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The 16th Economic International Conference  
New Challenges and Opportunities for the Economy 4.0,  
May 7-8th, 2020, Suceava, Romania

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<https://doi.org/10.18662/lumproc/ncoe4.0.2020/02>

**How to cite:** Leuciuc, G., & Șușu, Ș. (2020). Social Entrepreneurship vs. Social Enterprise. In C. Nastase (vol. ed.), *Lumen Proceedings: Vol. 13. 16th Economic International Conference NCOE 4.0 2020* (pp. 10-21). Iasi, Romania: LUMEN Publishing House.

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## Social Entrepreneurship vs. Social Enterprise

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### *Abstract*

*Social entrepreneurship is considered as fundamental to the social and economic development of the society which, through its ability to "do new things or in a better way", activates processes that ensure new ways of organizing human activity. Social, political and economic changes, aggravated by globalization and crisis, highlighted the impossibility of both the state and the market to respond efficiently in an innovative way to the needs and demands of the community, especially to those of the vulnerable groups.*

*Along with the traditional actors that are present on the market, social enterprises are the new protagonists that are capable of providing entrepreneurial answers to social needs. They succeed in corresponding to the social dimension. Their innovation consists in adopting innovative business models that tend to hybridize a number of both economic elements and human resources elements in order to redefine the relations manifesting between the parties involved, by offering products and services that respond to a common need which, at the same time, are capable of generating social and economic value.*

**Keywords:** *social entrepreneurship; social enterprise; social economy.*

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## 1. Theoretical approaches to the concept of social entrepreneurship

The concept of entrepreneurship has taken on many forms over time, both under the influence of the great economists and under the influence of society itself. Nowadays, we are talking about a form of entrepreneurship that is based on the welfare of society. Social entrepreneurship has emerged based on the increasing importance that the world attaches to the issues of the others.

There is a wide variety of definitions related to the field of social entrepreneurship, yet there is no unanimity regarding the terminology that is being used as such. Thus, some definitions limit the social entrepreneurship to the non-profit organizations [1], while others describe the social entrepreneurship as those enterprises that coordinated by non-profit organizations [2]. However, some scholars equate entrepreneurs with social philanthropy [3], while other researchers relate it to broader definitions by presenting the social entrepreneurship in the form of individuals or organizations involved in entrepreneurial activities having a social objective. Thus, these major differences in terminology make it difficult to establish the legitimacy of the field [4]. A complex definition presents the social entrepreneurship as a process in which resources are used in various combinations in order to capitalize on the existing opportunities, to create value through satisfying the social needs, to stimulate the social change, or to provide the new organizations with social mission [5]. The essence of the social entrepreneurship lies in its ability to establish the link between the social values and those of the community itself by aiming at surpassing its potential [3]. Those organizations that promote the social entrepreneurship represent an important engine for creating social value [6]. Over time, more and more organizations have been established for social purposes by pursuing various causes such as: day centers for adults, kindergartens, social housings, placement centers caring for the elderly, etc. That is why one can state the fact that the social entrepreneurship has always manifested itself as such whereas the language of the social entrepreneurship is a totally different one that has taken shape since 1980. "We have always had social entrepreneurs, even if I did not call them that way." [4]

These are the very founders of the many institutions that function nowadays.

The author Vlăsceanu M. in his study entitled *Social Economy and Entrepreneurship. An Analysis of the Non-profit Sector* states the fact that within the non-governmental organizations it is necessary for the mission statement to be clearly formulated so that activities can be planned and carried out

successfully. She emphasizes that non-governmental organizations must periodically review their mission by taking into account the dynamics and changes that take place in regards to all the activities that are being carried out. She also underlines the importance of the authority in terms of the non-profit organizations and provides a detailed description of the responsibilities of both the board of directors and the executive management [7].

## 2. Results and comments

In addition to the above considerations, the motivation for choosing this research theme was given by the interest for the conceptual framework of the social economy, for the social enterprise and the social entrepreneurship at both the EU and the Romanian level; the presentation of the main legislative coordinates in terms of the regulation of the social economy and, consequently, of the social enterprise.

As far as Romania is concerned, the social entrepreneurship is in its early stage, which makes it seem like an ambiguous concept for many of us. Unfortunately, entrepreneurs complain about the lack of a favourable legislative framework for such businesses.

In spite of the fact that the legislative framework is in a precarious stage, the most recent law in the field of social economy in Romania - Law no. 219/2015 regarding the social economy - was published in the Official Gazette, Part I, no. 561 of July 28, 2015. Its provisions have started being applied on August 27th, 2015. According to this law, "the social economy represents the set of activities organized independently of the public sector, whose purpose is to serve the general interest, the interests of a community and / or non-patrimonial personal interests, by increasing the employment of persons belonging to the vulnerable sector and / or the production and supply of goods, the provision of services and / or the execution of works. The social economy is based on the private, voluntary and solidarity initiative, with a high degree of autonomy and responsibility, as well as a limited distribution of the profit among the shareholders." [8]

The "social economy" coined term was initially associated with the third sector (i.e. the non-profit sector) which manifested at the intersection between the public and the private sectors. The third sector was developed in response to the needs for which the traditional private sector or the state were no longer able to provide a satisfactory answer, respectively regarding the integration into the labour market of the unskilled unemployed, care services, support for disadvantaged people, etc.

At the same time, the National Report on Social Entrepreneurship in Romania", carried out in 2018 on a sample of 40 social innovators, shows

that those who want to start an approach to this direction have to face significant barriers. For example, 55% of the social entrepreneurs in Romania do not have sufficient funds or financing opportunities that are necessary for the smooth development of their business.

According to the presented legislative document, the status of social enterprise is recognized on the basis of a certification, at the request of the following legal persons: 1st degree cooperative societies, credit cooperatives, associations and foundations, mutual aid houses of employees, mutual aid houses of pensioners, agricultural companies, any other category of legal persons that comply, according to the legal acts of establishment and organization, cumulatively, the definition and principles of the social economy provided in this law. The social enterprise is distinct from the other economic operators, because: they act for social purpose and / or in the general interest of the community; allocates at least 90% of the profit realized for the social purpose and the statutory reserve; it is obliged to transmit the remaining goods following the liquidation to one or more social enterprises; applies the principle of social equity to employees, ensuring fair pay levels, between which there can be no differences that exceed the ratio of 1 to 8.

Different from other economic operators, social enterprises benefit from facilities such as: free of charge regarding the assurance of the social trademark and registration in the Register of Social Companies in Romania; free advice on starting and / or developing business; advantages in the allocation of public space and / or land; support for the promotion of products / services (every year, the month of May is dedicated to organizing various events or actions to promote the social economy); support for identifying outlets; tax exemptions granted by local authorities, government authorities; subsidies for employers who employ young people who are at risk of social marginalization.

The sample that was the subject of our research was represented by 120 social enterprises registered in the Romanian Register of social enterprises. Thus, among the legal forms of organizations that have the status of social enterprise, we note: the limited liability companies, the associations, the foundations, the mutual aid houses, cooperative societies, craft cooperatives and cultural scientific societies. The largest share is represented by the association that is 81.66% of the total registered social enterprises, followed by the limited liability companies that represent 68.33%. In the last place in the preferences of the social entrepreneurs are registered the cooperative societies and the cultural scientific societies.

The Romanian social enterprises and their share in total, grouped in the 8 Developed Regions, are shown in the table below:

**Table no. 1.** Social enterprises by Developed Regions in Romania

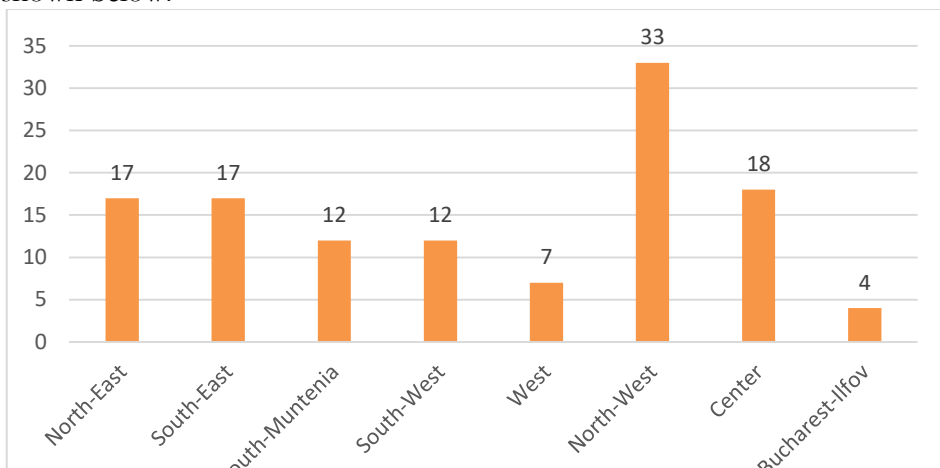
Developed region	North East	South East	South Muntenia	South West	West	North West	Center	Bucharest-Ilfov
Social enterprises	17	17	12	12	7	33	18	4
Share of social enterprises in total (%)	14.17	14.17	10.00	10.00	5.83	27.50	15.00	3.33

**Source:** Authors' own interpretation based on the Unique Register of Social Enterprise Records (March, 2019)

As the Single Register of Social Enterprises (March 2019) shows, in Romania these entities are found under the following legal forms of organization: limited liability companies, associations, mutual aid houses, foundations, cooperative organizations, cultural-scientific organizations, craft associations.

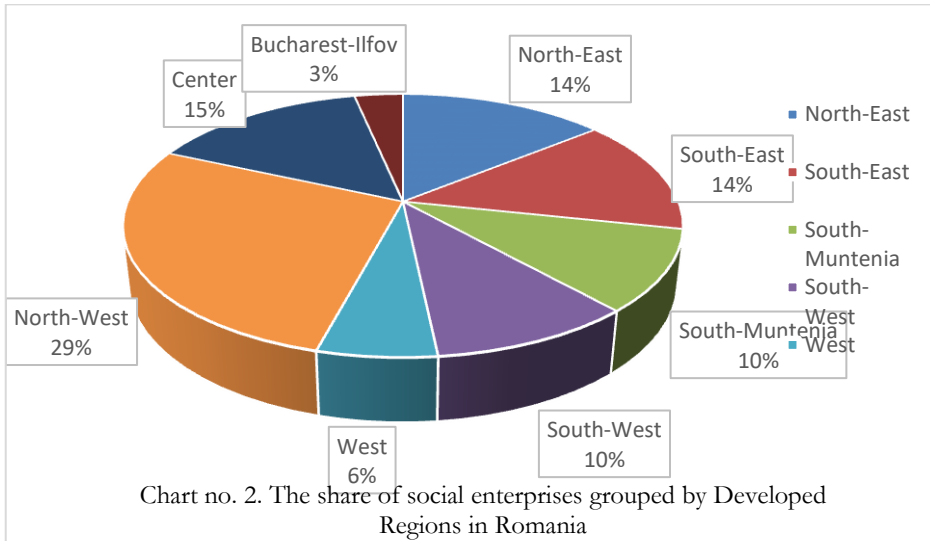
From the table no. 1 it is noted that most social enterprises are found in the North-West Development Region (33 social enterprises out of 120, representing 27.50%), followed by the North-East regions (17 social enterprises representing 14.17%), South-East (17 social enterprises representing 14.17%), the top ranking being concluded by the Bucharest-Ilfov region with 4 enterprises (3.33%).

Graphically, the distribution of social enterprises grouped by regions is shown below:



Graph no. 1. Social enterprises grouped on Developed Regions in Romania

The share of social enterprises grouped by Developed Regions in Romania, in total, is shown in the chart below:



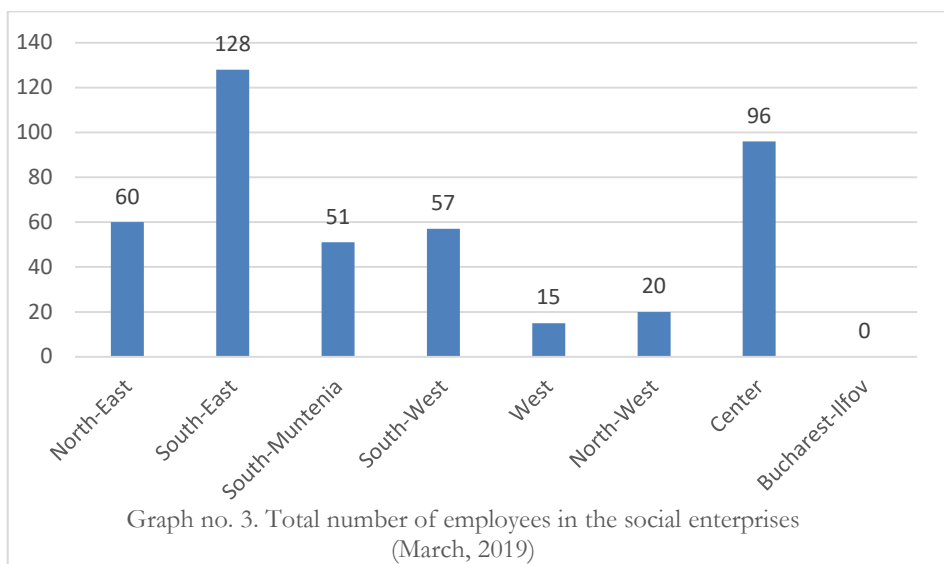
The total number of employees in social enterprises in Romania that are grouped on 8 Developed Regions is highlighted in the table below:

**Table no. 2.** The total number of employees in the social enterprises grouped by Developed Regions in Romania

Developed region	North East	South East	South Muntenia	South West	West	North West	Center	Bucharest-Ilfov
The total number of employees in social enterprises	60	128	51	57	15	20	96	0

Source: Authors' own interpretation based on the Unique Register of Social Enterprise Records (March 2019)

The distribution of the employees who work in the Romanian social enterprises is shown in the graph below:



The number of the employees coming from the social enterprises in terms of the Developed Regions in Romania, in total, is shown in the following table:

**Table no. 3.** Share of employees from social enterprises for the Developed Regions of Romania in total

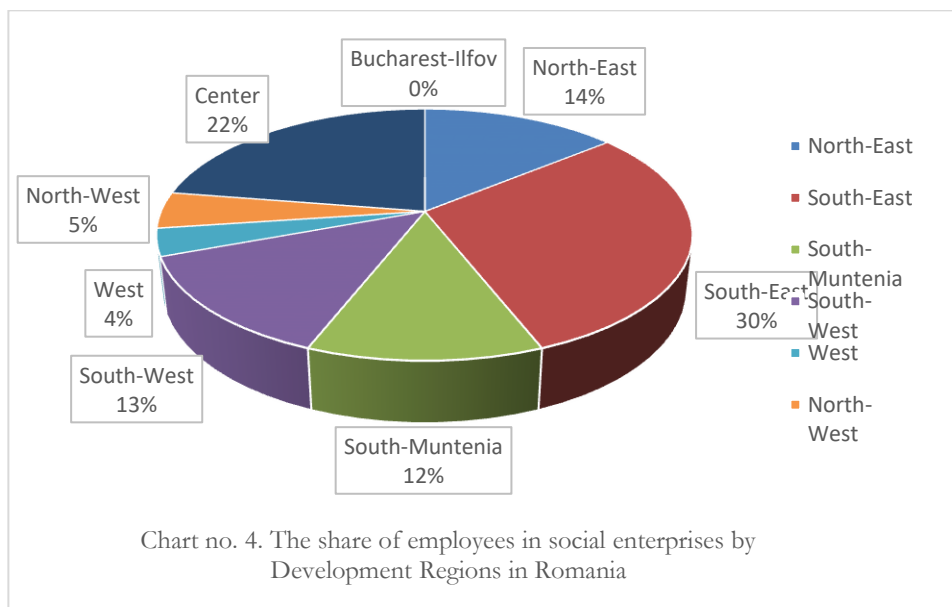
Developed region	North East	South East	South Muntenia	South West	West	North West	Center	Bucharest-Ilfov
Share of employees in social enterprises by regions in total (%)	14.05	29.98	11.94	13.35	3.51	4.68	22.48	0.00

**Source:** Authors' own interpretation according to the Unique Register of the Social Enterprise Records (March, 2019)

In spite of the fact that most social enterprises are registered in the North-Western region (33 social enterprise representing 27.50% of the total 120 companies), paradoxically, only 20 persons operate in this region (representing 4.68% of the total of 427 employees). Most employees are registered in the South-Eastern region (128 persons representing 29.98%), followed by the Central region (96 employees, representing 22.48%) and North-Eastern (60 employees representing 14.05%), the platoon is followed by Bucharest-Ilfov region with 0 employees.



The share of employees within the social enterprises grouped on Developed Regions in Romania, in total, is shown the following chart:



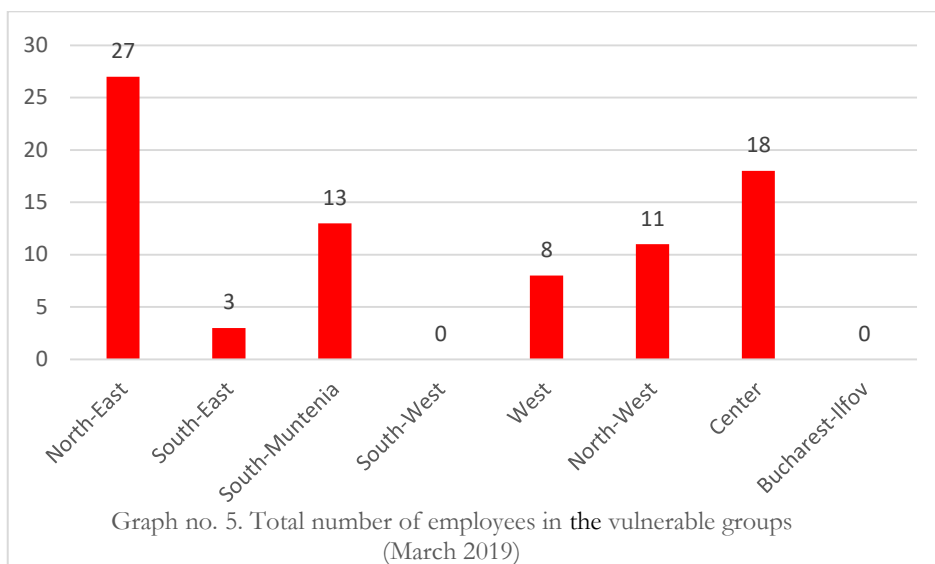
The total number of employees from vulnerable groups, by Developed Regions in Romania, is presented in the table below:

**Table no. 4.** The total number of employees from vulnerable groups by Developed Regions in Romania

Developed region	North East	South East	South Muntenia	South West	West	North West	Center	Bucharest-Ilfov
The total number of employees in vulnerable groups	27	3	13	0	8	11	18	0

Source: Authors' own interpretation based on the Unique Register of Social Enterprise Records (March 2019)

Distribution of employees from vulnerable groups, the regions of Romania, is presented in the graph below:



The share of employees coming from vulnerable groups in the Developed Regions in Romania, in total, is shown in the table below:

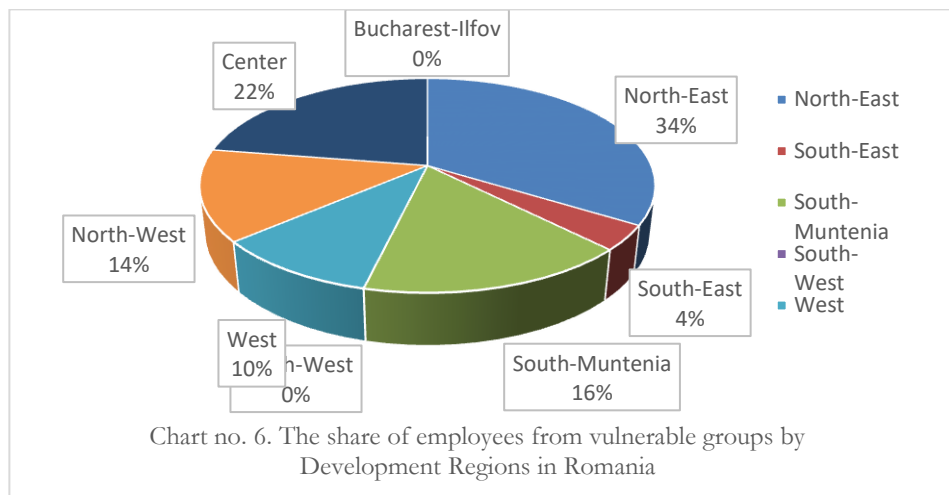
**Table no. 5.** The total number of employees coming from vulnerable groups in Romania’s developed regions of Romania

Developed region	North East	South East	South Muntenia	South West	West	North West	Center	Bucharest-Ilfov
Share of employees from vulnerable groups by regions in total (%)	33.75	3.75	16.25	0.00	10.00	13.75	22.50	0.00

**Source:** Authors' own interpretation based on the Unique Register of Social Enterprise Records (March 2019)

In spite of the fact that most employees in social enterprises are registered in the South-Eastern region (128 persons representing 29.98%), in terms of the number of employees coming from the vulnerable groups, the leading place is occupied by the North-East region (27 employees representing 33, 75% out of the total of 80 vulnerable persons), followed by the Center regions (18 employees that is 22.50%), South Muntenia (13 employees, 16.25% respectively) and the North-Western region (11 employees, representing 13.75%).

The graphical ponder of the employees coming from the vulnerable groups as well as the total numbers of Developed regions in Romania are shown below:



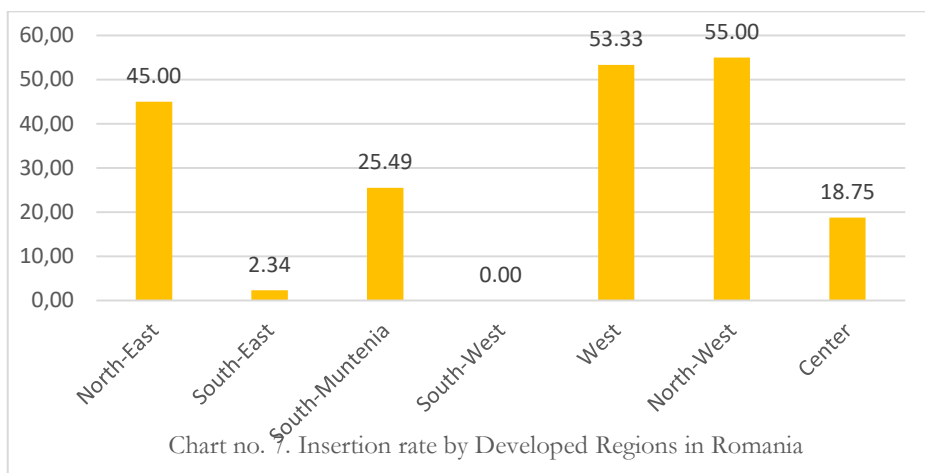
The level of insertion rate within the Developed Regions in Romania is shown in the table below:

**Table no. 6.** Insertion rate based on the Developed Regions in Romania

Developed region	North East	South East	South Muntenia	South West	West	North West	Center	Bucharest Ilfov	Total
<b>Total number of employees in social enterprises</b>	60	128	51	57	15	20	96	0	<b>427</b>
<b>Total number of employees from the vulnerable groups</b>	27	3	13	0	8	11	18	0	<b>80</b>
<b>Insertion rate (%)</b>	45.00	2.34	25.49	0.00	53.33	55.00	18.75	-	<b>18.74</b>

Source: Authors' own processing according to the Unique Register of Social Enterprise Records (March 2019) [9]

The insertion rate levels in terms of Development Regions in Romania are highlighted in the graph below:



The information presented in table no. 6 shows that the highest insertion rate is registered in the North-Western region (55%) which is well above the national average (18.74%). It is followed by the Western regions (53.33%), North-Eastern (45%), South-Muntenia (25.49%), the Central region (18.75%). The lowest insertion rates are registered in the South-Eastern (2.34%) and South-Western (0.00%) regions. We believe that urgent measures are required from the decision factors for increasing the number of employees coming from the vulnerable groups, implicitly the insertion rate, which will aim at adopting an integrated approach in the field of policy development, service provision and the use of the local resources.

### 3. Conclusions

As mentioned in the present study, the literature in the field is very diverse, with no established theoretical models, many of which are presented more in an abstract manner. Moreover, in Romania the field is relatively new as the concern for social entrepreneurship has acquired a more visible status only in recent years. From our point of view, social entrepreneurship can be characterized as a mechanism oriented towards solving social and environmental issues in an innovative approach, a transparent manner and aimed at achieving a sustained impact on society. The objectives of social entrepreneurship refer to the identification of practical solutions for social problems by using the resources in order to capitalize on opportunities based on the identification of the social issues and their transformation into business opportunities; the identification of those innovative methods that are able to generate a social impact. We can conclude that the phenomenon can be a promising solution for the shortcomings of the capitalist system.

However, we consider that social entrepreneurship can be easily interpreted as being too idealistic. Until recently, there was a totally wrong belief among organizations with a social mission that business skills and competencies are not required. Unlike a traditional non-profit organization, which considers that entrepreneurial activity is not a necessity, in terms of a social enterprise; the entrepreneurial activity occupies an important place within its mission.

## Acknowledgement

This work is supported by POCU 125040 project entitled "PROGRESSIO - The Development of the Tertiary Academic Education to Support the Economic Growth - "which is co-financed by the European Social Fund operating under the Human Capital Operational Program of 2014-2020.

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