BEST PRACTICES OF SOCIAL ENTREPRENEURSHIP IN ROMANIA

~ MSc Andra Modreanu (University of Southampton)
E-mail: andra.modreanu@yahoo.com

Abstract: Nowadays, social entrepreneurship represents an ascendant topic of interest for academics, authorities and individuals. Thus, it may be perceived as a responsible business approach with significant contribution to a country's social and economic growth, especially for developing countries. Therefore, the aim of this study is to contribute to a better understanding of the current stage of social entrepreneurship in Romania by presenting key aspects related to the notion and its evolution, emphasizing also on the positive steps made towards developing an applicability of the concept. The research methodology was based on the collection and analysis of secondary data, respectively scientific articles, and relevant websites and books for the subject. Findings revealed the fact that social entrepreneurship in Romania is still in a transitional period, struggling between its totalitarian communist past and the present guided by the partnership established with the European Union, to evolve, learn, develop and grow as a country. Furthermore, Romania currently presents mostly traditional form of social entrepreneurship such as associations and foundations. Moreover, even in this situation with several pressuring social issues, Romania manages to slowly progress, and three important Romanian social enterprises have been presented as best practices in this paper to sustain the progression.

Key words: social entrepreneurship, Romanian social enterprises, European Union, Social Scoreboard

JEL: L26, L31, M10, I31
1. Introduction

Entrepreneurship represents one of the main engines of economic development and growth in a period of continuous change (Toma, Burcea and Papuc, 2011; Toma and Marinescu, 2015; Grădinaru, Toma and Papuc, 2017; Toma, Marinescu and Dogaru, 2017; Marinescu, et al, 2017; Toma, Marinescu and Constantin, 2020). It may be perceived as “a multifaceted phenomenon, being analyzed as a process, a resource or a state-of-being” (Toma, et al., 2014, p.1). Additionally, entrepreneurship can be described as a business activity with multiple contributions to both economic and social environment. Starting from creating new jobs, growing the country’s economy, enabling individuals to express themselves from a business perspective, to initiate change and solve both economic and social issues, entrepreneurship importance increased significantly in the past decade.

Social entrepreneurship represents a unique form of entrepreneurship due to its double contribution, respectively to the development of both social and economic environment through responsible practices and generating sustainable growth (Zainea, et al, 2020). Moreover, for developing countries especially, such as Romania which is struggling with several pressuring social issues, the concept may be perceived as a tool that can addresses the need of educating individuals regarding responsible behavior in the society and, simultaneously, it sustains the business environment (Lambru and Petrescu, 2012).

Furthermore, as a member of the European Union, Romania has the duty to apply and progress in accordance with the requirements and expectations created by this partnership formed joining this economic union. Promoting and implementing social entrepreneurship and responsible business approaches signify objectives that the European Union has set for all its state members. In Romania currently this notion is at the stage of understanding and trial as findings of this paper also revealed.

Mostly presenting traditional forms of social entrepreneurship such as associations and foundations, Romania is progressing slowly towards a proper developing on social and economic level. Even in this context the country through its Romanian social entrepreneurs manages to achieve some positive results in this field and in this article several best practices of Romanian social enterprises are presented. The aim of this study is to contribute to a better understanding of the current stage of social entrepreneurship in Romania by presenting key aspects of the notion and its evolution, emphasizing also on the positive steps made towards developing this concept through best practices of Romanian social enterprises.

2. Literature review

Social entrepreneurship signifies an important part of a recently developed type of economy, respectively social economy (Hynes, 2009). The interest for social economy also known as the “third sector” has grown in the past decade due to its recognized contribution to social and economic development by changing business and managerial practices patterns established so far (Shaw and Carter, 2007).

