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# CERTAIN ASPECTS OF SOCIAL ENTREPRENEURSHIP<sup>1</sup>

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**Abstract:** *The article presents theoretical background of social entrepreneurship as well as the case study of social economy network in Serbia. In the scientific literature, social entrepreneurship is considered a means of creating socially significant well-being. It is a relatively new independent field of research; which focus is on social action and its results and participants in social structure and economic system. One of the main features of social entrepreneurship that differentiates it from others is that it prioritizes the construction of a social product over profit and uses social and economic innovation to achieve social well-being.*

**Keywords:** *social entrepreneurship, social entrepreneurs, social value, socially responsible business, socio-economic development*

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## 1. INTRODUCTION

‘Social entrepreneurs are not satisfied to simply give fish to a man or to teach him how to catch it. They do not settle until they undertake a revolution in the whole fishing industry.’  
Bill Drayton

This popular and often quoted statement by Bill Drayton, founder of Ashoka, a global association of social entrepreneurship leaders, contains the essence of social entrepreneurship<sup>2</sup>. Compared to other types of social work, implemented by organizations of the com-

1 *This paper is a part of the master thesis of Saša Đurić under the mentorship of Maja Dimić PhD.*

2 Ashoka – a large international organization which brings together leaders of social entrepreneurship in the whole world. Since 1981 this organization has more than 1800 members from over 60 countries globally <http://www.ashoka.org>

mercial and non-commercial sectors, different in terms of activity and terms of service, social entrepreneurship differs in how it functions. Understanding innovation and entrepreneurship is the key here. Social entrepreneurship seeks to reduce social misery through innovative methods, combining social and economic resources to create organizations that will disseminate the mechanism of production and the provision of the special social good.

Unresolved social problems, diminished social protection of citizens, large differentiation of income of different social groups leads to serious stratification of society, lowering the level of well-being, as well as destabilization of the economic and political situation in a country.

Modern socio-economic policy cannot be effective unless it fulfills the basic condition - meeting the needs of citizens, ensuring the growth of living conditions and national well-being. Social entrepreneurship focuses its efforts on satisfying the services of those who need it through socially significant projects.

Social entrepreneurship is a relatively new term in Serbia, which is one of the reasons why we chose it for this analysis.

On the other hand, the analysis of theoretical discussions, scientific literature and other sources testifies to a deep and comprehensive analysis of entrepreneurship issues in general, while social entrepreneurship issues are relatively little elaborated.

This paper is dedicated to the analysis of social entrepreneurship and social entrepreneur.

## 2. THEORETICAL ASPECTS OF SOCIAL ENTREPRENEURSHIP

The idea of social entrepreneurship has become very popular in the last few decades. Dees, director of the Center for Social Entrepreneurship Development at Duke University in America, feels that this idea is very much alive and in line with the modern way of life and "our time." In his view, social entrepreneurship combines a passion for social mission with an image of business discipline, innovation and determination. Many government and philanthropic efforts have stayed well below expectations, Dees says, and "the time is ripe for entrepreneurial approaches to social problems." He considers that "the main institutions of the social sector are inefficient and inadequate, and that social entrepreneurs are needed to develop new ideas for the new century." (Dees, 2001)

Many authors treat the notion of social entrepreneurship without taking into account the difference between the for-profit and non-profit sectors, while others emphasize this distinction. Dees is of the opinion that breaking cross-sectoral boundaries is an essential feature of social entrepreneurship. He also believes that non-profit organizations, as those are most commonly found in social entrepreneurship, and for-profit organizations may have social characteristics - for example, development banks, as well as "hybrid" organizations, which have both profit and non-profit business segments. As an example, we can mention homeless shelters, which use their for-profit part as a kind of "social elevator" for their protégés. (Dees, 2001)

Notwithstanding the fact that the language of social entrepreneurship, especially in the Western countries, is relatively new, this cannot be said for the phenomenon as such. According to Dees, social entrepreneurs have always existed, except that no one called them that.

