

Challenges of Social Economy Entities in Its Eco-Systems

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Abstract. *One of the reactions of crisis and criticism of the welfare state was to promote a stronger position of neo-liberal concept of privatization of public services. But for some individuals and social groups, the market-oriented public services creates limitations in access, worse suitability to their specific needs, and reduction of its quality. The reaction was to seek another formula for offering public services, which would reflect the concept of 'public governance' and treat citizens not only as customers, clients but also as co-producers. So defined co-production requires wide civic participation in conducting public policy and inclusion of consumers and beneficiaries in the production of public services which should also lead to the improvement of quality. It may mean co-management in the case of public services, but it also may become the pure practice of co-production, based on mutuality and cooperation of inhabitants, groups, formal and informal networks and institutions in case of social services. There is a need for a very close connection between the entrepreneur with a community and its inhabitants. A social enterprise should increase local development, but at the same time development of social enterprise depends on the community to understand and to fulfill social needs social enterprise should be directly and through various channels affiliated with the community in which it arose.*

Keywords: *social economy; social capital; community; community work; community development; community-based social economy; local governance; local social policy; social innovations; co-production.*

Introduction

One of the reactions of crisis and criticism of the welfare state was bounding a stronger position of neo-liberal concept of privatization of public services. On the one hand, it offered some consumers of public services the right to choose the service provider and create competition in the sector which might lead to an increase in the quality. But for some individuals and social groups, it becomes obvious that the market-oriented public services create limitations in access, worse suitability to their specific needs, and reduction of its quality. The reaction (especially in the Nordic countries but not only) was to seek another formula for offering public services, which would reflect the concept of 'public governance' and treat citizens not only as customers, clients but also as co-producers. Through including stakeholders in the process of producing services, this formula came very close to the idea of the social economy or wider organizing of the local community. This has to do not so much with consumers' influence on service providers, for example through co-payments, but also on their empowerment as a result of co-management and co-production. (Giza-Poleszczuk & Hausner, 2008, p.8).

Referring to the typology of Evers, it is possible to indicate several levels of involvement of citizens, members of local communities in the process of shaping social services. Participationism assumes a wide involvement of active citizens in the shaping of social services. This approach assumes dialogue between the authorities and citizens and the actual participation of citizens not only in the shaping of social services but also in the provision of some of them. (Evers, 2006, pp.256-258)

So defined co-production requires wide civic participation in conducting public policy and inclusion of consumers and beneficiaries in the production of public services which should also lead to the improvement of quality. Co-production entails various forms of participation – not only economic but also social and political ones, depending on the nature of the services. Co-production may mean co-management in the case of public services, but it also may become the pure practice of co-production, based on mutuality and cooperation of inhabitants, groups, formal and informal networks and

institutions in case of social services. (Pestoff, 2007, pp.81-98) One of the examples of co-production/citizens engagement in social service might broadly understand the interaction between community members and social economy entities operating on a local level.

Community-based social economy

The Social Economy constitutes a broad range of activities which have the potential to provide opportunities for local people and communities to engage in all stages of the process of local economic regeneration and job creation, from the identification of basic needs to the operationalization of initiatives (Molloy et al., 1999, cited in Amin et al., 2002, p.1). The social economy defined in this way is associated with the concepts of co-production, social resourcefulness, and cooperation.

Current attempts to define the social economy are associated with the Charter of principles of social economy CEP-CMAF from 2002. It says that: social economy organizations are social and economic entities operating in all sectors. They are distinguished mainly by their objectives and characteristic form of entrepreneurship. The social economy includes organizations such as cooperatives, mutual societies, associations, and foundations. These companies are particularly active in certain areas, such as social protection, social services, health care, banking, insurance, agricultural production, consumer issues, associative work, crafts, housing, supplies, neighborhood services, education and training, and the area of sports culture and recreation.

Although the entities of the social economy may not fully replace the support of public aid institutions or to allow people affected by social exclusion to find a proper job, broadly defined entities of the social economy should take over an obligation of providing social services. The social economy clearly will not eliminate traditional social welfare and is not a solution that will bring about professional activation for all persons from disfavored groups. However, the task of social economy entities need not be exclusively to activate and integrate such people through employment. They make assist the disadvantaged in many ways by providing them various types of services, including caretaker services, each time bringing them within a kind of community. In this sense as well, it is always worth considering whether that which is offered by social welfare could simply be provided more effectively by a social economy entity, particularly if it is also capable of earning its own funds. Looking at it in this way, social welfare in the broad sense becomes a perspective of public authority which, fulfilling its assistance function and guided by the principle of helpfulness, will perceive the social economy as a way to achieve social goals and solve problems. (Giza-Poleszczuk & Hausner, 2008, p.16)

Helen Haugh's definition of social economy highlights the innovative role of social entrepreneurship and its market and trade engagement. As she writes social economy is "collective term for the part of the economy that is neither privately nor publicly controlled. It includes non-profit organizations as well as associations, co-operatives, mutual organizations and foundations. Social enterprises are included in the social economy, however, they are distinctive from many non-profit organizations in their entrepreneurial approach to strategy, their innovation in pursuit of social goals and their engagement in trading." (Haugh, 2005, p.2)

Describing the innovative role of social entrepreneurs in community Dees highlighting the active position in the community. He states, that they play the role of change agents in the social sector. It would mean that social entrepreneurs are the reformers with a social mission. They make fundamental changes in the way things are done in the social sector. They often reduce needs rather than just meeting them. They seek to create systemic changes and sustainable improvements. In this context, they are co-managers of public services, co-producers of social services.

That role of change agents will be led by:

- Adopting a mission to create and sustain social value (not just private value) - This is the core of what distinguishes social entrepreneurs from business entrepreneurs even from socially responsible businesses. For a social entrepreneur, the social mission is fundamental. This is a mission of social improvement that cannot be reduced to creating private benefits (financial returns or consumption benefits) for individuals. Social entrepreneurs look for a long-term social return on investment.
- Recognizing and relentlessly pursuing new opportunities to serve that mission -

Social entrepreneurs are not simply driven by the perception of a social need or by their compassion, rather they have a vision of how to achieve improvement and they are determined to make their vision work.

- Engaging in a process of continuous innovation, adaptation, and learning - Entrepreneurs are innovative and develop new models and approaches. This innovation can take many forms. On the funding side, social entrepreneurs look for innovative ways to assure that their ventures will have access to resources as long as they are creating social value.
- Acting boldly without being limited by resources currently in hand - Social entrepreneurs use scarce resources efficiently, and they leverage their limited resources by drawing in partners and collaborating with others. They explore all resource options, from pure philanthropy to the commercial methods of the business sector.
- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created - Social entrepreneurs make sure they have correctly assessed the needs and values of the people they intend to serve and the communities in which they operate. In some cases, this requires close connections with those communities. They understand the expectations and values of their "investors," including anyone who invests money, time, and/or expertise to help them. They seek to provide real social improvements to their beneficiaries and their communities, as well as attractive (social and/or financial) return to their investors. (Dees, 1998, pp.4-6)

Martin and Osberg emphasize that social entrepreneurship having the three components:

1. identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means;
2. identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity and direct actions;
3. forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and all community. (Martin & Osberg, 2007)

Explanation of the role of the social entrepreneur made by Dees shows the need for a very close connection of the entrepreneur with the community and its inhabitants. At the same time, extremely important are the socio-economic and political circumstances of the community in which it is operating, which was emphasized by Martin and Osberg (2007). A social enterprise should increase local development, but at the same time, the development of social enterprise depends on the community. To understand and to fulfill social needs social enterprise should be directly and through various channels affiliated with the community in which it arose.

In the concept of "Community-Based Enterprise" (CBE), Pedro and Christman (2004) emphasized the need for strong rootedness and cooperation between enterprise and the community in which it operates. They define the (CBE) as a community acting corporately as both entrepreneurs and enterprises are in pursuit of the common good. Therefore, CBE is the result of a process, in which the community acts entrepreneurially, to create and operate a new enterprise embedded in its existing social structure, which is managed and governed to pursue the economic and social goals of the community. CBE concept treats the community as completely endogenous to the enterprise and the entrepreneurial process. This means that in a CBE the community is simultaneously both the enterprise and the entrepreneur. (Peredo & Chrisman, 2004) In their framework, commercial entrepreneurship represents the identification, evaluation, and exploitation of the opportunities that result in profits. In contrast, social entrepreneurship refers to the identification, evaluation and exploitation of the opportunities that result in social value. Opportunity awareness and recognition reflect an entrepreneur's ability to discover whether supply or demand for a value-creating product or service exists. Social entrepreneurs have an acute understanding of social needs, and then fulfill those needs through a creative organization. This focus on social value is consistent across various definitions of social entrepreneurship. (Certo & Miller, 2008)

The level of social capital and social entrepreneurship opportunities

"Social enterprises in particular, and the III Sector in general, as sites of both social reintegration and provision for social need, are increasingly seen as sources of social capital of a particular sort" (Amin et al., 2003, p.7).

