

UDC: 334.722:364-3]:332.146.2(497.7)

Review

Sustainable social enterprises as impetus of sustainable local and regional socio-economic changes in the Republic of Macedonia

Cutka Jovanoska

Faculty of Economics, University of Tetova, RNM

Contact e-mail: cutka.jovanoska@unite.edu.mk

Abstract

Until recently, local and regional development was perceived through a one-dimensional perspective, including market-oriented strategies focused exclusively on economic efficiency, which should produce only economic growth. However, with modern tendencies, alternative multidimensional concepts appear that have a wider focus aimed at removing the causes of certain problems that arise as a result of the application of neoliberal capitalism. Such an alternative concept represents the social entrepreneurship, which through its forms of social enterprises, i.e. social business, tends revolutionary socioeconomic changes in societies. Social enterprises make attempts for system changes and sustainable improvement; through local actions they seek to stimulate global change in the direction of solving social, economic and environmental problems in order to create triple values expressed through the dimensions of people, planet, profit, or so-called 3P (according to English names). Social enterprises by generating social capital represent an alternative for correction the deformities of the traditional market model. The dimensions of social entrepreneurship are closely correlated with the functions of sustainable development and the more so that one of the specifics of social enterprises is precisely the contextual dependence that implies connection with the local and the regional context.

The aim of the paper is to confirm the assumptions about the impact of social enterprises on generating socioeconomic changes that will produce sustainable development in the Republic of Macedonia.

Keywords: social entrepreneurship, social enterprise, social economy, social business, social capital, sustainable local and regional development.

1. Introduction

Social entrepreneurship can be a stimulus for the economy of the Republic of Macedonia. The main motive of social entrepreneurs is solving social problems. They are characterized by altruistic views. There are several essential advantages of social enterprises compared to traditional enterprises: local development support, innovation in production or services, employment for marginalized individuals or groups. Social enterprises also care about the environment, hence the conclusion that they contribute for sustainable local and regional development.

This paper aims to examine the impact of sustainable social enterprise concepts on local and regional development i.e. confirm the thesis that sustainable social enterprises can be the impetus of socio-economic change at local and regional level in the Republic of Macedonia.

The main hypothesis of this paper is the assumption that social enterprises can be the impetus of socio-economic change i.e. they can influence regional and local sustainable development.

In the framework of the elaboration of the assumptions set out in this paper, the qualitative approach is mainly used through: the analytical-synthetic method, the comparative approach to research and analysis, the case method; methods for collecting data and information: surveying (survey questionnaires), interviewing, etc.

2. Contextual factors of social entrepreneurship

Three approaches are highlighted in terms of understanding the concept of social entrepreneurship (Alvord, Brown and Letts, 2002): as a combination of commercial enterprises with social impacts (Emerson & Twersky, 1996); as innovations for social impacts (Dees, J. G., 1998) and as a catalyst for social transformation.

The following contextual factors stand out: relational, cultural, and institutional factors (Dacin, A. P., Dacin, T. M., & Matear, M., 2010).

Relational factors, in fact, mean social capital, which is a combination of the relations of the participants in its creation (Coleman, J. S., 2003, quoted in Praszkie & Nowak, 2012, p. 81). The social entrepreneur creates individual capital, which consists of the resources available to him as a result of his relationships with other stakeholders in the creation of social enterprise.

Groups and networks emerge as dimensions of social capital (Grootaer, C., 2004, quoted in Praszkie & Nowak, 2012, p. 83). Establishing special groups and networks in developing countries, such as Republic of Macedonia, will enable the firm achievement of social enterprise's three goals.

Social capital through social cohesion provides access to scarce resources (Praszkie, R. and Nowak, A., 2012, p. 83).

A social enterprise can create networks with various organizations to achieve social goals, such as the restaurant Freshys, which performs its social goal - donating food to the homeless and socially disadvantaged, in collaboration with the project Real Acts of Kindness, organized by the association Pogled kon vistinata (see Figure 1).