If we talk about the historical beginnings of entrepreneurship as a phenomenon (and the basis of capitalism), it originated in the 14th - 15th centuries. It was an innovation in commerce, technology, organization. Autonomy of economic life played an important role in this process. Decentralization of power and responsibility have become necessary conditions for socio-economic experiments, which have made it possible to overcome resistance to innovation. (Nureev, 2004)

Regarding the term entrepreneurship, it can be said that it originated in France in 17-18 centuries. It was introduced into science by the French economist Cantillon. According to him, entrepreneurship is associated with the risky nature of profit-making, able to stimulate economic progress through the search for new and better ways of performing business. Another Frenchman, Sei, pointed to the economic efficiency of the entrepreneur, who translates economic resources from low to high in the sphere of production. Schumpeter is considered a classic of entrepreneurship theory. In his book "Theory of Economic Development", written in 1911, he states that the main function of entrepreneurs is to be an innovator, to introduce novelties, and thus be a driver of economic growth. "Producing - means combining things and energy... Producing... - means creating different combinations of those things and energy" (Schumpeter, 2013) Unlike his predecessors, Schumpeter did not tie the profitability of entrepreneurship to the personal traits of the entrepreneur, but to the business result. In this way, entrepreneurship is not closely related to profitability and profit, unlike business.

The development of Schumpeter's theory was continued by Peter Drucker. He found that "entrepreneurship means management that is different from the existing one". (Drucker, 1996) In doing so, Draker did not consider the development of every business as entrepreneurial. Only development that is in conjunction with innovation and transformation can, in Drucker's view, be entrepreneurship.

The social self-organization of the 18th century in America can be considered to be a very good example, when self-help and welfare organizations of various types were created to solve various social problems. According to John Log from Kent State University in Ohio, there have always been pluralistic societies with tens of thousands of organizations of local character, unrelated to the government or party in power. (Batalina, Moskovskaya, Taradina, 2007) The widespread participation of people in voluntary civic organizations began as early as colonial times. At that time, there was no complex social hierarchy in the country, the inhabitants became economically independent, there was no undisputed economic elite, which favored the rapid development of civic self-organization in all directions of the social sphere. This largely conditioned the development of the social dimension in America, without the influence of the state. Today, as noted by Robert Putman, the involvement of Americans in civic organizations is diminishing. (Putman, 1993)

Among the first organizations to change the social life of society were churches and groups in connection with them. Today, there are more than 23,000 non-profit organizations nationally and hundreds of thousands of local or national departments and branches.

John Log notes that in America, unlike in Europe, the role of parties in the organizational life of the non-profit sector is very small, that they have few paying members and that they are not volunteers. (Batalina, Moskovskaja, Taradina, 2007)

Mair and Marty note that some forms of social entrepreneurship in Europe could be found in the 19th century and in Asia in the first half of the 20th century. (Mair, Marty,

2006) Similar organizations were founded by Florence Nightingale (a nurse from the UK) and Bhava Vinoba (a social worker from India). (Mair, Marty, 2006)

Social entrepreneurship as an activity integrated into the process of obtaining economic and social benefits emerged in the second half of the 20th century. The Institute for One World Health (IOWH), founded by the physician Hale in 2000, is the first non-profit pharmaceutical company in the world to manufacture medicines for the treatment of diseases that have been neglected in society, thus breaking traditional perceptions of a seemingly non-competitive industry, which provides medicines to those who need it most, in developing countries, restructuring the entire revenue chain from medicine development to its distribution. (<http://www.iowh.org>)

## **2.1 Social entrepreneurship as entrepreneurship**

Despite the fact that social entrepreneurship has many advantages that are clear to many, its real meaning and specificities are under-explored. In the context of growing popularity, social entrepreneurship means different things to different people. This is conditioned by both the relatively new term and the variety of social initiatives that vary by place, target group and country. For most people, social entrepreneurship is an association for exclusively non-profit organizations that were set up by some for-profit businesses. Others under social entrepreneurship consider exclusively non-profit organizations, while yet others think it is the diversity of responsible business, which implements important programs through independent organizational structures. (Seelos, Mair, 2005)

In the view of Martin and Osberg, in connection with the growing popularity of the term “social entrepreneurship” there has developed a wide range of meanings, and this term is used in any context in which socially useful activity is discussed. (Dees, 2001) In their view, such a broad interpretation is detrimental to the phenomenon itself. If this is due to the fact that there are too many inefficient and non-entrepreneurial organizations in their “camp”, the phenomenon of social entrepreneurship will be discredited and “the grain of existing social entrepreneurship will be trashed.” Therefore, they see that it is the task of scientists to reduce the scope of social entrepreneurship categories as well as their characteristics. (Martin, Osberg, 2007)

The main feature of social entrepreneurship, according to Martin and Osberg, is that it carries with it a kind of social transformation. Founded in 1999, the Scoll Foundation, California, where they work, is currently researching what they do and what they do to support social entrepreneurship initiatives around the world to enable them to influence change in the world. (Martin, Osberg, 2007)

The most cited definition of social entrepreneurship is provided by Dees, in which he identified five factors that determine social entrepreneurship:

1. taking on the mission of building and supporting social values;
2. use of new opportunities for the realization of the chosen mission;
3. accomplishing a continuous process of innovation, adaptation and training;
4. high responsibility of entrepreneurs for the results of their activity, both to their immediate clients and to the society. (Dees, 2001)

Many researchers accept this definition. In doing so, they endeavor to supplement it by elaborating on the particular characteristics he has stated. Thus, Mair and Marty define social entrepreneurship as a broad process, incorporating a combination of resources to ac-

celerate social change and/or to meet social needs. Thus, their definition includes the following elements:

- Social entrepreneurship is a process of creating value by using resources in new ways.
- These resource combinations are aimed primarily at exploring and exploiting the opportunity to obtain social treasure through stimulating social change or meeting social needs.
- Consideration of social entrepreneurship as a process enables it to be relevant to the production of goods and services as well as to the construction of new organizations. (Mair, Marty, 2006)

The authors' attention, when it comes to specifying the characteristics of social entrepreneurship in relation to traditional entrepreneurship, is focused on social aspects, social well-being and similar determinants. (Guclu, Dees, Anderson, 2002)

It is not difficult to conclude that the definition of social entrepreneurship has, to a great extent, the points of intersection with the classical approach and analysis of entrepreneurship defined by Schumpeter, Drucker, Osberg and others. Most authors are convinced that the key word in the categorization of social entrepreneurship is *entrepreneurship*, and that sociality has only a modifier role.

The main difference is in motivation (to work for the sake of money or altruism), and in the sphere of characteristics in "expected and produced value". In the case of traditional entrepreneurship, it is a market value, which can be expressed in terms of earnings and profits, and in the case of social entrepreneurship, that value is expressed in the advantage that a significant part of society or society as a whole receives from a major social transformation. The targeted groups are the most vulnerable and the poorest sections of society, which lack financial resources.

According to Martin and Osberg, social entrepreneurship has the following three components:

1. Identification of a stable but unjust balance that causes social exclusion, marginalization or suffering in a part of society (lacking the financial resources or political levers to achieve social security and transformation);
2. Identification of opportunities within an unfair balance for the production of the social good, through inspiration, creativity, direct action and courage of entrepreneurs;
3. Gradually achieving a new equilibrium and releasing latent potential or alleviating the suffering of the target group and "creating a stable ecosystem around a new equilibrium".

In an interview with 'Philanthropist' of New Jersey, Sally Osberg clarified her understanding of balance. In a given context balance represents a stable state (economic or social), which is ensured and enables established institutions to take advantage of the current situation. Balance in itself is a neutral concept that is both a challenge and an opportunity for the social entrepreneur. The social entrepreneur sees the limitations of the current balance and proposes a solution that would allow excluded groups access to some form of funding. (Alter, 2007)

## **2.2 Non-commercial sector, commercial sector and social entrepreneurship: problems and demarcations**

According to Kim Alter, social entrepreneurship has a long history in some branches,

but a short one in society in general. American non-profit organizations began experimenting with social entrepreneurship to provide jobs for their clients from socially disadvantaged groups in the 1960s. In the 1970s, microcredit organizations emerged in developing countries. At the same time, Community Development Corporations became popular in America. At that time, researchers, practitioners and donors paid attention to the application of market approaches to the non-commercial sector. (Alter, 2007) Many researchers view social entrepreneurship as a new stage in the development of the non-profit sector, which looks for alternative financing strategies and management schemes to achieve social well-being (Alter, 2007; Austin, Stevenson, Wei-Skillern, 2003)

The existing experience and history of the development of the non-profit sector and non-profit-oriented organizations in Western countries presents great difficulty in forming a unified conception of social entrepreneurship. In some Western countries, such as in the United States, the non-commercial sector had, it might be said, a kind of monopoly on the provision of social services and welfare. Many non-profit organizations have successfully used the elements of innovation and the drive for social transformation in their activities. If the most important features of social entrepreneurship are innovation and social transformation, for many non-profit and charitable organizations it is not a novelty. This is one of the reasons why the debate on social entrepreneurship diverts from the essence of the phenomenon into the field of formal terminological differences - commercial and non-commercial, for-profit and non-profit activities. Many researchers and practitioners of social entrepreneurship see it as a chance for modern society and believe that terminological differences must have essential characteristics that indicate the novelty and specificity of social entrepreneurship.

