

Impact of social entrepreneurship on sustainable regional development

Miroslav Mihaylov

Faculty of Management and Administration, University of National and World Economy, Sofia, Bulgaria

E-mail: m.mihaylov@unwe.bg

Abstract: Throughout its historical development, humanity has always strived to create a sustainable and just economy. In addition to ensure market stability, the core idea of the "social economy" is to build an economic system that respects human dignity, promotes social justice, and contributes to public welfare. All of this remains merely an utopian theory if enterprises do not achieve positive financial results and produce goods and services that are beneficial to society. Social enterprises are an important part of the European economic and social system.

They represent more than 160,000 enterprises across Europe, owned by 123 million individual members, and provide employment to 5.8 million citizens¹. Their impact varies in each European region and depends on the development of the civic economy.

In this study, we will examine the historical development of social enterprises in Europe and Bulgaria. We will attempt to present their influence in two regions, utilizing different quantitative and qualitative indicators. By analyzing some of the challenges facing the civic economy and exploring funding opportunities, we will strive to determine their development prospects.

Keywords: *social enterprises; regional development; civic economy; cooperatives; common good*

Introduction

Social entrepreneurship and social innovation are key concepts in modern society, where growing social issues demand innovative and sustainable solutions. The civic economy, along with models of social entrepreneurship, provides a framework for creating value that is not limited to economic profit but also to public benefit and sustainability. In this context, understanding the historical roots, definitions, and models of the civic economy is of crucial importance.

From a historical perspective, the civic economy developed as an alternative to traditional business models, emphasizing the importance of social needs and public responsibility.

According to Stefano Zamagni², it often arises in response to economic crises and deficits in specific industries. From the early Middle Ages to the first Industrial Revolution, civic economy models were shaped by the influence of both the state and the church.

Although Bulgarian legislation does not use the term "*civic economy*," the concept is known in academic circles as "*civitas economic*."

It appeared in the 15th century as a combination of civic values aimed at creating material wealth. This approach to economics is at the core of economic humanism, central to market stability theories.

¹ Europe Social Enterprise monitor

² La Cooperazione ZAMAGNI Stefano, il Mulino 2008

Adam Smith, in *The Wealth of Nations*, emphasized the importance of reciprocity, solidarity, and civic participation in market stability. Thus, the civic economy is defined as a type of market economy, united by the division of labor, capacity development, and the reinvestment of net profits into processes not directly related to capital turnover.

In Bulgaria, the term "*civic economy*" is not commonly used, with expressions like "*social*" or "*solidarity economy*" preferred instead. The Law on Social and Solidarity Economy (LSSIE) defines it as entrepreneurship focused on social activities and goals, carried out by enterprises in cooperation with public institutions.

In French legislation, the social and solidarity economy is defined by the 2014 law, which outlines entities with such characteristics as having the goal of increasing social utility, using democratic methods, and reinvesting at least 50% of gross profits into the company's activities. They are also required to adhere to market principles and legal frameworks.

In practice, the main models of the civic economy can be classified based on their legal organizational forms. Non-governmental organizations, cooperatives, foundations, and insurance companies are just a few examples.

In Bulgaria, NGO sector's representatives create social enterprises, while cooperatives and foundations offer sustainable models for addressing social problems.

In this context, the examination of the civic economy and social entrepreneurship becomes essential for understanding and fostering innovations aimed at improving society and addressing social challenges.

