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Economic and Environmental Studies (E&ES)

Provided in Cooperation with:

Opole University

Suggested Citation: Waligóra, Anna (2019) : Social entrepreneurship and its significance for contemporary rural areas, Economic and Environmental Studies (E&ES), ISSN 2081-8319, Opole University, Faculty of Economics, Opole, Vol. 18, Iss. 4, pp. 1397-1408, <https://doi.org/10.25167/ees.2018.48.12>

This Version is available at:

<https://hdl.handle.net/10419/284680>

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Social entrepreneurship and its significance for contemporary rural areas

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Abstract: Social entrepreneurship is constituted of various market initiatives aimed at balancing the economic objective achieved with the so-called social goals. These initiatives are both top-down (e.g. non-for-profit companies established as a result of public-private partnerships), mixed (e.g. student co-operatives supported by enterprises) and bottom-up (e.g. social co-operatives of natural persons). The phenomenon of social entrepreneurship is located in the area of social economy considerations, although it seems to go beyond the framework set for this area of knowledge. This means that social enterprises do not submit to the commonly used economic accounts of the functioning of business entities. It also means that the measurement of the (social) value of their functioning is subject to constant discussion, both in the area of scientific knowledge and socio-economic practice.

Social enterprises operating in rural areas constitute a special type of social economy entities. In addition to tasks related to economic activity and the function of stimulating social capital of Polish villages, they seem to fulfil important tasks in the area of strengthening the transformation of Polish villages to modernity, both on the level of management and social activity. The paper presents the issue of social enterprises as an actual and potential tool to support the development of Polish rural areas. This issue is considered in the context of the theory of social costs, assuming the interdependence of all activities carried out in the so-called common space, and the theory of social capital, according to which the “thicker” the network of social relations is, including the economic ones, the more the quality of life increases. Reference is also made to the original model of the Matrix of Social Enterprises, on the foundation of which the Matrix of Social Enterprises in Rural Areas is described.

As a result of the conducted research, selected manifestations of social entrepreneurship of Polish villages are identified and described based on the Matrix of Social Entrepreneurship, both in the context of their historically rooted traditions, economic and social conditions and culture-forming functions. The paper formulates conclusions regarding the growing importance of social entrepreneurship for Polish countryside, especially with regard to the ability to create labor demand, market cooperation and social capital thickening. There was also formulated a positive assessment of the impact of social entrepreneurship on the contemporary rural areas.

Keywords: social economy, entrepreneurship, social enterprises, social capital, cooperative activity

JEL codes: D90, Z13, Z14

DOI: <https://doi.org/10.25167/ees.2018.48.12>

1. Introduction

Social entrepreneurship is the whole of organized economic practices, also those going beyond the legal framework set for social economy, positively evaluated in relation to social symbolic values and meeting the requirement of economic rationality (Waligóra, 2016: 2, 14). Social enterprises operate in the area of social economy, and, within academic considerations, are described by an emerging subdiscipline of social sciences (and, in particular, that of economics) which is called social economy.

Social enterprises include various forms of management and support the implementation of tasks in the area of social policy with which public institutions are entrusted. These entities, understood as social revitalization tools, seem to have a special role in rural areas. On the one hand, they form the basis for continuing the tradition of operations of farming co-operatives which supported the circulation of goods and services; on the other hand, they open up space for new market and perinatal activities supported, among others, by the sources of financing, stemming from the domestic or EU policies.

Social enterprises in Poland, pursuant to the law in force, are divided into various organizational forms. The largest entities of social economy include protected work enterprises, labor co-operatives (including agricultural co-operatives, as well as co-operatives of the disabled), professional activity centers, as well as newly emerging non-profit companies in Poland. The smallest social enterprises include social (socially-oriented) co-operatives of natural persons. Social (socially-oriented) co-operatives of legal persons, for example, created by third-sector entities and public institutions, should be included in the group of medium entities, among others, due to the size of employment. These entities operate in the proximity of public institutions, free-market enterprises and third-sector organizations that act (or should act) for the benefit of social economy entities and their employees. Social enterprises employ people who have difficulty finding themselves on the labor market, such as the long-term unemployed, people at pre-old age or people with disabilities. This form of activity is also chosen by those who prefer the most democratic management style possible.¹

¹ Such social enterprises include, among others, the Cracow co-operative “Ogniwo” (www.ogniwo.org, access: 19/06/2018) or the Poznań social co-operative “Ruchomości” which runs the club “Zemsta” (www.zemsta.org, access: 19.06. 2018).

2. The purpose and methodology of research

The main goal of the paper is to recognize the importance of social entrepreneurship for the contemporary rural areas, against the background of the Polish social economy. The research goal of the paper is to analyze selected examples of social enterprises' activities and to determine their place in the Matrix of Social Enterprises.

The research results presented in the paper are based on case studies of selected social enterprises operating in Poland. The relevant case studies rely on research methods such as observation, individual in-depth interviews and on the sociological analysis of image. Also a desk-study was carried out relating to the assessment of the scale of the discussed phenomena.

For the needs of the paper, theoretical studies on the historical and contemporary social entrepreneurship in Poland were used, accompanied with reports of public institutions and third sector organizations concerning the analyzed problem.

3. Social entrepreneurship in Polish rural areas

Social entrepreneurship of the Polish countryside has centuries-old traditions. It is connected, among others, with the grassroots organization of the citizens' social and economic life during the Partitions. In the first half of the 19th century, owing to Stanisław Staszic, *Hrubieszowskie Rolnicze Towarzystwo Wspólnego Ratowania się w Nieszczęściach* (Hrubieszów Agricultural Society to Save Each Other in Disasters) was established (Piechowski, 2008: 14). In the Russian part of the partition, rural areas were dominated by food co-operatives as well as agricultural syndicates oriented to servicing landowners ([Piechowski, 2008: 18]. The Prussian part, on the other hand, being the most active one in terms of co-operative initiatives, saw the development of “the so-called plot or land companies, sometimes taking the form of parcellation banks, buying out declining land estates or those put up for sale for other reasons, both German and Polish, parceling them and distributing to the hands of Polish peasants. Another important type of such institutions were Farmers' Circles, existing since the 1870s, established among peasants on the initiative of the Central Economic Society and landowners associated therein in order to improve the rural economy” (Piechowski: 2008: 25). The Austrian partition was dominated by co-operative organizations operating in a manner similar to the rules of operations of co-operative banks, which allowed peasants to become independent of expensive intermediaries. As may be

seen from the above outline, the development of social entrepreneurship in rural areas of the partitions was very intense. Organic solidarity, understood as the need for grassroots organization, stimulated, among others, the pursuit of organizational and institutional independence from the invaders.

The Second Republic of Poland saw the development of the most complementary legal and formal solutions in the area of social entrepreneurship in Poland. The government of Wincenty Witos adopted the Co-operative Act reinforcing the role of social economy and co-operatives in Poland. At that time, also the State Co-operative Board was established. Such supportive legal instruments had never been implemented before and were never thereafter in the history.

The Polish People's Republic turned social economy into socialized economy, regulating, or actually eliminating, the options of grassroots association, including among others co-operatives. It was a time when nationalized organizations of agricultural producers and processors dominated in rural areas, which went into non-existence with the transition into the market economy system after 1989 and the associated winding-up of state-owned farms (the so-called *PGRs* – *Państwowe Gospodarstwa Rolne* [State Agricultural Holdings]). As a consequence of this rapidly progressing process, a significant part of the economic activity of rural residents disappeared, since due to the centrally controlled *PGR* management model they did not have sufficient knowledge, skills and perhaps primarily the willpower necessary to take over state-owned farms and build social enterprises on their resources.²

Today, there are two trends in the development of social economy which dominate in the Polish countryside. The first one refers to the traditions and solutions described above. This group includes all co-operatives of agricultural producers who associate in order to, among other things, achieve better economic results of their production activities (e.g. by entering a new market). The second group consists of entities whose market operations can be conventionally called new organizational solutions in the field of social economy. This group will include non-profit companies, social (socially-oriented) co-operatives, as well as ephemerides created as a result of public-private partnerships. Between these two “traditions” there are student co-operatives that can draw on co-operative traditions, acting under the aegis of patrons such as, for

² The problem of privatization of state-owned farms is far more complex and multifaceted than it is presented in this paper, in which, due to its purpose, only the aspect of readiness to undertake economic activity of rural residents is raised.

example, *Spółdzielnia Spożywców SPOŁEM* (Food Co-operative *TOGETHER*). Co-operatives are established and operate without such a support, based on a bottom-up initiative or using project-based resources derived, e.g. from the EU funds.

4. Matrix of Social Enterprises of Polish rural areas

The Matrix of Social Enterprises presented below was originally used to illustrate as closely as possible the social division of social enterprises operating in Poland that is observed in the social reality. It was created out of the need to supplement the divisions in the social economy of the so-called "old" and "new" social economy and division of social economy entities due to the legal form of functioning, which, it seems, do not reflect the complexity of social entrepreneurship in Poland. Based thereupon, using examples from the practice of functioning of social enterprises in Poland, a matrix of social enterprises operating in rural areas is identified.

In the first quarter of the Matrix, there are social enterprises whose activities are oriented towards the implementation of the social contract. These are entities whose activity is focused around creating jobs for people excluded due to their health condition. Social enterprises from the first quarter of the Matrix benefit from solutions that involve a mechanism of social clauses facilitating the selection of social enterprises in public procurement procedures. Entities whose activities are oriented towards the implementation of the social contract objectives co-create and participate in public-private partnerships, and the social profit of their activities is social integration.

The social enterprise *Diakonijna Spółka Zatrudnienia Sp. z o.o.* (Diaconal Company for Employment) operates in the village of Kwilcz. It was founded by five shareholders: a German foundation *Wohnen und Beraten* from Braunschweig, the Polish *Fundacja Pomocy Wzajemnej "Barka"* (Foundation for Mutual Assistance "Barka"), *Stowarzyszenie dla Ludzi i Środowiska* (Association for People and the Environment), the Poznań Parish of the Evangelical Church of the Augsburg Confession and the Municipality of Kwilcz. It is a service and production company dealing in metal processing, plastics processing and sewing production and services.³ The company employs, among others, people who in the past struggled with alcohol problems, long-term homelessness or unemployment. The social aspect of the company's operations involves

³ More information on the business of the company may be found on: www.dsz-diakonijna.pl.

transferring part of the profits generated to the construction of social housing in Kwilcz. Some of these dwellings are occupied by the current employees of the social enterprise, who become active members of the local community thanks to the activity of the former; some residents of the municipality struggle with housing difficulties arising out of the quality of the existing housing stock in Kwilcz.

The second quarter includes entities of social economy, whose activities are oriented towards the implementation of ethical objectives. They focus on democratic forms of management and reproduction of values in the field of culture and art. Entities of social economy, whose actions are oriented towards the implementation of ethical objectives are also oriented towards social revitalization.

An example of social enterprise whose activities are focused on the implementation of ethical prerequisites can be the *Zwierzakowo* animal shelter in Posadówek (the County of Lwówek, the Province of Wielkopolska), which carries out the task of caring for stray animals entrusted by local municipalities. The organization associates people struggling with complex social problems, such as failed emigration and alcoholism or homelessness and disability acquired as a result of it, who are also members of the *Barka* Foundation (not all *Barka* Community members are employees of *Zwierzakowo*). *Zwierzakowo* has one leader, the president, but is managed jointly. The organization also acts for the animation of leisure time for local people, who can walk the dogs under the care of the shelter.

The third quarter includes social enterprises whose activities are oriented towards the implementation of social objectives, including, among others, creating jobs for people in a difficult socio-economic situation, empowering the changes and mediating in getting a job in the so-called open market / generating subsidies for economic self-empowerment.

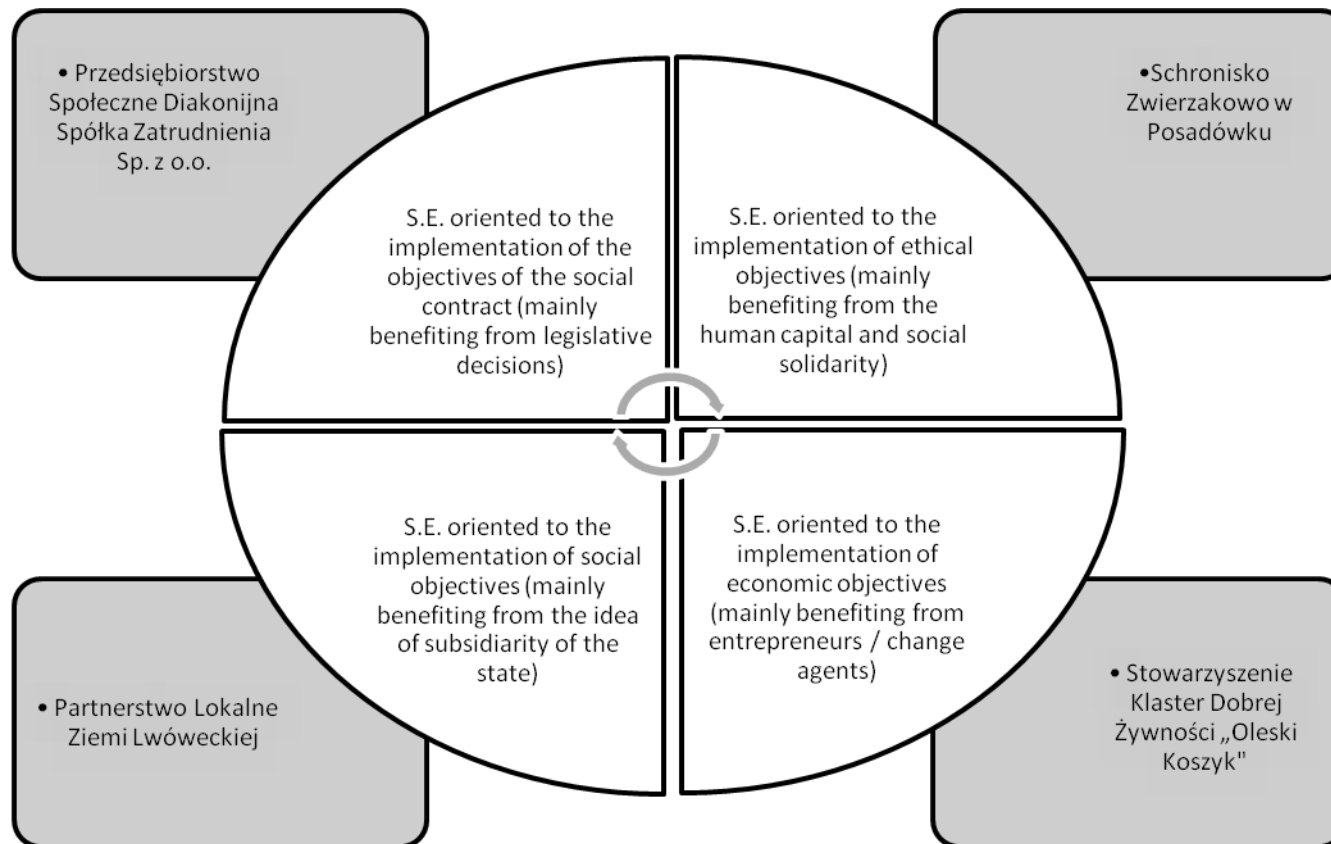
Partnerstwo Lokalne Ziemi Lwóweckiej (Local Partnership of the Area of Lwówek) associating local social enterprises involves a series of activities animated by the local government and organizations from the third sector, aimed at stimulating the entrepreneurial attitudes of the residents of Lwówek, where there are post-farm wastelands. Owing to the *Barka* Foundation, communities of economically and socially ineffective people settled in the County of Lwówek and, due to the therapeutic conditions created in these specific formations, have returned not only to the society but also to the labor market. The social enterprises established under the partnership deal mainly with the management of wastelands and agri-animal production,

including organic food production. The Partnership is not so much a single social enterprise as a conglomeration of interrelated initiatives that would not exist without this specific entrepreneurial organization.

In the fourth quarter, there are social economy entities whose activities are focused on the implementation of economic objectives, the implementation of the adopted values and rules of operation, the implementation of innovation, economic independence / economic self-independence and creating trends.

An example of such a social enterprise is *Stowarzyszenie Klaster Dobrej Żywności "Oleski Koszyk"* (Good Food Cluster Society "Basket of Olesno") founded by local food producers, whose task is to promote local food producers and their traditional products. *Oleski Koszyk*, although based on the cultural transmission of the past and offering products with historically and geographically rooted components and names, uses modern forms of promotion of its offers, for example, via an online store. The social aspect of entrepreneurship of this organization is manifested in its organizational form. This initiative is an economic investment of local food producers to increase their competitiveness on the market.

Figure 1: Matrix of Social Enterprises in Rural Areas.



Source: Author's own elaboration. The Matrix was created and for the first time used in the dissertation *Determinants of diversity in social entrepreneurship types in Poland* defended in 2017 at the Poznań University of Economics and Business. On the assumptions thereof I founded subsequent publications, i.a., Waligóra, A., 2017, *Proposal of alternative typology of social economy*, Research Papers in Economics and Finance, 2 (2), p. 7-1.

The social enterprises described, based on the Social Enterprise Matrix, represent a specific set of economic initiatives whose operating in open market conditions would be difficult, and perhaps even impossible. On the one hand, these are entities that benefit from organic solidarity and social capital based on the model of the nineteenth-century social enterprises operating in the reality of the partitions. On the other hand, they try to keep up with the requirements, regarding among others the innovation of their initiatives, dictated by the so-called open market (e.g. by applying ecological farming production or modern marketing channels). An important function of the entities discussed above is prevention of social exclusion, which translates into the reduction of social costs associated, for example, with the assistance offered to people returning from unsuccessful emigration. The scale of social entrepreneurship is, of course, not big enough to speak about finding a panacea for problems defined by social policy. Nevertheless, it is worth appreciating the capital-generating potential of these initiatives.

4. Conclusions

The examples of the functioning of social enterprises in rural areas presented in the article allow to formulate at least four pieces of evidence on the importance of the development of this socio-economic phenomenon for the contemporary Polish village.

1. First of all, the development of social enterprises in Polish villages allows reinterpreting the existing ways and methods of action in the field of implementation of tasks of social policy. Social enterprises are tools for social revitalization by involving different environments (local government, business, and third sector) in the undertaken income activities. Paradoxically, this is not a new solution, although it seems that the existing examples of social enterprises which base their actions on the social contract and legislative solutions do not reach directly into historically rooted traditions in this area.
2. Secondly, the functioning of social enterprises in rural areas is conducive to the creation of new jobs in the areas particularly threatened by unemployment. These jobs go beyond the agricultural sector, thus revealing new perspectives for developing economic activity, which may be indirect, but still combines the availability of land, non-industrialized

surroundings and remoteness from highly urbanized areas. It seems that in the long-term perspective, the development of social entrepreneurship may contribute to the development of social solidarism, stronger identification with "small homelands", and thus with the awareness or discovery of their often new potential by their inhabitants.

3. Thirdly, the emergence of social enterprises in rural areas also means the institutionalization of existing activities, which perhaps without support from the social economy, understood as substantive support, subsidies, but also the opening of discussions about new areas of management, would not have a chance to emerge or enter from the gray zone to market competition.
4. Fourthly, thanks to the development of social entrepreneurship in rural areas, alternative forms of promotion of local products and services that are traditionally accepted are launched. Due to the fact that the social enterprise is currently fashionable, it seems that it is able to attract new recipients of rural products. The development of rural entrepreneurship in the countryside also means opening new markets.

Social enterprises of Polish rural areas take increasingly more diverse forms. It seems that they enter an interesting period of "releasing" a part of their activity from the generally accepted, historically rooted context, justifying the sense of their existence with the current social need and the possibilities offered by solutions present in the area of social economy and described on the ground of social economy. This does not mean that they are separated from their extremely important, historically rooted traditions, but rather that their potential for implementing innovations has increased.

Social economy entities operating in rural areas are not economic competition for farms or other entities operating in the same areas. Rather, it seems that they are a symbiotic supplement wherever the social tissue may be densified by economic activity.

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Przedsiębiorczość społeczna i jej znaczenie dla współczesnej wsi

Streszczenie

Przedsiębiorczość społeczna to zbiór różnych inicjatyw rynkowych zakładających zrównoważenie osiąganego celu ekonomicznego z tzw. celami społecznymi. Inicjatywy te mają zarówno charakter odgórny (np. spółki non for profit związane w wyniku partnerstw publiczno-prywatnych), mieszany (np. spółdzielnie uczniowskie prowadzone w szkołach i wspierane przez przedsiębiorstwa) jak i oddolny (np. spółdzielnie socjalne osób fizycznych). Zjawisko przedsiębiorczości społecznej jest umiejscawiane w obszarze rozważań ekonomii społecznej, choć zdaje się ono wykraczać poza wyznaczone dla tej dziedziny wiedzy ramy. Oznacza to, że przedsiębiorstwa społeczne nie poddają się powszechnie stosowanemu rachunkowi ekonomicznemu funkcjonowania podmiotów gospodarczych. Oznacza to, także że pomiar wartości dodanej (społecznej) ich funkcjonowania podlega ciągłej dyskusji, tak w obszarze wiedzy naukowej, jak i praktyki społeczno-gospodarczej.

Przedsiębiorstwa społeczne funkcjonujące na obszarach wiejskich stanowią szczególny rodzaj podmiotów gospodarki społecznej. Prócz zadań związanych z aktywnością ekonomiczną oraz funkcji pobudzania kapitału społecznego polskich wsi zdają się one pełnić ważną zadania w zakresie wzmocnienia transformacji polskich wsi do nowoczesności, zarówno na płaszczyźnie gospodarowania, jak i aktywności społecznej. W artykule przedstawiona została kwestia przedsiębiorstw społecznych jako faktycznych i potencjalnych narzędzi wspierania rozwoju polskich wsi. Kwestię tę rozpatrzono w perspektywie teorii kosztów społecznych, zakładających współzależność wszelkich działań realizowanych w tzw. przestrzeni wspólnej oraz teorii kapitału społecznego, w myśl której im „gęstsza” staje się sieć relacji społecznych, w tym ekonomicznych, tym bardziej wzrasta jakość życia. Odniesiono się także do autorskiego modelu Macierzy przedsiębiorstw społecznych, na którego podbudowie opisana została macierz przedsiębiorstw społecznych obszarów wiejskich.

W wyniku przeprowadzonych badań dokonano identyfikacji i opisu wybranych przejawów przedsiębiorczości społecznej polskich wsi opartych na Macierzy przedsiębiorczości społecznej, zarówno w kontekście ich historycznie zakorzenionych tradycji, uwarunkowań gospodarczych i społecznych oraz funkcji kulturotwórczej. W artykule sformułowane zostały wnioski dotyczące rosnącego znaczenia przedsiębiorczości społecznej dla polskiej wsi, szczególnie w odniesieniu do zdolności tworzenia popytu na pracę, kooperacji rynkowej i zagęszczania kapitału społecznego. Sformułowana została także pozytywna ocena wpływu przedsiębiorczości społecznej na współczesną wieś.

Słowa kluczowe: ekonomia społeczna, przedsiębiorczość, przedsiębiorstwa społeczne, kapitał społeczny, działalność spółdzielcza