

SOCIAL ENTREPRENEURSHIP - SOURCE OF INNOVATIVE SOLUTIONS TO COMPLEX ISSUES: THE CASE OF ROMANIAN RETIREES

Mariana Drăgușin¹, Dianne H.B. Welsh², Raluca Mariana Grosu³, Alina Elena Iosif⁴ and Ion Daniel Zgură⁵

^{1)3) 4)5)} The Bucharest University of Economic Studies

²⁾ The University of North Carolina at Greensboro

E-mail: mariana.dragusin@com.ase.ro;

E-mail: dhwelsh@uncg.edu; E-mail: raluca.petrescu@com.ase.ro;

E-mail: alina.balalia@com.ase.ro; E-mail: daniel.zgura@gmail.com

Abstract

As an emerging field of practice and investigation Social Entrepreneurship (SE) provides many opportunities and challenges. This paper is exploring specific insights of the concept, including its fine borders with two other related terms: social economy and social enterprise. It also outlines major steps forward in the process of enhancing SE eco-systems at both European Union (EU) and national levels in order to solve complex issues.

As a highly vulnerable social group, Romanian Retirees is the focus of the paper authors' innovative social entrepreneurial initiative - Senior Active Project (SAP), that can lead to their improved economic and social inclusion. Based on a pilot exploratory survey, main coordinates (mission, objectives, benefits, business model etc.) of the future online platform for retirees are set up and further needed pieces of research are outlined.

Keywords: social entrepreneurship, social economy, social enterprise, vulnerable social group, retirees, social inclusion

JEL Classification: M10

Introduction

Complex and challenging phenomenon, SE captures the attention of an increasing number of the academic, private, and public institutions' representatives. SE is usually approached within the paradigm of social economy, mainly in relationship with concepts like "social entrepreneur" and "social enterprise".

The actors of the three sectors (public, private and civil society) are more and more interconnected and their activity is leading to a variety of economic entities' development that follow a social purpose. The main traditional categories under which social economy organizations are encountered consist of cooperative enterprises, mutual societies, foundations and associations (European Commission, 2013).

In present times, there is an obvious tendency of intertwined connection between organizations active in the public, private environments and/or the civil society, in terms of their principles and objectives. The quite fine distinctive line between them is becoming

more and more difficult to be drawn. Common areas that arise between these sectors highlight the connection between the social purpose and entrepreneurial activity. In this context, the entrepreneurial oriented behaviour combined with pursuing a social purpose, within an entrepreneurial venture leads to the development of the SE frame. The positive attitude towards SE is acting as a relevant incentive in developing social enterprises.

Manifested in various forms and associated with diverse practices, experiences, activities etc., SE is present and a visible phenomenon to various extent in all the E.U. countries. Its expansion raised the interest of policy makers towards developing a common framework. Particular efforts have been made in order to ashore an appropriate policy framework specific to the social economy. The main action taken by the European Commission (2011) for the proper development of a regulatory environment around the social enterprises is represented by the “Social Business Initiative”.

Even if the phenomenon of SE is present in the Romanian practice and the country offers an auspicious environment for SE development - mainly considering the social problems it faces, like poverty, aging population, social inclusion, etc - the legal framework is under developed. However, as a E.U. member, Romania has the opportunity to support solutions to these issues by accessing European funds dedicated to social inclusion and reducing poverty in the 2014-2020 programming period.

This paper is providing a thorough analysis of approaches regarding SE, social enterprise and social economy concepts. It is also proposing a practical example of SE initiative regarding Romanian retirees, based on in depth desk research, on the results of an exploratory survey and on the authors' creative and original approach, in order to build a future viable business model.

1. Literature review - focus on SE, social enterprise, and social economy

Emerged in the 1990s in Anglo-Saxon countries, the concept of SE refers to a quite vast types of social related activities developed by different types of actors, from individuals to non-profit organizations, public agencies or non for-profit organisations, in partnership with for-profit enterprises (European Commission, 2013).

SE is a quite a controversial concept. The specific scientific literature does not provide a single definition of it, scholars promoting different points of view on the subject. Even though, a series of common elements to different definitions may be outlined. In general, they refer to sustainability; social responsibility; social mission; social value creation; problem solving; recognition, evaluation, and exploitation of opportunities that result in social value; creative entities in the form of individual entrepreneurs, new or existing organizations (for profit or not for profit) or governments; processes; etc. (Seelos and Mair, 2005; Mair and Marti, 2006; Peredo and McLean, 2006; Shaw and Carter, 2007; Certo and Miller, 2008; Wiguna and Manzilati, 2014).

