

Theoretical Aspects of Social Enterprises

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Abstract

Social enterprises are given special attention from a scientific and public policy point of view. In everyday life, we see them as organizations that can provide solutions to various social problems. From an academic perspective, they represent a new research topic with its own interdisciplinary nature. They have been examined mainly from the point of view of management and organizational culture. In terms of scientific analysis, the newly developed research area of social economy and social enterprises is still in the conceptualization phase. The theoretical and methodological framework for research measurements need to be finalized. In this study, we seek to answer the question of how social economy—in particular, the perception of social enterprises in international and Romanian literature—is changing as a result of economic and social changes in space and time. We examine the factors along which definitions of the social enterprise within social economy are attempted, and the indicators that facilitate the investigation of the social impact of social enterprises.

Keywords: social economy, third sector, social enterprise, social enterprise of integration, social brand, conceptual changes in time

Introduction

As an international cultural phenomenon, social enterprises are given particular attention from both a scientific and public policy point of view. Often in public discourse, they are considered organizations that provide solutions that directly address social issues; thus,

social entrepreneurs are actually heroes who are changing the world. This is a common approach—we can find numerous heroes in social media or on popular video-sharing platforms (Dacin et al., 2011; Stevens et al., 2015). From an academic point of view, it is a new research topic with its own interdisciplinary nature. Researchers have focused mainly on investigating aspects, such as management and organizational culture (Mair & Marti, 2009; Townsend & Hart, 2008; Sud et al., 2008; Stevens et al., 2015). It is also an important fact that social enterprises combine profit-making and non-profit organizational culture. In this context, scientists unanimously agree that those investigating the subject are facing a serious lack of definitions, conceptualizations, and measurements dimensions (Csoba 2007, 2020; Defourny, 2001; Dacin et al., 2011; Di Domenico et al., 2010; Frey, 2007; Matei & Sandu, 2011).

Social enterprise entities are “in vogue” in Romania given that after the EU accession, these types of organizations had access to significant resources as early as the period between 2007 and 2013, before the emergence of a legal framework governing the creation and operation of social enterprises. We hold that many aspects related to social enterprises are still unclear, especially from the perspective of scientific research (Pásztor & Gál, 2022). Reflecting on this, our study aims to present a theoretical synthesis that seeks to focus on conceptualizing social entrepreneurship and the development of a theoretical framework for the new researchable area. In what follows, we will first provide a comprehensive discussion of the concept related to social economy and social enterprises. Following that, we shift our focus to the epistemological framework of social enterprises. The study concludes with an overview of the situation in Romania.

Methodological Aspects

Our study aims to synthesize the theoretical–conceptual framework of social enterprises based on the international literature. It also aims to explore and contextualize the Romanian aspects, connecting them with European changes and regulations.

Our research questions are as follows:

1. How does the legal framework regulating and operating social enterprises in Romania fit with European practice?
2. Where can the Romanian situation be integrated into the explored theoretical–conceptual framework?

From a methodological point of view, the study includes a literature review and document analysis. To answer our research questions, we chose a critical analysis of international and domestic literature documenting social enterprises. The framework of our analysis focused primarily on economic and social characteristics, as well as on legal changes. The course of the analysis follows the logic presented here: the examination of international literature on the conceptualization and measurement of social enterprises, the Romanian legal framework, the exploration of domestic conditions, and then the integration of the revealed Romanian reality into the international framework. At the same time, we also provide a short synthesis of the results of our previous research,¹ along which we can gain an insight into the Romanian reality regarding social enterprises (Pásztor & Gál, 2022).

Literature Review on the Social Economy and Social Enterprises

The Social Economy—Conceptual Background

Social economy is positioned between the market and the state. It plays a role in both the economic system and society. In everyday discourse, the terms non-profit sector, third sector, solidarity economy, and social enterprise are often used synonymously with social economy. It is a difficult, but important, task to navigate this conceptual diversity so that each concept is assigned the same meaning in each case. In terms of social economy, some concepts inevitably have to be defined, such as civil society, third sector, and non-profit sector/organization.

Civil society, a concept that has existed since ancient times, was defined in the 1980s as referring to voluntary and non-governmental organizations in which civic volunteering constitutes a valuable asset. They can take the form of voluntary and non-governmental organizations, informal organizations, various movements, and individual actions (Frey, 2007).

The concept of the third sector was coined by Amitai Etzioni (1973). It refers to a non-governmental organization that combines the entrepreneurial mindset with a commitment to the state and the common good. It serves three functions: to provide services through the market economy, to play an advocacy role, and to seek to strengthen community solidarity and cohesion through volunteering and donation. This sector includes non-profit and non-governmental organizations (NGOs) involved in the development and humanitarian action (G. Fekete et al., 2017).

