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Hungarian Social Enterprises and their possible customers, duties and challenges

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Abstract

The concept of social entrepreneurship means many quite different things to researchers. A uniform, widely accepted definition does not exist despite of the fact that many domestic and international researches have dealt with the exploration of the area. The sector is undergoing a major transformation today in Hungary. In the recent years the role of community/state/European sources was noticeably diminished, while the entrepreneurial income started to increase.

In our study, first we are describing the actual positions of the social enterprises among traditional enterprises and then we are summarizing their challenges and tasks in the growing (and often global) competition by the results of a questionnaire addressing the potential customers of their products and services.

Keywords: social entrepreneurship, questionnaire, sectorial research, consumers, consumer behavior, market positions

Introduction

Social enterprise as a concept can be considered relatively new in domestic and foreign literature, even though its content has been a known phenomenon for decades. In many cases - quite rightly - different concepts, social economy actors, NGOs, third sector and non-profit organizations, social cooperatives are included in these definitions.

Uniform, widely accepted definition does not exist, despite the fact that different factors (eg. legislative requirements) would require a more concrete one. It can be said that the recent domestic research in the area contributes to the clarification of the term (Frey M. 2007. G. Fekete et al. 2017, Varga É. 2014)

Beyond the analysis of secondary sources (mainly statistical data provided by the Central Statistical Office) it can be an exciting research question how organizations think about their goals of their foundations, their framework of operation and their future opportunities.

As researchers of the Faculty of Economics at the University of Miskolc we conducted a basic research in 2017, during which we collected the main characteristics of the sector.

Based on the focus group interviews and the results of questionnaire survey, new research hypothesis were formulated targeting the opinion of natural persons on the social embeddedness of the sector and the awareness of their activities.

In our study we will first outline the results of the questionnaire survey that we have analyzed, and then we draw conclusions on what tasks social enterprises have regarding their products/services, prices, place and promotion.

Social Enterprises in international and Hungarian literature

The predecessors of social enterprises have been presented in some form of the majority of civilizations for thousands of years. The recently known model of their operation was first introduced in England than in every developed countries of Europe and finally in the less developed regions of the eastern and southern Europe, parallel to the development of societies during the industrial revolution. Their operation is aimed to solve social problems and tasks. In Hungary - thanks to the fracture caused by the period of socialism - their significance has fallen below the level similarly developed countries.

Social enterprise as a concept today is not well defined in the literature, even though it was first published in the 60's and 70's in the international sources.

There is a relatively widely used concept described by NEST EUROPE Nonprofit Ltd. in Hungary: a social enterprise is 'a deliberately planned entrepreneurial activity that has created to solve social problems on an innovative way. Social enterprises can be non-profit organizations that use relevant business models to achieve their missions and can be for-profit organizations that have significant social impact in addition to their business goals' (Tóth L. 2011).

In international literature there are three basic groups of the perception of the concept. The first highlights that they are a non-profit organization following business principles, the second describes that they seek to obtain income from different sources the third focuses on their positive social (positive) effects (Szűcsné M. K. - Sasvári P. 2015).

In the Social Business Initiative of the European Commission, social enterprises serve the interests of the community (social, social, environmental) and they don't focus on profit maximization. Thanks to their products or services and their production or organization methods, social enterprises are often innovative. They often give jobs to the most excluded members of society. They contribute to social cohesion, employment and the reduction of inequalities' (Simons R. 2000).

In the United Kingdom may be thanked to different state model, social enterprises are organization that derive most of their revenues from the sale of goods or the provision of services, unlike nonprofit organizations whose donations are essential.

With this brief overview, it is also clear that the concept is not fully described, although there are common points, overlaps but there are still be many differences in interpretation, and conflicts between the main groups.

The economic significance of social enterprises depends on their economic and social embeddedness, as their exact status is not necessarily clarified. In many cases only very rough estimates describe their effects on the economy (value added, employment, etc.). The European Parliament' publication on "Social Economy" the sector's contribution to GDP for Spain and France is about 10%, while for example in Italy or in the United Kingdom, data is only available on organizations and their employees.