What is the limitation of non-profit organizations and why do they have to become social entrepreneurship organizations? According to Bill Strickland, CEO of the Manchester Craftsmen Association, "... non-profit organizations must admit that they are dealing with business, not just with work as such. There is a way to combine all the good in the non-profit, charitable world with all the good in the world of for-profit organizations. This hybrid is a signal to the future of both sides - both for-profit and not-for-profit." (<http://www.bill-strickland.com/>)

The changes required by the non-profit and non-commercial sector are conditioned by changes in the world and in the business of non-profit organizations themselves. According to the theorists, the need to change the nature of the work of non-profit organizations was influenced by the following phenomena:

- expanding the social needs of society - both in size and in diversity,
- the growth of the number of non-profit organizations and, accordingly, the competition among them - for the resources of the state and charitable funds,
- reduction of traditional forms of financing,
- the entry of businesses into the social sector and the growth of competition among non-profit organizations and businesses in meeting social needs,
- insisting of funds and donors that the financial and business responsibility of non-profit organizations be raised.

The need to reform the non-commercial sector in the light of the new reality is underscored by Dees as well: "In the face of a new reality, an increasing number of discerning non-profit organizations are beginning to appreciate the increase of giving, as well as focus

and effectiveness that come from business opportunities.” (Dees, 2001)

Just 20 years ago, the idea of transfer of a non-profit organization to a business track would have been anathematized. Today, it is considered prestigious to be a social entrepreneur, and the phenomenon itself is mainstream. Some authors believe that the key to distinguishing between non-profit organizations and social entrepreneurship is the rate of return on activity. (Bosche, McClurg, 2003) They explain this as follows: unless a non-profit organization begins to generate income from its own business and starts to be economically viable and self-sufficient, it cannot be considered an entrepreneurial organization. In this way, the key point of demarcation of a non-profit organization from a social-entrepreneurial organization is earned income, not innovation. (Bosche, McClurg, 2003)

Those same authors believe that there is a gap in Dees' demarcation mode - he does not mention the earned income at all. In their view, this is not only a theoretical error, it is also socially harmful and leaves the entire non-commercial sector behind the back of social entrepreneurship. Traditional non-profit organizations “must return to their donors and government subsidies”, satisfied in their status and not approaching the core of social entrepreneurship.

If social entrepreneurship distinguishes the existence of earned income from traditional non-profit organizations, then it is distinguished from entrepreneurship by direct action for the implementation of the social program and the specific duality in evaluating efficiency. The authors explain this fact as follows: (Bosche, McClurg, 2003)

- Traditional entrepreneurship very often acts in a socially responsible way: those entrepreneurs allocate funds to non-profit organizations, refuse to run a business that has negative consequences for society, switch to environmentally friendly technologies and materials, treat their employees with due care and respect. Yet all this is an indirect relation to social problems. Social entrepreneurs are distinguished by directing their earned income directly to the social problem in accordance with their mission. This can be expressed in different ways: employing the socially excluded population (people with disabilities, the poor...) thus they improve their position, selling products and services through which they carry out their mission (working with students who have studying problems, materials for the disabled, home help for the elderly ...).

- The effectiveness of traditional entrepreneurs is necessarily measured by financial results. The success or failure of a business is determined by the ability to earn profit for shareholders. In contrast, the result of the work of social entrepreneurs has a dual essence. It is a mixture of financial and social success. Profit remains a goal, but it is not a sole goal, it is being reinvested in the realization of a social mission.

The concept of earned income is supported by other authors and practitioners of social entrepreneurship. As the most famous examples of social entrepreneurship show – ‘Gramin Bank’, Aravind Eye Clinic (<http://www.aravind.org/>), ‘Sekem’ (<http://www.sekem.com/en/about/>) or the Institute for Global Health (<https://www.unige.ch/medecine/isg/en/>) - the profitability of an activity that was not the primary goal of the organization, served as a necessary basis for financing the sustainability of imagined projects. For ‘Gramin Bank’, economic income was necessary to secure the extension of the mission of changing the lives of the poor through lending. The same applies to the Clinic for Ophthalmic Diseases – in order that it may continue to provide its cataract treatment and surgery services. ‘Sekem’ has reinvested profits into building a better Egypt, and the Institute of Global Health into de-

veloping drugs to combat disease in underdeveloped countries. In addition, 'Gramin Bank' and 'Sekem' are investing their profits in the establishment of new socially-owned venture companies. 'Sekem', for example, founded a university and a hospital.

