

SOCIAL ENTREPRENEURSHIP IN CROATIA

Ana Udovičić, univ.spec.oec.¹, Katarina Marošević, univ.spec.oec.², Katarina Arnold Bratić, mag.oec³

¹Polytechnic of Šibenik, Republic of Croatia, ana_u@vus.hr

²Faculty of Law, Josip Juraj Strossmayer University of Osijek, Republic of Croatia, kmarosev@pravos.hr

³IPK Tvrnica ulja Čepin Ltd., Republic of Croatia, katarnold85@gmail.com

Abstract

Today, social entrepreneurship attracts growing attention in different sectors.. During the last two decades social entrepreneurship becomes focus of the researcher and theorist. Social entrepreneurs are seen as reformers that transform ways of performance in social and business sphere. The term of social entrepreneurship in different contests provides information about strategies of few highlighted organizations that encourage social progress In Croatia social entrepreneurship came in focus over the past years but it is still insufficiently explored.

This paper explores differences between entrepreneurship and social entrepreneurship. This paper is concerned about social entrepreneurship as a new hybrid phenomenon that appears between public, private and sector of civil society.

The purpose of this paper is to give an insight in social entrepreneurship in Croatia. Moreover, the goal of this paper is to determine the social frame that had impact on the social entrepreneurship and to identify the factors and processes that encourage and limit the development of social entrepreneurship.

JEL Classification: A13, M14, O35

Keywords: entrepreneurship, social entrepreneurship, social economy.

Introduction

Even though the concept of social entrepreneurship exists over a hundred years it recently became an interest for researchers and organizations as a way for responding to growing global problems of unemployment, global warming, excessive environment pollution, inadequate health conditions and other. Social entrepre-

neurship presents crating social-economic structures, connections, institutions, organizations and measures that can enhance the quality of live in areas where private sector failed.

Croatia has just recently introduced the concept of social entrepreneurship even though this concept has been present on global level for years.

The purpose of this paper is to present a theoretical background of the social entrepreneurship and to present the current situation of this phenomenon in Croatia.

The concept of social entrepreneurship

Social entrepreneurship as a concept integrates creating social and economic values is present in theory and in practice for over a decade. There are different views concerning the definition of this concept. The first group of scientists looks at social entrepreneurship as nonprofit initiative in search for alternative strategies and management schemes and all for the purpose of creating social values. The other group of researchers defines social entrepreneurship as a social responsibility of commercial organizations involved in partnerships while the third group looks at the term as a mean for resolving social problems and catalyzing the transformation of the society in a whole. Social entrepreneurship presents crating social-economic structures, connections, institutions, organizations and measures which result in sustainable benefits. It presents using the entrepreneurs' behaviors more for social and not so much for profit goals. In economic theory social entrepreneurship is defined as a sum of entrepreneurs' organization, managing, leading and innovation capabilities'. It includes all the entrepreneurs activities directed toward investment and combination of required inputs, expansion on new markets, and creation of new products, new consumer and new technologies with the emphasis on new market conditions, crisis and changes in environment. (Škrtić and Mikić, 2007: 155-156).

Social entrepreneurship is increasingly being acknowledged as an important contributor to economic and social well – being. The body of research on social entrepreneurship, however, is much less developed than of commercial entrepreneurship. Much of the research on social entrepreneurship has focused on defining it in relationship to its similarities and differences with commercial entrepreneurship. Despite these attempts to describe it, the concept of social entrepreneurship is still poorly defined. In a broad sense, however, researchers use the term to describe ventures which employ strategies to create superior social value as a priority over generating superior profits. Although researchers have not agreed upon a definition for social entrepre-

neurship, they have generally reached consensus on its goal. Social entrepreneurship strives to change the social equilibrium. (Swanson and Di Zhang, 2010: 71-72)

Table 1. Dimensions of social entrepreneurship

Social dimension	
	Explicit goal is social mission, action directed toward the general wellbeing of the society
	Initiative managed by citizens group which presents collective dynamic that is the foundation of social entrepreneurship
	Democratic form of management (usually based on the concept one member – one vote), regardless the ownership structure
	Participative nature of social entrepreneurship which includes participation of different participants (not only owners and members)
	Limited profit distribution that limits individual profit accumulation
Economic dimension	
	Existence of industry economy and/or sales of products and/or services
	High level of autonomy which implies that organizations are founded by and run by a group of individuals, and not government institution or private organization
	Taking over considerable level of economic risk in activities market activities
	Minimal amount of paid labor even though within organization can exist different forms of labor (voluntary, unpaid).

Source: Vidović, 2012: 36.