Research background

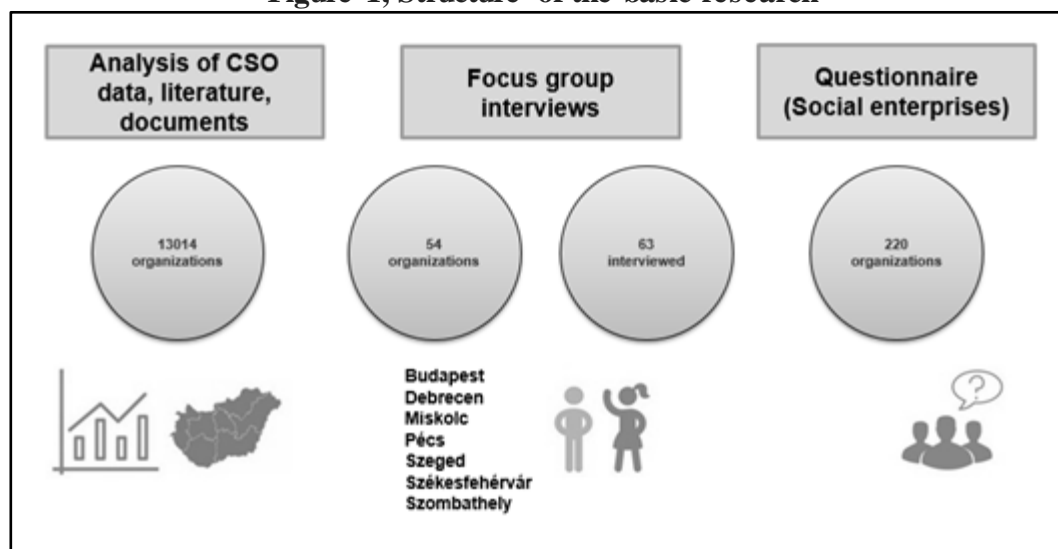
In our country, according to the most recent figures of the Central Statistical Office, 62,152 non-profit organizations

operated with an average revenue of 24,824 HUF. These two figures indicate that probably very few non-profit organizations can start real and sustainable entrepreneurship. Their significance, however, can't be neglected, as it can be considered as a value that, in the majority of the cases, they were founded without any pressure

for a "good" purpose, without any kind of external aid.

Researchers of the Faculty of Economics at the University of Miskolc made a basic research on the operation of Hungarian social enterprises in 2017 (Figure 1) (G. Fekete et al. 2017).

Figure 1, Structure of the basic research



Source: G. Fekete et al. 2017

Compared to the preliminary assumptions, less than half (49%) of the revenues of social enterprises came from some central (EU, state, or municipal) sources, while 51% is considered to be some kind of own revenue. Most organizations are active in the field of leisure and hobbies, sport, culture, education, social care and urban development, which is somewhat different from rank (social services, employment and training, environment, education, community development and culture) experienced on EU level,

It seems that in our country, the social enterprises are usually in the areas under financed or managed by the state. Most non-profit organizations are associations, cooperatives, non-profit corporations or foundations. The profit is fully re-

invested by 52%, another 6% report at least 50% and the rest 0 to 50%, despite the fact that most of the organizational forms (in theory) would not make it this possible. During the interviews, the questionnaire and the focus group interviews respondents demonstrated almost unexpected honesty.

Our preliminary ideas on the employment characteristics of social enterprises have been partially confirmed but in some cases refuted by the research results. As we have guessed, partly because of the lower available income and higher social sensitivity, ladies are more likely to be employed in the sector. Young people and middle-aged people are the most active, which isn't necessarily logical - and it does not follow the Western European practice. In Hungary,

employment is also characterized by full-time employment. In most cases, this also means self-employment. Another advantage of the sector is that it employs a wide range of disadvantaged workers who can be located elsewhere with difficulties in the labor market.

Methods

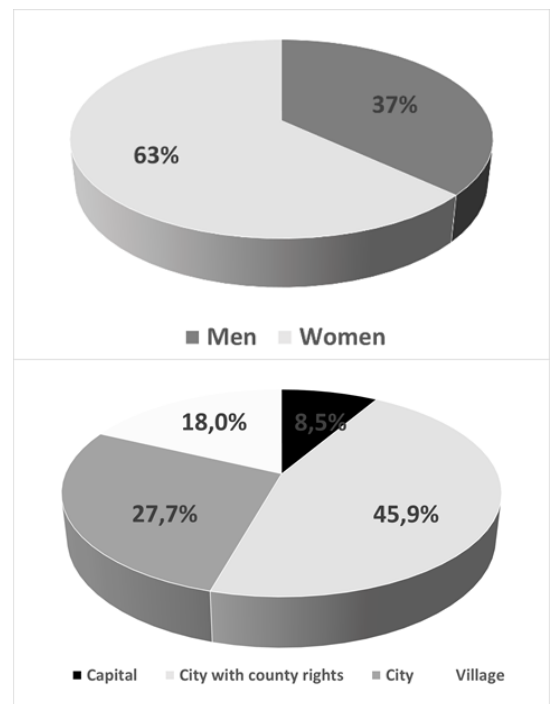
During the focus group interviews and the thanks to the results of the questionnaire survey, further research questions were formulated about which requested a new questionnaire. During the focus group interviews, several participants indicated that the social embeddedness of the organizations is not enough deep, they face significant problems with their popularity, their activity is not known enough by individuals. We also assumed that the demographic characteristics of the people could significantly influence the image of social enterprises, their visibility, acceptance, and support.