Although non-commercial organizations are prone to developing social entrepreneurship, this tendency should not be exaggerated. The thing that is being realized and that leads to increasing the sustainability and economic independence of non-profit organizations is the ability to make a profit. Together with this, earnings alone do not change the nature of the organization, it does not become a business enterprise or social venture, but it significantly expands the possibilities of completing the assumed mission and releases the model of dependency in which non-profit organizations are choked. In Kathleen Buscher's opinion: "You can do a lot with money, you can do what you want, you can do it the way you want and, ultimately, if you want." (Boschee, McClurg, 2003)

At the same time, turning a non-commercial organization into a profitable one is a very big qualitative leap towards which many non-commercial organizations do not aspire. Working in a non-profit organization is very different from that in a business. First of all, it is counteracting the risk, mistrusting the market and the possibility of increasing the productivity of employees, assuming cooperation with the competition. Due to the limited resources of non-profit organizations, it is difficult to find specialists to solve entrepreneurial problems.

An additional limitation is the limited resources of the target group from which the organization would profit. Social entrepreneurs who produce food, provide accommodation, education, treatment, often have trouble earning income because their customers, even if they wanted to, could not pay even the very low cost of goods and services received. (Seelos, Mair, 2005) A survey conducted by Mair and Marti in 2006 among commercial and non-commercial initiatives showed that the choice between one or the other strategy is most often dictated by the nature of the social need to be met, the size of resources required, the ability and limits of attracting capital, and the ability to earn money economically. The results show that the choice of a commercial or non-commercial route often depends on the specificity of the particular business model and the social needs to which it is directed. (Mair, 2006)

In this regard, there is a need to build a typology of the organizations of the social entrepreneurship sector on a broader basis – the one that integrates social initiatives and social outcomes of different organizations, both in non-commercial and commercial sectors.

This typology is provided by Kim Alter, too.

### **2.3 Approaches to typologizing social-entrepreneurial sector organizations**

Attempts to typologize social entrepreneurship and social enterprises have been present since the study of this phenomenon began. Despite the fact that social entrepreneurship theory is still young, many definitions and classifications are contradictory.

In an effort to overcome these contradictions, Kim Alter proposed the most detailed and systematic typology of social enterprises. Shifting the emphasis from social entrepreneurship to social enterprise expands the boundaries of research. However, it is important to understand where in the system of co-ordinates of "creating social and economic values" one can find one or the other social-entrepreneurial initiative. Kim Alter's work is also in-

teresting due to the fact that she strives for the synthesis of a wide and diverse practice and organizational models of successful and sustainable social projects and businesses. The basis for the empirical analysis was Kim Alter's earlier work, which detailed the experience of such organizations in Latin America. (Alter, 2003) The conclusions of this research have a universal character, as confirmed by later research and practice.

According to Kim Alter herself, her approach tended to overcome the dichotomy of "commercial - non-commercial", because in the practice of companies themselves both components go hand in hand, and because many companies use market mechanisms to simultaneously achieve economic and social value, which is reflected in generating overall profit.

In order to present the size of the field of social entrepreneurship, in the example of the history of the development of specific companies, Alter gives an overview of models of social enterprises that are different from each other, established at different times and have different roles in the development of social entrepreneurship. These include cooperatives and citizens' associations, as well as conscientious trade agreements and local community development corporations, affirmative business, micro-enterprises, and government programs to support individual social initiatives, and organizations based on the pyramid principle (Base of the Pyramide, BoP), and venture philanthropy and philanthropic partnerships ...

"It is a paradox," Alter says, "that although the social enterprise market is very broad, the real circle of organizations that consider themselves social enterprises is narrow, fragmented and, to a degree, elitist." A significant group of leaders and donors from the non-profit sector are either not familiar with the term at all, or do not see the point of analyzing the market for a potential social enterprise. (Alter, 2007) Actually, what is social entrepreneurship? Alter provides a number of definitions given by organizations that support social enterprises and social entrepreneurship.

The simplest definition is the one given by the United Kingdom Coalition of Social Enterprises: "it is a commercial enterprise with social direction". The Coalition also provides a number of features of social entrepreneurship:

1. *Company orientation.* They are directly involved in the production of goods and services for the market.
2. *Social goals.* They have clear social and/or environmental goals, expressed in job creation, training or social services. Ethical values can also lead to the elevation of local governments. Their profits are primarily reinvested in achieving social goals.
3. *Social responsibility.* Many social enterprises are characterized by social responsibility. These are autonomous organizations whose governance structure and ownership are based on stakeholder involvement. They are accountable to their stakeholders and the wider community for the social, environmental and economic performance of businesses. Profit can be shared and invested in the interest of local government. (Alter, 2007)

'Virtue Ventures' organization, managed by Alter, proposes the following working definition of a social enterprise: "A social enterprise is any business enterprise founded with social goals and for creating social values - aimed at reducing social problems and market failures. It functions on the basis of financial discipline, innovation and business in any sector. A social entrepreneur is an individual and a social enterprise is an organization. In this way, social enterprise is the institutional expression of a social entrepreneur. " (<http://www.socialenterprise.org.uk>) In the paper discussed above, Alter cites a number of different clas-

sifications of social enterprises, as well as a broad group of so-called hybrid organizations, depending on criteria or angle of observation. Only some of them will be presented here. In relation to social entrepreneurship, we can speak, first of all, of hybrid organizations, which combine for-profit activities with non-profit activities. It is these that lead to the confusion of researchers and the diversity of categorizations. The following table gives the most common demarcations that Alter has elaborated from numerous classifications.