Defining social entrepreneurship is still a work in progress task for researchers and institutions. The conceptual framework of social entrepreneurship represents a frequent approached
subject in the exiting literature. There are numerous definitions that can be used to capitalize on the distinctive characteristics of the notion, but none of them was been globally accepted as the common reference. The terms that are recurrently associated with the conceptual frame of social entrepreneurship can be consider as the following: the social entrepreneur, the opportunity, the social problem, the social mission, the entrepreneurial skills, the possible innovative solutions, the resources used, the change and the value creation. The social entrepreneur can be perceived as the initiator of change, being the one who discovers an opportunity to address a certain social problem. Solving this social issue becomes the mission under which the agent operates. In this regard, he uses entrepreneurial skills to obtain an innovative solution that may help him achieve its social objectives. Furthermore, the social entrepreneur identifies, attracts, uses and capitalize on the necessary resources through an economic entity. If the proposed solution and the resources are properly used, then a beneficial change takes place at social level.

Social enterprises can be considered those that: employs vulnerable people for the purpose of social reintegration; reinvest the profit in social activities; enterprises that perform social activities identified as needs in a certain community and which otherwise could not be satisfied (Fondul Social European, 2016, p.36). The typology of the social entrepreneurship can be grouped in three categories, respectively: “entrepreneurial not-for-profit economic entities (for instance foundations, association, charities); public sector social enterprises which are typically supported by the state and/or municipal organizations; social co-operatives which adapt a multi-stakeholder governance model to connect to communities and improve welfare provision and, finally, social business which engage in entrepreneurial activities to adapted private sector business models and market-based strategies to go beyond corporate social responsibility by running an enterprise that adopts a social mission” (Kraus, et al., 2017, p.990). Moreover, social entrepreneurship “integrates for-profit, non-profit and hybrid forms of value creation to address social problems” (Mouraviev and Avramenko, 2020, p.125).

The evolution of social enterprises has been marked by two important events. First one refers to Ashoka, the first non-profit organization established in the United States of America in 1980 when Bill Drayton, also considered the founder of social entrepreneurship, has committed to supporting social entrepreneurs with outstanding results in the field to maximize the positive social impact Thus, the transition is made from the definition of the concept of social entrepreneurship, to that of its implementation through NGOs. Later, the concept of social entrepreneurship has expended to Europe. Social cooperatives regulated by law 381/91 represented the first form of social entrepreneurship manifestation in Europe. They were established in 1991, in Italy and from there these forms of social enterprises have gradually expanded to the rest of the countries (Bonfanti, et al., 2016).

Nowadays, social entrepreneurship applicability depends on several factors. Starting from the willingness and individual desire to make a positive change, improving life conditions for others, to the nation’s possibility to act and support economic growth through social development, giving its current stage, developing or developed country, and history, social entrepreneurship’s suitability embraces different phases of evolutions. It may be linked with other concepts such as social responsibility and sustainability (Toma, 2008; Marinescu, Toma and Constantin, 2010; Toma, Stanciu and Irimia, 2011; Imbrușca and Toma, 2020).
An overview of social entrepreneurship in Romania

Romania, a developing country, has adopted the concept of social economy and social entrepreneurship since 2007 when it was become a member of the European Union (EU) (Orhei, et al., 2012, p.757). Some types of social enterprises have been present in Romania even before the union, more exactly during the communist period (for instance, cooperatives and mutual societies associations), but only after the revolution this new form of economy started to be recognized and considered as an opportunity to develop and grow the business environment (Orhei, et al., 2012, p.758). More precisely, the Parliament of Romania adopted the law no. 219 from 23/07/2015 regarding social economy, stating that: “the purpose of this law is to regulate the field of social economy, to establish the measures of promoting and to support the social economy. Thus, this law regulates the attestation conditions implied by the public authorities’, social enterprises and social insertion enterprises” (Parlamentul României, 2015, p.1). Moreover, the social enterprises giving the enacted law, respectively Article no. 3, may be described as the following: “first degree cooperative societies, credit cooperatives, associations and foundations, the mutual assistance houses of the employees, pensioners’ mutual assistance houses, agricultural companies, federations, unions, any other categories of juridic individuals that comply, according to the legal acts of establishment and organization, cumulatively, the definition and principles of the social economy provided in this law” (Parlamentul României, 2015, p.1).

