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Review Article

DISTINCTION OF SUSTAINABLE SOCIAL ENTREPRENEURSHIP FROM OTHER (NON) CORRELATIVE CONCEPTS

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Abstract

This paper presents and distinguishes the large number of shapes and models that essentially contain the concept of double bottom line and triple bottom line. Distinguishing between sustainable and unsustainable concepts of social entrepreneurship and its (non) correlative concepts, whose primary mission is to create social and environmental value, results in giving a clear picture and recommendation of the most optimal sustainable model of social enterprises, which through their work will contribute to sustainable socio-economic changes.

The research for this paper identifies a number of sustainable and unsustainable forms of social enterprise, as well as other related concepts, which outline their mission to address the problems expressed through the dimensions of people, planet and profit. An overview of the many examples of the practice of such organizations, or enterprises, allows verifying the introduced thesis that sustainable social entrepreneurship, which in its work applies the trinity of economic, social and environmental value, is an optimal example of a sustainable concept that can contribute to sustainable socio-economic change and provide environmental care.

Keywords: Four social entrepreneurship, sustainability, blended value, double/triple bottom line.

1. Introduction

In literature and in practice, we come across various concepts and examples which, through their multidimensionality and multifunctionality provide solutions for social and economic problems. The question is how to achieve it most effectively and most efficiently i.e. which is the most optimal concept that will respond to the new age challenges. The main assumption is that the most optimal concept that can provide a solution for the social and economic problems is sustainable social entrepreneurship. Sustainable social enterprises provide financial sustainability in order to achieve a social i.e. economic objective.

In order to distinguish the sustainable social entrepreneurship, it is necessary to present various concepts that emerge, and whose main goal is to solve social and economic goals. Possible concepts or movements that incorporate economic, social and environmental goals in their operations are: social entrepreneurship, sustainable entrepreneurship and sustainable development, social business, fair trade, social versus market social economy, social responsibility, philanthropy and charity, social activism etc.

2. The concept of social entrepreneurship

There are three approaches to understanding the concept of social entrepreneurship (Alvord, Brown and Letts, 2002): as *combining social enterprises with social impact* (Emerson and Twersky, 1996); as *innovating for social impact* (Dees, J. G., 1998) and as *a way to catalyze social transformation*.

One of the most cited definitions when it comes to understanding the concept of social entrepreneurship is seen in Dees (Dees, 1998), which is a combination of several principles: *discipline and accountability* (Say), *innovation and change agents* (Schumpeter), *pursuit of opportunity* (Drucker) as well as *resourcefulness* (Stevenson).

Social entrepreneurship, as an altruistic form of capitalism is a construct that bridges an important gap between entrepreneurship and benevolence (Robert and Woods, 2005, pp.45-51).

One of the more comprehensive definitions on social entrepreneurship is that of Ashoka²⁹ (Bornstein, D., 2004, p.10) Drayton (Drayton, B., 2000) and its associates from Ashoka recommend the following five criteria for a social entrepreneur: 1) new idea for solving important social problems; 2) creativity; 3) entrepreneurial characteristics; 4) ethical peculiarities; 5) social impact.³⁰

According to them, social entrepreneurs are those who have the ability to make significant changes in the long run through their small changes that have occurred in the short term, by expanding through existing systems.

Praszkier & Nowak (Praszkier & Nowak, 2012, p.11) single out several explanations from Drayton (Drayton, B., 2000), that characterize social entrepreneurs: *“They simply cannot come to rest... until their dreams have become a new pattern across all of society... until they change the system.”*

3. Social entrepreneurship analogy with other (non) correlative concepts

There are different views and a wide range amid determining the concept of social entrepreneurship. There are interpretations that distinguish social entrepreneurship from social activism, volunteerism, to the social responsibility of large corporations. It is indisputable that many alternative forms arise among these extremes through which it is sometimes difficult to make a clear distinction, given the nuances that arise between them. Different notions are also observed among American authors versus European authors. The first understand social entrepreneurship as a combination of the economic and social value, while the later, place it to the so-called third sector (Nicholls, A., 2011).

3.1. Social economy and market social economy

The social economy forms are not a novelty that has been created in the recent years, as presented in the public, they are around since the ancient and middle ages. Thus, in the 16th century, a bank (Monte di Pietà) functioned in Italy, which is conceptually similar to the present day social enterprises and has been accomplishing its social objective by allocating funds to the lower class without or low interest rates, or with the monetary funds from the savings of the rich, help was provided for the poor (4th EMES International Research Conference on Social Enterprise – Liege, 2013).

²⁹An organization that characterizes itself as an innovator of the public, with the basic mission to support leading social entrepreneurs and changemakers, and also believes that anyone can become a social entrepreneur, through learning, team work, leading and making changes which will lead to the desired success.