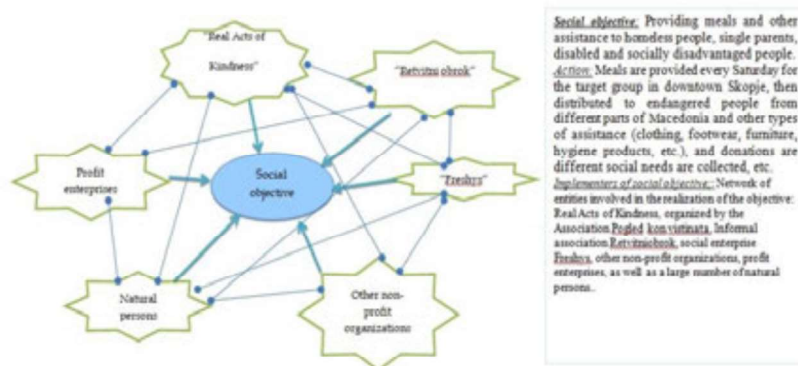


Figure 1. Example of creating networks for achieving social goals

Source: Own conclusions based on available data from official electronic sources of entities involved in the creation of the networks: <http://pogledkonvistinata.weebly.com/>; <https://www.facebook.com/Вистински-Дела-На-Љубезност>; <https://twitter.com/hashtag/петвитниоброк>; <https://www.facebook.com/FR3SH4S/info?tab=overview>.

The institutional or administrative context encompasses the political, administrative-legal and institutional segments of the functioning of a certain social community. As we are well aware, institutional factors have a significant influence on the development of conventional entrepreneurship and often have analytical criticisms for institutional barriers, such as: inconsistent legislation, politicization of institutions, corruption, inadequate infrastructure conditions, etc.

Habits, beliefs, language, values, identity, aesthetics - are numbered among the norms that are included in cultural contextual factors that are specific and differ from one social system to another (Dacin, A. P., Dacin, T. M., & Matear, M., 2010). An example in this context is the work of Grameen Bank, where loans are mainly given to the female population, but there is potential for problems and incomplete implementation of the idea, as patriarchal behavior governs in Bangladesh among individual family communities where the husband is the head of the family.

According to Robinson (Robinson, J., 2006) institutional barriers are an obstacle for an entrepreneur to understand or adapt to the rules, norms and values that contribute to market culture, goals and practices.

3. Sustainable social entrepreneurship - opportunity for socio-economic change at local and regional level

In rare rural areas are used only for the exploitation of natural resources and impoverishing rural areas, thereby limiting the opportunities of future generations, which is opposite to sustainable development goals. The concept of social entrepreneurship is an opportunity to revitalize national economies through systemic social changes.

Let us try to substantiate such assumption presented in the previous paragraph by presenting the results that a social enterprise has on the society in the Republic of Macedonia. The classification of possible results according to the Helen Haugh matrix will be used (Haugh, H., 2006, pp. 181 – 201), as follows: direct economic effects, direct social effects, direct effects on environment, indirect economic effects, indirect social effects, and indirect effects on the environment.

Table 1. Results of the social enterprise “Pokrov”

Results of the social enterprise “Pokrov”	Individual level	Level of social enterprise	Level of community	Level of region
Direct economic	Providing financial compensations	Providing financial assets for reinvesting and development	providing work for the marginalized community members, treated abusers (14 employed and freelancers)	Providing work for the marginalized groups in the Southeastern region of the Republic of Macedonia (14 employed and freelancers)

Direct social	Treatment, reintegration and re-socialization of persons addicted to psychoactive substances	Creating the culture identity of the enterprise	Contribution in the social capital by solving significant life problems and improving the quality of life	Contribution in the social capital by improving the quality of life in the Southeastern region of the Republic of Macedonia
Direct environmental	Providing conditions for a healthy life (clean air, organic products etc.)	Creating the cultural identity of the enterprise	Environmental protection by producing organic products	Environmental protection by producing organic products
Indirect economic	Individual economic stability	Financial self-maintenance	Providing labor for the parties involved in the performance of the activity (suppliers, etc.)	Improving the economic development in the Southeastern region
Indirect social	Changing the negative identity and lifestyle of individuals	Possibilities of creating social capital by networking	Stimulating social inclusion	Social changes through stimulating social inclusions
Indirect environmental	Contribution in creating awareness for protecting the environment	Creating the cultural identity of the enterprise	Improving the environment	Promoting the Southeast region as a healthy environment

Source: Individual researches and review based on the Helen Haugh model (Haugh, H., 2006, p. 181 - 201), quoted in Jovanoska, C., 2019.