The most use definitions for exposing the concept of social enterprises are those provided by the Department of Trade and Industry (DTI), a United Kingdom government department, and the European Research Network (EMES). From the DTI’s point of view (2002), these economic agents can be defined as: “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners” (Orhei, et al., 2012, p.756). EMES (2012) extended the explanation of social enterprises, characterizing them as: “organisations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits. They place a high value on their independence and on economic risk-taking related to ongoing socio-economic activity” (Orhei, et al., 2012, p.756).

Social entrepreneurship in Romania can be analysed starting from two perspectives: traditional social economy organizations that are certified by the National NGO Register published by the Ministry of Justice and the evidence of social enterprises constituted according to the law 219/2015 accountable to the National Agency for Employment through the National Registry of Social Enterprises.

In Romania the most common form of social enterprises identified is represented by the associations with a cumulative of 81% of the non-governmental organizations type of social enterprises and 96,762 as a numerical value. Furthermore, 17% (19,981) have been allocated to foundations, 1% (1,458) to federations and 1% (764) to unions (Fondul Social European, 2020, p.27).

The highest percentage of associations, respectively 15% of their total declared number (14, 514 as numerical value), has been registered in the capital of Romania, Bucharest. Afterwards, Cluj, Timiș, Brașov, Iași, Mureș and Sibiu, with more than 3,000 associations each came in the second place. The fewest associations were registered in Călărași (640) and Ialomița (435) (Fondul Social European, 2020, p.29).
Similar, Bucharest sustained most of the existing foundations in 2020 (approximately 3,000) (Fondul Social European, 2020, p.29). Even though most of the social entrepreneurship forms are present in the country’s capital, an important fact is that the non-profit sector has constantly been developing in Romania, the non-profit contributing 1.59% to the GDP of the country and employing over 100,000 people, as evidenced by the Civil Society Development Foundation (CSDF) (Ashoka, 2019, p.19). Furthermore, another interesting aspect revealed by the study conducted by the Ashoka foundation (2019) regarding the evolution of social entrepreneurship in Romania represents the fact that most of the leaders from the non-profit sector are women, cumulating 53% of the social innovators. Additionally, they are mainly involved in education, social inclusion and organizations that carry out more cross-cutting activities.

On the other side, in January 2020, the National Registry of Social Enterprises included only 125 social enterprises, enrolled in 36 regions of the country (including Bucharest) (Fondul Social European, 2020, p.44). In each of these places have been registered between 1 and 12 enterprises. Maramureș has reported the highest number of social enterprises, followed by Iași with more than 10 social enterprises (Fondul Social European, 2020, p.44). Most of these social enterprises have been organized as associations (42%) or as limited liability societies (LLS, other categories of legal entities, 40%) (Fondul Social European, 2020, p.44). The remaining 8% is represented by foundations, mutual assistance houses, first degree cooperative societies or federations. This evolution is interesting because it demonstrates the growing number of production-oriented social enterprises that are, almost equally with the percentage of the traditional social associations which are oriented mostly towards social services, education and health. Regarding the number of employees, associations presented a higher number of employees compared with the limited liability societies, most probably because of their legal framework which has been created during 2015 and 2016 (Orhei, et al., 2012).

A possible answer regarding the small number of social enterprises recorded so far in the National Registry of Social Enterprises has been provided by the Ashoka Foundation (2019, p.19):”in 2015 it was estimated that 6,000 social enterprises operate in Romania, totalling a number of 19,065 employees in the sector. However, after the introduction of the Law on Social Economy in 2015, only 103 social enterprises were included by the National Registry of Social Enterprises, mostly due to the bureaucratic registration process and lack of fiscal incentives.”

Unfortunately, the inefficient bureaucratic system is not the only problem in Romania. Some of the most pressuring issues of the country being the social ones. Ashoka Foundation (2019, p. 17) captured most of them and declared that: “Romania remains by far the country in the EU with the highest percentage of people in poverty or at risk of poverty: more than 25% of the population lives with less than $5.50 a day (2011 purchasing power parity); due to the migration of Romanian individuals, between 2000 and 2017, Romania’s population fell from 22.8 to 19.6 million, affecting the workforce and the growth. Moreover, 40% of 15-year-old Romanian students are functionally illiterate and early school-leaving—at 18.5 percent—is one of the highest in the EU”.

