

## Chapter 6

# Applying Business Solutions to Social Problems: Social Co-Operative and Its Business Model – Evidence from Poland

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### ABSTRACT

*Although research on social entrepreneurship has been expanding in recent years, the literature regarding business models in the context of social enterprises is still limited. This chapter explores the issues of business models in both profit and nonprofit contexts and discusses how value, being both the foundation and the overall outcome of the business model employed, is created. It begins with the background on the characteristics of social enterprises. This is followed by the conceptualization of business models and their components designed to account for their unique. Then a case to illustrate it is presented. The objective of the chapter is twofold. First, it is to analyse how nonprofit business models are different from its for profit counterparts (at the conceptual level) and to introduce relevant analytical framework. Secondly, the chapter aims at providing a case based on the particular model of a social enterprise in Poland (social co-operative) in order to investigate whatever the business models for profit firms could be applied in the social enterprises.*

### INTRODUCTION

Starting from the 1990s, a process of reorientation of social policy in the direction of activating support recipients might be observed in Europe. The new approach is referred to as active (or activating) social policy (APS) (Rymsza, 2007, p. 178). Such a shift is occurring both at the level of individual countries and in the structures of the European Union (Van Berkel & Hornemann Møller, pp. 15-44). The basic principles of APS comprise: (1) the preference towards the principle of public participation, i.e. the incorporation of beneficiaries of social programmes into active social life, even at the cost of limiting the level of social security; (2) the activation of the recipients of support through dissemination of vari-

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ous forms of supported employment, especially social entrepreneurship; (3) concentrating the support on the unemployed who are able to work (or likely to regain such an ability); (4) the change in the type of delimited goods rather than the reduction of the scale of social transfers: the redistribution of work instead of the redistribution of benefits; (5) going beyond the traditional ideological divisions between supporters and opponents of the welfare state; (6) the cooperation with non-governmental organisations, in particular with nonprofit entities and organisations operating in the social economy sector (Szarfenberg, 2007, p. 412; Vis, van Kersbergen & Hylands, 2011, pp. 346-350; Rymsza, 2013, pp. 125-135). In addition, Europe's reorientation toward supporting programmes aimed at activating beneficiaries has led to the rediscovery of social entrepreneurship, and, together with it, of the achievements of the social economy movement of the late 19<sup>th</sup> and early 20<sup>th</sup> century and the interwar period. Currently, we are witnessing the second wave of interest in the social economy.

In the 1990s, both in the literature and public discourse, two concepts of the emergence of social economy entities appeared. The literature frequently refers to such a mechanism as social entrepreneurship. The entities of social economy, that is social enterprises, are defined as institutions and organisations that primarily wish to pursue a social mission and achieve social objectives (Shaw & Carter, 2007, p. 423). The concepts of social entrepreneurship in Europe were shaped under the influence of an intensive development of the third sector, its professionalization and the development of the so-called new social economy, focused on integration with labour market. In the U.S., the development of these ideas was subject to the influence of economic universities, such as Harvard Business School, and the theory of social change (Nicholls, 2006, p. 3). In the case of the American concept, entities of social economy are shaped by the market, as innovative solutions aiming at sustainable social change. The European concept focuses on a group, the collective process of creating social economy entities, in which an important role is played by democracy, and it is evident in the choice of leadership, management, and the participatory role of each member. An important issue that makes both approaches distinct is the role of a leader, or an initiator of a social enterprise. The American concept assumes utmost importance of an individual, a charismatic leader, the so-called social entrepreneur, who has solid, measurable characteristics and predispositions that increase the probability of success of such an undertaking in the future (Defourny & Nyssens, 2010, pp. 43-48).

The need for social economy and social entrepreneurship arises also from the fact that traditional political and economic solutions are no longer good enough to guarantee a minimal quality of life to a rising number of people. Therefore, social economy appears as an answer to the increasing disproportions between the rich and the poor and a response to the exclusion of large social groups from mainstream social life. Its goal is to create social enterprises, as well as new social entrepreneurship culture, oriented primarily at inclusion of marginalized groups through active participation in it. The specificity of this sector of the economy stems from the fact that it associates economic activities with social objectives (Perrini & Vurro, 2006; Rymsza, 2007; Thompson, Alvy & Lees, 2000). One of the objectives of social entrepreneurship is job creation, which, as well as being a key component of economic growth, is an essential tool for poverty alleviation. Social entrepreneurship can thus address two important aspects of the UN Millennium Development Goals: economic development and poverty alleviation. It also refers to the objectives of the Europe 2020 strategy, which sets out a vision of Europe's social market economy for the 21<sup>st</sup> century and puts forward three mutually reinforcing priorities:

- Smart growth: developing an economy based on knowledge and innovation;
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy;

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