**Table 1.** Spectrum of organizations

Organizations	Philanthropic	Hybrid	Commercial
Motives	Good will	Mixed	Personal benefit
Methods	They make up their mind depending on the mission	Mixed	They make up their mind depending on the market
Goals	Creation of social values	Creation of social and economic values	Creation of economic value
Directions of earnings and profit	Directed straight towards the realization of the mission of the non-commercial organization (established by law or the organization's policy)	Reinvested in the realization of the mission or into operative expenditures, or for development and expansion of business, and it can be partly shared among stakeholders	Shared between shareholders and owners

Source: Alter, K. 2007. p. 13.

All hybrid organizations create social and economic value at the same time. Within a group of hybrid organizations, it is also possible to distinguish between characteristics such as motives, responsibility and use of revenue.

**Table 2.** The spectrum of hybrid organizations

Traditional non-commercial organizations	Non-commercial organizations that have certain income activity	Social enterprises	Socially responsible business	Socially responsible companies	Traditional for-profit organizations
<ul style="list-style-type: none"> <li>○ motivation decided by the mission</li> <li>○ responsibility towards stakeholders</li> <li>○ re-investment of income into social programmes or into operative expenditures</li> </ul>			<ul style="list-style-type: none"> <li>- motivation for profit</li> <li>- responsibility towards shareholders</li> <li>- profit shared between shareholders</li> </ul>		

Source: Alter, K. 2007. p. 14.

As evident from the above table, there are two groups among hybrid organizations that differ depending on their orientation - in the right column are those aimed at profit and in the left are those focused on social action. Non-profit organizations founded to create social well-being cannot achieve financial sustainability without using financial resources from outside. Profit organizations are set up to create economic well-being and profit, but are also required to set aside for social benefits to ensure market sustainability.

**Table 3.** Sustainability balance of hybrid organizations

Traditional non-commercial organizations	Non-commercial organizations that have income activity	Social enterprises	Socially responsible business	Socially responsible companies	Traditional for-profit organizations
Goal: creating social value		Goal: creating economic value			
Sustainability strategy		Sustainability strategy:			
Commercial methods of supporting sustainability		Doing good, by performing good (market sustainability provided for by social investments)			

Source: Alter, K. 2007. p. 15.

Earlier studies of social entrepreneurship have most often distinguished social entrepreneurship from the economic one by the principle of “income versus altruism”. Today, most researchers tend to deviate from this kind of discussion. From the point of view of Japanese authors Mair and Marty, this dichotomy is incorrect. On the one hand, regardless of the fact that social entrepreneurship is based on ethical motives and moral responsibility, its motivation can include elements of personal satisfaction. On the other hand, in the process of pursuing an egoistic pursuit of profit, business increases social well-being by creating new markets, new businesses, technologies, institutional forms, jobs and raising productivity. (Mair, Marti, 2006; Venkataraman, 1997)

Alter, however, believes that in the practice of various forms of social entrepreneurship social and economic value are difficult to separate. (Alter, 2007) In support of her claim, she cites the ‘combined value’ concept of Emerson (Emerson, Bonini, 2002), which has become popular regarding the active involvement of businesses in the implementation of socially responsible behavior. The concept of combined value implies that value includes three components - economic, social and environmental. (Larson, 2005)

## **2.4 Social entrepreneurship and socially responsible business**

Social entrepreneurship is often confused with the socially responsible practice of commercial business. This is because socially responsible businesses are increasingly involved in cross-sector partnerships (Sagawa and Segar, 2000), financing non-profit organizations and establishing own funds for help and support.