³⁰<https://www.ashoka.org/sites/www.ashoka.org/files/2013-Impact-Study-FINAL-web.pdf>.

The social economy is the result of the shortcomings of the public, the profitable, as well as the so-called third non-profit sector. As it is generally known, in the post-World War I period, a market economy developed in Western Europe through the existence of profitable enterprises. On the other hand, the socialist system was applied in the Eastern European countries, where the material goods and services were provided by the state. Regarding European countries, after the end of World War II, there were intentions to apply the economic in combination with the social model, as a vision that will aim at achieving socio-economic growth.

There are two concepts that, although terminologically close, are essentially different notions, and they are: social economy and market social economy. The social economy includes: cooperatives, united organizations, associations, foundations (grouped by historical chronological order).

The social market economy, on the other hand, is conceived as a concept that will advocate harmonizing the market freedom and social care, and it has its roots, as noted above, in the post-war period as a need to create conditions for trust in the new system of democracy. It is argued that this concept enables the implementation of a system that will provide economic stability and offer social problem solutions (Social economy and social entrepreneurship (Social Europe guide, 2013, p. 14). In other words, attempts are being made to create a more complex and richer choice, in which the state would not be the only factor in balancing the economic and social segments.

The 2000 Lisbon Agenda contains the European Union's strategic goal of creating a competitive, sustainable economy and building a socially cohesive, job-creating environment. Furthermore, in order to achieve the set goals, it is necessary to "modernize the European social model, to invest in human resources, as well as to prevent social exclusion." (Social economy and social entrepreneurship. Social Europe guide, 2013, p. 15).

However, the economic crisis state showed that there are shortcomings in the hitherto concepts for achieving the strategic goals that were previously noted.

3.2. Social entrepreneurship and social business

Social entrepreneurship and social business are not identical concepts. Social entrepreneurship is a very broad idea and social business is its subset (Yunus, M., 2009, pp. 21-40). Thus, the innovative initiative to help people (economic, non-economic, for-profit or not-for-profit), may be described as social-entrepreneurship venture, but not all social entrepreneurs are engaged in social business, it is market-oriented and for-profit used to cover the operating costs and the fulfillment of the social mission.

The social business is a self-sustaining business with social mission and is not a charity, the human is perceived as a being of multidimensional nature concentrated to solve social and ecological problems. Muhammad Yunus (Yunus, M., 2009, pp. 3-6) proposes two types of social business:

- companies concentrated in creating social benefit;
- profitable companies, but the ownership is in the hands of the poor. In this case the dividend is distributed to the socially disadvantaged population in order to reduce poverty. The Greeman Bank is an example of the second concept.

The social business principles proposed by Muhammad Yunus³¹ are the following:

³¹ Yunus, M., <http://www.muhammadyunus.org/index.php/social-business/seven-principles>.

- business goals to overcome poverty, as well as many other problems that threaten humanity (education, health, technological access and environment), but not compelled to maximizing profit;
- financial and economic sustainability;
- investors only return their invested funds and there is no dividend;
- company's profit serves to expand and develop;
- ecological awareness and gender equality;
- labor force prevails in the market and provides good working conditions;
- labor with great passion and joy.

Grameen Bank is an example of social business, so-called Bank for the Poor.

The Nobel laureate Muhammed Yunus proposes a new description for the enterprises dealing with social business, calling them non-loss organizations with social objectives.³²

3.3. *Social entrepreneurship and social responsibility*

Corporations that are socially responsible and social enterprises are not identical concepts, due to the visible difference in their goals. Namely, corporations, as a form of capitalism, apply strategies for social responsibility, but exist in order to increase the value of the company and maximize the wealth of owners, while social enterprises are established and developed to achieve social goals. Companies with social responsibility are guided by the credo: “*Do no harm the people or the planet, unless that means sacrificing profit*”, also, the motto of social responsibility is: “*Do good for people and the planet, as long as you can do so without sacrificing profit.*” (Yunus, M., 2009, pp. 3-21).

3.4. *Social entrepreneurship and non-profit organizations*

The goals of social enterprises and non-profit organizations is equated in the first place, but the so-called NGOs due to financial instability and direct dependence on donors (as the main source of funding) are not self-sustaining, where, after the cessation of funds, their activity ceases, and also can not always act fully in accordance with the set goals given the fact that it happens to be influenced by the donors' views. In other words, practice shows that these forms of organizations are not the solution to social problems. Another major difference is the economic activity, which is a characteristic of the social enterprises that apply the business model, and which can be noticed in certain forms in the so-called non-profit organizations (which is why they are equated with the concept of social entrepreneurship). Thus, paragraph 2 of Article 12 of the Law on Associations states that “organizations may perform activities that can be profitable if the activity is related to the objectives set out in the statute.” (Law on Associations and Foundations, p. 3).