An important issue in defining and understanding SE is even the term "social". This faces different approaches in the specific scientific literature and scholars promote various opinions on it. Furthermore, according to Reynolds et al. (2002) cited in Seelos and Mair (2005) entrepreneurship implies social aspects. It creates jobs, for example, process which is embedding a major social dimension. In addition, they advocate that there is no concept of "non-social" entrepreneurship. All forms of entrepreneurship have a social component in their opinion. However, most of the papers outlined by the specific scientific literature

support the idea according to which there are major differences between SE and other forms of entrepreneurship. For example, from the scope point of view, while SE is focusing mainly on social value creation, commercial entrepreneurship is concentrated on generating economic value.

The complex phenomenon of SE is in the researchers' attention for quite a long period of time, with various aspects investigated. For example, in the past 10 years, among the most studied directions can be placed: SE term conceptualization, key issues, definitions and delimitations of social entrepreneurs, their characteristics and motivations, impact of SE on the community, policy implications, analysis of social enterprises, obstacles to overcome etc. (Seelos and Mair, 2005; Shaw and Carter, 2007; Weerawardena and Mort, 2006; Certo and Miller, 2008; Martin and Novicevic, 2010; Santos, 2012; Braga, Proenca and Ferreira, 2014; Wiguna and Manzilati, 2014). There is an improving literature oriented towards the analysis and promotion of good practices regarding SE, as well as numerous case studies. However, specialists in the field emphasise the need for further research in order to better understand the complex SE phenomenon.

In relation to SE, further on a short comparison with two related terms - social enterprise and the social economy - pointing out their major common and different areas is outlined.

SE is defined as a theoretical and practical paradigm that creates social change with potential positive effects on the whole society. This can take the form of an organization under the "umbrella" of social enterprise (European Commission, 2013; Popoviciu and Popoviciu, 2011). The concept of social enterprise is similar to social business, and a widely accepted definition is still under consolidation. This is due to the large amount of meanings and the variety of organizational forms undertaken by the social enterprises all around the world.

The social enterprise is a self-sustaining organization that is governed by entrepreneurial principles, while it is accomplishing a social mission. Generating a robust change within the communities at local, regional or national levels is the main target of the social enterprise, that is using the mechanisms of a market economy in favour of a social mission.

An entrepreneur starting a social enterprise has to deal with the usual challenges assumed by any other entrepreneur, along with the ones deriving from the social dimension of its venture. Consequently, the entrepreneurial approach is also encountered in many social enterprises that are pursuing a social mission. In terms of profit orientation, the social enterprises have a limited interest in obtaining profit or have a non-for-profit direction of actions.

The common points of the definitions provided by various institutions and authors (European Commission, 2013; Aruștei et al., 2014) on the concept of social enterprise refer to the process of social value creation using resources raised through commercial and non-commercial activities.

Principles and values centred on "solidarity, the primacy of people over capital, and democratic and participative governance" (European Commission and OECD, 2013, p. 3) constitute the pylons of the social economy. A broader definition of the social economy concept (Constantinescu 2012, p.3 cited in Aruștei et al., 2014, p. 4) is that of "numerous collective initiatives with social purpose that are encountered between the limits of the public and the private sector". In operational terms, the social economy seeks to obtain profit for serving the social causes of the community members (Aruștei et al., 2014;

European Commission, 2013). Co-operatives, associations, mutual funds, associations and foundations are among the main types of organizations developed within the social economy (European Commission, 2013).

Considering all the mentioned aspects, the conceptual framework in which the present paper can be placed, presents SE - main approach within the social economy - as any entrepreneurial attempt oriented towards satisfying a social need. In legal terms, the entrepreneurial attempt can take the form of a social enterprise, entity led by a social entrepreneur or group of entrepreneurs. In accordance with Etchart et al. (2014, p. 1), "the social entrepreneur is the person who develops a social enterprise with a viable business model with the sole purpose of solving a social problem he/she is close and sensitive to. He/she has an entrepreneurial mindset, as any other entrepreneur, more precisely has a constant alertness and readiness to leverage new opportunities, to develop the business, and the long term vision". He/she is an "innovator and drives social change" (European Commission, 2013, p. 89)

2. Enhancing the eco-system of SE

The lack of a common regulation across the countries acted like a barrier against social economy's development within the E.U. In order to foster the social enterprises' growth, the European Commission (2011) came up with the "Social Business Initiative" as one of the most relevant pylons of the E.U. policies architecture. The document is contributing to the consolidation of a regulatory environment around social enterprises all over the E.U. The focus of this initiative is to support the building of a thriving eco-system of social businesses and facilitates its access to the needed resources (Communication from the European Commission (2011/682 final)).

