

SOCIAL ECONOMY AND RESPONSIBILITY

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Abstract

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Given the importance of entrepreneurial activities as an engine of economic growth and poverty alleviation, the issue of business development and entrepreneurial activities, has received increasing attention from a number of interested parties worldwide and also in the Czech Republic. The focus of this paper is on a social economy, a social responsibility and social enterprises. The development of the social economy framework will be introduced in the European context and specifically in the Czech Republic. A case study of a Czech social entrepreneur will be introduced based on qualitative research, namely the biographical narrative method.

Social enterprises can support activities of various target groups, such as economic activities of mentally and physically handicapped people, which often operate in economically and socially marginalized situations, including stereotyped images. They give them a chance to become active members of society. In this way they can help to reduce the poverty on a local level.

The aim of this paper is to introduce a social entrepreneurship as important part of social economy development in the Czech Republic.

Social economy, Non-profit sector, third sector, social entrepreneurship, Corporate Social Responsibility

The term *social economy* or the *third sector* is a concept which denotes the space between the state and the market and mediates interests between individual and general interests. There is no universal definition of the term *social economy*. Usually it covers the range of organisations which are neither public nor private for-profit oriented. They are described as *middle way* or *Third Sector* and often use innovative partnerships and creative management techniques.

According to the Scandinavian Institute for Social Economy the definition of social economy is the following: *Social Economy refers to organized activities which primarily aim at serving the community, are being built on democratic values, and are organizationally independent of the public sector. These social and economic activities are run mainly by associations, cooperatives, foundations and similar groups. The main driving force of the Social Economy is the benefit of the public or the members of a particular association, and not the profit motive (SISE 2011).*

In various countries the term *social economy* is recognized/interpreted differently. According to CIRIEC Report 2007, the *Social Economy* term is widely accepted in Belgium, Italy, Portugal, Spain,

Sweden and France, which was the birthplace of this concept. In other countries, the Social Economy concept has a medium acceptance level and coexists with other concepts such as non-profit or the voluntary sector, social enterprises or social firms. These countries include Cyprus, Denmark, Finland, Greece, Luxemburg, Latvia, Malta, Poland and the United Kingdom. A limited recognition of this term is present in the remaining European countries: Austria, Czech Republic, Estonia, Germany, Hungary, Lithuania, Netherlands and Slovenia. These countries mainly use terms like non-profit sector, voluntary sector and non-governmental organizations. This CIRIEC Report indicated that, in 2002, the European social economy sector had over 11 million paid employees, which was equal to about 6% of the working population of the EU. (SISE 2011).

The social economy sector includes cooperatives, mutual societies, non-profit associations, foundations and social economy enterprises, particularly Small and Medium Enterprises (SMEs). They provide a wide range of products, services

and jobs. Based on a UK classification of the social economy, these three sub-sectors can be identified:

1. The community sector, which includes those organizations active on a local or community level such as neighbourhood watch, small community associations, civic societies, small support groups, etc. They are usually small, modestly funded, largely dependent on voluntary, rather than paid, effort.
2. The voluntary sector includes formal organizations with a constitution, independent of government and self-governing associations or not-for-profit societies which operate with a meaningful degree of volunteer involvement, such as housing associations, large charities, large community associations, national campaign organizations, etc.
3. The social enterprise sector includes businesses, such as cooperatives or credit unions, with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners (Third Sector 2011).

MATERIALS AND METHODS

This paper is based on analyses of documents and research papers dealing with social economy issues. Primary source of data is the interview, conducted on 21st April 2011 in Prague, with Mr. Vojtěch Sedláček – Social Entrepreneur of year 2007. This case study is a good example of social entrepreneurship in current Czech society. The description of his entrepreneurial activities as well as his life story and motivations for taking part in social economic activities are important for understanding this issue. By biographical narrative method and interview I have collected data which demonstrate respondent's experience, which is crucial for understanding of participation in the social entrepreneurship. This individual case can be taken as a good practice and followed by other examples, which do exist as well and will be in the future subject of my research interest.