Hodžkin u svom radu daje tačke preseka održivog razvoja lokalnih samouprava, socijalno odgovornog biznisa i socijalnog preduzetništva. (Hodkin, 2002) In his work, Hodkin gives points of intersection of sustainable development of local governments, socially responsible business and social entrepreneurship. (Hodkin, 2002) In order to accommodate these points, she introduces the term “business social entrepreneur”. By its definition, it is a person who runs a business focused on sustainable development through socially responsible actions that is related to long-term plans for development and meeting the social needs of society through entrepreneurial initiatives. Even if social entrepreneurs run their businesses responsibly, they can be considered a resource for building sustainable societies. Earlier, the authors focused on how much an entrepreneur’s personality traits, education or life experience determine his entrepreneurial behavior. Focusing on the personality of the

social entrepreneur, behavioral or process characteristics, as well as social opportunities, the authors sought to highlight his entrepreneurial nature, thus separating the entrepreneur himself from the whole phenomenon. In line with this, social entrepreneurs are characterized by very distinctive traits, (Drayton, 2002) with particular leadership qualities, (Thompson, Alvy, & Less, 2000) striving to realize what they want (Bornstein, 1998) and solid moral norms. (Dryton, 2002) This topic was revived by the emergence of a new generation of young philanthropic millionaires who spent large sums of money, on large programs enriching modern language with terms such as “social investor”, “engaged philanthropist”, “social angel”, “philantropreneur. (Alter, 2007)

Kim Alter defines a socially responsible business as a for-profit company that performs its business with two goals - making profit for its shareholders and enabling social benefits. (Alter, 2007) Socially responsible business is also a hybrid form, but not from the block of non-profit organizations, but from the block of profit organizations. In a socially responsible business, the extent to which the pursuit of profit affects the amount and type of income redistribution in favor of social activity may vary. A socially responsible business is characterized by a profit waiver for the benefit of society. That is why his mission already emphasizes social goals.

There are many examples of socially responsible business. Alter singles out Ben and Jerry's and Body Shop. Still, as the best example, Alter cites a US company from Vermont Green Mountain Coffee Roaster (GMCR). In this company, all business decisions are made based on the key values of the company, regarding the environmental and social consequences of the business. In 1989, the company established the Ecological Committee with the aim of exploring a variety of ways to create an environmental concept for the company in its business processes. In 1992, they launched a new line of coffee products grown and harvested with environmentally friendly ways of use for both land and farmers who cultivated it. In addition to personal environmental results, this approach has strengthened relationships with breeders and increased the company's profitability. The company, among other social initiatives, allocates 7.5% of its revenue to social and environmental organizations, of which Conversational International is one of them.

Unlike a socially responsible business, another business hybrid is companies that practice social responsibility. Their peculiarity is that, since they are oriented towards solving financial problems, they also engage in philanthropy. Strategic philanthropy helps companies achieve profit maximization and take the desired market position while bringing social well-being to society.

One of the companies of this type is Costa Rica-based Amanko, which manufactures and markets pipes for irrigation systems in 13 Latin American countries. They have two factories in Argentina. In 2000, together with the Oasis Group, they began integrating into local government. The program brought together poor youth to work on the development of the region, including afforestation, collection of secondary raw materials - aluminum, newspapers and glass for sale to recycling companies. The money earned is used to buy school instruments, equipment and the like. The company gave them a plot to build a library and a meeting center, and the first books were donated by Amanko employees. Employees are also getting ready to teach classes at school. In addition, they also work on lifelong learning, thus facilitating the development of the territory. The company is preparing to attract other organizations to the region as well as to start working with other social groups in the region.

(Alter, 2007)

Both types of hybrid socially responsible business are very similar. Where does the implementation of socially responsible practices end and the socially responsible business begins? Alter believes that this is where economic and social missions represent one whole, which in principle also affects the strategy and practice of running a business, as can be seen from the GMCR company example. Then the next question is - can a socially responsible business be considered a social enterprise? The author considers this partly possible. A socially responsible business can also be a social enterprise in case it has a registered daughter company as a non-profit organization representing the parent structure. In doing so, the daughter company is set up to raise income for the parent organization as well as to support its social base. (Alter, 2007)

### 3. EXAMPLE OF THE SERBIAN SOCIAL ECONOMY NETWORK - SENS

According to the Statistical Office of the Republic of Serbia, close to 1,200 social enterprises operate in Serbia, most of them cooperatives (65.6%) and citizens' associations (23.7%). About 10,000 people are employed in social enterprises, and about 20,000 volunteers are engaged. Almost 17% of employees in the social enterprise sector are persons from vulnerable groups.

The SENS network was founded in 2011 by Group 484 with the support of the Italian UniCredit Foundation, which has a long tradition of financing and helping the social entrepreneurship sector across Southeast Europe. (<http://www.sens.rs/sens>)

Today SENS brings together 26 members from all over Serbia, including citizens' associations, companies for the professional rehabilitation of persons with disabilities, limited liability companies and cooperatives.

This network is dedicated to the development of a strong and sustainable social economy in Serbia.

The SENS network seeks to provide members with education, professional advice and promotion at all stages of starting and running a business. By pooling and sharing knowledge and experiences, social enterprises become stronger, more visible and more influential. By networking people and ideas, SENS contributes to the creation of new common strategies for developing social entrepreneurship by doing the following:

- Connects social enterprises in Serbia and the region;
- Promotes social enterprises in the general public and raises awareness of their importance;
- Provides its members with the most relevant information in the field of social entrepreneurship;
- Provides member materials with educational materials, business education as well as study tours at home and abroad;
- Provides quality business and development support to social enterprises through the training and services of specialized counselors;
- Lobby for social entrepreneurship among public and private sector actors;
- Promotes social enterprises to potential buyers of their products and users of their

services;

- Provides advice and assistance in securing new sources of financing in Serbia;
- Organizes meetings, conferences and lectures.

Members of the SENS network, social enterprises Radanska ruža and Lice ulice found themselves examples of good practice in *The book of Goodbiz*

A publication has been created within the Goodbiz program, co-ordinated by the Slovenian Viva Institute. The publication aims to showcase the growing social enterprise sector in Europe as well as a wide range of supportive organizations. Within the Voices of Goodbiz segment, the publication featured a number of successful and inspirational businesses, including Radanska Ruža and Lice ulice. The publication has been produced in English and Slovenian and has been promoted throughout Europe as part of the project.

Radanska ruža is a social enterprise from Lebane. Their aim is to recruit women who fall into the marginal population groups (women from rural areas, women with disabilities, single mothers, women over 55). The company traditionally processes fruits and vegetables and makes products such as ajvar, chutney, jam, sweet. Production began in 2015 with 5 women and today employs as many as 22 women. The company has started organic vegetable production and is soon shipping the first contingent of organic products to Austria.

Lice ulice is a street magazine that supports marginalized social groups like homeless people and ex-addicts. Their users work as magazine sellers and receive 50% of the money from each copy sold, while the other half goes to create a new issue of the magazine. In addition to employment, Lice ulice provides its users with various forms of psycho-social support for free.

In addition to these two companies, the publication also included the organization Smart Collective as an example of good practice among organizations that support social enterprises.<sup>3</sup>

Here is what the members of SENS have to say about social entrepreneurship:

“Social enterprises, through various economic activities, taking into account all market conditions and needs for growth and development, generate economic activities of their associates, partners, suppliers, employ people from socially disadvantaged categories, and reinvest their profits or part of their profits in the development of socio-economic activity, leading to the benefit of the wider social strain. Given the lack of capital resources for investing, pooling resources, knowledge and experience, it is crucial to launch social enterprises that can make a major contribution to solving a wide variety of social problems,” says Igor Kojčić, Chairman of the Board of Agro Iris Social Enterprise.

Milosav Milinković, managing director and editor-in-chief of Lice ulice magazine, says that “given the fact that in developed countries annual turnover in social entrepreneurship is expressed in millions of euros, it is clear that here lies a very significant economic potential for the development of an economy. For a healthy and sustainable development of society, a model of distribution that affirms social entrepreneurship or the so-called “better economy,” is essential. It stands in contrast to the currently dominant model in which the rich become richer and the poor even poorer.”

Radmila Ivetić, president of the association Food Bank Belgrade: “Social enterprises are very important for the development of the Serbian economy because they supplement

3 [https://issuu.com/boljseresitve/docs/goodbiz\\_knjiga\\_web\\_spread](https://issuu.com/boljseresitve/docs/goodbiz_knjiga_web_spread)

and “perform” a part of the work of a state that has not systematically solved many issues in society and lacks the capacity (financial and human or creative resources) “.

#### 4. CONCLUSION

1. In the scientific literature, social entrepreneurship is considered a means of creating socially significant well-being. It is a relatively new independent field of research, which entertains social action and its results and sheds light on the role of initiators and participants of social entrepreneurship in social structure and value system.

2. One of the controversial issues remains the status of social entrepreneurship as an independent field of research and independent emergence of social and economic activity along with the activities of non-commercial organizations, philanthropy, socially responsible behavior of business, entrepreneurship.

3. One of the main features of social entrepreneurship that differentiates it from others is that it prioritises the construction of a social product over profit and uses social and economic innovation to achieve social well-being. Ultimately, this enables rapid social change and satisfaction of social needs.

4. Social entrepreneurship exists in various forms depending on the socio-economic and cultural conditions, as well as the specific tasks it has set for itself.

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