In Romania, the social economy is in its incipient phase and various measures are recommended to be carried out in order to stimulate its development. For example, the improvement of the legislative framework and the fiscal policies, the stimulation of private actors and civil society for an active involvement, and the development of projects with high social impact are strongly desirable.

A step in the right direction was made by the elaboration of a legislative proposal with the aim to regulate SE in Romania. Even though the Law of SE is still under debate due to the numerous amendments brought by the Ministry of Labour, Family, Social Protection and Elderly and to the opposition expressed by the Coalition for Social Economy (Florea, 2015), there are positive signals that the law will establish the principles in the field, the mechanisms for supporting the development of SE and will set up a National Register for social enterprises (Etchart et al, 2014).

According to the SEFORIS Country Report (Etchart et al, 2014) regarding Romania, the social enterprise may take the legal form of a non-profit or for profit organization. The main type of social enterprise is mainly represented by associations and foundations that, in most of the cases, support their activities from grants. Only a small percent (usually less than 20%) of these legal entities' income is arising from sales, and profits once generated, are reinvested in further solving social issues.

In the context of Europe 2020 - a Strategy for Smart, Sustainable and Inclusive Growth, with social inclusion and reducing poverty among the top five of its objectives, Romanian

social entrepreneurs too, will have increased opportunities to finance new innovative and sustainable social initiatives, in the following programming period, 2014-2020.

A vulnerable social category in Romania is that of retirees whose notable potential can be captured in many creative ways, that can yield high economic and social returns. Such an initiative is further explored by the authors of this paper.

3. "Tapping" the retirees potential through innovative SE: SAP

Society's inability to withstand several negative impacts generates vulnerable social groups like that of retirees. Their capacity to deal with multiple stressor factors is adversely affected by: *their economic condition, social interaction, and the set of values and perceptions they and the society share.*

The Romanian state owned pension fund is facing huge pressures and unprecedented challenges, threatening its ability to deliver adequate retirement income and transforming pensioners into a highly vulnerable social category. Among the main responsible factors, we are emphasising: *structural demographic changes* (such as: decreasing of the population, the aging population, a lowering active work-force, longevity risk); *deindustrialization; the economic crisis; a challenging economic environment.*

Social interactions are usually weakening once retired, adding to the group's vulnerability. Unfortunately, the dominant perception for both retirees and many members of the society tend to be: decoupling of active work life, usefulness, decrepitude. No wonder retirement is usually associated with one of the "darkest" period of one's life, marked by many drawbacks. Mass media in the country continuously reveals aspects of the pensioners majority's hard life, characterized too often by poverty, loneliness and marginalization. Retirees in Romania have, in general, low expectations, many times a poor health and an acute sense of economic insecurity.

Therefore, the highly vulnerable group of retirees is and can be the focus of many SE initiatives that can explore their specific needs, capture their potential, in order to reach a higher social inclusion, beneficial to them and to the entire society. That's the aim of SAP, that the authors of this paper have initiated.

SAP is an initiative, intended to become *a service related social enterprise* whose primary goal is to create social value, using an entrepreneurial approach. SAP will be an **online platform** having the **social mission** of providing online services that can best meet important needs of the Romanian retirees community.

The initiators, are committed to develop SAP into *an experimental model for social innovation and change* virtual meeting point.