¹ The research was carried out in 2021 with the support of the Domus Scholarship program of the Hungarian Academy of Sciences.

The non-profit sector is a charitable, philanthropic sector that performs socioeconomic activity based on the principle of solidarity. It is positioned between the public and the market sector, and aims to support community interests through the redistribution of profits. The use of the term is attributable to The Johns Hopkins Comparative Nonprofit Sector Project, which began in the early 1990s. This concept combines the ideas of the third sector, non-governmentalism, and the civil society (G. Fekete et al., 2017). It entails civil, bottom-up strategies serving the public interest.

The concept of social economy entered public consciousness via the European Commission White Paper entitled *Growth, Competitiveness, Employment*, published in 1993. The social economy views potential beneficiaries not as passive and needy but as active initiators. This brings an important change of attitude in the third sector (European Commission, 1993). Pearce (2003) uses the concept of social economy as a synonym for social enterprise. He considers that a social enterprise includes social and community enterprises, community insurance, fair trade enterprises as well as institutions based on volunteering and/or charity.

The concept of the social economy is used by international organizations (International Labour Office, World Bank) and European Union institutions as a generic term that encompasses social enterprises as well. Some definitions focus on employment (Csoba, 2007; Frey, 2007), while others emphasize economic impacts (Csoba, 2020; Defourny, 2001). According to European Economic and Social Committee (2012) report definition, the most important aspects of the social economy are: freedom of membership, the autonomy of decision, operation according to market needs, meeting non-market needs, specific rule-governed surplus management which does not follow classical market logic. The following table provides an overview of how the definition of the social economy has evolved.

Table 1

Changes in the Social Economy Over the Last Three Decades in Europe

	1990–2000	2001–2008	2009–present
Main dimensions	Creating a framework for employment	Strengthening the framework for self-sufficiency	Economic sustainability, market efficiency, revenue-generating potential
Defining organizational framework	Non-market organizations (third sector)	"Half-market" organizations positioned between non-market and market organizations	Add market organizations to non-market organizations
Predominant form	Non-profit organizations, associations, foundations	Cooperatives, social cooperatives	Social enterprises
Main resources for operation	State aid and community funding for non-profit organizations	Limited (in terms of time and money) (state, community) aid and own economic result	Primacy of economic results and the complementary nature of the state and community forms of aid
Approach to capitalism	Correcting	Complementary	Inclusive
Target group	Unemployed, the disadvantaged from a labor market perspective	Marginal social groups	Individual and community enterprises (unemployed and marginal social groups)
Social policy background	Social rights, social responsibility	Welfare benefits subject to conditions: "no rights without responsibilities"	Social investment theory, social investment welfare state

Source: Csoba, 2020, p. 86.

Despite changes in the content of the social economy, some elements can be considered constant. According to Csoba (2020), these are the frame, the focus, and the forms. The frame is the market economy in which the third sector operates alongside the market and state. The focus is on the local economy in a global context—it is characterized by innovative solutions and the dominance of horizontal organizational structures. Another focus is on partnership in decision-making. Finally, the most popular organizational forms are non-profit organizations, cooperatives, and mutual aid societies (p. 75).

Social economy encourages local development and is an economic approach adapted to the market and the public sector. As a result of economic, social, and political changes, the content of the model was renewed, which led to the emergence of the solidarity economy.

There is an overlap between the social economy and the solidarity economy. Over the past decades, solidarity economy has emerged alongside/instead of social economy. The aim of this is to promote political engagement and economic and social transformation. The solidarity economy “seeks solidarity-based solutions for social coexistence and the operation of the economy” (Csoba, 2020, p. 89). The solidarity economy does not have a complementary or corrective nature. It becomes an economic component by building on ecological, equal opportunities, and cultural aspects. Trends are constantly changing, trying to adapt to social needs. Recent papers present the theory of the social and solidarity economy. The social and solidarity economy encompasses organizations and enterprises that:

- have specifically economic and social (and often environmental) objectives,
- contain different degrees and forms of cooperation, associativity, and solidarity in the relationship between workers, producers, and consumers,
- are characterized by democracy and self-governance in the workplace.

This category includes cooperatives, mutual help societies, women self-help groups, forestry groups, social security organizations, trade organizations, cooperatives in the informal sector, social enterprises and the community currency, and alternative financing schemes (Bouchard & Salathé-Beaulieu, 2021).