Theoretical background

Social Economy

In Western Europe, the social economy has increased during the last decades. This sector was predominantly financed by public money and concentrated mainly on education, health and social services. As public funding is being reduced, government and non-profit organizations are looking for new ways of cooperation. This trend is supported also by CIRIEC Report: *It was not until the crisis of the Welfare State and the mixed economy systems in the last quarter of the 20th century that some European countries saw a reawakening of interest in the typical organizations of the SE, whether business*

alternatives to the formats of the capitalist and public sectors, such as cooperatives and mutual societies, or non-market organizations, mostly associations and foundations. This interest sprang from the difficulties that the market economies were encountering in finding satisfactory solutions to such major problems as massive long-term unemployment, social exclusion, welfare in the rural world and in run-down urban areas, health, education, the quality of life of pensioners, sustainable growth and other issues. These are social needs that are not being sufficiently or adequately supplied either by private capitalist agents or by the public sector and for which no easy solution is to be found through market self-adjustment mechanisms or traditional macroeconomic policies (SISE 2011).

According to Bornstein and Davis (2010) over the past quarter century, the field of social entrepreneurship has gained a better understanding and can be divided as follows: *Social entrepreneurship 1.0 involved and concerted effort to (1) Systematically identify people with innovative ideas and practical models for achieving major societal impact; (2) Describe their function in society and shine a spotlight on their work; and (3) Develop support systems to help them achieve significant social impact. Social entrepreneurship 2.0 shifted into the terrain of organizational excellence. It drew heavily on insights from business strategy, finance, and management and was primarily concerned with helping social entrepreneurs build sustainable, high impact organizations or enterprises... Social entrepreneurship 3.0 (today) looks beyond individual founders and institutions to the change-making potential of all people and their interactions. It recognizes that social entrepreneurship is contagious. Every person who starts a social change organization emboldens others to pursue their ideas and solutions, whether by building institutions or by strengthening existing solutions through their investing, philanthropy, managing, advocacy, research, teaching, policy making, computer programming, purchasing, writing, and so forth.*

Corporate Social Responsibility (CSR) – Responsible Entrepreneurship

The term *responsible entrepreneurship* refers to economic success of a business by the inclusion of social and environmental considerations into a company's operations. It satisfies customers' demands, whilst also managing the expectations of employees, suppliers and the surrounding community. It is a positive contribution to society including management of enterprise's environmental impacts. An initiative of the European Commission, Directorate-General for Enterprise, has produced the guide: *Introduction to Corporate Social Responsibility for Small and Medium-Sized Enterprises* as part of the pan-European awareness raising campaign. It gives answers to questions on motivations for CSR and also introduces CSR on case studies in practice (Introduction to CSR, 2011).

According to Husted and Allen (2006), relatively little is known about the management of CSR by multinational enterprises (MNEs) which results in a failure of global MNEs to respond effectively to

issues of importance in their host countries. *Well-known examples include protests and consumer boycotts experienced by Nestlé in selling baby formula in Africa and by Nike as a result of child labor abuse in outsourcing in Asia. It is common practice for global MNEs to use strategies in which local market units have limited functions with small staffs and then find themselves unable to monitor and respond successfully to CSR issues.*

Corporate Social Responsibility has been receiving increased attention both from academics and managers. Most of the academic attention focuses on CSR linkage to performance while firms are engaging in CSR on largely moral or ethical grounds, without clear strategic rationale. It may be an issue of a favourable image or relationship with constituent groups, such as customers. According to Waldman *et al.* (2006), demographic, economic, cultural and leadership factors are critical determinants of the CSR values of managers. His team states that: *A key implication for multinational firms is that it might be wise to assess such variables for managers based in different countries. For example, stakeholder-based CSR values and policies of a multinational firm could be strong, and this may be in line with home country's high institutional collectivism and low power distance. However, in contrast, managers in a subsidiary country might have weaker stakeholder CSR values in line with that country's weak institutional collectivism and high power distance.*