The main project's **objectives** are:

- *to facilitate retiree's reintegration into the working life* (paid or unpaid); in that sense, the platform will be hosting both demand and offer of flexible part time or temporary jobs best suited for retirees; matching retirees to part-time jobs can result in strengthen their economic independence, and indirectly can be helpful in reducing age stereotyping and in promoting an increased social inclusion; promoting seniors' active involvement into volunteer activities can also serve the same objective;

- *to provide useful information, learning resources, and guidance for retirees*; one of the SAP's role will be to offer a rich and valuable online content (co-generated content included), with updated information and knowledge that can help retirees make better choices for them and their families (insurance, health care, legal issues, self-care, stress management, etc.); it will support awareness raising of their potential, will contribute to the seniors' education regarding but not limited to retirement, stages and transitions etc.;

- *to encourage social interactions* among retirees and with other communities; SAP is aiming to facilitate effective discussions and interchange of opinions and to detect potential synergies and cooperation opportunities, as starting points in solving some of pensioners' problems.

The project can generate meaningful changes, like: spill-off small businesses led by pensioners for pensioners, as a self-employment option; encourage cluster of retirees' formation, for small projects; enhance new social networks creation, including local networks to provide services on volunteer basis.

SAP can also help in building new mechanisms for participative development and social infrastructure support/reinforcement. The project can enhance future partnerships with both private and public entities in an interdisciplinary and open to experiment approach. As an action oriented endeavour SAP will engage and exchange ideas with all potential stakeholders: retiree associations, communities, public institutions, pension funds, foundations, NGOs, mainstream businesses, academics, students, etc. In fact, the project can induce considerable *advantages* for each category. For example:

- *for the retirees*; SAP can become an opportunity for social connectedness, a way to fight negative attitudes/stereotypes, loneliness and tackle end-of-life concerns; the platform can raise awareness on their own potential and contribution, proving that experience can compensate age related cognitive changes; it can foster self-esteem, self-confidence, support positive self-perception and even to help prolonging vitality and improving overall health (it is widely known that persons who work after retirement tend to be more happy and live longer);

- *mainstream businesses*; retirees work can fill part-time or seasonal job positions, that require experience, discipline, repetitive activities, all at lower costs; it can become a flexible component of the company's work force;

- *for the community and the society* as a whole; both can become the beneficiaries of a more active component - the retiree's group, of their social infrastructure; by continuing a form of paid work they also continue to pay social contributions, with all the positive consequences, including a reduced pressure on the pension fund; besides the notable role in economic development, their involvement would serve the purpose of social inclusion too;

- *for researchers*; it worth mentioning that SAP can become a research arena too, in the wider context of ageing population, able to lead to: cross-cutting topics study, with the potential to provide a better understanding of retirees characteristics, needs, expectations, economic and social potential (for example, two thirds our pilot sample of pensioners would prefer to work in the same field as before the retirement); develop improved tools to track the retiree group dynamics and generate new information and knowledge regarding this segment of population.

The business model of the entrepreneurial initiative will follow the path of a multi-sided platform. SAP will take the *legal form of a social enterprise* that will combine paid employees with volunteer based work. It will be based on high autonomy and democratic decision-making processes, on the principle "one-man, one vote". It will have to manage risks along with the traditional actors on the market. It suppose to venturing in a sustainable online market with no direct competition in Romania. However, many challenges that will require innovation are to be overcome. For example, low digital literacy among retirees or negative perceptions (retirement as a time to stop working; lack the appropriate skills for work reintegration, as revealed by our pilot study too, etc.), that are culturally rooted are to be further explored through future studies, as ground for the platform's solutions and strategies. For its start-up financing the initiators will work to attract E.U. grant funds.

Future studies regarding both retirees (propensity to work, preferences, motivations, cultural barriers, topics of interest etc.) and mainstream businesses (as potential part-time and temporary jobs providers) are required in order to properly build up the Senior Active online platform, as a step forward in redefining retirement in Romania.

Conclusions

SE, social enterprise and social economy are complex developing concepts and realities, in the context of a dynamic society that is failing, many times, in satisfying major social, environmental, and cultural challenges. Legal and institutional frameworks are building up around the world in order to support social entrepreneurial initiatives that are proving to be, more and more, innovative and sustainable solutions for complex issues. Among them, vulnerable social groups like that of retirees require creative approaches able to best tap its economic and social potential.

Accounting for more than a quarter of the country's population, the pensioners are the focus of a social entrepreneurial initiative - SAP - that will contribute to their increased social inclusion. With the social mission of providing online services that can best meet important needs of the Romanian retirees community, the future online platform will be designed to offer them: the perspective of longer working lives; useful information, learning resources and guidance; support for social interactions. With the perspective of attracting diverse stakeholders, SAP is aiming at making a significant contribution at supporting and expanding the role of the country's seniors with real social and economic benefits.

In order to design an effective online platform further quantitative and qualitative researches must be carried out in the near future.

References

- Aruștei, C., Manolescu, I.T., and Neculăesei, A.N., 2014. Rolul organizațiilor și bune practici în cadrul economiei sociale. *Revista de Economie Socială*, IV(2), pp. 3-29.
- Braga, J.C., Proenca, T. and Ferreira, M.R., 2014. Motivations for social entrepreneurship - Evidences from Portugal. *TÉKHNE*, 12(1), pp.11-21.
- Certo, S.T. and Miller, T., 2008. Social entrepreneurship: Key issues and concepts. *Business Horizons*, 51(4), pp. 267-271.
- Communication from the European Commission (2011/682 final). Social Business Initiative – Creating a favourable climate for social enterprises, key stakeholders in the social*

- economy and innovation.* [online] Available at: <http://ec.europa.eu/internal_market/social_business/docs/COM2011_682_en.pdf> [Accessed 3 March 2015].
- Dobre, E., and Mantea, S., 2013. Social entrepreneurship and other models to secure employment for those most in need. [online] Available at: <http://www.google.ro/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB8QFjAA&url=http%3A%2F%2Fec.europa.eu%2Fsocial%2FBlobServlet%3FdocId%3D11145%26langId%3Den&ei=pzMIVeCzGKqaygOkh4DYDg&usg=AFQjCNE7J65_8QwYrsLDtXhJ9c9KCo5__A&sig2=KJIHB0matmbIaheOSNf1Yg> [Accessed 15 March 2015].
- Etchart, N., Iancu, D., Rosandić, A., Mocanu, V. and Paclea, I., 2014. *The state of social entrepreneurship in Romania - SEFORIS Country Report.* [online] Available at: <http://www.seforis.eu/upload/reports/Country_Report_Romania.pdf> [Accessed 18 March 2015].
- European Commission, 2011. *The social business initiative of the European Commission.* [online] Available at: <http://ec.europa.eu/internal_market/publications/docs/sbi-brochure/sbi-brochure-web_en.pdf> [Accessed 3 March 2015].
- European Commission, 2013. *Social economy and social entrepreneurship – Social Europe guide.* Luxembourg: Publications Office of the European Union.
- European Commission and OECD, 2013. *Policy Brief on Social Entrepreneurship – Entrepreneurial Activities in Europe.* Luxembourg: Publications Office of the European Union.
- Florea, L., 2015. *Amendamentele sufocă legea economiei sociale.* [online]. Available at: <<http://www.altreileasector.ro/amendamentele-sufoca-legea-economiei-sociale/>> [Accessed 3 March 2015]
- Mair, J. and Marti, I., 2006. Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41(1), pp. 36-44.
- Martin, J.S. and Novicevic, M., 2010. Social entrepreneurship among Kenyan farmers: A case example of acculturation challenges and program successes. *International Journal of Intercultural Relations*, 34(5), pp. 482–492.
- Peredo, A.M. and McLean, M., 2006. Social entrepreneurship: A critical review of the concept. *Journal of World Business*, 41(1), pp. 56-65.
- Popoviciu, I. and Popoviciu, S.A., 2011. Social entrepreneurship, social enterprise and the principles of a community of practice. *Revista de cercetare și intervenție socială*, 33, pp. 44-55.
- Santos, F.M., 2012. A Positive Theory of Social Entrepreneurship. *Journal of Business Ethics*, 111(3), pp. 335-351.
- Seelos, C. and Mair, J., 2005. Social entrepreneurship: Creating new business models to serve the poor. *Business Horizons*, 48(3), pp. 241-246.
- Shaw, E. and Carter, S., 2007. Social entrepreneurship: Theoretical antecedents and empirical analysis of entrepreneurial processes and outcomes. *Journal of Small Business and Enterprise Development*, 14(3), pp. 418-434.
- Weerawardena, J. and Mort, G.S., 2006. Investigating social entrepreneurship: A multidimensional model. *Journal of World Business*, 41(1), pp. 21-35.

Wiguna, A.B. and Manzilati, A., 2014. Social Entrepreneurship and Socio-entrepreneurship: A Studywith Economic and Social Perspective. *Procedia - Social and Behavioral Sciences*, 115, pp. 12-18.