1. History of Social Enterprises in Europe and Bulgaria

1.1 The Development of Social Entrepreneurship in Europe

In antiquity, on the territory of Southern Europe, primitive forms of partnership were observed, based on the principle of solidarity aimed at the optimal production of food. In Ancient Thrace, the tribes inhabiting the Balkan Peninsula raised livestock together, caring for them in a reciprocal manner. Small communities shared goods based on principles established by the hierarchical structures of the time. The organization of fishing in ancient Greek cities has remained almost unchanged to this day. Fishermen followed an established rotational system for going out to sea and shared the costs of guarding the harbors, cleaning riverbeds and sea floors, and feeding the fish during specific periods of the year. The Romans are well-known for their complex societal structure. In the organization of the Roman Empire, the principle of provincial division was established, where the local population was not viewed as slaves but as worthy participants in Roman society. Imperial envoys were tasked with creating special laws based on local culture. Additionally, they borrowed technologies from the provinces to preserve public health, hygiene, economic organization, and entertainment.

For 1,500 years, Benedictine monasteries have contributed to the sustainable development of European regions. In large abbeys, monks lived by the rule "Ora et Labora," which combined spiritual practices with daily duties.

For the first time, there was a clear division of responsibilities, missions, and goals aimed at creating a perfect organization. Each monk entered the monastery with a contribution (land, skins, gold, etc.) which the brotherhood used for the community's needs. Striving for complete autonomy, they produced everything—from building materials to medicine and shoes. By studying agriculture and crafts, the monks laid the foundation of European culture as we know it today. Champagne, beer, medicines, football, and woodworking are just a few examples of what the Benedictine clergy have given Europe over the centuries. Italian economist Massimo Follard studied the organization of these monasteries not so much from a spiritual perspective but as the origin of enterprises as we know them today.

After the French Revolution, society turned its attention to social utopianism.

For the first time, monarchy and the authority of local feudal political and spiritual leaders were rejected.

Liberty, equality, and fraternity became the foundation of the new French Republic. These ideas quickly spread across Europe and influenced philosophical thinking. The creation of the market economy, based on mercantilism, was rejected, and the democratic model was accepted as the only one guaranteeing citizens' rights in society.

During this period, the first industrial revolution began in England with the advent of the steam engine, leading to fundamental changes in the labor market. Factory workers were the majority, yet there was no model for social security or labor evaluation.

These events motivated the German philosopher Friedrich Engels to dedicate his life to the proletariat, building the theory of communism.

In addition to large factories, this period saw a boom in workers' cooperatives, based on the principles of mutual aid and respect, seeking alternatives to industrial capitalism. "Cooperatives cannot solve the workers' problem alone. It must be the subject of State policy," said Karl Marx in his work *Capital*. This pushed most Western countries – Germany, England, France, and Italy – to start developing the first systems of social and health insurance for workers. These systems were managed by unions and workers' organizations and later became the state's responsibility, between the First and Second World Wars. Pope Leo XIII published the encyclical *Rerum Novarum* in 1890, in which the Church for the first time offered its viewpoint on the organization of the state, workers' rights, and social assistance policies. Immediately after the publication of this document, the structuring of the World Cooperative Movement began, along with the founding of the Red Cross and many other international institutions for the development of social policy. Following the establishment of the European Union, the policy of social equality and protected employment remained at the core of most unified European documents.

In 2011, the Council of Europe declared social enterprises as "key participants in social innovation." They provide opportunities for job creation as well as mechanisms for social integration.

1.2. The History of Social Enterprises in Bulgaria

The right to private property in Bulgaria was guaranteed immediately after the adoption of the first constitution in 1879.

Before that, agricultural producers cultivated land by paying taxes according to the size of their farms. Most of the produced goods – wine, corn, and sunflower, required the cooperation of relatives, neighbors, and fellow villagers to harvest in time. This cooperative practice continued almost until the end of the 20th century.

One interesting case is the organization of sheep farming in Central Northern Bulgaria. Historical records from Catholic missionaries mention the existence of "kosharas" (communal sheep farms) as early as the 15th century. This practice continues to this day, though it has no legal identity. The sheep owners (cooperators) established the farm by contributing capital (in the form of sheep) and voluntarily participating in building structures and temporary facilities. Once a year, they held a general shareholders' meeting to discuss the development plan of the farm. Each co-owner received dividends in the form of milk, according to the number of animals they contributed. Likewise, they collectively cared for the workers (called "apprentices"), providing them with food, medicine, and heating supplies. At the end of autumn, each co-operator took their sheep back, and the farm closed until the following spring.