The European Commission seems to approve these findings of Ashoka and further added through the Social Scoreboard indicators analysis: “Romania represents one of the countries with the highest number of ‘critical situations’ (6). Moreover, Romania has 3 ‘weak but improving’
situation, 2 ‘to watch’, 2 ‘on average’ and 1 of ‘best performers’” (European Commission, 2020, p. 37).

Social entrepreneurship represents a relative new concept for Romania (Racolța-Paina, 2018). Indeed, there are many aspects that should be improved, starting from its legal framework, continuing with the approach of institutes regarding the encouragement of social entrepreneurship initiatives, the management strategy of the economic agents and the overall Romanian’s behavior, perception and mentality. But some improvements have been made in the last years in this regard. Even though these were small and slow rated, they have contributed to a slightly progress of Romania’s social and economic development and the European Union played an important role in this positive evolution.

3. Research methodology

The present study represents a quantitative research. It involves the collection and analysis of secondary primary data (scientific articles, existing books relevant for the topic and websites). The objective of this paper was to identify the evolution and current stage of social entrepreneurship in Romania by presenting several best practices in this regard. Therefore, the first step conducted in this research was finding relevant scientific journals and establishing the structure of the article. Well-known sources such as Emerald or ScienceDirect was used in this scope. Regarding the structure of the paper, it has been developed in accordance with other researchers specific for the analyzed subject. For instance, Mouraviev et. al (2020), Racolța-Paina (2018), Orhei et. al (2012), Lambru and Petrescu (2012) followed a similar approach, namely starting from a short introduction of general aspects regarding social entrepreneurship (importance, definitions, components of the concept such as social entrepreneur and social enterprises, evolution in different regions), followed by illustrating the particularities of social entrepreneurship in Romania as member of the European Union and developing country with a communist heritage (evolution of social entrepreneurship, definitions, its current legislation and social enterprises forms and the presentation of Romanian’s most pressuring social issue identified through the latest Social Scoreboard published by the European Commission).

Furthermore, findings reveled the fact that social entrepreneurship in Romania is still in a transitional period, struggling between its totalitarian communist past and the present guided by the partnership established with the European Union, to evolve, learn, develop and grow as a country. Also, even in this situation with several pressuring social issues, Romania manages to slowly progress and three Romanian social enterprises have been presented as best practices in this paper in order to sustain the progression made.

4. Results and discussions

Findings show that Romania has the traditional forms of social economy and social entrepreneurship. These results are in line with other studies conducted by researchers as Orhei (2012) or Shaw and Carter (2007). Thus, further development of this sector and new type of entrepreneurship depends on the European Commission, partnership which had a significant impact
for Romania, encouraging the country to pursue and embrace this concept. Papers written by Racoltă-Paina (2018) and Lambru and Petrescu (2012) also sustain this dependance relationship between the evolution of social entrepreneurship in Romania and the practices and policies adopted by the European Commission.

Although Romania has not benefited yet from an accelerated growth regarding the practice of social entrepreneurship, the country is slowly improving its social economy, having some impressive best practices for social entrepreneurship. Such a successful example may be considered between the evolution of social entrepreneurship in Romania and the practices and policies adopted by the European Commission.

The cave has benefited from ecological restoration with the help of high-quality technologies and tourist arrangement in accordance with ecological requirements. Inside of this impressive tourist objective were arranged a mining museum, a crystal reservation, but also mining galleries and caves ones. This local jewel represents one of the oldest and most visited Romanian tourist objectives with several thousand visitors annually from the Apuseni Mountains and a protected natural area. The social enterprise, thus formed, contributes not only to the sustainable and responsible development of the tourism from Romania, but also to the creation of jobs for the members of the local community and the capitalization of local crafts by sustaining the practice of selling souvenirs at the entrance of the cave. The Meziad Cave represents an important proof of social implication and collaboration for the preservation of local traditions, the sustainable capitalization of the natural environment and the supporting of the community and its individuals.