The on-line self-fulfilling questionnaire focused on the respondents' social entrepreneurship awareness, potential target groups, reasons for their establishment, questions about willingness/habits to buy their products/services, willingness to support them, and demographics. We used the database of the University of Miskolc ca. 15,000 individuals, and an ad on the University's Facebook page. 523 persons replied (2.7% response rate, which corresponds to the similar questionnaires known in the literature). 401 questionnaire 100% completed in all respects and could be evaluated correctly.

Results

The sex ratio of respondents is similar with the sex ratio of the employed. The ladies seem to be over-represented not only in the case of employment of the sector but also in the sector-related response (Figure 2).

Figure 2, Respondents by gender and place of residence

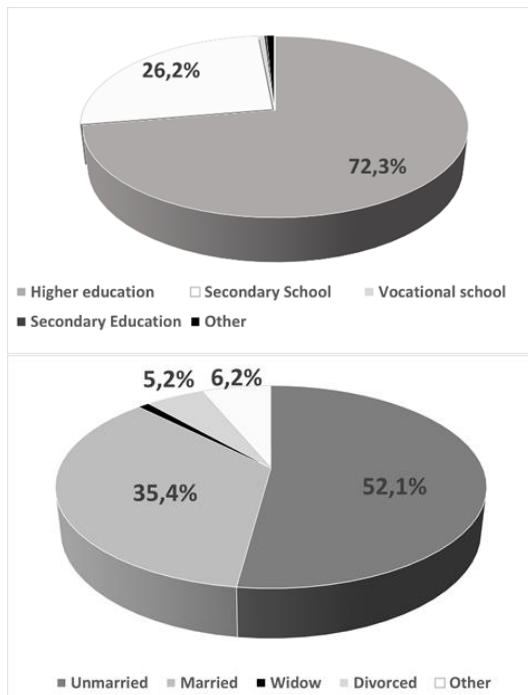


Source: own compilation

Respondents of the capital were somewhat underrepresented while the proportion of people living in cities and towns was similar to the national values in the sample.

Compared to the population, the proportion of university graduates is higher while a small number of respondents with vocational or primary education answered due to the special topic of questionnaire (Figure 3).

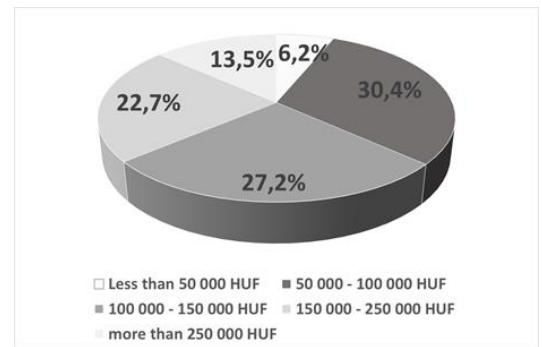
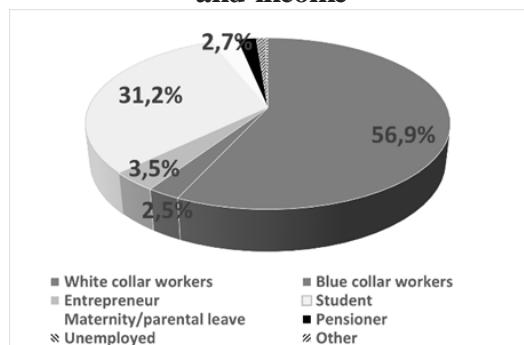
Figure 3, Respondents by qualification and marital status



Source: own compilation

56.9% of respondents were intellectuals, 31.2% of them were students, a small number of physical workers, entrepreneurs were included in the sample. In terms of income, relatively low or high incomes are relatively few, most of them belong to middle income classes (Figure 4).

