

# Chapter 9

## Management Practices at Work Integration Social Enterprises (WISEs): A Case Study of Croatia

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### ABSTRACT

*This chapter explores management practices at work integration social enterprises (WISEs) in Croatia. WISEs are conceptualized as social mission-oriented organizations whose: 1) (financial) self-sustainability depends on success in conducting continuous commercial activities and 2) social mission is to (better) integrate vulnerable groups into the labor market (e.g., disabled people). The final sample included 23 organizations. The data was collected through in-depth interviews. The interviewees were selected purposively and included one highly ranked executive (director, owner, CEO, etc.) per each organization. The analysis revealed the following fields of management practices as the most significant: generation of business ideas, unique selling points, employee autonomy and decision-making process, division of labor, relationship with the “parent organization,” sources of funding, human resource configuration, staff development activities, and networking.*

### INTRODUCTION

This paper investigates management practices at work integration social enterprises (WISEs) in Croatia. The introductory section presents a brief explanation of the WISE concept and the rationale for the study.

Work integration social enterprises are conceptualized as not-for-profit, social mission-oriented organizations whose social mission is to (better) integrate vulnerable groups into the labor market (e.g.

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long-term unemployed, disabled people, first time job seekers, immigrants) (Nyssens, 2008). An element that significantly differentiates WISEs from traditional social mission-oriented organizations (traditional third sector organizations such as associations) lies in the structure of income streams (Nicholls, 2006). While traditional social mission-oriented organizations financially primarily depend on public subsidies, donations, grants etc. i.e. on the non-commercial income stream, WISEs (like social enterprises of all types) rely or strive towards relying predominantly on the commercial income stream i.e. on money made through continuous trading products in the free market (Nicholls, 2006; Nicholls & Cho, 2006). Furthermore, WISEs can operate in all business industries; their ventures can be accommodated within a wide range of legal forms (e.g. association, cooperative, sole proprietorship, limited liability company, legal forms tailor-made for social enterprises); and profit usually gets completely reinvested into the business/organization (Nicholls, 2006).

At the European soil, the WISE scene emerged in the late 1970s and early 1980s i.e. at the time when the social reality started shifting from the industrial, welfare-state based society to the postindustrial, neo-liberal society (Nyssens, 2008). Namely, the economic crisis itself, an increased automatization of manufacturing process, and new managerial styles made numerous people unemployed. Simultaneously, due to the lack of money and/or the ideological shift, the state(s) started reducing social transfers (direct transfers to people as well as indirect transfers via traditional social mission-oriented organizations) which made their ability to address the (existential) needs of those newly unemployed people and other vulnerable groups increasingly less realistic (Kerlin, 2006; Defourny & Nyssens, 2010). This socio-economic context encouraged traditional not-for-profits in the field of work integration to become more entrepreneurial i.e. to start competing in the free market to be able to: a) make money necessary to keep themselves viable and b) start actual work-integration process for their beneficiaries/members (e.g. to make shift from organizing workshops on how to write a proper CV to providing an actual job) (Kerlin, 2006). Within the Croatian scene, WISEs started their continuous development in the first decade of the 21<sup>st</sup> century (Marković, Baturina, & Babić, 2017). Again, the challenging socio-economic reality consisted of relatively low-wages, high-unemployment rate, numerous social needs unaddressed by the state, and overall modest social transfer policy pushed a part of traditional third sector organizations (associations and cooperatives in the first place) towards commercial activities (Šimleša, Puđak, Majetić, & Bušljeta Tonković, 2015; Marković, Baturina, & Babić, 2017). Nowadays, WISEs were reported to be the most represented type of social enterprises in Europe (Nyssens, 2008) and in the world (Battiliana, 2015).

The rationale for the study emerges from the following insights. Managerial practices represent an actual research subject within the field of commercial entrepreneurship (e.g. Nemlioglu & Mallick, 2017; Håkansson, Holden, Eriksson, & Delleve, 2017; Attig & Cleary, 2016; Odoardi, Montani, Boudrias, & Battistelli, 2015), traditional not-for-profits (e.g. Carvalho & Sampaio, 2017; Hu & Kapucu, 2017) and, although (expectedly) to a lesser extent, among researchers of public sector institutions (e.g. Lee, 2017; Hassan, Wright, & Park, 2016). Within the research field of WISEs, although conceptual papers do emphasize the importance of the subject (e.g. Dees & Anderson, 2003), empirical studies have been rather rare. The subject importance emerges from the following: a) WISEs compete in a challenging social and business environment. They operate with vulnerable population and need to balance between the commercial and not-for-profit logic (Nyssens, 2008), they often operate within unfavorable regulatory/bureaucratic frameworks (e.g. restrictions on the profit distribution and/or on participation of volunteers in state co-funded projects), and have to adapt to “the complex and fragile funding patterns” (e.g. requirements from commercial investors vs. public subsidies regulations), and “‘unfair’ competition from the SME sector” (Spear & Bidet, 2016, pp. 223-225; O’Shaughnessy & O’Hara, 2016; Cooney, 2013); b)

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