Corporate Social Responsibility in the Czech Republic

Based on a Czech Country Report produced by the Business Leaders' Forum, the most important national legislation related to CRS is the National Labour Code, Consumer Protection Law, and Law on general product safety and Environmental Law. The Czech government adopted the National Quality Policy in 2000 which includes CSR as a priority. The strategic objectives for 2013 support the promotion of CSR, participation in the implementation of the Price per CSR, professional activities towards the public, creation of a discussion forum on terminology and content of social responsibility. Neither legislation nor formal policies exist that oblige companies to report on their CSR activities. It seems that key drivers of CSR are the environment, well-being and philanthropy. The main CSR actors include: Ministry of Human Rights and Minorities, Ministry of Labour and Social Affairs, Ministry of the Environment, Ministry of Industry and Trade, Business Leaders' Forum, Association of Fair Business and Czech Society for Quality. According to Business Leaders' Forum the main CSR challenges are as follows: *For large corporations, the main challenge is to ensure consistency between what is done in practice and what is written in theory in the form of CR strategy. CSR is still largely seen as a means to greater corporate reputation. Therefore, the real challenge lies in creating a deeper understanding of CSR. In regards to SMEs and the public sector, the greatest challenge, is to position CSR as a potential driver for business (BLF 2009).*

Czech Social Economy

According to Dohnalová (2009), there has not been a uniform attitude to definition of third sector as well as of social economy in the Czech Republic yet. The accepted term is civil sector including non-governmental non-for-profit organizations. Social economy is a new term and social enterprises as subjects in third sector (civil sector or social economy) are separated from state. They are autonomous, preferring social aspects in economic activities. Social enterprises can consist of civil associations or mutual benefit corporations, which are economically active, in addition to their primal mission. In Czech conditions, social enterprise would be a type of cooperative, established by the Business Law, which employs disadvantaged people. This target group was very important for a man who was appointed a Czech Social Entrepreneur of the year 2007 and was selected as respondent in my research, as shows the following case study.

RESULTS AND DISCUSSION

Case study of a Czech social entrepreneur.

Part 1: Life story

I have conducted in-depth interview with Mr. Vojtěch Sedláček (born 1947). His motivations for social entrepreneurship go back to his positive memories from childhood, to his grandparents or a physically handicapped friend but also to activities of Charter77. After graduation at a secondary grammar school, he continued with two-year army service in Slovakia, worked as a technician and a computer programmer dealing with scientific computing. In 1977 he signed Charter77, which resulted in various ancillary jobs as an engineer or constructor. Since the 1980s he has changed different professions: from a programmer of core operational systems in the Research Institute of Mathematical Machines to being the Mayor of Roztoky town, manager of Republic Coordination Centre in Prague to a statutory representative of Civic Forum in 1990, including head of the Czech Government Office in 1991. Since the 1990s he held the posts of director and a member of the Executive Board of the printing and bookmaking plant, spokesman for a local civic association, member of the Roztoky town council, chairman of the executive board of the Citizen's Pension Fund, and in 1998 Vice Minister of Interior for Czech Republic security.

His first experiences working with handicapped people go back 30 years to the Jedlička Institute, which is a medical and educational facility giving disabled children and adults a chance to live a dignified and active life. As a volunteer, he taught computer programming and history from 1981 until the Velvet Revolution in 1989. In 1995 he founded a company: Obslužná, spol. s r. o. ('Service Company') and Agentura ProVás, s. r. o. ('Agency For You') in 1996, which created jobs and business

opportunities for disabled citizens. Both companies are Limited Liability Corporations (Obslužná 2011, Agentura 2011).

In 2007 he was appointed Social Entrepreneur of the year in the Czech Republic and one year later became a member of the World Entrepreneurship Forum and in 2010 member of the World Economic Forum (Social, 2011). In 2009 he became a member of the Czech Astronomical Society and co-founder of the Kepler Museum in Prague (Kepler, 2011). In 2011 he started as a member of the editorial board of the Revue Prostor magazine. He has been married since 1973 and raised five children.