This method of work allowed the partners to obtain enough milk to produce cheese. The cooperative movement in Bulgaria flourished most after the Liberation.

The first Bulgarian cooperative was established on October 26, 1890, in the village of Mirkovo, Sofia Province—Mirkovo Loan, Savings, and Agricultural Society "Oralo."

Inspired by the cooperative idea, the initiators of the first cooperative in Bulgaria were Todor Vlaikov and Todor Yonchev, who became the founders of the cooperative movement in the country, making Mirkovo the "Bulgarian Rochdale".

In recognition, the Central Cooperative Union (CCU) erected a bronze relief sculpture featuring the likenesses of Todor Vlaikov and Todor Yonchev, embedded in a special artistic ensemble in front of the CCU building.

In 1895, the first consumer cooperative in Shumen – Officers' Economic Society "Opit" – and the first labor production cooperative in Gabrovo – Workers' Tailoring Society "Napredak" – were founded.

A significant role in the development of cooperative organizations was played by the adoption of the first cooperative law in Bulgaria - *The Law on Cooperative Associations* in 1907, which provided a strong legal stimulus for the expansion of initiatives to establish many and varied types of cooperatives.

2. Social Innovations as the Foundation of Social Enterprises

According to the great economist Joseph Schumpeter, society can only cope with crises through the application of innovative solutions. These represent an economic phenomenon, meaning a widespread solution that brings revenue or benefits to society on a large scale.

Capitalism requires transformation, with the aim of aligning all economic processes to be people-centered.

Social capital in enterprises is of primary importance. In addition to material assets, it determines the capacity, significance, and opportunities for enterprises to participate in market processes. Although the concept is not new and was mentioned by Durkheim as early as the beginning of the 20th century, today it holds significant meaning for both internal and external processes within organizations.

Social capital is directly linked to innovations in human resource management systems. Among institutions representing the civic economy, there is a strong reliance on democratic forms of governance. Employees participate in important decision-making processes. This in no way negates the hierarchy within the organization or the principle of subordination – on the contrary.

Democratic decision-making in these types of companies involves consultative meetings with employees, while responsibility still lies with those who execute the decisions.

The social responsibility of enterprises that share the values of the civic economy is tied to the impact of businesses on the environment, encompassing all levels of the ecosystem. Reducing harmful emissions and the environmental footprint of activities is crucial for the population as a whole.

This is why social innovations are an essential part of transforming specific public policies. Without them, process improvements and the creation of new solutions would be impossible. But what exactly are social innovations, and what role do they play in building the civic economy?

Canadian scholar Julie Cloutier defines the concept of social innovation as a "new response" to a social situation that is considered unsatisfactory, with potential manifestations across all sectors of society. Social innovation is the reason people form collectives and determine actions for long-lasting change. It is closely linked to entrepreneurial decisions and always has a territorial context—i.e., it affects not only the internal business environment but also the place where it operates. This abstract definition shows that social innovations take various forms and encompass different processes, products, and technologies. They result from the interaction of different parts of the business, combined with external factors such as the level of technological development, culture, education, and security, among others.

With the adoption of the Law on Social and Solidarity Economy, the legislature attempted to define the term "social enterprise." Unfortunately, the law only specifies criteria that distinguish this type of enterprise from traditional commercial companies, but it does not provide a complete definition of the term. Based on the criteria outlined in the law, we can say that social enterprises are a specific type of business organization carried out by a nonprofit organization with a social mission. This activity is conducted in support of the organization's mission and goals while also contributing to financial and non-financial support. A social enterprise sustains itself entirely through its market-based activities, operates for the benefit of its employees by providing them with employment, or supports other vulnerable groups.