The table overview 3.1 shows the role of the social enterprise “Pokrov”, according to the Helen Hought (Ibid.) model matrix on the revitalization of the socio-economic system, observed at an individual level, enterprise level, local community level and regional level. Although it is a small entity i.e. small

contribution to society, this enterprise is an example of what the role of social enterprises in revitalizing societies, especially at the local or regional level.

The impact of social enterprises on social and economic development can be viewed from several perspectives:

- Social enterprises contribute to economic dynamics from a different perspective;
- In environments characterized by poor functioning of markets, social enterprises contribute to reducing market failures and improving the well-being of communities by sustaining economic development as a whole;
- Social enterprises are designed to manage transactions that are not effectively managed, whether economic or social;
- Social enterprises contribute to greater social equality, in favor of the weakest stakeholders.
- Social enterprises contribute to the creation of new jobs, and they also advocate for the integration of the disadvantaged workforce who have minimal chances of finding a job in traditional enterprises;
- Social enterprises have a direct impact on the development of the local economy, as they promote inclusive models that empower the local community in strategic decision-making;
- Social enterprises stimulate social cohesion, strengthen the level of confidence in society and economy in general, contribute to the accumulation of the social capital which is embedded in the community (borzaga at all, 2008, p.28)

Social enterprises are the drivers of socio-economic change by creating: economic values (producing goods and services, stimulating enterprise and competitiveness, providing jobs for socially marginalized individuals and groups, promoting socio-economic development with grants, low interest loans for rural areas); social values (stimulating innovative activities that will be offered to the public sector as well as complementing public social services, providing conditions for marginalized individuals and groups, stimulating social inclusion, social cohesion and social capital, stimulate citizen participation through volunteering); regional values (job creation and management, contribution to enterprises with low levels of private entrepreneurship, facilitation of land management - structure, ownership, etc., providing local facilities in rural areas - shops, etc., providing local public places for treatment, renovation of old structures to preserve local history); environment/culture/art (promoting and practicing the environment, encouraging sports and art activities); political value (commitment to a just and democratic society, providing alternative economic approaches by which business is more than maximizing profit and personal enrichment) (Kim, D. and Lim, U., 2017, p.7).

Social enterprises create active relationships with stakeholders in the process of social innovation. They create social goals and values that are linked to regional sustainability. Relational assets of social enterprises help resolve conflicts between governments, businesses and the NGO sector. In business processes, social enterprises share sustainable goals with stakeholders. Social enterprises mobilize resources through market mechanisms that are reinvested afterwards to serve their social goals. (Kim, D. and Lim, U., 2017, p.8).

From the conducted Survey of social enterprises in the Republic of Macedonia, and in the absence of legal regulation (*lex specialis*), it can be concluded that there is a promising boom in the development of social entrepreneurship in the country.

3.1. Sustainable rural existence through the concept of capability, equity and sustainability

Sustainable development is based on the following principles: the principle of economic feasibility; the principle of social equality and environmental protection. The above principles are the general framework upon which specific sustainable development strategies are formulated. The economic feasibility of rural areas implies that the population living in those areas earns a living and prospers with their work. The development of agriculture, rural tourism i.e. empowering the population living in those areas is a condition for local economic sustainability. Organic production can be an alternative that will contribute to the economic feasibility of rural areas, while at the same time meeting the environmental and social principles of sustainable development. In this regard, it is worth noting that Rep. of Macedonia has natural predispositions for agricultural development. The development of civilization increases the problems that endanger the environment. Man exploits natural resources without taking into account how it reflects on the environment

Macedonian agriculture is characterized by insufficient efficiency and one of the main reasons is the lack of structure in land consolidation.

The dimensions of sustainable development are, in fact, hallmarks of social entrepreneurship.

Profitable enterprises deliver goods and services, improve consumer well-being, create jobs, promote economic growth by purchasing goods and services, and create capital that can be invested in other productions. Facebook and General Electric create social value; just as non-profit organizations do. Some profits violate their social contract and eventually destroy the value just as some non-profit organizations are ineffective, unnecessary, and even ambiguous. However, social entrepreneurs are different, they are motivated by different factors than other entrepreneurs (Lenox, M., 2017).