The thing that differentiates social from traditional entrepreneurs is the social benefit gained by social entrepreneurship. Social entrepreneurship is characterized by three components (Perčin, 2001: 12):

1. Identification of unfair balance that causes exclusion, marginalization or suffering part of the population which are in need for financial means or political power in order to gain any useful changes.
2. Recognition of opportunities in unfair balance, developing socially useful entrepreneur ventures, using inspiration, creativity and readiness for action for maintaining benefits for creating stability on defined area.

3. Creation of new, stabile balance that uses available potential and resources and in that way modifies and creates the better future for a society as a whole.

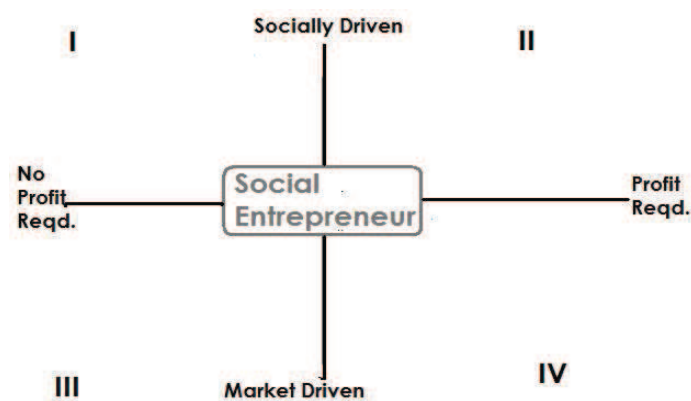
Social entrepreneurship as a concept which integrated development of economic and social importance has been present on the global level both in theory and in practice for more than hundred years. Entrepreneurship in private sector can operate in social spirit. Most companies and organizations in the private sector are creating a considerable social value through employment, improvement of working conditions, competitive environment and providing necessary product and services. Furthermore, taxes that those companies are paying are used in social purpose. (Škrtić and Mikić, 2007:153).

Types of social entrepreneurship

Since social entrepreneurship is relatively new phenomenon many authors have tried to define and bring understanding and recognition of social-entrepreneurship initiatives by developing types of these phenomena (Vidović, 2012: 43)

Masetti (2009) had constructed so called Social Entrepreneurship Matrix. The goal of matrix is to simplify the understanding of this complex phenomenon by defining the possible shapes of social entrepreneurship through four areas. Quadrants, as showed in Picture 1. are divided concerning the bigger focused of social entrepreneurship toward social or market goals and by the ways they are using profits. (Vidović, 2012: 43)

Picture 1. Social Entrepreneurship Matrix



Source; Vidović, 2012: 43.

Perhaps, the most fully- recognized model of social entrepreneurship is that elaborated by Mort et al. (2003). They argue that social entrepreneurship is a “multidimensional” construct formed by the intersection of a number of defining characteristics. Referring to a variety of scholarly work on entrepreneurship they explicate the specifically entrepreneurial component of social entrepreneurship in the following way. Social entrepreneurs first of all “exhibit a balanced judgment, a coherent unity of purpose and action in the face of complexity”. This propensity, Mort et al. argue, allows the social entrepreneur to balance the interests of multiple stakeholders and to maintain his/her sense of mission and taking advantage of opportunities to deliver in a superior way the social value they aim to provide. Finally, social entrepreneurs exhibit in the social arena the risk – tolerance, innovativeness and “proactiveness” displayed by commercial entrepreneurs in their setting. (Peredo & McLean, 2006: 10)

According to Peredo and Mclean (2006) classification showed in Table 2. different types of social entrepreneurs are ranged concerning the position and relationship of social and market goals. (Vidović, 2012: 44)

Table 2. Types of social entrepreneurship

Position of social goals	The role of commercial trade	Example
Goals are exclusively social	No commercial trade	Traditional non-government organizations
Goals are exclusively social	There is a defined degree of commercial trade, and any kind of profit is invested in social needs or for the support of activities which lead towards social goals	Grameen Bank
Goals are mostly social, but not exclusively	Commercial trade does exist, and profit is partially used for social goals	Missouri Home Care
Social goals are above other organizations' goals	Commercial trade exists and gaining profit is equal important goal	Ben & Jerry's
Social goals are among other organizations' goals, but are submitted to others	Commercial trade exists and gaining profit is primary goal and above other goals	Commercial organizations that have so called “ <i>cause-branding</i> ” (some sort of social responsible business)

Source: Vidović, 2012: 44.

Social entrepreneur

Social entrepreneurial ventures and social entrepreneurs must be distinguished from other types of organizations and individuals as a prerequisite to conducting research in this area. Martin and Osberg (2007: 39) defined a social entrepreneur as an individual who: "...targets an unfortunate but stable equilibrium that causes the neglect, marginalization, or suffering of a segment of humanity; who brings to bear on this situation his or her inspiration, direct action, creativity, courage, and fortitude; and who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large". This description is consistent with the idealized definition of social entrepreneurs developed by Dees (2001: 4) that includes the following set of criteria against which the actions of individuals can be assessed to determine whether they are socially entrepreneurial. Social entrepreneurs play the role of change agents in the social sector, by: (Swanson & Di Zhang, 2010: 73)

- Adopting a mission to create and sustain social value (not just private value);
- Recognizing and relentlessly pursuing new opportunities to serve private mission;
- Engaging in a process of continuous innovation, adaptation, and learning;
- Acting boldly without being limited by resources currently in hand; and
- Exhibiting heightened accountability to the constituencies served and for the outcomes created

One criticism of the Dees (2001) criteria is that they do not include earned income. According to Boschee (2008), this oversight enables some organizations to claim to be socially entrepreneurial without the need to maintain sustainable or self – sufficient operations. Boschee (2008) argued this is inconsistent with the view that social entrepreneurs are as passionate about their self-sufficiency as they are about their social mission. Social entrepreneurs do not want to be perpetually dependent upon the generosity of others as they pursue their mission. They view their venture's sustainability through self-generated revenue as a key to protracting their socially conscious work. Unless organizations with missions to fulfill social needs are also self-sustaining through their own earned income – or through a combination of earned income, philanthropy, and subsidies – they cannot be considered to be socially entrepreneurial. (Swanson and Di Zhang, 2010: 73-74)

Entrepreneurship in Croatia

Croatian economies before transition belong to liberal economies of socialistic regime, especially in comparison with other republics in alliance, with exception of Slovenia. Croatian society in early beginnings of transition was defined with weak legal state and with undeveloped democracy that had led to development of capitalism. Transition to market economy started with the process of privatization. By the end of 1995. former social organizations become private ownership of individual stakeholders or large organizations and bank stakeholders (51 %) of that state or foundations (44 %). Large organizations were defined as strategically important (INA, HEP, HŽ, HPT, HRT) stayed in state ownership. Only small organizations were privatized – 4000 of them. With intensive activation of new organizations, number of small organizations in first year of transition had grown in about 10,000 per year and their share in total economy income had increased with less than 10 % in 1990., to 35 % in 1995. By the end of first decade the picture of economic structure had changed in favor of small and medium entrepreneurship (as shown in Table 3.) (Vidović, 2012: 144-145).

Table 3. Structure of Croatian economy

	199- No. of organizations No. of employees	%	2001 No. of organizations No. of employees	%
SME (total)	10,259	94,47	56,416	99,00
Small	8,815	81,17	54,213	95,13
Employment	130,805	9,16	247,340	34,01
Medium	1,444	13,29	2,203	3,86
Employment	342,517	30,24	161,426	22,20
Large	600	5,53	571	1,00
Employment	686,390	60,59	318,467	43,79
Total (organizations)	10,859	100,00	56,987	100,00
Total (employees)	1.132,766	100,00	727,233	100,00

Source: Vidović, 2012: 147.

Entrepreneurship discourses become more popular and dynamic after 2000. and the change of the regime. From that period starts social entrepreneurship treatment of certain social groups, like woman, children and disabled since it was considered that entrepreneurship can easily generate employment for marginalized

groups at labor market. This was the period of development of entrepreneurship zones, entrepreneurship centers, regional development agencies and entrepreneurship incubators. Until 2006. , system of supporting organizations had included 6 development agencies, 235 entrepreneurship zones, 16 entrepreneurship incubators, 4 technology parks and 27 entrepreneurship centers.

Analysis of social entrepreneurship in Croatia

Social entrepreneurship since recently started to appear in state development strategies and politics in relevant areas, but it still has fully marginalized place. There is no specific politics directed toward social entrepreneurship but it appears as a part of other politics and strategies and in frame of strategies of entrepreneurship development, social exclusion and development of civil society. In Croatia, the definition of social entrepreneurship in state politics is still primary linked to sector of civil society. Only in document that are directed toward development of this sector, social entrepreneurship is explicitly identified as a special form of action. In other documents, which are concerned with social-economic development, entrepreneurship development and suppression of social exclusion, social entrepreneurship is not used as a specific term. This all shows that there is insufficient knowledge and understanding of social entrepreneurship phenomena at institutionalized level. There are several document, programs and laws that directly or indirectly are concerned with social entrepreneurship and give picture of current institutionalized frame:

- National strategy for creating supporting environment for development of civil society from 2006. – 2011. – the only document that directly speaks about social entrepreneurship and defines concrete measures for promotion this type of action.

Table 4. Goals of measures directed toward social entrepreneurship

Promotion of SE programs, social economy and social employability through creation of simulative legislative frame for business and nonprofit organizations
Development of measures of continuous following of effects and evaluation of investment in nonprofit entrepreneurship in relation to economic and social effects
Identification of subject that can be carriers of programs of social employment
Systematic development of measures for building the capacities and infrastructure support for all the subjects of SE

Development of center for SE support and regional and national forums for SE
Consideration of possibilities for financial support for investment in development of social entrepreneurship' project and for maintenance in later phases of development
Encouragement of profit sector for active inclusion in programs of social employment and other forms of support and cooperation
Encouragement of common programs for social employment of social, business and nonprofit sector on local levels through public-private partnership
Insurance of special tax conditions for programs of non profit entrepreneurship
Calculation and inclusion of economic indicators of social economy in GDP-a calculation
Encouragement of networking with related organizations in Europe and world

Source: Vidović, 2012, 187-188.

- Cooperation program of Government of Croatia and nonprofit, non-governmental sector in Croatia – document that directly mentions terms “social entrepreneurship” and “social economy” but without any precise definition.
- Strategic frame for development 2006. – 2013. – in this document, which represents the ground state document for social-economic development, defines priority goals for defined period. Social entrepreneurship is not mentioned at any page. In Strategic frame, entrepreneurship is recognized as a fundamental factor of economic development, but also as a factor of social cohesion and social-economic security.
- Program for small and medium entrepreneurship development 2008. – 2012. – Program is not concerned explicitly at social entrepreneurship but it is mentioned through systems of entrepreneurship incentives for special groups, woman and youth entrepreneurship and co-operative entrepreneurship.
- Joint Inclusion Memorandum – this document that is concerned on social politics and liabilities to be fulfilled was signed in 2007. According to this Memorandum, Croatia has an obligation to develop a strategy of social inclusion and to adjust its' system to European. Even in this document, social entrepreneurship is not defined as a special activity – defined measures only partially are concerned with the social-entrepreneurship activity.

Short overview of strategic documents relevant for social entrepreneurship clearly shows that there is not enough knowledge for understanding this phenomenon among key institutions. As a result, social entrepreneurship is not included in majority development strategies.

In 2005. NESsT¹ has conducted a research about social entrepreneurship in Croatia. According to this research Croatian organization are facing on daily basis with uncertainties when it comes to sustainability. Almost any of the organizations don't have insured basic financing which forces organizations to rely primarily on uncertain inflow of project funds. Foreign donors have mostly withdrawn from Croatia due to the planned accession to Europe Union which represents the trend in financing present also in other countries in region. There is very small amount of alternative sources of financing that can fulfill the void other than several donors such as National foundation for development of civil society which donates institutional support of different amount in order to help organizations of civil society in achieving sustainability. Large numbers of associations are turning toward market in attempt to achieve profit for financing of their work. Great number of projects for social entrepreneurship is consisting of product sale or of fees for certain services (consults, terming services and other). Still, some of them have applied innovative approaches that create great public interest such as eco-tourism. Until today, all of the projects of social entrepreneurship were initiated by organizations with little support from the outside. Even though, the project of social entrepreneurship witness about inventiveness of nonprofit organizations, great number of them are managed on improvised and non-effective ways, without planned or preparation and with insufficient access to financial capital and support. One of the key reasons is the lack of capacity, human resources and capacities needed for activation of social entrepreneurship. Despite mentioned obstacles, organizations of civil society in Croatia have very positive attitude toward possibilities of social entrepreneurship. (Varga & Varga, 2007: 8).

Conclusion

Social entrepreneurship presents creating social-economic structures, connections, institutions, organizations and measures that can enhance the quality of life in areas where private sector failed

Croatia has just recently introduced the concept of social entrepreneurship even though this concept has been present on global level for more than hundred years.

¹ NESst (Nonprofit Enterprise and Self-sustainability Team) is a catalyst for social enterprises in emerging markets and worldwide. Since 1997. NESsT has developed sustainable social enterprises to solve critical social problems in emerging market countries through capacity support, investment and social capital. More available at: <http://www.nesst.org/>

Croatian organizations are facing on daily basis with uncertainties when it comes to sustainability. Almost any of the organizations do not have insured basic financing which forces organizations to rely primarily on uncertain inflow of project funds. Social entrepreneurship presents creating social-economic structures, connections, institutions, organizations and measures that can enhance the quality of life in areas where private sector failed. In Croatia there are 47 000 registered nonprofit associations but it does not represent the picture of the social entrepreneurship. The concept of social entrepreneurship in Croatia is still insufficiently explored.

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