Regardless of the organizational form – whether a commercial company or an NGO – since NGOs focus on the needs of vulnerable groups, social enterprises offer them the opportunity to generate revenue from commercial activities. They engage their target group in seeking new and sustainable resources to carry out socially beneficial activities (such as improving the quality of life for vulnerable groups, social missions, etc.), serving as an alternative to project work, volunteering, and donations.

3. The Impact of Social Enterprises in Northern Italy

Northern Italy has undoubtedly been an example of the role of social enterprises in sustainable development for centuries.

Today, they provide almost one-third of the jobs in the region and are active in nearly every sector of the economy.

For a long time, the region has been undergoing a process aimed at rethinking the concept of development, which emphasizes the important role of the social dimension by developing integrated tools to promote the social economy in the region. The study *"Another Welfare: Generative Attempts"*, conducted in 2011 by the

Department of Social Policies of the region, ERVET, and AICCON, examined the value generated by the social economy.

The social economy represents one of the sectors with the highest added value in the region, playing and continuing to play a decisive role in reducing social inequality and driving territorial development. Organizations within the social economy are a distinguishing feature of the region: the presence and activities of social enterprises, social cooperatives, associations, and volunteer organizations help to create and strengthen the social and economic structure of the region. The fact that they invest their profits in social causes provides stability to the enterprises on one hand, and on the other, it serves as a genuine tool for fighting poverty.

In the 1990s, the model *"Economy of Communion"* (EdC) was created in the city of Trento by Chiara Lubich. It is based on principles of sharing, solidarity, and fraternity, with the goal of creating an economy focused on the individual and directed toward the common good. Chiara Lubich developed the idea of the Economy of Communion in 1991 as a response to growing inequality and selfishness within the economic system.

The inspiration for this model comes from Christian spirituality and the Gospel ideals of sharing resources. The main principles of EdC include:

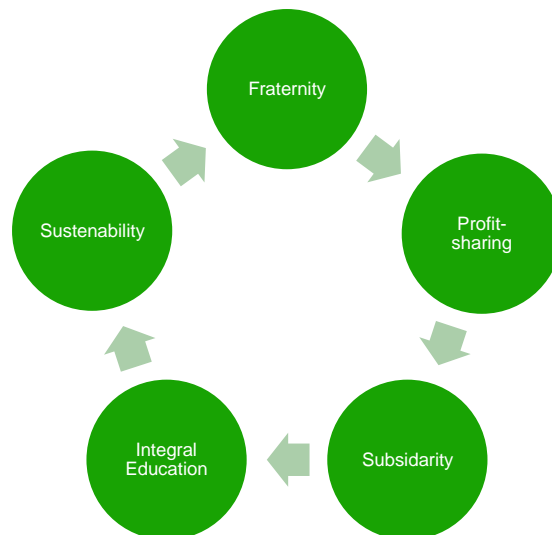


Figure 1: Principles of EdC

1. **Fraternity:** EdC encourages the creation of economic communities based on fraternity, where people view each other as brothers and sisters.
2. **Profit-sharing:** EdC enterprises are encouraged to divide their profits into three parts: one part for the development of the business, one part for supporting local solidarity projects, and one part for establishing a shared fund to support other businesses in difficulty.
3. **Subsidiarity:** EdC promotes subsidiarity, meaning decision-making is done at the level closest to those affected. Local communities are encouraged to take initiatives and develop projects that meet the needs of their region.
4. **Sustainability:** Environmental awareness is a key element of the *Economia di Comunione*. Enterprises are encouraged to adopt sustainable practices and be mindful of the ecological impact of their activities.
5. **Integral Education:** EdC aims to promote the integral education of the people involved, incorporating ethical and cultural aspects alongside technical and economic considerations.

The enterprises that participate in the Economy of Communion operate in various sectors but share the same values and principles. They are committed to placing the individual at the center and creating a work environment that promotes the dignity and well-being of all members of the community.