Referring to social capital we talk about a number of links within a given community, which allow for creating joint actions, combine efforts and accumulate resources of individuals, institutions, organizations in order to achieve definite goals. Activation of social capital allows for taking action and pursuing goals that may not be implemented outside this network of relations and cooperation because no individual, organization or institution would hold appropriate resources, competences or possibilities of influencing decisions in order to achieve such goals. (Putnam, 2001; Coleman, 1998).

For Bourdieu, social capital is “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition” (Bourdieu, 1986, p.248). In the framework of a group or community available are the resources which are available only to their members exclusively and access to this type of resources is conditioned to the fact that the users/owners of the resources should recognize our claims to them by recognizing us as members of the common network of connections. It would be also very significant in the case of social entrepreneur entities operating in given communities. Recognized as “member” of the network (socioeconomic structure), realizing socially important aims, gain chances to be supported by inhabitants who would be more convinced to using its service or buy its products.

Communities with strong bonding capital are characterized by great intensity of neighborly relations, a socially shared sense of strong bonds and trust, mutually recognized norms and strong informal social control, but at the same time, there can occur closing to people outside the community / outside the network (external organizations and institutions with lack of trust to projects implemented by it). Communities with strong bridging capital are communities in which their function strong well-organized groups and associations acting largely on the basis of willingness to pursue a common goal rather than being bound by a sense of strong emotional bonds or a need of affiliation, but also well connected with other networks whether outside a given community or referring to other dimensions of its functioning, e.g. administrative or economic (Putnam, 2001). Mutual trust of members of a given group or community increases their possibilities of developing through reducing a sense of insecurity which accompanies cooperation with strangers, and thus a sense of a bigger inclination to take joint actions. (Coleman, 1998, p.109)

For the socio-economic development, very important are not only relations within the community but also external connections that link the community to institutions, organizations or other communities and which allow gaining benefits in the form of resources, financial or non-financial support or new markets etc. Woolcock and Narayan emphasize the importance of bridging and bonding capital in the community for development opportunities of local communities. The same situation will apply to the functioning of social economy entities in these societies. (Woolcock & Narayan, 2000)

In the case of the implementation of the social economy entity in a specific community, an accurate diagnosis and then the appropriate activation of various dimensions of social capital will be of great importance for the success of these activities.

Table 1. *The importance of social capital (bonding and bridging) for the socio-economic development of small communities*

social capital	weak bonding capital	strong bonding capital
weak bridging capital	atomization of members of communities	poverty and stagnation
strong bridging capital	economic emigration	community development and entrepreneurship

Source: Woolcock & Narayan, 2000, p.231

case one: weak bonding and bridging capital

The community has very weak links of a binding nature, lack of trust, lack of cooperation and readiness to undertake joint actions, lack of compassionate social norms and values, while there are no supra-local relationships. The effect is the atomization of members of communities closing within individual households, lack of neighborhood cooperation, a permanent state of uncertainty resulting from lack of trust, deepening of alienation, etc. No intra-community involvement, trust and jointly perceived common good, while lacking external support, significantly reduces and sometimes it prevents the efficient operation of social economy entities.

case two: weak bonding capital with strong bridging capital

Lack of ties between residents at the community level with the simultaneous presence of "outside" relationships results in an intensified migration of community members who, without feeling attached to the local community, leave it in search of better work and life opportunities. Migration from villages to cities; from poor neighborhoods to neighborhoods with "better" status and development opportunities; economic emigration. In such conditions, social economy entities are struggling with: a shrinking local market for products or services; as well as difficulties related to employee fluctuation.

case three: a community with strong bonding capital and weak bridging capital

This kind of community is very integrated and has strong emotional ties as well as a wide network of neighbors. At the same time, in a situation of very limited resources, there is a lack of development opportunities. This, strongly excluding the type of social capital, significantly impedes people from outside the community. This limited trust in what is new and different often prevents the implementation of innovative projects (e.g. social entrepreneurship) that could lead to the socio-economic development of the community. Therefore, poverty and stagnation resulting from internalized and ineffective ways of coping dominate in such communities. The implementation of the social economy entity in such conditions requires, above all, building among the community members' acceptance and understanding of its social mission, identifying local allies who, by "legitimizing" such entity's activity, will inspire the confidence of the future consumers, co-operators or potential employees.