From those listed above, the four main forms of organization we encountered during our analysis are the cooperative, the foundation and association, public welfare organizations, and social enterprise. A cooperative is an organizational unit created for a dual purpose: to achieve economic results and to achieve social or cultural objectives (Barna, 2014; Nicolăescu et al., 2011). Social cooperatives promote the employment of disadvantaged people, and, without state aid, they could function only for a short period (Petheő et al., 2010). Foundations and associations² are private, formal organizations, and their operation is characterized by voluntary participation (Barna, 2014;

² In Romania, these operate based on the Government Decision No.26/2000 and Law No. 246/2005.

Petheő et al., 2010). The main objective of public welfare organizations³ is to set up a fund with the contribution of the members, and to provide loans to the members at reduced interest rates (Barna, 2014).

In 2011, the European Commission defined social entrepreneurship in the context of the social economy as a response to the challenges posed by the 2008 crisis—unemployment, poverty, and social exclusion. Social enterprises emerge as an economic alternative, having self-sufficiency as a basic principle (Csoba, 2020). In this context, there is already a noticeable separation between the European and the overseas approach: while in the European approach, community, democratic principles of operation, and limited profit distribution are paramount, in the American approach, the focus shifts to market income and social innovation (G. Fekete et al., 2017, European Commission, 2011).

In the literature of the field, the concepts of social enterprise and community enterprise are sometimes used synonymously. Following the latest trends (Csoba, 2020), the current paper mostly uses the concept of *social enterprise*. In what follows, the study provides a brief presentation of the most important structural characteristics of the main component of the social economy, i.e., the social enterprise, and its areas of activity.

Social Enterprises

As discussed above, the social economy is created and shaped by organizations that do not have profit-making as a top priority but focus on generating social benefits and supporting communities and the disadvantaged. Thus, the fulfillment of their social mission can be measured in profit reinvestment. Social enterprises, however, are entities that no longer follow the traditional forms of generating income (e.g., obtaining aid and donations) but use the forms present in the business sector. L'Emergence de l'Enterprise Sociale en Europe (EMES) researchers developed the first standard definition in Europe, in the 1990s, according to which social enterprises are market-oriented non-profit organizations (Defourny & Nyssens, 2008).

They also developed a system of nine indicators helping to analyze social enterprises. The system enabling the analysis of the economic and social characteristics of social enterprises includes three dimensions: economic and entrepreneurial, social, and governance. Each dimension has three indicators. Central and Eastern European countries used a simplified, six-indicator system (see Table 2).

³ In Romania, these operate based on Law No. 122/1996 and Law No. 540/2002 (CAR).

Table 2

EMES Dimensions and Indicators

Dimensions	Western Europe	Central and Eastern Europe
Economic and entrepreneurial dimension	Continuous activity producing goods and/or selling services	Economic activity producing goods and/or selling services
	Significant level of economic risk	—
	Minimum amount of paid work	Trends applied among employees
Social dimension	Explicit aim to benefit the community	Explicit aim to benefit the community or a specific target group
	Initiative launched by a group of citizens or civil society organizations	—
	Limited profit distribution	Exclusion of profit-seeking organizations
Governance dimension	High degree of autonomy	Certain degree of autonomy
	Decision-making power not based on capital ownership	Decision-making power not based on capital ownership
	Participatory nature, which involves various parties affected by the activity	—

Source: Kiss, 2015, p. 14.

The European Commission’s definition is based on the principles presented above. It states that social enterprises form an integral part of the social economy, as its main component (European Commission, 2011). From the ideas presented above, it can be concluded that social enterprises are innovative forms of entrepreneurship that combine social and economic objectives (Nicolăescu et al., 2011). Thus, profit-making, social objectives and redistribution emerge as expectations. Social enterprises make use of the available entrepreneurial tools and, at the same time, have well-defined social objectives. As regards their legal form, they can be foundations, cooperatives, and associations, but they can also have a hybrid status, that is, they can take legal forms found in the business sector—the most important mission of the entities is to simultaneously achieve social and economic goals (Lambriu, 2021). In this context, we consider it

important to address the most challenging issues in the field of science, namely how to measure the economic and social mission of a social enterprise. Therefore, when presenting the epistemological framework, we strive to describe the phenomenon highlighting the significant aspects that form the basis of methodological approaches applied in researching this special form of economic and social entrepreneurship.

Epistemological Framework of Social Enterprises

Researchers from a wide variety of fields have addressed the issue of the social economy and social enterprises. There are studies ranging from the fields of business (Certo & Miller, 2008; Chell, 2007), organizational development, and organizational culture (e.g., Dacin et al., 2011) to fields investigating theoretical and practical issues related to enterprises (Austin et al., 2006; Di Domenico et al., 2010; Stevens et al., 2015). These studies focus on questions such as what makes organizational culture different in a social enterprise, how this form of enterprise fits into classical business models and theories, and how the social benefits of a social enterprise can be measured. Also, numerous reviews of the literature (e.g., Johnson, 2000; Matei & Sandu, 2011), through meta-analysis, follow the development of the research field synthesizing scientific approaches to conceptualization and measurability.

In their study, Dacin et al. (2011) raise critical questions about what social enterprise is, why it is worth addressing the issue, and what critical points and promising areas of research can be considered through research. In their brief overview, introducing the issue of social enterprises, they state that social enterprises are an unavoidable research topic along the lines of responding to existing social problems and social value creation, all the more so as these entities are an integral part of the market economy. They point out that the discourse on social enterprises—at the level of the media, politics, public policy, and celebrities—has also changed a lot in the recent period, and one of the highlights is the contextualization and keeping on the agenda of the ethical, more socially inclusive concept of capitalism. In this respect, the role of networks in the operation of social enterprises, knowledge sharing, and promoting popularity is of paramount importance. Nevertheless, the debate on—which does not advance the development of theories related to this topic—the definition of social enterprises is a key issue and the need for the academic sphere to formulate theories that apply to social enterprises is also articulated. The authors highlight four key elements of the attempts to define social enterprises: the characteristics of the individual as a social entrepreneur, the scope of social enterprises, the resources, and the mission of social enterprises. The mission of social value creation can be identified as a common element as it is an integral part of all

proposed definitions (and of the legislative framework used in some countries). Generally, the problem with the definitions reviewed is that they ignore the additional economic outcomes for social enterprises or consider them to be part of the mission. This might lead to the misconception that economic value creation is not a priority for social enterprise.

In an earlier analysis, Dacin et al. (2011) highlighted the fact that social enterprises are characterized by both economic and social value creation. Although there is a hierarchical order within the organization in this respect, and social entrepreneurs also consider this aspect, the social mission does not exclude/cannot exclude the economic mission—the latter being essential for sustainability. For this reason, the authors propose a contextualized approach in which the primary aspect is the mission of the social enterprise. Results (losses, profit) should also be examined, which means that one should investigate the process of social entrepreneurship itself, the entity under scrutiny constituting the research context (Dacin et al., 2011).

The authors discuss methodological dilemmas in the context described above. They identify two defining theoretical trends: the institutional and the network approach. The representatives of the institutional trend apply the theoretical framework to social enterprises (Mair & Marti, 2009). They either focus on the role of institutional forms and the choice of the organizational form of social enterprises (Townsend & Hart, 2008), or they examine the institutional context of risks (Sud et al., 2009). The network approach focuses on the role of networks in the creation of social enterprises (Shaw & Carter, 2007) or on understanding narratives related to social enterprises (e.g., Parkinson & Howorth, 2008). The authors note that, in both approaches, studies are mostly based on case studies, with a negligible number of studies investigating a larger numbers of cases, mainly to understand the nature of social enterprises. A systematic comparison based on quantitative analysis is basically missing from the researches carried out in the area of social enterprises. The authors also conclude that there is no need for an entirely new theoretical framework, but the existing ones need to be enriched with new elements (e.g., identity, network, institution) and instead of or in addition to research trends focusing on the individual one must highlight the social dynamics and the social processes related to social enterprises. Five possible approaches are suggested. These are synthesized briefly in the ensuing paragraphs (Dacin et al., 2011).

In the context of organizations, social movements, and social enterprises, they highlight the social structural factors that affect social enterprises as these, like all entrepreneurs, sometimes have to face competitors, cope with the profit-oriented and non-profit approach being connected to numerous stakeholders in both directions. All this can generate operational tensions at the organizational level, requiring both social and economic

competencies on the part of the entrepreneur. From the perspective of research opportunities, it would be important in this approach to examine entrepreneurial skills and tools as well as to identify those strategies that help social entrepreneurs to build and sustain their businesses amid different institutional and structural problems and challenges related to legitimacy (Mair & Marti, 2009; Dacin et al., 2011).

With regard to networks, the authors claim that the main focus would be on duality and understanding the activities of social enterprises. Duality is to be found in the social mission and knowledge sharing. However, it would be critical to learn about the ways in which social enterprises build and operate their networks. The analysis of social capital is valid in the case of conventional forms of enterprise, but this should also be applied in the case of social enterprises. It would be necessary to understand the operational logic of the network effect (De Carolis & Saporito, 2006, and Greve & Salaff, 2003, as cited in Dacin et al., 2011).

Organizational culture as a conceptual and interpretive framework related to social enterprises is represented in the entities under scrutiny in the form of rituals, the narratives associated with these, and how their social meaning surfaces and is mediated in the creation of social value. By studying rituals—which are important not only within the organization but also in the public sphere—one can explore the socialization practices of social enterprises, while interpreting narratives can serve as a basis for learning about media representations. The stories of social enterprises encode a set of attitudes and beliefs, a value system that maintains our idea of such entities (Dacin et al., 2011).

Stories about social enterprises highlight the importance of identity and self-image as another possible direction for research and interpretation. The stories create and reinforce stereotypes about social enterprises and entrepreneurs, the expectations and identities related to success, and they connect the social economy to brand building. Understanding the identity building of social enterprises and entrepreneurs, of how the social entrepreneur identifies himself and with others in the community, may serve as a new direction for research (Dacin et al., 2011).

The latest interpretive framework and research direction proposed by Dacin et al. (2011) focuses on social enterprises and entrepreneurial cognition, which refers to knowledge structures that an individual uses in decision-making, situation assessment, opportunity assessment, and setting up and expanding a business. In this context, the essential question would be whether there is a difference between classical and social enterprises in terms of knowledge structures and information processing, as well as capacity and weighing options.

The study by Stevens et al. (2015) on the theoretical overview of the dimension and measurability of social enterprises and the validation of measurements holds that social enterprises are originally related to the non-profit sector. However, regardless of their organizational form, they have some features that are found everywhere. These are social value creation, sustainability through economic activities, and ensuring continuity through the sale of goods and services. The difference between the world of business and that of social enterprises is identified in the importance of social value creation and the evolving nature of the pursuit of economic value creation. According to Stevens et al., the most important characteristic of social enterprises is the combination of social and economic missions (Austin et al., 2006; Certo & Miller, 2008; Stevens et al., 2015). The presence of a social mission is self-evident, while the economic mission is a crucial framework condition. In light of this, their research aims to examine the tension between the social and economic objectives, which is reflected in the purpose, values, and mission of the organization. The researchers sought to understand the social and economic mission of social enterprises. Consequently, it was not done through case studies but in the context of quantitative research. They define the social enterprise as an entrepreneurial entity with a social purpose sustainable through trade. It is not limited to a single organizational form—it is within this organizational framework that the change-maker social entrepreneur operates. In this approach, social entrepreneurship is an umbrella term that includes the social entrepreneur and the social enterprise itself. The authors agree with the consensus that social enterprises have a social mission and are interested in creating social value (Chell, 2007).

They draw attention to a tautology related to the concept of social value: how could a social enterprise be conceptualized if we do not know what social and economic value is? The answer to this question is to be found in research, which faces several challenges. First, we come across the definition of social value creation, which can be interpreted as a response to societal challenges or social problems—but these definitions can only be used in specific research, not as a general conceptual framework. In this context, defining 'social' would be necessary: researchers claim that its meaning varies from context to context and is not precise and measurable. The common denominator of the proposed definitions is the common good and social well-being; however, economic value creation is not the common good. Following this train of thought, they defined social enterprises as entities created to achieve social return rather than economic return. Social value is not the individual interest of the social entrepreneur. Which category a company is more likely to fall into depends on whether the mission of the organization gives priority to the economic or the social dimension. It is the combination of these two factors that makes

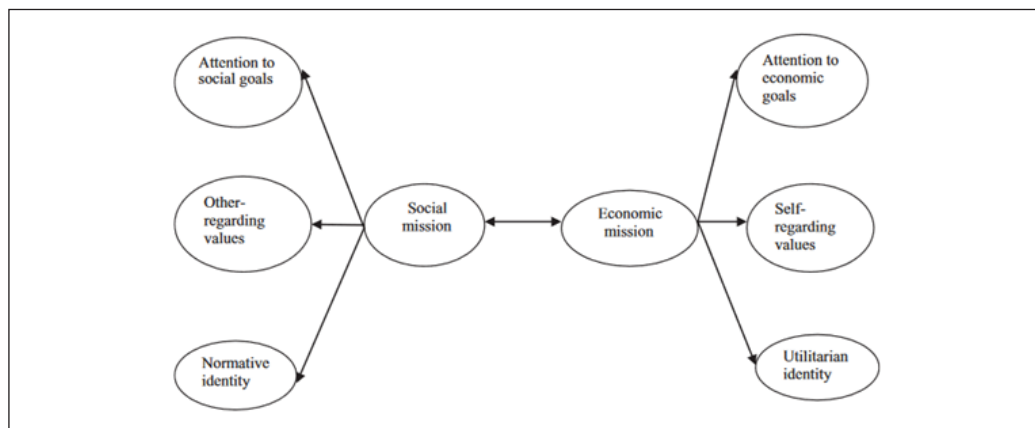
a social enterprise unique. The authors point out that mission-focused conceptualization is needed for social enterprises; therefore, it is important to understand both the economic and the social mission. In the study, they use a multi-dimensional construction, the values also reflect the social and economic missions, which are very important for social enterprises. According to the authors, the economic and social missions are more resilient than their components. The value system, in this context, refers to the fact that in a social enterprise self-regarding values and other-regarding values communicate the social and economic missions of the enterprise (Foreman & Whetten, 2002, as cited in Stevens et al., 2015).

In social enterprises, the intersection of the normative identity (tradition, symbols, a certain ideological basis, altruism, charismatic leader) and the utilitarian identity (economic rationality, profit maximization, self-interest, economic production, cost reduction, return) reflects the economic and social mission. Paying attention to social and economic objectives means that the social entrepreneur understands a social need and achieves social goals in addition to/through commercial activities, which is reflected in the mission (both dimensions). This should not be confused with corporate social responsibility (CSR), that refers to the extent to which companies address social goals subsequently to business goals (Stevens et al., 2015).

The authors adopt the view that social and economic missions in social enterprises are a set of distinct, conspicuous, or latent constructs that incorporate the dimensions of organizational identity, values, and goals. In light of this, they build a theoretical model for social enterprises and validate it through quantitative research (Stevens et al., 2015).

Figure 1

The Theoretical Framework of Social Enterprises



Source: Stevens et al., 2015, p. 11.

Following the research, in which all components of the model were assessed and validated utilizing a questionnaire, the authors concluded that the social and economic missions of social enterprises are determined by normative/utilitarian identity driven by others/self-interest and by attention to social/economic purposes, though there is no set boundary to whether or not an entity is called a social enterprise (Stevens et al., 2015). We consider this study very important in the process of building up a valid conceptual and measurable framework for social enterprises. It helps researchers and public policy experts to bring scientific research results closer to reality, that is, the results can make the legislation that determines the operation of social enterprises more realistic. The next chapter focuses on Romania, during which we present the legal context and reflect on the theoretical–conceptual framework presented above.

The Social Economy and Social Enterprises in Romania

The Legal Framework of the Social Economy in Romania

In Romania, social enterprises are part of the social economy. Provisions relating to the social economy and its components are mainly laid down by Law 219/2015 (Parliament of Romania, 2015), followed by Government Decision no. 585/2016, which presents the methodological norms for the implementation of the law. The legal framework was subsequently expanded by a number of ministerial decrees, resulting in the creation of a Single Register for Social Enterprises in Romania.

Despite the fact that, prior to the 2015 law, there was no legal framework for the social economy and the operation of social enterprises in Romania, strategy documents⁴ and sources of financing⁵ used the concept of the social economy—even allocating specific funding frameworks to these entities. Conceptually, the notion of the social economy and social enterprise in Romania has actually entered or returned to the public consciousness through European Union funds, in the 2007–2013 programming period—in contrast to other European countries, which had a much greater advantage in this respect, for example, by means of the Social Economy Charter, which was published in 1980 and has gradually become incorporated into the way of thinking about social economy (Pásztor & Gál, 2022).

There are several historical antecedents in Romania indicating the existence of the social economy: e.g., the savings, credit, and mutual aid associations that appeared in the 1800s (Bistrița–1851, Brăila–1855, Bucharest–1870), which were followed by the publication of legal documents (e.g., documents regulating the operation of cooperatives,

⁴ For example, National Strategic Report concerning Social Protection and Social Inclusion 2008–2010—this document defines the social economy for the first time in Romania.

⁵ For example, Human Resource Development Sectoral Operational Programme 2007–2013.

associations and foundations). Specific mention shall be made of the emergence of advocacy organizations belonging to certain professions in the middle of the 19th century such as the Romanian National Association of Handicraft and Production Cooperatives (UCECOM) or the Central Union of Consumer Cooperatives (CENTROCOOP)—both members of European Trade Union Confederation (Stănescu & Nemțanu, 2015).

Taking into consideration the history of social organizations in Romania, one might think that the “re-nationalization” of the concept did not pose any challenges as a tradition of this form of organization existed in the country. The legacy of the pre-1989 socio-economic system seems to have left its mark on this term and on the way it is perceived: we associate volunteering, community involvement, and the cooperative way of life with patriotic work, nationalization, and forced cooperativization (Stefănescu & Nemțanu, 2015).

As defined by law, the social economy is based on private, voluntary, and solidarity initiatives, it is characterized by autonomy, responsibility, and limited profit distribution. At the same time, it is an innovative solution in the context of social exclusion. It encompasses activities independent of the public sector, is conducive to the common good, and aim towards increasing the employment of the vulnerable and/or providing goods and services or carrying out fitting-out work. Its operation is private, voluntary, and based on the principle of solidarity, it is distinguished by a high degree of autonomy and responsibility, as well as the limited distribution of profit (Parliament of Romania, 2015).

When discussing the law, in addition to the definition of the social economy, we need to cover three important concepts used in legal documents and sources of financing in Romania. These are the following: social enterprise, work integration, social enterprise, and social brand.

The social enterprise status is attested by a certificate valid for five years. The certificate is granted for enterprises meeting several criteria, two of which are: serving social and community purposes and reinvesting 90% of the profit in social purposes. Organizations holding such a certificate are subject to several reporting requirements. The second category, the work integration social enterprise, is a label used by organizations whose employees, 30% at least, come from vulnerable social groups, and their total work time represents at least 30% of the work time of all employees. This status is attested by a mark and these types of organizations are also subject to a number of reporting requirements. For all categories, implementation and inspection tasks are carried out by a dedicated subdivision of the county employment agency⁶ (Pásztor & Gál, 2022).

⁶ Agenția Județeană de Ocuparea Forței de Muncă (AJOFM)—National Employment Agency

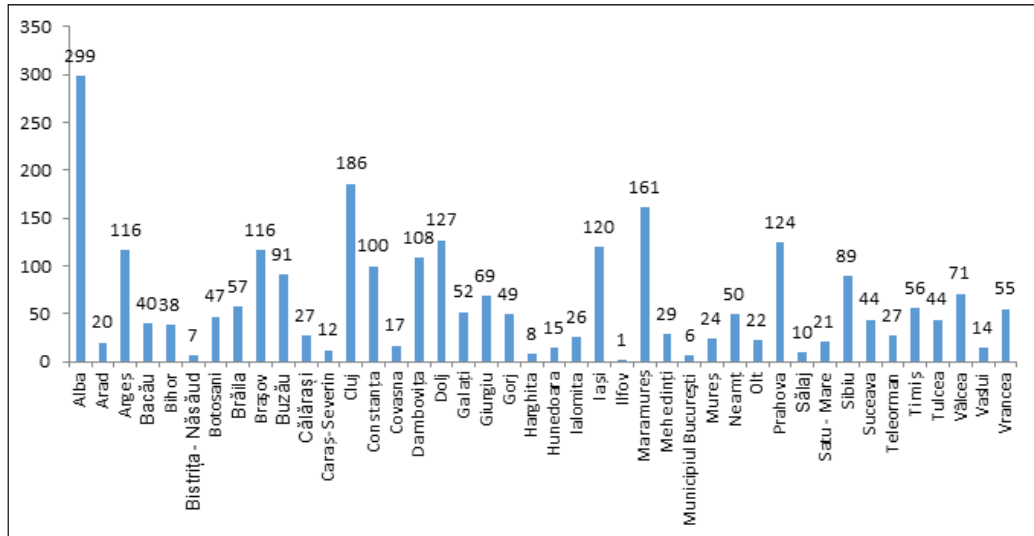
Overall, Romania has a legislative framework that ensures and guarantees the existence and functioning of the social economy. In this respect, the legal framework has somewhat caught up with the reality and the financing options. At the same time, the text of the law reveals that this document has not been developed along a well-thought-out, coherent public policy philosophy and vision, as it does not cover the aspects of the social economy and social enterprises presented earlier in this study, but strongly emphasizes the labor market integration of vulnerable social groups. In this context, the law can be considered incomplete, as in its wording, at the level of definitions, the social economy is not reduced to this aspect alone. Stănescu and Nemțanu (2015) mention the absence of important public policy documents and highlight the strengthening of the role of social economy entities in contrast to the current reality, in which the legal framework is, in fact, limited to the employment of vulnerable groups. In this regard, we can refer back to Csoba's (2020) synthesis on the development of social enterprises in Europe. He claims that the concept of social economy employed in Romania has made no progress since the 1990–2000 trends, as a more modern approach to the social economy and social enterprise has still not been introduced into public consciousness, public policy and funding documents. This progress would be necessary in order to step away from the aiding/assisting/vulnerable meaning of the term, to solidify the social character and emphasize the economic dimension. In the section that follows, we will present the situation in Romania in the light of a research we did in 2021 (Pásztor & Gál, 2022).

