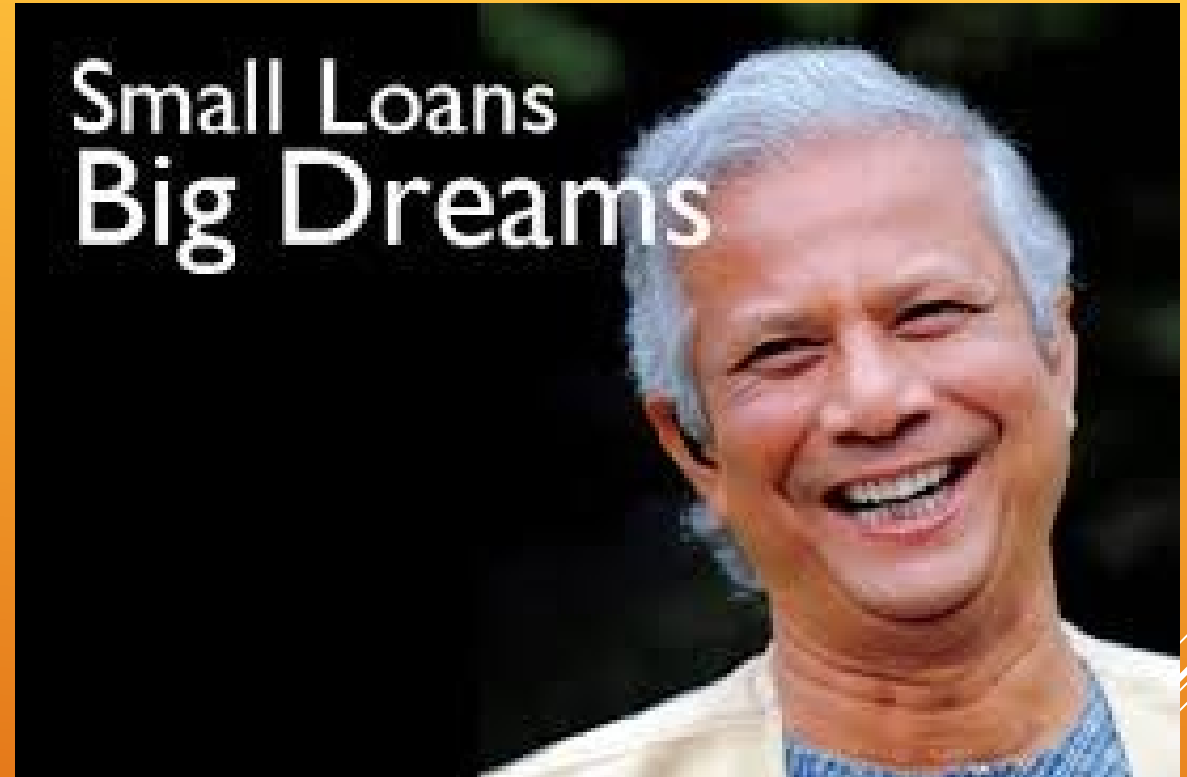
Primary financial source for SE in developing countries

# MICROFINANCE:

In 2006 Muhammed Yunnus won the Nobel Peace Prize.

Professor Muhammad Yunus established the Grameen Bank in Bangladesh in 1983, fueled by the belief that credit is a fundamental human right.

His objective was to help poor people escape from poverty by providing loans on terms suitable to them and by teaching them a few sound financial principles so they could help themselves.



## MUHAMMED YUNNUS – «BANKER TO THE POOR»

Source: ([www.nobelprize.org](http://www.nobelprize.org))

- ❑ Social entrepreneurship projects are for every territorial unit;
- ❑ Social entrepreneurship is a of the tool how to achieved Millenium Goals;



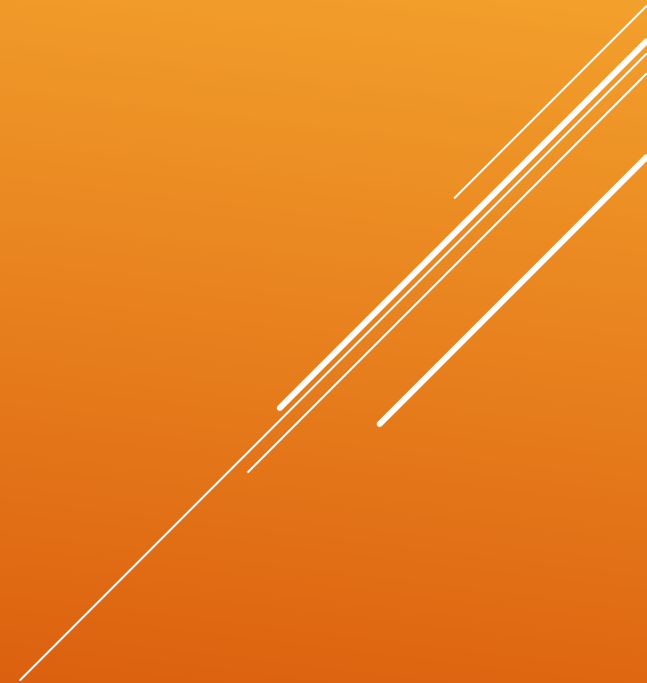
PLURALITY

- ▶ 1 the main goal of the entrepreneurship
- ▶ 2 financing of the entrepreneurship
- ▶ 3 governing of the enterprise
- ▶ 4 status of employees
- ▶ 5 environmental issues
- ▶ 6 profit and reinvestment
  
- ▶ Based on principles of M. Yunus, EMES network, EC

## SOCIAL ENTREPRENEURSHIP VS ENTREPRENEURSHIP – THE MAIN DIFFERENCES

- ▶ SOLVING SOCIAL PROBLEMS AND GAINING PROFIT
- ▶ Long term activity
- ▶ Social (not clearly business oriented) – theoretically
- ▶ Promoting socially responsible communities
- ▶ Business driven/oriented
- ▶ Gains for society in local/regional/national scale
- ▶ Social innovation
- ▶ Role of civic society

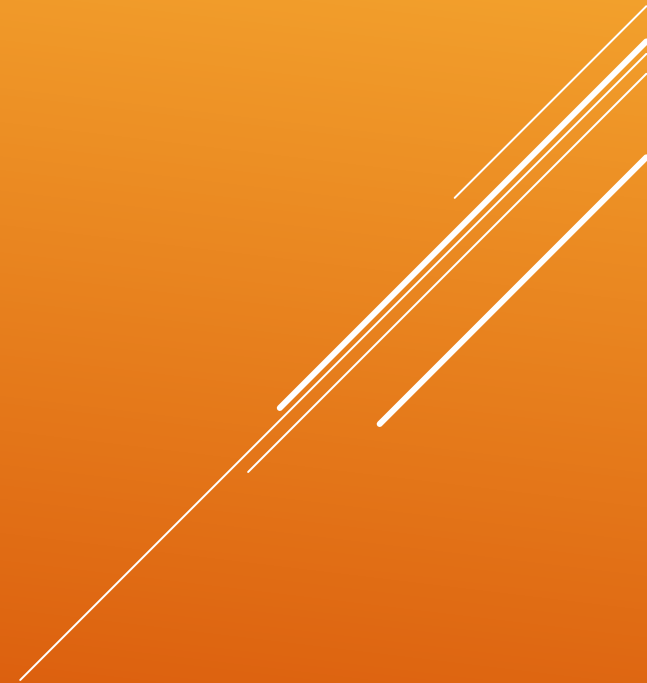
THE MAIN GOAL OF THE  
ENTREPRENEURSHIP





- ▶ Preferably – own resources
- ▶ Funding – social entrepreneurship funds
- ▶ 0% interest rates
- ▶ Grant system
- ▶ High economic risk
- ▶ Aspects of charity
- ▶ Local community involvement

# FINANCING OF THE ENTREPRENEURSHIP



- ▶ Different share structure – possibly more owners
- ▶ Representation of investors – restricted as possible
- ▶ Different decision making - 1 person – 1 vote
- ▶ Involvement of the target groups

# GOVERNING OF THE ENTERPRISE



- ▶ As less employees as possible
- ▶ Quota for representatives of the target groups
- ▶ Voluntary work in management
- ▶ Social security
- ▶ No subsidized vacancies – theoretical aspect
- ▶ Restrictions on personell policy
- ▶ Competitive salaries
- ▶ BETTER WORKING CONDITIONS

## STATUS OF EMPLOYEES

- ▶ Environmental friendly – economy, reuse and effective use of resources
- ▶ Maximal minimizing of possible impact on ecology
- ▶ Focus on activity in ecological farming, ecotourism ...
- ▶ Investing in projects related to environment

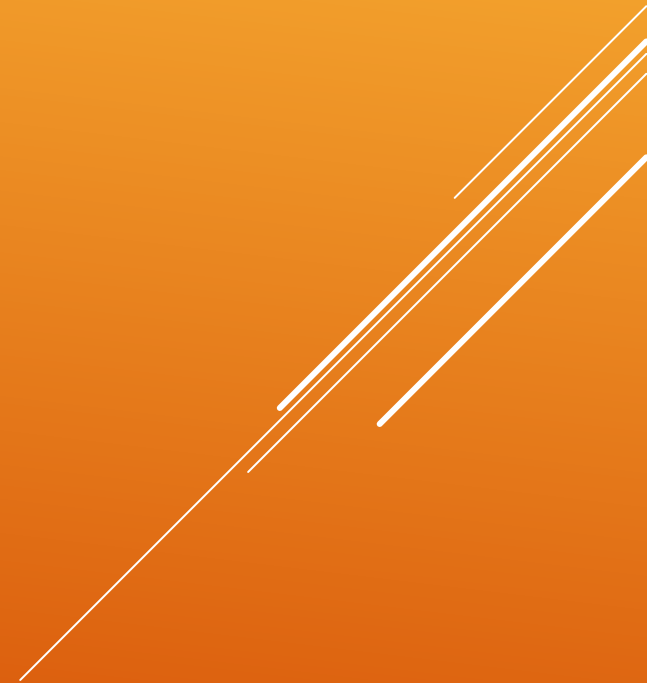
## ENVIRONMENTAL ISSUES

- ▶ Non profit organizations
- ▶ Profit is not shared among owners – theory vs practice
- ▶ Repayment of grants – top priority
- ▶ Investment in ecology/environment related projects
- ▶ Investment in development

## PROFIT AND REINVESTMENT

- ▶ Entrepreneurs are stimulating their employees to achieve better results
- ▶ No focus on disadvantaged social groups
- ▶ Subsidized jobs - short term solution
- ▶ Differences in main goals of entrepreneurship

## SOCIAL ENTREPRENEURSHIP VS CORPORATE SOCIAL RESPONSIBILITY



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▶ Thank you for your attention!

