

# FROM PROJECT TO SOCIAL ENTERPRISE

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## Abstract

The last decade of the 20th century was marked by a loss of confidence in the leading social institutions due to their inability to control the threatening forces they had unleashed in the world. This applies to Slovenia as well. After 20 years of independence, the political elite in Slovenia is facing the crisis that has brought the country's economic development to a standstill. While the negative effects of neoliberal policies brought about the development of social enterprise throughout Europe, the supportive environment for a wider launch of social enterprise seems to be inadequate in Slovenia. This is a cause of concern since social economy offers new opportunities for innovative employments of vulnerable social groups. This paper will present a developing social enterprise project in Slovenia entitled 'Mura Connects Us', and interpret the findings from the interviews of 20 people who are setting up or have already set up social enterprises. The findings show that while the social economy does not yet have a sufficiently clear role in Slovenia, there is an awareness of social responsibility, and readiness on the part of the entrepreneurs to work toward changing the society.

Key words: social enterprise – good practice – interview – opinions of entrepreneurs

## Sažetak

Posljednje desetljeće prošlog stoljeća može se obilježiti kao razdoblje neizvjesnosti. Odlikuje se gubitkom povjerenja u vodstva društvenih institucija koja nisu u stanju ograničiti i kontrolirati opasne posljedice koje su izazvale u svijetu. To vrijedi i za Sloveniju, gdje je politička elita u dvadeset godina nakon stjecanja neovisnosti, suočena s ekonomskom krizom, dovela zemlju na dno ekonomskog razvoja. Istovremeno su negativni učinci neoliberalne politike ubrzali razvoj socijalnog poduzetništva koji se i u Europi brzo širi i sve više povezuje s konceptom društvene odgovornosti i održivog razvoja. Socijalna ekonomija nudi nove mogućnosti za inovativno zapošljavanje ugroženih ciljnih skupina na tržištu rada sa svrhom samostalnog stvaranja prihoda u poduzeću i osiguravanja vlastitog opstanka. Usprkos činjenici da je Slovenija već pripremila strateške i zakonodavne dokumente te razvija dobru praksu, još uvijek nema odgovarajućeg podražavajućeg okruženja za opću ekspanziju socijalnog poduzetništva. U ovom članku ćemo predstaviti projekt »Mura nas povezuje« koji postaje socijalno poduzeće i tumačiti rezultate koje smo dobili intervjuom dvadesetak osoba koje već imaju ili osnivaju društvena poduzeća. Rezultati su pokazali da socijalna ekonomija u Sloveniji još uvijek nema jasnu ulogu, a istovremeno i da je svjesna svoje društvene odgovornosti te da su poduzetnici spremni sudjelovati u promjeni društva.

Ključne riječi: socijalno poduzetništvo – dobra praksa - intervju - mišljenje poduzetnika

## 1. Introduction

The last decade of the past century can be described as a period of uncertainty. It was characterised by a loss of confidence in leading societal institutions, which were not capable of limiting and gaining control over the threats and dangers they unleashed throughout the world. The crisis situation is linked to the spread of neoliberal capitalism, which has become the signature political-economic template of our times (Chomsky, 1999, McChesny, 2008, Jovanovič et al., 2008). Neoliberalism describes a policy and processes that result in the governance of a tiny section of private interests. In his book *Capitalism and Freedom* (2011), the guru of neoliberalism Milton Friedman familiarises readers with certain findings of his extremely influential economic philosophy, in which competitive capitalism is seen as a tool for achieving economic freedom and at the same time as a necessary condition for political freedom. The author places his theory in opposition to the Keynesian notion of the all-powerful intervention of the state in all facets of economic and political life. Although the author states that the creation of profit is the essence of democracy and feels that for this reason, every government that does not follow a market policy is undemocratic, the social inequality generated by this kind of policy undermines all efforts to achieve the legal equality required for the legitimacy of democracy.

All of the above apply to Slovenia as well, where in the 20 years following independence the political elite faced a crisis and led the country to the bottom of economic development. At the same time, the negative effects of neoliberal policy have sped up the development of social entrepreneurship, which is spreading at a rapid pace in Europe and elsewhere and which is becoming increasingly connected to the concept of the responsibility and sustainable development. The social economy offers new possibilities for the innovative employment of vulnerable target groups in the labour market with the aim of enabling companies of this kind to independently generate revenue and thus see to their own survival. In this contribution we will present the »Mura Connects Us« (»Mura nas povezuje«) project, which is growing into a social enterprise. We will also interpret the findings of interviews with 20 people who already have a social enterprise or who are in the process of founding one.