In this regard, it is necessary to distinguish between the concepts of *social activism* and social entrepreneurship, which, if you look at the core of their contextual and functional existence, it will be concluded that they represent two different concepts. Given the fact that both concepts are aimed at achieving social goals, the difference is that social activism achieves its social goals by influencing institutions, often government ones, as bearers of the power to decide on a significant part of social problems. as well as by acting to change public opinion. However, as mentioned above, donor dependence is present in social activism and often occur situations in which they are

³²http://www.grameen.com/index.php?option=com_content&task=view&id=24&Itemid=127.

forced to act within the guidelines of donors. Unlike social activism, social enterprises are able to solve their set social goals on their own, given their economic self-sustainability. 10-11).

3.5. *Social entrepreneurship and sustainable entrepreneurship*

Sustainable development in the United Nations Report (UN), so-called “Our common future”, is defined as a concept which “meets the needs of the present without compromising the ability of future generations to meet their own needs” (Report of the WECD, pp. 16-17). Although such a definition seems to give the impression of inaccuracy and poeticity, it alludes to dealing with the negative environmental conditions that arise from the traditional concept of the market economy.

In addition to sustainable development, the term sustainable entrepreneurship is also found in literature and in practice.

Sustainable entrepreneurship is focused on the preservation of nature, life support, and community in the pursuit of perceived opportunities to bring into existence future products, processes, and services for gain, where gain is broadly construed to include economic and non-economic gains to individuals, the economy, and society. (Shepherd & Patzelt, 2011, p. 142).

Sustainable entrepreneurship goals aim at creating the so-called common (shared) value, both for society and for business (Debraliiev, p. 95). The concept of common value is found in the multidimensional concepts of social entrepreneurship and also in ecological entrepreneurship.

While, according to Emerson and Bonini, it is impossible to single out only economic or social goals i.e. environmental goals, so it is necessary to talk about the concept of blended value that provides greater effectiveness. (Bonini, Sh. and Emerson J., 2005, p.1).

Although the focus of *social entrepreneurship* is primarily social inclusion in societies i.e. social goals of *environmental entrepreneurship* - environmental care and of *sustainable entrepreneurship* - creating business, social and environmental value, it is still difficult to make a clear distinction between these concepts, precisely because of the large number of examples of organizations, enterprises and initiatives that include the three components in their operations and advocate for shared value.

The shared value of this type of organizations/enterprises includes: Economic i.e. financial sustainability, care for the environment and the community by solving social problems.

3.6. *Fair Trade*

The concept of Fair Trade is interpreted as a combination of three interrelated dimensions: social, economic and political (Huybrechts, B., 2012, p. 10).

The most acceptable definition of this concept is the combination of theoretical views and practice, and is proposed by FINE³³. Namely, Fair Trade is a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to *sustainable development* by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South (FINE, 2001)³⁴.

Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.

³³<http://www.muhammadyunus.org/index.php/social-business/social-business>.

³⁴ FINE is an informal network founded in 1998, and includes the following Fair Trade organizations: FLO (Fairtrade International), IFAT (International Fair Trade Association), WFTO (World Fair Trade Organisation), and EFTA (European Fair Trade Association).

The definition itself concludes that it refers to two visions, the first for creating a working model on the international market that will create a difference for producers and consumers involved in it, and the second, in turn, refers to changes in business practices and modifying the dominant economic model (Moore, G., 2004, pp. 73-86).

WFTO (2013) has proposed ten principles of fair trade, as follows:

1. Creating opportunities for economically disadvantaged producers, in order to reduce poverty by supporting the marginalized small producers;
2. Transparency and accountability through being transparent to the stakeholders in its management and trade relations, respecting the sensitivity and confidentiality of commercial information supplied, involving employees, members of producers in the decision-making process.
3. Fair trading practices: care for social, economic and ecological goals, with fair attitude towards suppliers and not maximizing profit at their expense, proper attitude towards buyers as well as the environment;
4. Payment of a fair price - fair pay to producers (suppliers), fair wages for employees, fair prices for buyers, fair product marketing etc.;
5. Ensuring no child labor and forced labor - adhering to the UN Convention on the Rights of the Child which prevents child labor exploitation and forced labor;
6. Commitment to non-discrimination in each segment of organization's operations, gender equity, women's economic empowerment and freedom of association;
7. ensuring good working conditions - by providing a safe and healthy working environment;
8. Providing capacity building to support marginalized production groups by increasing positive developmental impact for marginalized producers, developing skills and abilities among employees to help producers, as well as other specific activities and abilities that fair trade organizations need to possess.
9. promoting fair trade by raising awareness for the concept and its role in international trade;
10. respect for the environment by encouraging local development, reducing energy consumption, application of renewable energy technologies and reduction of greenhouse gas emissions etc.³⁵

Given the aforementioned, it can be concluded that the concept of fair trade is a combination of social activism and business practices, which is a kind of social entrepreneurship.

3.7. *Philanthropy and social entrepreneurship*

One of the concepts for ensuring social security is philanthropy, which can be interpreted as a segment or activity that will lead to the application of the principles of social responsibility. In the Dictionary of the Macedonian Language, philanthropy and charity are presented as synonymous terms that mean philanthropy or doing good deeds. However, in essence, in their application to economics, there is a difference between them. Namely, charity tends to be a short-term, emotional, emphasizing help, whereas philanthropy on the other hand, is long-term and focused on rebuilding (Gunderson, S., 2012)³⁶. In other words, charity is about helping for current

³⁵ <http://wfto.com/fair-trade/definition-fair-trade>.

³⁶ <http://wfto.com/fair-trade/10-principles-fair-trade>.

needs, and philanthropy is for achieving greater goals. Charity is giving, philanthropy is doing (Smith, M., 2014)

Social entrepreneurship and philanthropy are different concepts, both signifying different things for different people and at different times (Hall, D. P., 2013).³⁷ There are ways in which philanthropy can redistribute resources and contribute to more effective social entrepreneurship. Thus, they can create a neutral space for generating ideas, as well as their exchange between social entrepreneurs, policy makers and the business sector. Given that philanthropists and philanthropic organizations have a corresponding impact on education, due to their financial power, there is an opportunity for them to encourage the study of social entrepreneurship and the creation of a number of profiles that can then be developed into social entrepreneurs. Organizations should not depend on the decisions of philanthropists i.e. the latter should ensure freedom in their decision-making and action for which they are intended. To encourage the association of smaller organizations, in order to act more effectively and reduce risks (Bornstein, D.; Davis, S., 2010, pp. 16-18). Philanthropists have the ability to make long-term investments, take greater risks, and support less popular ideas, rather than business or government, given the fact that they have significant capital. Increasing social impact is possible if the following practices are applied: social and economic criteria should be equal; the social segment to expand beyond the target group and to accept the full range of social relations, values and collective action; as well as the impact of the social factor on the economic, and not vice versa, because in a democratic society business and the market are servants, not masters of politics, civil society and government. (Edwards, M., 2009, pp. 75-81). Philanthropy is a good concept and it is good for social enterprises to be supported by rich philanthropists, but practice shows that individual funds (individual philanthropy) or corporation funds (corporate philanthropy) are not sufficiently used or respective results are not achieved due to various reasons. Models for donating funds in underdeveloped areas or supporting charities are often used, but, as noted above, such an approach does not allow for systemic change and social transformation, which is necessary to include social movements, politics, government (Edwards, M., 2009, pp. 75-81), but applies short-term assistance, which in itself does not lead to a solution to the problem.

4. Concluding remarks with recommendations

Social entrepreneurship is a concept that offers new ways of acting and thinking. Social enterprises focus on marginalized groups in the society and on caring for the environment. A number of concepts and movements appear in the literature, which in their essence bear the triple values: economic, social and ecological. These include: social entrepreneurship, sustainable development, sustainable entrepreneurship, social business, fair trade, social and market social economy, philanthropy, social activism, etc.

The focus of social entrepreneurship social goals is the marginalized segments of society which cannot make a positive transformation of their social and economic prospects on their own.

Social entrepreneurs can help governments solve social problems, they are a new actor who participates in the correction of deformities in societies. Social entrepreneurship is an opportunity for CSOs to provide financial sustainability. Social entrepreneurs turn problems into opportunities for solving them.

³⁷<https://www.linkedin.com/pulse/20140411163627-9623993-the-difference-between-charity-and-philanthropy>.

Social enterprises that apply the concept of blended value in their operations and, the triple bottom line is as an end result, can contribute to sustainable socio-economic changes.

The legal regulation of social entrepreneurship should provide an appropriate framework in which social enterprises can develop in the right direction that will ensure sustainable change in society. It is necessary to avoid any restrictions that will prevent social entrepreneurs from achieving their goals. It is also inevitable to keep in mind not to restrict this type of enterprises and limit and reduce them to the level of non-profit organizations i.e. associations. However, it is important to note that it is necessary to protect this type of enterprises from unfair competition from large profitable corporations and to take into account the great number of other risks in order to reduce them and create conditions for the development of the concept of social entrepreneurship, which occurs as an altruistic form of capitalism.

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