Furthermore, the Urban Center for Good Initiatives (CUIB) founded by the Better Association from Iași is the first social entrepreneurship project from Romania which covered several dimensions by opening a bistro, a store and a space for organizing events. In principle, CUIB promotes a healthy and sustainable lifestyle. The project also addresses individual needs of accessing healthy food, environmentally friendly ingredients and affordable products, as well as promoting the community’s interests by supporting the local economy, raising awareness and educating its members. In addition, CUIB paid special attention to the protection of the natural environment and to the reduction of its impact among it. According to the center’s website, its main objectives include: “to become the first restaurant from Romania and the first store from Iași that will be certified as Zero Waste; minimizing food miles from the farm to the plate; creating a circular economy model for the HORECA sector; laying the foundations of the first food bank in Iași” (CUIB, 2013). Since its establishment and until now, CUIB stated that: “they have offered for no less than approximately 27,000 unique customers, water without plastic, food without meat, local products, fair coffee and teas, natural juices, organic wines, craft beers, discounts for cyclists and other environmentally friendly consumer alternatives. They have reduced their carbon footprint by more than 10 times compared to common social / commercial spaces, prevented more than 11,000 packages from reaching the landfill and recovered at least a few more, saving at least 23 million. liters of water and avoided the consumption of over 1,350 living beings” (CUIB, 2013). In addition, the Urban Center for Good Initiatives provides financial support for at least 20 beneficiaries (15 children with severe disabilities, 5 adults with disabilities) who were guided to the process of creating hand made objectives, and at least another 20 social enterprises sold their
products within the center. Giving the presented fact, The Urban Center for Good Initiatives may be perceived as an important step toward conscious consumption in Romania and environmental protection.

Moreover, the Crafts Caravan constitutes a social enterprise created by the Gaspar, Baltasar and Melchior Association which operates in the culture and education domain. This social enterprise offers extracurricular activities and workshops for everyone to converse traditions and keep alive the memory of Romanian practices of another time. The Crafts Caravan its mobile and equipped with the necessary instruments for three crafts: pottery, blacksmithing and weaving. Additionally, other activities can be added such as: painting on ceramic vessels and linocut. This social enterprise provides jobs for six craftsmen from the village of Piscu, located at 36 kilometers from Bucharest. Besides the incomes accumulated practicing workshops the Caravan also participates in events outside the native village, promoting the Romanian traditions to a larger public. Most of the gain thus obtained is directed towards the development of the local community. It can be stated, due to the provided contribution, that the Caravan of Crafts represents a significant supporter of the local community, as well as a true protector of the oldest and original Romanian professions.

Even though Romania has a long way to follow regarding the applicability of social entrepreneurship, the necessary basis for its development has begun to be built starting from these types of changing initiatives, in conformity with the European Commission’s expectations.

5. Conclusions

Social entrepreneurship understanding and implementation is a work in progress task for Romania. It can be stated that the country embraced a new stage of development in this regard by adopting law no. 219/2015. Romania presents mostly traditional social forms of enterprises, respectively from the not-for-profit domain, but lately it has been noticed a slightly tendance of association to self-govern by producing services and goods to support its social mission.

Relatively little information can be found regarding social entrepreneurship in Romania and very few studies have been conducted to this purpose. Social entrepreneurship may constitute an opportunity for Romania to address and solve its pressuring social issues by developing through responsible economic and social growth. Important to mention is that Romania needs a new strategy regarding the social entrepreneurship subject. As a starting point, the legal framework and the bureaucratic registration process for social enterprises should be revised by the authorized institutions as the study conducted by Ashoka Foundation also suggested.

Moreover, the concept benefits from increased interest among Romanian individuals, institutions and academics due to its possible contribution at social and business level. Social enterprises even though they are progressing slowly, major changes have been done to support local communities, conserve Romanian traditions and protect the environment. These facts have been outlined in other studies conducted in this scope and supported by the outcome of the present paper. As social entrepreneurship is a relatively new concept for Romania and there are not many studies regarding this topic. Therefore, further research is required to develop a proper understanding and applicability of the notion.
REFERENCES:


