

# SOCIAL ENTERPRISES. BEST PRACTICES IN ROMANIAN SOCIAL ECONOMY

DALIA PETCU<sup>1</sup>, VASILE GHERHEȘ<sup>2</sup>, CIPRIAN OBRAD<sup>3</sup>,

<sup>1</sup>TIBISCUS UNIVERSITY OF TIMISOARA, daliapetcu@yahoo.com,

<sup>2</sup>POLITEHNICA UNIVERSITY OF TIMISOARA, vgherhes@yahoo.com,

<sup>3</sup>WEST UNIVERSITY OF TIMISOARA, ciprian.obrad@yahoo.com.

## **Abstract:**

*By combining tools and business strategies with the mission and values of non-profit organizations, social enterprises offer sustainable solutions to the problems identified locally, regionally and even nationally. Such issues cover a wide spectrum, from lack of jobs or markets for small producers to environmental problems and inclusion of people with disabilities in society and the labor market. In Romania the role of social enterprises gradually increased so that they have become important players in solving the above mentioned situations. This paper aims to analyze the best models of good practice in our country and how social enterprises contribute to solving social problems. The method used for empirical research is analysis of documents coming from annual reports and other internal documents of NESsT Romania.*

**Keywords:** *enterprises, social economy, non-profit organizations, society, good practice*

**JEL classification:** *L3*

## **Introduction**

Social enterprises are currently playing a very important role in solving some economic, social and environmental issues that have found no answers by using the traditional and the conventional methods. The current socio-economic situation existing both globally and nationally, and characterized by the increase in unemployment, social exclusion, population ageing, poverty, environmental issues, etc. creates the urgent need for the establishment of these structures, called social enterprises, addressing promptly the social challenges mentioned above. In this way, the needs that have not been covered by various structures in the public or private sector can be solved by these structures operating according to business rules, but for the purpose of addressing a social issue, regardless of the legal form of organization.

### **1. What are social enterprises?**

Although there is no unanimously accepted definition of this concept, the social enterprise is defined by the European Commission<sup>218</sup> as being *an enterprise whose main objective is to have a social impact rather than make profit for owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative way and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities*<sup>219</sup>.

---

<sup>218</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Initiative for European Entrepreneurship, Building an ecosystem to promote social enterprises within the economy and social innovation, Brussels, October 25<sup>th</sup>, 2011.

<sup>219</sup>For the purpose of this communication, the English terms „social business” and „social enterprise” correspond to the concept of *întreprindere socială*.

*The European Commission uses the term "social enterprise" to cover the following types of business<sup>220</sup>:*

- *those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,*
- *those where profits are mainly reinvested with a view to achieving this social objective,*
- *and where the method of organization or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice<sup>221</sup>.*

*Thus, it may be:*

- *businesses providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.); and/or*
- *businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the realm of the provision of social goods or services.*

A social enterprise begins with the identification of a social problem and finds solutions to solve this social problem by typical entrepreneurial methods. Social enterprises thus manage to respond to social needs, to a greater extent than other economic agents, by creating stable jobs and being often adapted to the special needs of the employee and by providing products and services that deliver real benefits for consumers. As a form of organization, social enterprises can be found in the form of cooperatives, foundations, associations, credit unions or as traditional private companies or joint stock companies. The way in which they operate differs from country to country and it is based on specific legal forms governing the field of social economy. Depending on the legislative model existing in each country, various models have developed, so that now one can speak about the Spanish, British, Polish or Czech model of social enterprises. Even if there are situations in which this sector is not clearly regulated, the existence of these structures is important both conceptually and in terms of their aggregation in formulas ensuring the achievement of the purpose for which they have been created.

Regardless of the area in which they operate or the model you consider, it seems that there are some common problems faced by social enterprises. Mainly social enterprises have difficulties to find financing for start-up, growth and expansion, sources which are necessary according to their development level.

## **2. Development of social enterprises in Romania**

In our country, with the launch of the Sectoral Operational Programme - Human Resources Development (HRD) 2007 - 2013 financed from the European Social Fund with a Key Area of Intervention 6.1 dedicated to Social Economy, theoretical debates have arisen but not so many practical results in the development of this sector. Many bodies have also appeared, contributing to the solving of the critical social problems

---

<sup>220</sup> For the purposes of the rules of the Treaty on the functioning of the European Union and the jurisprudence of the Court of Justice of the European Union

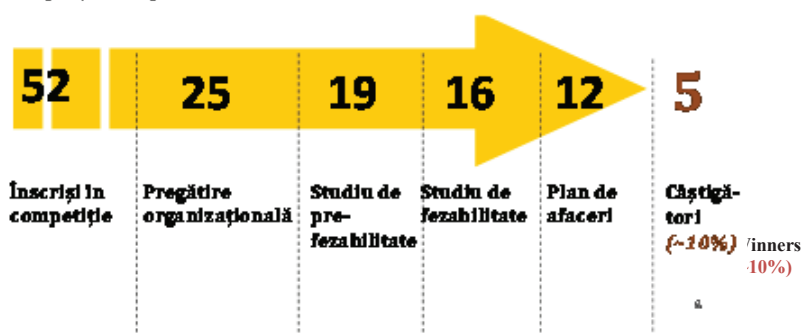
<sup>221</sup> For example, with a low salary range.

identified at local, regional or even national level by creating and supporting social enterprises.

One such example is NESsT, an international non-profit organization, founded in 1997 by Lee Davis and Nicole Etchart in Maryland, USA and operating as a catalyst for social enterprises in 10 developing countries: Argentina, Brazil, Chile, Ecuador, Peru, Croatia, Czech Republic, Hungary, Romania and Slovakia.

NESsT entered the Romanian market in March 2007 and became a legal entity in November 2009. Since then, the portfolio of NESsT Romania has become one of the largest in the region, particularly due to the competition of the social enterprises, to which nearly 200 organizations have applied. Based on the definition of social enterprise *as an entrepreneurial activity designed to solve a critical social problem in an innovative way, providing products and/or services in a continuous and professional way*<sup>222</sup>, NESsT has supported mainly the initiatives developed by the Romanian Nongovernmental Organizations (NGOs). This is because the NGOs have exclusively a social purpose and are the main providers of social services or represent models of socio-professional integration of the vulnerable groups. Considering the reality faced by social enterprises created by NGOs in Romania, namely because they lack knowledge of entrepreneurship and experience for making marketable products and/or providing services that meet some needs (actual needs of the market), NESsT<sup>223</sup> provides a high level of diversified technical assistance and financial support (grants, loans and investments) which is necessary for social enterprises at all stages of development - planning, incubation and expansion. In other words, it performs a transfer of knowledge from the entrepreneurial field to the social one, through specialized consultancy on the capacity of planning, initiating and managing social enterprises. For a social enterprise to operate successfully, it must provide services or products that customers prefer, even if there are such offers in the market. For a better adaptation of these products/services to the market needs, a realistic feasibility study is primarily performed based on the market analysis and the operational needs posed by the social enterprise. Subsequently, it is prepared the business plans, which must be convincing in achieving the financial and the social objectives. The ideas with high potential of achievement are part of the incubation portfolio of NESsT, which continues to provide financial and technical support for the implementation of the business for a period of 2-3 years until the portfolio members develop the ability to manage the social enterprises in an independent, viable and responsible way. To select the best ideas, NESsT organizes competitions of social enterprises, employing a very large number of participants. The competitive process lasts about 8-10 months and during this period NESsT provides ongoing and customized technical assistance and consulting, to guide the participants in assessing their social enterprise ideas. A scheme of the stages and the results of the selections for 2009-2010 is shown in the figure below.

Competiția întreprinderilor sociale NESsT 2009-2010:



<sup>222</sup> <http://www.nesst.org>

<sup>223</sup> [www.nesst.org](http://www.nesst.org)

Source: NESst Romania Foundation, www.nesst.org

We specify that NESsT Foundation<sup>224</sup> has currently a portfolio of 11 social enterprises in different stages of implementation of the proposed projects, covering a wide range of areas of the economic and social life.

### 3. Examples of good practice in the field of social enterprises in Romania

A description of some social enterprises in Romania which benefited from NESsT's<sup>225</sup> support is shown below, for each case being given details of the organization's mission and social challenges at the start moment, as well as some of the results obtained during the running of the projects.

<b>1. Touched Associations<sup>226</sup></b>			
<b>Social Mission</b>	<b>Social Challenge</b>	<b>Social Enterprise</b>	
To transform the lives of at-risk mothers and babies through a holistic approach which offers social services as well as emotional, educational and financial support.	According to a report by the European Council, the number of abandoned babies in Romania continues to be very high. The Situation of Child Abandonment in Romania Report finds that many of the mothers who abandon their children are very young, poorly educated and living in poverty and are un-aware of the negative impacts of abandonment of children.	The social enterprise trains and employs at-risk mothers in its jewellery workshop. It offers a variety of unique products including earrings, rings and bracelets that respond to a wide range of customer interests, from classical to more expensive jewellery.	
<b>Key Impact to Date</b>			
<b>Enterprise Performance</b>	<b>Social Impact</b>	<b>Organizational Development</b>	<b>Financial Sustainability</b>
Improved distribution and sales strategy. Developed differentiated marketing strategies for their products. Provided manufacturing workshops to companies as teambuilding activity.	Provided training in jewellery manufacturing (10 beneficiaries) and sales (4 beneficiaries). 8 beneficiaries are receiving income. Placed 6 beneficiaries in the labor market.	Hired and trained a social enterprise manager. Won a membership in the Europe Business Network Institute. Active and present in the public discourse regarding social economy, recognized as a good practice model.	Surpassed financial projections (213%). Implemented a separate financial system for the social enterprise to better track income and expenses.
<b>Enterprise Impact</b>			
Number of beneficiaries: 200			
Number of at-risk mothers who receive a steady income: 8			

<b>2. ACSIS Associations<sup>227</sup></b>		
<b>Social Mission</b>	<b>Social Challenge</b>	<b>Social Enterprise</b>
To keep families together and prevent children abandonment by providing new parents with support	According to UNICEF, at least 9,000 infants are abandoned by their parents every year in Romania as a result of poverty and social exclusion. Many more	ACSIS is assisting at-risk mothers in becoming financially independent by training and employing them in textile toy production workshops. NESsT

<sup>224</sup> www.nesst.org

<sup>225</sup> NESsT Romania Annual Report 2011, <http://www.nesst.org/wp-content/uploads/2012/08/Annual-Report-NESsT-Romania-2011.pdf>

<sup>226</sup> <http://www.nesst.org/?portfolio=touched-romania>

<sup>227</sup> <http://www.nesst.org/?portfolio=acsis-asociatia-pentru-o-comunitate-solidara-si-interventie-sociala>

and assistance, including counseling, training and employment. children grow up in at-risk conditions because their families face economic and social difficulties and are unable to obtain the support they need to provide a nurturing and safe environment provides support that enables ACSIS to expand its social enterprise and tap into a market with high-potential: large companies with CSR programs who gear their purchases around socially responsible products such as those of ACSIS.

**Key Impact to Date**

<b>Enterprise Performance</b>	<b>Social Impact</b>	<b>Organizational Development</b>	<b>Financial Sustainability</b>
Increased sales surpassed financial projections were overcome. Developed and tested new products (brooches and a family of puppets to be used in child psychology consultations).	42 at-risk mothers were trained in the workshop; through ACSIS puppet shows and toys for children, parents became aware of ACSIS's social benefit.	Developed a strategy to attract resourceful volunteers that can further the social enterprise's impact. Recruited 8 active volunteers for the social enterprise.	Annual growth of the social enterprise income is 27.7%. 4% of the budget is self-generated.

**Enterprise Impact**

Number of Beneficiaries: 1,835

Number of People Trained: 42

**3. Cartea Călătoare Foundation<sup>228</sup>**

<b>Social Mission</b>	<b>Social Challenge</b>	<b>Social Enterprise</b>
To increase access to culture, education and employment for people with vision impairment through the use of modern technologies	In Romania, only a few of the country's 5,300 libraries and bookstores offer disability-friendly technology to meet the needs of approximately 90,000 visually-impaired citizens. At the same time, there is very low availability of audio books, which are required by the visually-impaired to gain access to literature and professional material.	FCC produces audio books in DAISY (Digital Accessible Information System) format and is significantly expanding its current selection of feature-rich, navigable recordings. The target market for these products includes public libraries and individuals. FCC also plans to sell devices and software to public libraries, which are required by law to accommodate visually impaired readers.

**Key Impact to Date**

<b>Enterprise Performance</b>	<b>Social Impact</b>	<b>Organizational Development</b>	<b>Financial Sustainability</b>
15 of 50 prospected county public libraries will provide DAISY stand and service. Created 4 part-time jobs. Increased production capacity with 48 titles produced.	100 beneficiaries reached through the social enterprise. The first ever Romanian movie adapted and presented in a public cinema. 5 school textbooks adapted.	Implemented human resource procedures; quality control procedures and staff trainings.	The social enterprise attracted a new donor. Generated over 16% in self-generated revenues.

<sup>228</sup> <http://www.nesst.org/?portfolio=fundatia-carte-a-calatoare>

---

**Enterprise Impact**

Number of Beneficiaries: 950

Annual Income of the Social Enterprise: US\$ 21,500

---

**4. Tonal Associations<sup>229</sup>**

---

<b>Social Mission</b>	<b>Social Challenge</b>	<b>Social Enterprise</b>
To promote the dignity of people with mental health problems and their families; to develop a society based on harmony, solidarity and respect.	People with mental health problems in Romania are discriminated against and encounter great difficulty obtaining and securing a job. Additionally, Romania lacks a national strategic plan for mental health because it is seen as a luxury and not a critical need.	The social enterprise creates and sells artistic lighting such as floor lamps, chandeliers and fans with a unique design. Products are made by people with mental health problems in the production facilities located in Sibiu.

**Key Impact to Date**

<b>Enterprise Performance</b>	<b>Social Impact</b>	<b>Organizational Development</b>	<b>Financial Sustainability</b>
Built infrastructure for the workshop (utilities, equipment). Made sample products made, created customer database created.	3 new beneficiaries in the organization and 6 people trained.	Improved volunteer recruiting (3 new volunteers now). Improved HR system (especially labor division). Improved communication and presence on the web (web-page and annual re-port created)	Improved financial systems (monthly costs-monitoring); Generated sales of US\$1,300 during start-up

---

**Enterprise Impact**

Number of beneficiaries: 16

Annual Income of the Social Enterprise: USD 4,000

Growth in Annual Budget: 373%

---

**5. Prietenia Associations<sup>230</sup>**

---

<b>Social Mission</b>	<b>Social Challenge</b>	<b>Social Enterprise</b>
To improve the quality of life for children and adults with mental and associated intellectual disabilities through curative pedagogy and social therapy following the Rudolph Steiner methodology.	9.5% of non-institutionalized persons with intellectual disabilities live in the Bucharest-Ilfov region. Young people with mental disabilities face complex issues due to the absence of standardized and integrated services (medical, social and psychological). As their parents and social workers become older, emotional and financial resources decrease, creating a strong need for the development and mainstreaming of these services	BioHrana promotes a balanced and healthy lifestyle while providing employment for beneficiaries through the sale of organic vegetables grown and harvested by people with disabilities.

**Key Impact to Date**

<b>Enterprise Performance</b>	<b>Social Impact</b>	<b>Organizational Development</b>	<b>Financial Sustainability</b>
-------------------------------	----------------------	-----------------------------------	---------------------------------

---

<sup>229</sup> <http://www.nesst.org/?portfolio=tonal-association><sup>230</sup> <http://www.nesst.org/?portfolio=prietenia-association-2>

Successful start-up and investment in infrastructure (functional green-house). 120+ individual customers and more than 2000 kg of products sold.	4 beneficiaries involved in the enterprise 1 full-time employee	social	New legal entity created for the social enterprise. Currently building infrastructure for a second social enterprise, a bakery.	20 active donors 1.4% savings in the global budget because 40% of the production was used for internal Consumption.
<b>Enterprise Impact</b>				
Number of Customers in First Year of incubation: 120				
Number of Beneficiaries: 52				
Annual Social Enterprise Income: USD 15,000				

6. Hercules Associations <sup>231</sup>		
Social Mission	Social Challenge	Social Enterprise
To develop a strong and independent community in the city of Costesti that is willing and able to find their own solutions to the issues and problems they face.	In the community of Costesti, there is a great need to prevent and fight problems such as: school dropout, family abandonment and violence, adolescent delinquency, and social exclusion of older people. The organization offers the opportunity for socialization and social involvement to beneficiaries of all ages, within the community.	The association has built an events center that is available for rent to individual and local companies for events such as weddings, dinners, conferences, and seminars. Upon request, it also offers additional services such as event production, catering and decorating services. Proceeds are used to benefit 25 low-income children.
<b>Enterprise Impact</b>		
To increase the number of beneficiaries of the association from 55 to 75		
To offer lunch meals to children 5 days per week		
To create a community center for 15 elderly people		

7. Viitor Plus Associations <sup>232</sup>		
Social Mission	Social Challenge	Social Enterprise
To promote sustainable development in the areas of production, consumption and management of natural resources on an individual, community and organizational level.	Nearly 200 different species of marine life die from the estimated 46,000 pieces of unrecyclable plastic debris that make their way into the ocean annually. As a result, there is a clear need for integrated sustainable models to secure a clean future.	The social enterprise, Textile Bag, sells environmentally friendly shopping bags made from natural products as an alternative to plastic bags. These bags are made by at-risk youth and adults as part of their rehabilitation and inclusion into the labor market.
<b>Enterprise Impact</b>		
Number of Beneficiaries: 4,000		
Annual Income of the Social Enterprise: US\$ 355,000		
Growth Rate of the Social Enterprise: 48.2%		
Percentage of Income from the Social Enterprise: 30%		

### Conclusions:

Our analyses leads to the conclusion that are many examples of good practice among the social enterprises operating successfully in various sectors of social life. In the

<sup>231</sup> <http://www.nesst.org/?portfolio=hercules-association>

<sup>232</sup> <http://www.nesst.org/?portfolio=viitor-plus-association>

presence of intermediaries that provide access to technical assistance and adequate financial sources, the sector shall develop in a healthy manner and shall provide viable solutions to social problems occurring locally, regionally or even nationally. A better management of the funds that the state grants as subsidies and non-reimbursable financing, a greater control of the money and their targeting for the purpose of generating a long-term impact and a greater accountability from companies when making various donations, represent solutions through which the sector of social enterprises can develop in the future. By addressing the problems of the sector only theoretically and in the absence of concrete measures to encourage the development of social enterprises, the Romanian society shall continue to face many problems that they can solve with responsibility and benefits for all parties involved.

## REFERENCES

1. Barna C., Ionescu C., Mișu S., (2012) *Ghidul managerului de întreprindere socială*, Editura Almarom.
2. Cace, S., Arpinte, D., Scoican, A., N, (2010), *Economia socială în România. Două profiluri regionale*, Editura Expert.
3. Cace, S., (coordonator), Nicolăescu, V., Scoican, A.N. (2010). *Cele mai bune practici în sectorul economiei sociale în Grecia și în alte state ale Uniunii Europene*, Editura Expert.
4. Comunicare a Comisiei către Parlamentul European, Consiliu, Comitetul Economic și Social European și Comitetul Regiunilor, Inițiativă pentru antreprenorialul european, Construirea unui ecosistem pentru promovarea întreprinderilor sociale în cadrul economiei și al inovării sociale, Bruxelles, 25. 10.2011.
5. Constantinescu, S. (2012). *Atlasul economiei sociale*, Editor Fundația pentru Dezvoltarea Societății Civile, [online], <[www.fdsc.ro](http://www.fdsc.ro)> [accesat 25.03.2013].
6. Institutul de Economie Socială, <[www.ies.org.ro](http://www.ies.org.ro)> [accesat 25.03.2013].
7. Revista de Economie Socială, (vol. II, nr. 1,2/2012) editată în parteneriat de către Asociația Alternative Sociale, Universitatea „Alexandru Ioan Cuza” din Iași, Academia de Studii Economice, București și UNDP/Programul Națiunilor Unite pentru Dezvoltare România, în cadrul proiectului „Modelul economiei sociale în România”, Editura Hamangiu
8. NESsT Romania, <[www.nesst.org](http://www.nesst.org)> [accesat 27.03.2013].
9. NESsT Romania Annual Report 2011, <<http://www.nesst.org/wp-content/uploads/2012/08/Annual-Report-NESsT-Romania-2011.pdf>> [accesat 27.03.2013].