Ways can be sought to multiply livelihoods by increasing resource-use intensity and the diversity and complexity of small-farming livelihood systems, and by small- scale economic synergy. (Chambers, R, Conway, G., 1992).

Sustainable agriculture aims at integrating the three main objectives: healthy environment, economic profitability and social and economic equality.

Sustainable agriculture practitioners strive to integrate three main goals into their work: healthy environment, economic profitability and social and economic equality.

Anyone involved in food production, food processing, distributors, retailers, consumers and waste managers can play a role in providing a sustainable agricultural system (Agricultural Sustainable Institute)¹⁸

Municipalities in Macedonia have adopted local development strategies to empower socio-economic development, tailored pursuant to the millennium development goals for sustainable development, but reports on the results are lacking.

In the Report of R. Macedonia for the progress of achieving the millennium development goals (2009) is noted as follows: progress in poverty reduction has been slow (p. 19); poverty is directly correlated with the problem of unemployment (p. 20); inequality in income distribution impacts on increasing poverty (p. 21).

¹⁸<http://asi.ucdavis.edu/homepage>. Accessed: 11 March 2018.

4. Recommendations for applying the concept of social entrepreneurship in the Republic of Macedonia

In order to create more adequate conditions for the development of social enterprises, the following measures should be taken:

- creating conditions by the government for establishing and developing social enterprises (legislation, independence, incentives, tax incentives, etc.);
- the creation of a self-sustaining and independent economic system, which will enable the unobstructed attainment of social goals;
- overcoming barriers, including: relational, cultural, and institutional (discussed in previous chapters);
- establishment and accessibility in social finances (ethical banks, etc.);
- informing the public with the concept of social entrepreneurship and its role;
- raising awareness of the impact of social entrepreneurship and creating a social consumer profile;
- creating staff in educational institutions capable of establishing and working in a social enterprise;
- possession of business skills among founders of social enterprises who will have the necessary skills to enable achievement self-sustainability;
- developing solidarity among owners and employees as one of the main drivers of this type of enterprise, etc.
-

5. Conclusions

Current actors in the socio-economic system leave a picture of insufficient capacity to deal with social and environmental problems, but on the contrary, how to contribute to their cause.

Social entrepreneurship is a concept that emerges as an opportunity for socio-economic and social change.

The focus on the social goals of social entrepreneurship is the marginalized segments of society that cannot alone make a positive transformation of their own social and economic prospects. Social entrepreneurs create a new kind of enterprise that offers new ways of acting and thinking, their focus is on marginalized groups in society as well as care for the environmental.

Social entrepreneurs help governments solve social problems, they are a new actor in reducing them. Social entrepreneurship is a concept that will enable correction of the state's failures in providing assistance (Leadbeater, 1997); for civil society it is an opportunity for new hybrid partnerships (Austin et al, 2004), a model for political transformation and empowerment (Alvord et al 2004), or as an instigator of systemic social change (Nicholls, A., 2006, quoted in Nicholls, A., 2011).

It is undeniable that achieving social goals in social enterprises has financial implications, their social impacts are not cost-neutral. In achieving the dual goals of social enterprises, there is often a conflict between social and economic values i.e. their equilibrium is difficult to achieve.

Mobilizing regional resources in order to make a profit requires the involvement of different regional stakeholders in the community.

The creation of a larger number of marginalized groups and the impoverishment of the population have an adverse effect on the overall socio-economic system, given that the purchasing capacity of the users of the products/services is reduced, thereby undermining the functioning of the market model. The

creation of new jobs by traditional actors in the socio-economic system does not always mean the possibility of employing marginalized individuals and groups. In such a situation, inequality of access would be reduced if a sustainable social enterprise employs people from socially disadvantaged families, people with disabilities and so on.

The following actors can be key initiators, drivers and catalysts of social entrepreneurship: universities, state and local institutions, the media, and, of course, profitable businesses and corporations by investing in such and similar initiatives.

References:

- [1]. Agricultural Sustainable Institute. Available at: <http://asi.ucdavis.edu/homepage>. Accessed: Szczepanski, Marcin (2018).
- [2]. Alter, K., Dawans, V. (2009), *The Four Lenses Strategic Framework*. Toward an Integrated Social Enterprise Methodology. <http://www.virtueventures.com/files/fourlenses.pdf>.
- [3]. Alvord, S.H., Brown, L.D. & Letts, C.W. (2002), *Social entrepreneurship and social transformation: An exploratory study*, Harvard, MA: Hauser Center for Nonprofit Organizations Working Paper No. 15, Kennedy School of Government.
- [4]. Austin J, Stevenson HH, and Wei-Skillern J (2006), *Social and Commercial Entrepreneurship: Same, Different, or Both?* Entrepreneurship: Theory & Practice, Vol. 30(1).
- [5]. Austin, J., et al. (2006), *Effective management of social enterprises: lessons from businesses and civil society organizations in Iberoamerica*, A collaborative research project of the Social Enterprise Knowledge Network, Published by Harvard University.
- [6]. Bornstain, D. (2004), *How to change the world: Social entrepreneurship and the power of new ideas*. New York: Oxford University Press, quoted in Praszkie, R., Nowak, A. (2012), *Social Entrepreneurship. Theory and Practice*, Cambridge University Press.
- [7]. Borzaga at all (2008) *Social Enterprise: A New Model for Poverty Reduction and Employment Generation*. Available at: https://emes.net/content/uploads/publications/11.08_EMES_UNDP_publication.pdf. Accessed: 24 March 2018.
- [8]. Chambers, R. and Conway, G. (1992) *Sustainable Rural Livelihoods: Practical Concepts for the 21st Century*, IDS Discussion Paper 296, Brighton: IDS. Available at: <https://opendocs.ids.ac.uk/opendocs/handle/123456789/775>. Accessed: 18 March 2018.
- [9]. Dacin, A. P., Dacin, T. M., & Mataer, M. (2010), *Social entrepreneurship: Why we don't need a new theory and how we move forward from here*. Academy of management perspectives, 24 (3). Available at <http://connection.ebscohost.com/c/articles/52842950/social-entrepreneurship-why-we-dont-need-new-theory-how-we-move-forward-from-here>.
- [10]. Dees, J. G. (1998), *The Meaning of Social Entrepreneurship*, Original draft: October 31, 1998, Reformatted and revised: May 30, 2001.
- [11]. Fromm, E. (1989), *The sane society*, first published in the United Kingdom 1956 by Routledge & Kegan Paul. Available at: <https://historicalunderbelly.files.wordpress.com/2012/12/erich-fromm-the-sane-society.pdf>.
- [12]. Haugh, H., (2006) pp. 181 – 201 “*Social Enterprise: Beyond Economic Outcomes and Individual Returns*” in: Mair, J., Robinson, J. and Hockerts, K. *Social Entrepreneurship*, pp. 180-202.
- [13]. Kim, D. and Lim, U. (2017) *Social Enterprise as a Catalyst for Sustainable Local and Regional Development*. Available at: [file:///C:/Users/cutka/Downloads/sustainability-09-01427%20\(3\).pdf](file:///C:/Users/cutka/Downloads/sustainability-09-01427%20(3).pdf). Accessed: 18 March 2018.
- [14]. Leadbeater (1997), in Lerner, J.; Mason, Ch. (2010), “*A Study of Stakeholder Involvement in Social Enterprise Governance*”, Available at file:///C:/Users/Cutka/Downloads/Beyond_Box-Ticking_A_Study_of_Stakeholde.pdf.