Today, the Economy of Communion model has expanded worldwide, even including two Bulgarian companies that share the vision of a fairer economy focused on the common good.

4. The Role of Social Enterprises in Bulgaria

Despite Bulgaria's historical traditions of the social economy, it currently has little significant influence on the formation of public welfare.

There are municipalities where almost no non-governmental organizations (NGOs) exist, and their impact on solving social problems is still negligible. At the same time, cooperatives remain the primary form of organization for enterprises in the agricultural sector.

While we could examine the importance of social enterprises in various Bulgarian regions, their influence is most noticeable in the capital, particularly in integrating marginalized groups into the labor market. To illustrate their importance in shaping civil society, we will look at three successful models of social enterprise development.

4.1. The "World of Maria" Foundation

"World of Maria" is a foundation established in the public interest in February 2012 in Sofia by the family of Maria, a young woman with intellectual disabilities.

The foundation believes that every person is a valuable resource for the community and deserves the chance to develop their potential and live with hope for the future. People with disabilities should be free and equal to others—free to make their own choices and equal in having the opportunities to realize them.

According to official data, there are 46,000 people with intellectual disabilities in Bulgaria, 8,000 of whom live in Sofia. Unfortunately, these individuals are often "invisible" to Bulgarian society. People with intellectual disabilities are sometimes referred to as individuals with "mental impairments" or "learning difficulties". These terms describe permanent conditions characterized by significantly lower-than-average intellectual abilities, leading to limitations in intellectual functioning. The mission of the "World of Maria" foundation is to improve the quality of life for people with intellectual disabilities and their families and to support their personal development by providing access to quality services, educational opportunities, and suitable employment.

Goals:

- Protection of human rights and assistance to people with intellectual disabilities and their families.
- Overcoming discrimination and social isolation of people with intellectual disabilities.
- Supporting their social integration and personal development by providing access to quality services, educational opportunities, and appropriate employment.

In 2016, the organization established its social enterprise, offering catering services to various representatives of the cooperative sector.

They provide food and beverage services at organized events, along with coffee breaks and dry food delivery to offices in Sofia.

The foundation also offers cleaning services, providing employment opportunities for people with disabilities.

4.2. "Tuk-Tam" Association

"Tuk-Tam" is a non-profit organization that has existed for over 15 years.

The idea came from a group of Bulgarian students who studied abroad and encountered difficulties finding suitable employment in Bulgaria. The mission of "Tuk-Tam" is to connect young people, both current and future students, with successful corporations. The organization hosts annual career forums, offers training courses, and provides mediation services for job seekers.

The organization's partnerships with representatives of the IT sector have enabled it to help young Bulgarians find the most suitable job positions. In 2011, the organization created the "Go, Learn, and Return" fund, which provides scholarships to Bulgarian students for studying abroad. By signing a funding contract, the young people commit to returning and working in Bulgaria for at least five years.

If they fail to do so, they are required to repay the one-time scholarship of 10,000 euros.

4.3. Candle and Soap Workshop – Caritas, Bulgaria

The Caritas workshop is a social enterprise established by the "Charitable Catholic Organization Caritas Vitania" Foundation in October 2018. The realization of the enterprise was made possible through the "Human Resource Development" Operational Program, co-financed by the European Union through the European Social Fund. Caritas Vitania implemented project BG05M9OP001-2.010-0243-C01 under the "Development of Social Entrepreneurship" procedure. The project's value was 199,863.33 BGN, of which 100% was a non-refundable financial grant, and the project's implementation lasted 18 months.

During this 18-month period, the organization succeeded in purchasing the necessary equipment, furnishings, materials, and tools for producing its products. Twelve people in difficult life situations were employed, along with additional support staff, a management team, a psychologist, and a social worker.

The organization went through many challenges during and after these 18 months. There were difficult, tense, joyful moments, and fears about whether the enterprise would survive after the project's completion. All of this helped the organization grow and feel more confident and hopeful.