case four: high level of bonding and bridging capital

Community development chances are greatest when both these forms of capital are at a high level. Bridging capital allows communities with strong ties, shared norms and trust to collaborate and solve common problems. The high level of bridging capital enables the acquisition of resources occurring outside the community, which increases the possibilities of achieving common goals based on innovative solutions (Woolcock & Narayan, 2000). Social entrepreneurship in this variant also has the greatest development potential. Residents are inclined to engage in activities perceived through the prism of the common good in various ways. They are more willing to cooperate and support such initiatives. As consumers of manufactured goods and services provided by social entrepreneurship entities, they are inclined to incur higher costs, treating these costs as an investment in the common good, etc. Bridging capital allowed for cross-sectoral cooperation, support for local authorities and other public institutions. Thanks to bridging capital, it is possible to acquire new solutions, technologies, and markets from outside the community.

There is a need for strong rootedness and cooperation between social entrepreneur entities and the community in which it operates, based on shared values, aims, and understanding of community needs and problems. This requires extensive relationships of social economy entities, both with individuals, institutions and organizations operating in the local environment as well as with local values, norms and traditions. It is especially important when considering what are the social criteria of social economy activities. To achieve such rootedness in case of entities that are usually established based on an external (usually institutional) decision with the strong financial support it seems to be necessary to use community work procedures as an implementation methodology.

Community work is defined as a process in which the community specifies its needs or goals, establishes its hierarchy, and deploys its inherent resources that would meet these needs and objectives, and by appropriate action sets out to expand and improve attitudes and practices of cooperation and collaboration in that community (Cohen, 1978; Ross, 1967; Rothman & Tropman, 1987; Haynes & Holmes, 1994). Due to the high degree of complexity of these types of projects and the need to mobilize large forces and resources, we may assume that the level of engagement of community members towards activities within a particular project usually determines its effectiveness.

Analyzing the definitions of organizing the local community, it can be seen that in this process, one of the most important issues is to increase the sense of trust between community members. This strengthens the willingness to cooperate to meet common needs, as well as the fact that to meet these needs it is necessary to mobilize resources/resources both internal and external communities. Organizing the local community defined in this way can be treated as a process of activating the social capital of a given community, mobilizing its broadly understood resources so that through joint action this community would be able to prevent social disorganization and satisfy a number of its needs.

Understanding social economy as activities which have the potential to provide opportunities for local people and communities that we may assume that the implementation of such activities should be based on similar principles and procedures as Community Organizing (Rothman & Tropman, 1987; Haynes & Holmes, 1994; Rothman, 2007).

Conclusions

As it is stated by Mayo “community workers need to have knowledge and understanding of the socio-economic and political backgrounds of the areas in which they are work, including knowledge and understanding of political structures, and relevant organizations and resources in the statutory, voluntary and community sectors. And they need to have knowledge and understanding of equal opportunities policies and practice, so that they can apply these effectively in every aspect of their work” (Mayo, 1994, p.74). Such knowledge and understanding will be particularly important for effective implementation of social economy activities in multi-problem communities, or those in which residents present reluctance or lack of trust to the local authorities.

Animators of social development, community organizers, people involved in the creation of social economy entities should influence the local community in order to create and maintain the largest possible network of social connections, those formal, interinstitutional but above all those informal interpersonal, building a climate of cooperation and cooperation based on deepening close relatives' emotional relationships.

This activity aims to remove obstacles that prevent people from exercising their rights or from using the means they need. Mobilization helps people and institutions to combine their capabilities and resources to achieve goals that are important for the entire community. This type of activity leads to the local community adopting an active attitude towards its own needs and intensifying joint actions for its implementation. Such active involvement can be called co-production. Defending one's own rights, building a coalition, working for certain solutions ensuring proper policy of local authorities are an expression of the existence of a committed society, aware of its needs and problems, which is the basis for the functioning of local democracy. This type of social commitment and civic responsibility for one's own community must be embedded in a space of shared norms and values that are cultivated on the basis of existing traditions, social capital and the resulting neighborly trust.

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