- [15]. Lenox, M. (2017). *Will social entrepreneurs build a sustainable future?* Available at: <https://nbs.net/p/will-social-entrepreneurs-build-a-sustainable-future-e9b7efe7-473f-4fe1-9ada-0e4332b55cfc>. Accessed: 17 March 2018.
- [16]. Lounsbury and Strang (2009), InNicholls, A. (2011), *Social enterprise and Social entrepreneurs*, at *The Oxford Handbook of civil society*, Edited by Michael Edwards, Oxford University press.
- [17]. Nicholls, A. (2011), *Social enterprise and Social entrepreneurs*, at *The Oxford Handbook of civil society*, Edited by Michael Edwards, Oxford University press, pp. 81-91.
- [18]. Nicholls, A. and Cho AH (2006), *Social Entrepreneurship: The Structuration of a Field*. In: Nicholls, A. (ed.), *Social Entrepreneurship: New Models of Sustainable Social Change* (pp. 99-118), Oxford, UK: Oxford University Press.
- [19]. Praszkie, R., Nowak, A. (2012), *Social Entrepreneurship Theory and Practice*, Cambridge University Press.
- [20]. Roberts, D. & Woods, C. (2005), *Changing the world on a shoestring: The concept of social entrepreneurship*, University of Auckland Business Review, pp. 45–51.
- [21]. Robinson, J. (2006), *Navigating Social and Institutional Barriers to Markets: How Social Entrepreneurs Identify and Evaluate Opportunities*. In *Social Entrepreneurship*, Edited by Johanna Mair, Jeffrey Robinson and Kai Hockerts, Available at <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.458.6683&rep=rep1&type=pdf>.
- [22]. *Social economy and social entrepreneurship*. Social Europe guide (2013), volume 4, European Commission Directorate-General for Employment, Social Affairs and Inclusion.
- [23]. Stiglitz, J. (2011), “*Of the 1%, by the 1%, for the 1%*“, Available at: <http://www.vanityfair.com/news/2011/05/top-one-percent-201105>. Accessed 14 February 2018.
- [24]. Jovanoska, C. (2019). *The Impact of the System for Measuring Integrated Values in Social Enterprises*. 24th International Scientific Symposium. Strategic Management and Decision Systems in Strategic Management.
- [25]. Yunus, M. (2006), „*Social business entrepreneurship. Are the solution?*“, in *Social entrepreneurship. New models of sustainable social charge*, edited by Aleks Nichol, Oxford University Press.
- [26]. Yunus, M. (2009), *Creating a World without Poverty: Social Business and the Future of Capitalism*. New York: Public Affairs.
- [27]. *Report on Poverty and Social Exclusion in the Republic of Macedonia for 2011*, available at: http://mpps.org.mk/images/stories/publikacii/PUB-Report-poverty-social-exclusion-RM-2011_MKD.pdf. Accessed 31 March 2018.
- [28]. *National Strategy for Poverty Reduction and Social Exclusion in the Republic of Macedonia (2010-2020)*, available at: http://mtsp.gov.mk/WBStorage/Files/revidirana_str_siromastija.pdf.
- [29]. http://appli6.hec.fr/amo/Public/Files/Docs/148_en.pdf. Accessed 24 March 2018.
- [30]. http://ec.europa.eu/growth/sectors/social-economy/enterprises_en. Accessed 25 March 2018.
- [31]. http://ec.europa.eu/regional_policy/en/policy/what/investment-policy/. Accessed 25 March 2018.
- [32]. <http://sobazaumetnost.volasite.com/>. Accessed 17 March 2018.
- [33]. <http://www.4lenses.org/setypology/cmx>. Accessed 24 March 2018.
- [34]. http://www.4lenses.org/setypology/hybrid_spectrum. Accessed 24 March 2018.
- [35]. <http://www.agrofair.nl/site/agrofair/business-principles.html>. Accessed 10 March 2018.
- [36]. http://www.grameen.com/index.php?option=com_content&task=view&id=796&Itemid=763. Accessed 17 March 2018.
- [37]. http://www.grameen.com/index.php?option=com_content&task=view&id=24&Itemid=127. Accessed 17 March 2018.
- [38]. <http://www.mtsp.gov.mk/predlog-zakoni.nsp>. Accessed 10 March 2018.
- [39]. <http://www.muhammadyunus.org/index.php/social-business/social-business>. Accessed 17 March 2018.
- [40]. <https://www.ashoka.org/fellow/munir-hasan>. Accessed 19 February 2016.

- [41]. <https://www.ashoka.org/news/10-greatest-social-entrepreneurs-all-time>.
Accessed 3 March 2018.
- [42]. <https://www.ashoka.org/sites/www.ashoka.org/files/2013-Impact-Study-FINAL-web.pdf>.
Accessed 3 March 2018.
- [43]. <https://www.ashoka.org/support/criteria>, Accessed 3 March 2018.