## 2. Social entrepreneurship as a challenge and opportunity

The concept of social entrepreneurship is not a new one, and organisations and individuals have been posing questions in a search for solutions to growing social problems for quite some time (e.g. Dunover, 1830). It is therefore a global question, as people in different countries throughout the world are facing similar problems (Mair et al., 2005). Although in-depth studies of this field date back to the 1990s, a uniform and clear definition of the social economy and social entrepreneurship has yet to be reached. It is generally said that the term applies to organisations that are neither a part of the public or the private sector.

The emphasis is on innovative partnerships and creative management techniques that enable organisations involved in the social economy to function in a broader framework of state legislation and fiscal structures (EIM, Center razvoja človeških virov, 2013).

At the same time, social enterprises become and remain companies that sustain themselves and provide permanent employment to those included in them.

Today, social entrepreneurship is present in nearly all countries of the world. Social enterprises take a number of different forms in different countries. In many countries, they represent a real alternative to the market economy. Social companies are most successful in Great Britain, Italy, Germany, Belgium and the Netherlands. Great Britain in particular is exemplary; there social entrepreneurship has undergone intensive development since 2008 (Pavlin, 2012). Social enterprises in Great Britain are organised using the business model of cooperatives, and these companies are already contributing over 10% of the GDP on an annual basis (in Slovenia, by comparison, companies of this kind only contribute 1% of the GDP). The European Commission has also given an important place to the development of the social economy and social innovations (Strategy 2020).

Although Slovenia has a rich tradition in the field of the functioning of civil society organisations, in the development of social entrepreneurship it lags far behind other European countries. A study of different social economy systems and examples of best practices in EU countries (Branco et al., 2004) showed that the climate is not favourable for the development of social entrepreneurship. It still isn't entirely clear whether social entrepreneurs are an extension of social services or whether they are first and foremost entrepreneurs with an innovative and socially beneficial approach to business. Although the Social Entrepreneurship Act of the Republic of Slovenia was adopted in 2012, a strategy and delegated legislation are still lacking. In practice, multiple pilot projects are being carried out; a number of organisations function in accordance with the principles of social entrepreneurship, although due to the lacking nature of the system of support instruments, they are not self-sufficient, as is the case elsewhere in Europe (Pavlin, 2012, p. 16).

### **3. The »Mura Connects Us« project as an example of best practice**

2009 was not a good year for the residents of the Pomurje region of Slovenia. An unemployment rate of 18% and the 11,094 unemployed persons registered with the Employment Service of Slovenia – an increase of 54% over the end of 2008 – played a large part (source: Statistical Office of the Republic of Slovenia, 2009). The reason for this is primarily the bankruptcy of Mura, a textile company. At the same time, the question of preventing or reducing waste of all kinds came on the agenda in Slovenia. This strategic point of departure of the EU also represented the central impetus for considering reusing textiles and, consequently, the employment of persons in vulnerable target groups through a programme designed to stimulate the competitiveness of the Pomurje region. Four principles for stimulating the comparative advantages of the region and putting its potential to use were outlined: sustainable development, innovation, partnership and equal opportunity.

Specifically, a number of older unemployed persons live in the Pomurje region. These persons were previously employed in the textile industry. This means that they have experience in the field of sewing and work with textile products.

They could supplement their sewing skills through additional training in collecting, sorting and processing clothes, making children's toys, etc. and gain a knowledge of how to market and sell their products. In short, an opportunity arose to train them for new work and in doing so to include them in a social network. Thus the »Mura Connects Us« project was born. A group of former Mura workers now works in the former Mura facility in Murska Sobota. They are full-time employees and they work from Monday to Friday. They collect, sort and process used clothes and use them to sew new clothes. Initially the materials for interesting new items of clothing were mostly obtained through the help of friends, acquaintances and other, and today, they are already receiving visits from customers. Sales will begin in the fall, when the training period will be over and enough clothes will be available. At that time the online store will also go live. Their goal is to grow into a social enterprise that will gradually expand and employ a greater number of people.

## 4. Purpose and objectives

The purpose of the study was to assess the state of development of social entrepreneurship in Slovenia. Along with an example of best practice, the contribution presents the motives social entrepreneurs have in getting involved in these activities, the role of social entrepreneurs in the development of these activities and their views on the development of social entrepreneurship in Slovenia.

## 5. Methods

Ten social entrepreneurs who manage institutions, centres or foundations and who work in tourism, rural development, services and public works were interviewed. Their organisations each employ between 6 and 15 persons. In the interviews, emphasis was placed on three areas.