Thanks to the support of various donors in 2020, the enterprise continued to grow. During a particularly difficult time for the entire country—the declaration of a state of emergency in March 2020—the organization had to temporarily halt production. However, they used this time to move into a brand-new building, provided free of charge by the parish of "St. Michael the Archangel" in the town of Rakovski.

Shortly after, in May 2020, they started implementing a new project under the "Human Resource Development" Operational Program. Project BG05M9OP001-2.031-0003-C01 aimed to expand activities, reorganize the work process, and create both a physical and an online store for the workshop.

Today, the organization has a new workshop, a small shop, and an online store. It is steadily moving forward, thanks to the people who believe in them and support them in various ways. The organization also runs a day center for people with mental disabilities, where 15 individuals from the municipality meet daily, participating in creative workshops, art therapy, music, and dance.

Interest in the social economy in Bulgaria has significantly increased in recent years. On the one hand, there is a growing entrepreneurial spirit and desire to create such enterprises, and on the other hand, there is an increased state support mechanism for helping social enterprises.

In February 2023, the government of Acad. Nikolai Denkov developed the "Social Economy Development" project. The main goal of the project is to promote a regional approach to the policy on social and solidarity economy and to create focal points aimed at modernizing social and solidarity economy enterprises. The project proposal aligns with the European Commission's proposal to create European Digital Innovation Hubs to support the digitalization of enterprises. The support will focus on transforming social and solidarity economy enterprises in the context of the dual (green and digital) transition. The project plans to examine at least 200 social enterprises for potential digitalization of their work processes and support the implementation of the recommendations in at least 100 of them, along with conducting training for their employees on the introduced digital solutions.

5. Conclusion

The development of civil society provides opportunities for the creation of social innovations, which are crucial for building new economic models. In this thesis, we aimed to highlight the significant economic and social role of cooperative enterprises in Europe. Comparative analyses from the time of the 2007 economic crisis show that cooperatives proved to be more resilient than other types of businesses. Through this study, we sought to emphasize the connection between the economy of the common good and enterprises from the social and solidarity economy, as both approaches share common goals of promoting collective well-being and sustainable development.

Enterprises from the social and solidarity economy are key participants in the economy of the common good, dedicated to creating value for the whole of society. It is important to note the involvement of these enterprises in sustainable economic practices, as well as in governance, where the participation of stakeholders is emphasized.

Throughout history, humankind has defined the ideas of the economy of the common good in the contemporary world, where we are now experiencing the fifth industrial revolution. The principles of the economy of the common good, examined through the *Economy of the Common Good Matrix*, may seem general and clichéd, but when combined with the social and solidarity economy, they represent an integrated approach to creating prosperity and value for society.

Social innovations offer the potential to create economic alternatives. Along the path of societal development, social enterprises provide opportunities for the integration of vulnerable groups and for investment in the fight against inequality. The civic economy in Europe, and particularly in Bulgaria, is developing rapidly, stimulated by both the government and private foundations. This leads to an increase in its share in society. At present, the civic economy is far from being an alternative to classical entrepreneurship models, nor should it be perceived as such. Rather, it serves as a complement to already established business structures, occupying a small market niche where human dignity and needs are at the heart of every decision.

References

1. Zamagni S « La Cooperazione » Il Mulino, 2008 p.12
2. Georgieva Rumiana - Agriculture and Food Trade in Ancient Thrace, Serdicae p.9
3. Guerini Massimo - Organizzazione perfetta – FOLARD, 2016
4. Tabaro Carmine - Dalla societa del rischio all'economia civile – p. 17
5. Narlev Ulian - Социалните предприятия съвременост и традиции – Бизнес посоки стр. 61
6. Cloutier Julie - Qu'est-ce que l'innovation sociale? – Crises 2003
7. Lubich Chiara – l'Economia di comunione – storia e profezia – Citta nuova 2008