

## RETHINKING OF ENTREPRENEURSHIP: TOWARDS SOCIAL RESPONSIBILITY

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**Abstract:** *Social entrepreneurship is highlighted as a result of general entrepreneurship development because the traditional entrepreneurial factors are accomplished with the social aspects of common good. Entrepreneur's responsibility in choosing the main business activity within an industry increases if the way he conducts his activities is considered. Institutional support for social entrepreneurship is achieved by generating many business activities in order to fulfil different kinds of social needs. Social entrepreneurship is possible if both entrepreneur's initiative and institutional support for small and medium sized enterprises (SME) are included in performing for traditionally non-profit activities. Allowing private initiative to fulfil the real needs of different users in social, educational, cultural and other non-profit fields is a good way to support SMEs. However, the institutional control should still remain in place in order to protect the minimum performing standards. The development of social entrepreneurship in transition countries is important for general economic development, but also for the supporting values of ethics in business activities.*

**Keywords:** *entrepreneurship, social responsibility, institutional support.*

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### 1. INTRODUCTION

The new face of business is emerging at the same time as special affirmation of entrepreneurial philosophies in transition states which had, for decades, had no previous contact with private initiatives outside agriculture and small crafts. Entrepreneurship is also being recognized as an important factor in market development in more advanced nations, mainly as cooperative support of small companies for multi-national ones - those that dominate the creation of the GDP. This connection is much invigorated by the use of information technology, which enables direct connection of business subjects in real time, regardless of their size or distance. In this way new organizations are joining societies of newly acquired values, weaving a net of directly communicating entrepreneurship organizations. Since the term of business/entrepreneurship traditionally ties to itself the terms of creativeness and personal initiative, their strengthening is, along with public support, a solid base for faster development expectations in any modern country. Individual initiative, at the level of state economy, is recognized as an indispensable resource in conditions of less monetary resources, especially if the lack of domestic capital is not substituted with foreign investments. The private initiative is especially valuable in transition countries, because it fills the gap made by reduction of state intervention in the

economy, which had to happen when state-planned economies ceased to exist. However, considering state intervention cannot be avoided, even in countries with developed democracy, it would be more prudent for the state to intervene by supporting small and medium-sized companies than to directly manage large companies. It is, therefore, interesting to examine this special type of entrepreneurship, appearing if the state intervention focuses on creating conditions in which the entrepreneurs, acting individually and creatively, personally handle the risks and the responsibilities for their investment results. Instead of the state being an anonymous and unfit economic leader, which was the case in the socialist state, the new nation emerges as a possible generator of favourable conditions for individual initiative development. In such conditions, the responsibility for the success of any undertaking rests with the entrepreneur. Therefore, social entrepreneurship should not be searched for in the area of introducing social and charity factors into the economy, but rather in the area of support for small profit centres, which will accomplish market success using their entrepreneurial potential and the founders' creativity. Since merging of organizations in business processes results from the use of new technologies, or from singling out specific activities from large companies, the newly formed small companies shall have good chances of success with minimum public support. Entrepreneurship with the added context of social development can contribute to both economic and cultural development of any country or smaller regional community. This kind of business is actually trying to achieve that the new business subjects, along with the existing, market established, small and medium-sized companies, be the key factors for opening new jobs, and become creative indicators of changes to the system of common values.

## **2. THE TERM AND IMPORTANCE OF SOCIAL ENTREPRENEURSHIP**

The distinction of social entrepreneurship as opposed to the traditional understanding of that term makes sense only if we keep the basic characteristics of entrepreneurship as a business activity. This means that the term of social entrepreneurship does not stem from the introduction of non-profit values into the business processes, but rather from the need to achieve business results and social common interests using minimum investments. Social entrepreneurship is by all means a special type of entrepreneurship, with some factors more emphasized than in the traditional type of business. Striving toward the business profit, creative approach to problem solving, business initiative, and taking risks, are all widely accepted, traditional coats of entrepreneurship, which do not become questionable because of the infusion with social factors. Social entrepreneurship is expected to develop the new model of business for the 21st Century<sup>1</sup>. Smith's conception of entrepreneurship, based on common good<sup>2</sup>, can still be outfitted with the care for common good. The assumption already proven correct, is the fact that initiatives by small business enable faster and more efficient adjustments to market changes, and that, as a result of this, they have better employment growth, and better financial results.

Social entrepreneurship is not an idealized picture of entrepreneurship without its basic market components, but a specific type of entrepreneurship in which the business and social components are fortified with new, quality contents. To put it bluntly, a social entrepreneur gives no-one bread and fish, he teaches no one how to fish or bake bread. He changes and improves fishing and baking bread, winning over all previous business approaches. He is not satisfied with momentary solutions, but tries to change his environment: local

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<sup>1</sup> See in more detail: Dees, J. G., Haas, M. and Haas, P., (1998), The Meaning of "Social Entrepreneurship", from the World Wide Web: <http://www.the-ef.org/resources-Dees103198.html>

<sup>2</sup> Warsh, D., (2002), Što je to poduzetništvo, from the book: Collins, E.G.C. i Devanna, M.E., Izzazovi menadžmenta u XXI. stoljeću, Zagreb, Mate, p. 4.

community, the society, and the entire world<sup>3</sup>. If such a concept seems too ambitious, one should not forget that entrepreneurs have always changed the world with their creative contribution and energy. Without their courage and innovative approach, many undertakings would not even have started, let alone bear results.

The first major component of social entrepreneurship is the emphasized social responsibility in choosing the business activity. A social entrepreneur achieves his social mission primarily by renewing commonly useful business, which does not consist of any components being a menace to moral criteria in respect to the public and the (natural) environment. Profit is not the number one engine of his entrepreneurial initiative, just a handy final result of his activities - which are driven by higher, common social goals. If sensible market approach gets added to the passion for maintaining common good, a very potent combination is formed and, by using it, the entrepreneur fulfils public needs, at the same time doing the same to his personal benefit<sup>4</sup>. In taking over the role of satisfying a part of public needs, no matter what he does with his market activities, the entrepreneur frees up limited state resources. Those can then be responsibly used for other public need activities. Business ethics of the social entrepreneur begins by refusing all those activities which endanger common interests and the environment.

The second major component of social entrepreneurship is higher responsibility toward the public and the individual in conducting business. Paying taxes, and being responsible to suppliers, clients, and employees, are main components of any entrepreneurship. They are defined within the scope of the State Law, and higher level of responsibility is expected by the social entrepreneur regarding moral guidelines and business ethics. Ethical conduct is not a sufficient condition for social entrepreneurship, but it is its necessary component. In the process of forming a new social value, and fulfilling his personal needs, the experienced social entrepreneur will not endanger the interests of his employees, clients, suppliers, or general public. He will voluntarily give up any activity which would, for profit's sake, endanger people or their environment. At the same time, he creates personal and public good, but in a way promoting common values above the personal ones. Social entrepreneur is not the losing party, even if he does, at some time, give up his profit for the common good. In this way he creates the prerequisites for long-term business in his own interest, as well as the common interest, which is an integral part of his business conduct.

The importance of social entrepreneurship stems from the beforehand mentioned two types of its responsibility. The responsibility for choosing activities, leads to fulfilling the needs of common uses, and to freeing up a part of limited resources for quality fulfilment of other needs. The responsibility for the way of conducting business, frees the society from long-term losses, which would arise due to unethical conduct in the interest of personal short-term gain. It also protects the society from any violence on environment, preserving the interests of future generations. According to some views, economy is the element of building and humanizing the world, a means serving man and his development<sup>5</sup>. Therefore, business conduct should always be viewed in the light of an ethics code. This code is used to overpower purely economical components, and build such production and business relations which promote the idea of social entrepreneurship. Social entrepreneurship is also recognized as an important component for general and economic development by the

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<sup>3</sup> What is a Social Entrepreneur, from the World Wide web: [http://www.ashoka.org/fellows/social\\_entrepreneur.cfm](http://www.ashoka.org/fellows/social_entrepreneur.cfm)

<sup>4</sup> Merging Mission & Money, from the World Wide Web: <http://www.socialentrepreneurs.org/home.htm>

<sup>5</sup> Šagi, B. Z., (2000), Odnos gospodarskog i socijalnog u svjetlu katoličkog socijalnog nauka, Zbornik radova s međunarodnog simpozija: Tržišna demokracija u Hrvatskoj-stanje i perspektive, HAZU, Zagreb-Varaždin, 26. i 27. 10. 2000, p. 49.

international community<sup>6</sup>. Therefore, it stimulates the development of institutions, which can be used to emphasize social obligations for the development of entrepreneurship, and can not be left exclusively to the care of a certain entrepreneur's initiatives, particularly, if small and medium-sized companies are expected to participate in the creation of GDP or jobs vacancies. The social entrepreneur is risking illegal pressure more than the regular entrepreneur, who does not consider the common interest, and even more than the entrepreneur who is taking advantage of the situation of diminished public monitoring. For that reason, to take care of social entrepreneurship includes taking care of the entire society.

### 3. SOCIAL ENTREPRENEURSHIP - A MODEL OR UTOPIA?

Entrepreneurship is usually perceived as an area in which common good and market striving cannot go hand in hand. This mentality follows the thinking that the social aspect belongs to ethical or religious areas, while market conduct gets tied to liberalism. The term social entrepreneurship as a synthesis of market success and care toward common good, therefore, could not have surfaced out of the area of church ethics or in the context of liberal society. Church views on economic issues have gradually evolved. Today's term of church social learning is a revised version of the encyclical work *Rerum Novarum*, by the Pope Leo XIII from 1891, and the encyclical work *Quadragesimo anno* by the Pope Pio XI, which marked the 40th anniversary of the appearance of the first official document by the Catholic church, about its social teachings. There is no need to emphasize how much the church lagged behind historical needs in that respect. Suffice it to say the 19th Century was filled with other theories on social teachings, which had no basis in Christian ethics, and that the Pope John Paul II published as many encyclical works about this subject matter as all his predecessors together.

Just like the church was late on presenting their views on social problems in the 19th Century, so was it passive, in transitional countries of the late 20th Century, on the issue of misuse of public goods, which happened under the protection of national policies. Quick fortune making of a small number of privileged individuals, while the middle class virtually disappeared, introduced the state of near poverty for such states and a large part of their inhabitants. Soaring of foreign debts, along with parallel outflow of money to private foreign accounts serves to show how even international aid can, via influential corrupt individuals, be moved from socially threatened countries to highly developed countries with safe banking systems. This phenomenon is imminent in transitional countries, national or religious affiliation of its citizens notwithstanding, and it is to be believed that individual greed without consideration for common good, finds fertile ground in all conditions of weaker state monitoring and weaker mechanisms of legal protection.

Still, social entrepreneurship should not be tied to religious beliefs nor morals of smaller social groups, because it would then be more like utopia than social reality. It should be examined in the context of actual economic categories. It is true that market transactions result in a certain distance, even conflicts of interest, between the two sides (the offering party and the asking party), but also leads to financial balance, and mutual respect between the sides. It is, therefore, not strange that corporate business favours respect over bloated individualism in market processes<sup>7</sup>. Economic subject demands unconditional respect in all social forms, which is achieved through certain norms of conduct. These norms do not have to be initiated by religious postulates. The market and its liberal forms in developed democracies contribute to the creation of general principles of public freedom and

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<sup>6</sup> \*\*\* (2000), Declaration on Small and Medium-sized Enterprises at the Dawn of the 21st Century, CEI Working Group on SME and United Nations Economic Commission for Europe, Budapest, 24 November 2000, p. 4.

<sup>7</sup> Manzone, G., (2001), *Il Mercato, Teorie economiche e dottrina sociale della Chiesa*, Queriniana, Brescia, p. 328.

democracy. This fact establishes the market as a generator of democratic conduct, and is a real proof that even liberalism can act as a base for public wealth. Generally, the problem of pitting "liberalist" logic, against the one of common good, does not have a place in realistic conception of social entrepreneurship. There is a number of positive examples of successful individuals who conducted their business with common public good on their mind<sup>8</sup>. After all, social entrepreneurship is affirmed in two ways: by individual choice of activity serving the common public good, and by public support for strengthening business in the area of social services and care for common good.

Especially favourable conditions for creation of social entrepreneurship in a realistic market environment have to do with development of information technology. Putting the company on the Internet directly, without mediator, known in modern business conduct as *business to business* (colloquial: B2B), makes the so-called communities of additional value, in which the technological connection of a company does not depend on their belonging to the same organization, conglomerate, etc. Direct communication results in on-time deliveries of needed raw produce, half-products and parts, helping the on-time quality construction of even the most demanding products, respecting all the provisions of high quality standards. In such conditions, it is not necessary for the supplier to be directly involved in the business process. Therefore, some business functions or their parts are often detached from the organization in order to cut costs, and the burden of rationalization falls on the outside supplier. Still, electronic net-merging of such organizations does not diminish total efficiency, providing very favourable conditions for the existence of many small and medium-sized companies with strong ties to large business systems.

In order to have further influence on social entrepreneurship in a society, we need to coordinate the actions of an individual willing not only to work in his own interest, but in the interest of common good as well, with state institutions which provide space for entrepreneurs working in free market conditions, even in those areas which were formerly treated as public and non-profit. We must, therefore, absolve social entrepreneurship of the view containing predominantly charitable and non-profit conduct before we can actually construct such business. Instead, the chance for modern entrepreneurs, given by the market and democracy, should be recognized. Such entrepreneurs can then, upon reaching a consensus with their partners (clients, employees, suppliers), the state, and natural environment, achieve fair compensation for their work and invested capital. There should also be no long-term losing parties on any side, because that would endanger the basic elements of civilized society and legal state. Just as modern management is turned toward the motivation of associates/co-workers, and not capitalizing on their toiling, so is social entrepreneurship turning to market conduct affirming - not stamping out - common good. Individual affirmation is achieved with the care for common good, and not by getting rich on someone else's account. This, however, is not a question of religious or utopian views, but standardized business in democratic and legally monitored conditions.

#### **4. CONCLUSION**

Social entrepreneurship can be observed as a separate type of business which, along with the traditional approach to income and market conduct, also involves the care about common good. Common good is not to be taken as an abstract formulation of unspecified ethical values, but as harmonizing individual business interests of social community development, and maintaining and protecting the natural environment. That means social entrepreneurship can not be a utopian way of thinking about giving up the profit; it is affirmed in the conditions of normal market activity. It is important for the social

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<sup>8</sup> See in more detail: Caloia, A., (1995), *L'imprenditore sociale*, Piemme, Casale Monferrato.

component of business, however, that possible long-time losses be avoided by all parties involved in traditional market transaction of supply and demand.

If the interests of all parties included into the business venture are not actualised, instability occurs very quickly, and serves as a basis for conflicts. Social rebelling and worker dissatisfaction are as dangerous as client dissatisfaction with high prices and poor quality, or supplier dissatisfaction with state protected firms not paying for goods already delivered and services rendered. Even State dissatisfaction because of uncollected taxes becomes damaging to social stability, as in those conditions the quality of public and social activities suffer, including health care, as well as legal, and police protection. At a small country level, conflicts are noticed more quickly, but also treated, or "softened" more quickly. Stimulating social entrepreneurship is only possible with parallel affirmation of the legal State and civil institutions. If each small entrepreneur needs social support, by creating conditions for better financing or education, the social entrepreneur needs an additional kind of protection. This protection is given by the institutions of social democracy.

Social entrepreneurship can be accepted as a realistic model of social development, and the intensity of its affirmation will depend on public social support and the use of information technology. This support to social enterprise is no different than the traditional support for small and medium-sized companies. Institution and material support will yield better results if local communities gain an air of social stability, which is pertinent to a developed, civil society, and free market competition. Direct connection of small and medium-sized companies with large business systems, based on the Internet connection, is an additional impulse of the development of social entrepreneurship.

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