### **The entrepreneurs were asked:**

- about their motivation for social entrepreneurship activities (motives and the impact of external and internal factors);
- about their role in the development of the activities (ways of solving problems in the social field, effects on the improvement of social conditions);
- about their view on the development of social entrepreneurship in Slovenia (on the local and national level, suggestions for improvements).

The responses collected through the interviews were then studied and analysed and the definitions and characteristics that best define the research problem were summarised.

## 6. Results and interpretation

The results were presented and interpreted individually for each area. In the first area, entitled »Motivation for social-entrepreneurial activity«, internal factors or motives of a social nature predominate:

- The awareness that they are helping with the employment of people
- Social responsibility
- The needs of the environment and the needs of the target groups
- Personal entrepreneurial traits and social orientation
- One motive are the challenges associated with trying something new, something as yet unexplored
- Investing profit in the development of the company and the development of the service

It is obvious that the people who choose social entrepreneurial activities understand that things need to be shared with others. They understand that social entrepreneurship is an activity whose purpose lies in solving social problems in an entrepreneurial manner. They also understand that the profit created through these activities needs to be reinvested in the activity and in development. It is an inclusive type of entrepreneurship that offers an opportunity for people in the local environment who have difficulty finding work; the entrepreneurs are also thinking about the need to care for the environment in which they work.

The reasons that motivate entrepreneurs to become involved in social entrepreneurship are also linked to their experiences in similar fields. Furthermore, the entrepreneurs see an additional opportunity in the possibility of developing their enterprises in the future:

- The successful results of projects to date in the field of tourism
- Knowledge about project work
- Opportunities in the development and registration of the enterprise

The second area stresses the importance of "One's own role in the development of social entrepreneurial activities". The entrepreneurs particularly highlighted the following statements:

- The development of a social incubator model for starting up new projects
- Organising education and training for the target groups

- Identifying local problems and solving them in a concrete way
- Cooperation with stakeholders in the local community
- Creating new jobs
- Enabling employees to acquire new experience and competencies
- Ensuring that vulnerable people become more self-confident
- Ensuring support from the media

Statements from entrepreneurs reveal that they understand and are active in their role, in line with the nature of social entrepreneurship. At the fore are social innovations that satisfy needs which the classic economy and public sector often do not want to, cannot, or do not know how to address. This involves employee participation in decision-making processes, cooperation with the local community, identifying, taking into account and solving local problems, providing education and training for target groups and creating new jobs.

The third area also provides a fairly realistic reflection of the situation. The responses to the question How do entrepreneurs »perceive the development of social entrepreneurship in Slovenia«? did not come as a surprise.

They reveal the following:

- Social entrepreneurship is not widely known in Slovenia, everybody interprets it in their own way
- The word »social« immediately conjures up associations of poverty
- Presentations overly emphasise the social element, which is not ideal

Those interviewed warned of a lack of information about the importance of social entrepreneurship and highlighted that social entrepreneurship has not yet been given a real chance to become widely recognised and show the results of its work. At the same time, their statements reveal that the support environment for the development of social entrepreneurship is still weak and undeveloped.

The entrepreneurs expressed the following thoughts:

- More positive and successful practices need to receive support from the media
- The state must do a better job of listening and must lower taxes and provide other incentives
- Citizens must also be more aware and purchase the things they need from social enterprises

These findings are also confirmed by the results of a study (Ponikvar, 2013) which pointed out that the support environment for the development of social entrepreneurship in Slovenia remains weak and far from adequate. The following are needed: more information; more education and training in the field of promotion, communications and financial and corporate consulting; education and training in the field of social entrepreneurship. On the other hand, in many cases it is precisely a lack of knowledge that is the reason that business plans are incomplete and potential social entrepreneurs are not prepared to take on risks for their ideas, preferring to remain overly reliant on European funding. Everyone would like more help from the state, which they cannot count on in the future.

Cause for optimism can be found in opinions that reveal that entrepreneurs already have an understanding of social entrepreneurship and evaluate the field of social entrepreneurship as something positive:

- Social entrepreneurship must be proven to be a type of entrepreneurship that creates added value and that is self-sustaining, that is, one that it is not tethered to the public trough
- Social entrepreneurship is a positive form and brings a positive, honest attitude towards entrepreneurship, work and one's fellow man

## 7. Conclusion

The findings indicate that the role of the social economy is as yet insufficiently clear and explicit in Slovenia; at the same time, they also reveal an awareness of social responsibility and the readiness of entrepreneurs to play a role in bringing about change in society.

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