As he explained in our interview: *my company searches for economically applicable activities, where seriously disabled people can apply their skills. We look for suitable workers and arrange paid work for them or business activities. We employ workers, carrying the entrepreneurial risk of the limits of their restricted range of abilities, frequency of sickness absences etc.* It combines help to the handicapped with strict economical rationality. From the beginning they managed without any financial aid except personal investments. The employees don't feel like patients but they look for self-expression combined with independence and responsibility. The company also offers the general public an image of useful disabled people as valuable contributors to the economy.

The company's first business activities date back to 1997 and include bill posting for cultural events on own billboards or poster areas in Prague and other Czech towns. Since 2000, Vojtěch's firm has been responsible for archive administration at the Agriculture and Forestry Relief and Guarantee Fund belonging to Governmental Administration. In this long-term project, disabled workers designed, tested, and later implemented all of the major systems. Another project running since 2000 deals with patrol and inspection services for collector networks in Prague, such as ventilation or critical piping infrastructures, electricity, gas, warm steam for heating etc. Employees visually check many sites, register each event, and prepare monthly reports.

The Agentura ProVás shop was opened in 2002 to offer original or reprinted historical posters, postcards, and buttons made by employees. This shop is repeatedly mentioned and recommended in important guidebooks such as Timeout (GB), Artel (USA), TABI (Japan), Hachette (France), etc. (Guidebooks, 2011).

Since 2005, they provide cloakroom service in the Senate of the Czech Republic. In this visible place, handicapped people show how they are efficient and able to compete in the work place. They also work as the Senate's Telephone Exchange Operators and Operator Switchboards, which makes them the first contact point for public. The official state Council for Television and Radio Broadcasting has since 2005 offered positions for qualified personnel, making them fully responsible for incoming and outgoing mail and archives. Handicapped professionals work here and also train new workers. Another possibility

for income generation is provided by Gravity and R3 GROUP, where employees work for Reception Services as gate keepers in private blocks and residential housings.

Since 2005, own products such as reprints of historical and modern design posters, cards, original buttons, or special bestseller pamphlets of the Astronomical Clock in Prague have been sold at the Municipality of Prague at the Old Town Tower. At Charles University, handicapped employees help to fill in and process orders for PC materials, accessories, or toners according to requirements and standards. Outside of Prague, at the Museum of Roztoky, a coffee bar has been in operation since 2007, and also has on sale of original design buttons and reprints of historical posters. Almost 300 km from Prague in the Moravian town of Přerov, a shop with honey and accessories for beekeeping was opened in 2007.

In 2009, Vojtěch Sedláček and his employees cooperated on designing and opening the Kepler Museum in Prague in collaboration with the Czech Astronomical Society. This museum is one of their flagships operations, run under the management of Agentura ProVás. In 2010, the gallery Tuzek's Design & Vintage Shop was opened to offer stylish interior, fashion accessories and a wide selection of Czech glass from the 1950s, 1960s and 1970s. Most recently, a shop with aids and different accessories for handicapped people was opened in 2010 in the Business Centrum near the metro station. Since 2010, two employees of Agentura ProVás have been working in the Parliament of the Czech Republic. One of them is a Member of Parliament and the other one is his assistant.

All these places provide work opportunities primarily for handicapped people. Moreover, Agentura ProVás helps handicapped people set up their own business. An example is the career of a severely disabled wheelchair user, Mr. Selichar, who has become a successful entrepreneur. After 1989, alumni of the Jedlička Institute have occasionally met and talked about challenges and difficulties presented by new economical changes. One idea mentioned was to open a shop for handicapped people, supplying physical aids and equipment such as wheelchairs, crutches, special shoes, positioning beds, artificial limbs etc. Real demands were the main motivation, not just brands. It was impossible to get a loan from the bank because the business idea was not deemed adequate at that time. Vojtěch Sedláček arranged financial support, set up the business and loaned Mr. Selichar, his former student, the money to start the venture and continued with business consultancy. After two years the business was able to stand on its own. Mr. Selichar died (41 years old) in 2010 and his company was taken over by his wife. It is a sufficiently profitable company and employs more than 30 disabled people. Collaboration with Agentura ProVás still continues.