Overview of Romania—Lessons From a Previous Research

In Romania, social enterprises can operate under various legal forms such as foundations, associations, non-profit organizations, social cooperatives, or small and medium-sized enterprises. Social enterprises are created at the intersection of the non-profit sector and the economic sector. Social enterprises are social economic actors who, based on special criteria, obtain a certificate of operation from the county Department of Labor (Parliament of Romania, 2015). In our previous research aimed at social enterprises, we examined the entities operating in Romania classified as social enterprises based on the criteria provided by the law. We briefly review the results of this analysis (Pásztor & Gál, 2022). Data show that the number of social enterprises is growing steadily, increasing to 2,595 by March 2022 (ANOFM, 2022). EU calls for proposals and funding opportunities for the newly set up social enterprises have led to a major increase in the number of these entities (Figure 2.).

Figure 2

The Distribution by Counties of Social Enterprises (March 2022)



Source: ANOFM, 2022, data aggregation was made by the authors⁷

At a national level, Alba County occupies the leading position, Cluj County is in second place, while the third place is occupied by Maramureș County. The phenomenon of a very unequal distribution of social enterprises is due to the fact that counseling related to financing might be much more intensive in the leading counties.

The social economy sector falls under the Ministry of Labor and Social Protection. It is also the responsibility of this institution to update the register and the data it contains. The data is incomplete mainly in terms of the number of employees, the number of disadvantaged employees, disadvantages in general, as well as the financial situation. Despite the fact that the law prescribes these criteria, the legislative institution itself does not register them, or very superficially.

Financial sustainability is a prerequisite for the viability of social enterprises; however, research suggests that this is the cover operating costs from only one source, namely the awarded budget. Thus, the long-term sustainability of these entities is strongly questioned.

⁷ The number of social enterprises was examined in the context of previous research; the figure reflects the situation at that time (March 2022). We must note that there was no significant change in the number of social enterprises, as the date of the previous investigation coincided with the end of a funding call. In the future, it will be interesting to examine to what extent these entities will remain and maintain their social enterprise status after the end of the funding sustainability period.

Other social enterprises sustain themselves from multiple sources. The most common sources are own income, payment of membership fees, sponsorship and 2% or 3.5% tax redirection (Vameşu, 2021). Having in mind the theoretical–conceptual framework described in the literature, it can be seen that in the case of social enterprises in Romania, the strengthening of the economic dimension and its measurability are not in focus. The social economy and social enterprises in Romania represent an immature sector, which at the same time includes many possibilities in the future. The increase in their number is clearly due to favorable financing conditions; however, this situation also raises serious sustainability issues. Furthermore, the proportion of registered social enterprises that will continue to operate as social enterprises in the long run can be answered by means of an analysis carried out a few years from now. Our earlier interview materials also support what has been described (Pásztor & Gál, 2022). This sector, the entire social enterprise environment itself in Romania, with all the implied actors, is in its infancy because legal framework, funding sources, and operating conditions are given. Despite this, we cannot speak of an environment that would support the operation of social enterprises in Romania that, in addition to the social mission, are based on business models that can ensure long-term economic sustainability in a measurable way.

The national social entrepreneurship sector seems to be completely dependent on funding and taking shape along the social dimension. The disadvantaged background is indeed the main consideration; however, neither the law nor the procedures of law enforcement institutions provide concrete tools to measure the social mission declared at the time of establishment, as these criteria are met by the presence of disadvantaged employees (Pásztor & Gál, 2022).

Conclusions

Social enterprises contribute to the local budget and, at the same time, solve social situations. They achieve what the socio-economic approach represents, that is, to create a business profit that satisfies community interests.

In the process of identifying problems and threats, achieving sustainability was the most prominently displayed factor. The economic and social mission is a characteristic of social enterprises that must be taken into account when analyzing this sector. The Romanian legal framework includes both factors in the criteria, but rather in a hybrid form, not clearly defined, that is, not properly defining the components, which makes it very difficult to measure.

We can speak of a multifactorial environment: on the one hand, the legal framework does measure social impact but by few—not necessarily professionally justified—means (profit reinvestment and disadvantaged employees), and it fails to consider the economic mission and economic sustainability. The legal framework causes social enterprises to be heavily dependent on external financing. In this respect, we cannot speak of “real” social enterprises in Romania which are able to consider the value creation they undertake in their economic and social mission in such a way as to be economically sustainable and, at the same time, achieve social goals.

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