Part 2: Social Business Principles

My respondent strictly applies four main principles in his business. As he explained in our interview: *Firstly, a disabled person is a fellow citizen in need of help, which must be adequately provided. They can be people with different personal histories and abilities, but they must be communicative, open, and willing to cooperate. He likes to see the opportunities that people with handicaps bring. Secondly, business activity must be economically viable and not dependant on any charity or donor benefits. Companies are revenue-generating enterprises. This non-paternalistic approach builds a profitable company with further investments to grow the social venture and reach more people in need. Thirdly, employees must be seen working in public areas and communicating with the majority population. Lastly, business is not emotionally based. People like to buy their products or services regardless of whether it is produced by handicapped people. Disability is not a selling mark for the product.*

What makes him angry is corruption in the state administration. Also, for this reason he is active in policy debates on needs of the disabled throughout Czech society. He cannot passively observe the lack of tolerance in society. His business is motivated by inner feelings of happiness and satisfaction. He believes that he has received much more than he has given back and by this motto he tries to be useful to other people. He is driven by the idea of finding

common ways of cooperation between a majority population and handicapped people.

CONCLUSIONS

There has not been a uniform attitude to definition of third sector as well as of social economy in the Czech Republic yet. The accepted term is civil sector including non-governmental non-for-profit organizations. Social enterprises are autonomous, preferring social aspects in economic activities. In Czech conditions, social enterprise would be a type of cooperative, established by the Business Law, which employs disadvantaged people. This target group was very important for a man who was appointed a Czech Social Entrepreneur of the year 2007 and was selected as respondent in for a case study of a social entrepreneurship in current Czech society. By a biographical narrative method I have collected data on his activities, life story and motivations which demonstrate respondent's experience. His story is crucial for understanding of participation in the social entrepreneurship and can be taken as a good practice to be followed by other examples. I intend to continue with qualitative research of social entrepreneurs, their life stories, motivations for social business including their experience.

SUMMARY

The goal of this paper was to introduce a social entrepreneurship as important part of social economy development in the Czech Republic. Given the importance of entrepreneurial activities as an engine of economic growth, the issue of business development and entrepreneurial activities, has received increasing attention. During the last decades, the social economy has increased in Western European countries and this sector employs quite a significant number of people. As there is no universal definition of the term *social economy*, it usually covers various organisations belonging to the *middle way* or *Third Sector*, which are neither public nor private for-profit oriented. Their activities serve the community, support democratic values with the main driving force being the benefit of the public or their members and not the profit motive. British classification of the social economy operates with three sub-sectors, namely the community sector, the voluntary sector and the social enterprise sector. There has not been a uniform attitude to definition of third sector as well as of social economy in the Czech Republic yet. The accepted term is civil sector including non-governmental non-for-profit organizations. Social enterprises are autonomous, preferring social aspects in economic activities. In Czech conditions, social enterprise would be a type of cooperative, established by the Business Law, which employs disadvantaged people. This target group was very important for a man who was appointed a Czech Social Entrepreneur of the year 2007 and was selected as respondent for a case study of social entrepreneur in current Czech society. There is another type of entrepreneurship, which includes social and environmental considerations into company's operations. It is *responsible entrepreneurship* which adds to economic success of a business also satisfaction of the employees' expectations, suppliers and the surrounding community. This is Corporate Social Responsibility which is a positive contribution to society including management of environmental impacts. As European Commission initiative shows, there is demand for the increasing awareness of CSR on European level as well as on national levels, as indicated in the strategic objectives for 2013 in the Czech Republic.

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