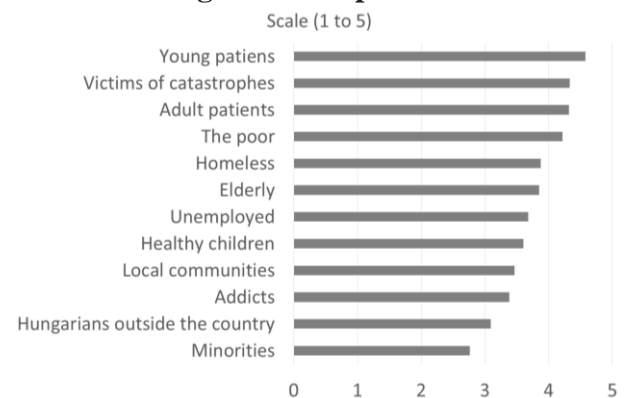
Figure 4, Respondents by occupation and income



Source: own compilation

Individuals could classify on a scale of 5 the considered the target group of social enterprises. Victims of children, disaster victims and adult patients were given a high score, while values below average were received by national minorities, Hungarians beyond the borders or the victims of addictions. Based on the answers, respondents seem to find groups more sympathetic who are in bad situation other than their own fault (Figure 5).

Figure 5, Important target groups of Hungarian social enterprises according to the respondents



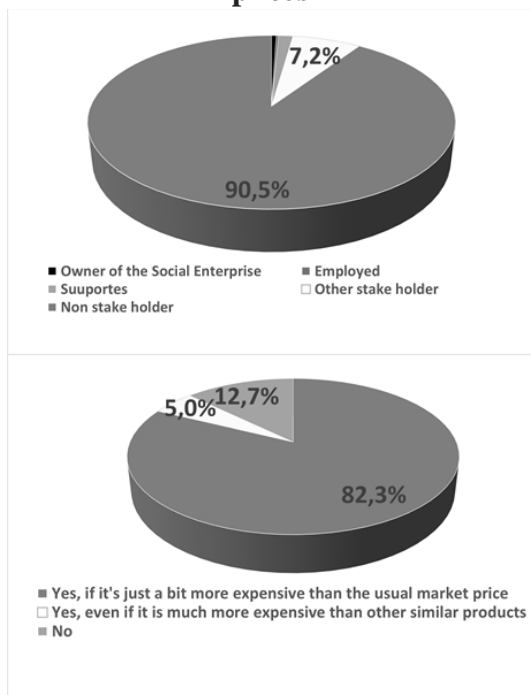
Source: own compilation

Most private individuals do not consider themselves involved in the functioning of social enterprises (even though most people are likely to buy products/services from social enterprises – maybe without

knowing that). Only 7.2% think of themselves as being otherwise concerned.

It is encouraging that only a relatively few (12.7%) would only buy products/services at current market prices from social enterprises, while 82.3% would bear slightly higher prices, and 5% tolerate significantly higher prices if they knew that they were produced by organizations which also serve social purposes during their activities (Figure 6).

Figure 6, Respondents' personal concern and their willingness to buy products/services on different level of prices

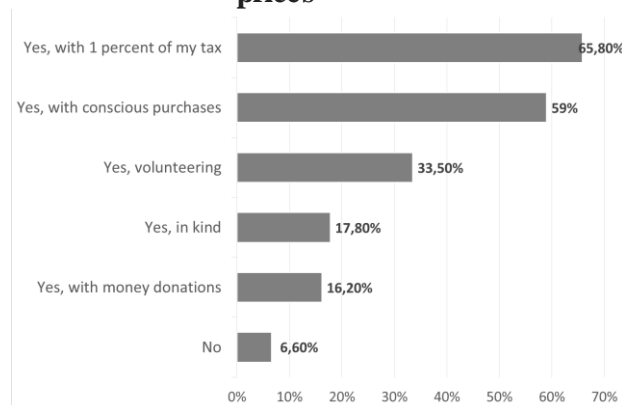


Source: own compilation

The sector does not have the usual level of development in Western Europe. Typically, the citizens of our country are willing to support social enterprises without real money spending. Relatively many 65.8% would offer 1% of their income tax, 59% would buy products/services from social enterprises, only 33.5% would be volunteer, 17.8%

would give some kind of donations, and only 16.2% would pay cash to the organizations. Fortunately only 6.5% of the respondents were totally refusing (Figure 7).

Figure 7, Respondents' personal concern and their willingness to buy products/services on different level of prices



Source: own compilation

The tasks of the social enterprises based on the results of the questionnaire

Based on the results of the questionnaire survey, the tasks facing the social enterprises were structured based on the well-known 4P model of marketing literature.

The quality of the products/services of the organizations need to be the same as those of competing profit-oriented businesses, or have to close to them. Higher added value (eg, the employment of disadvantaged people) can be highlighted by emphasizing the eco, bio, unique, hand-craft nature of the product/service.

In the case of price, it is advisable to make research on buyers' price sensitivity. In relation to a particular product service, it is necessary to strive the market price from above. Beyond the value of its use,

it is advisable to justify the higher price by emphasizing social benefits.

With regard to the place of sales, target group specific sales should be sought, using free or low-cost sales channels (local market, Internet-based free or cost-effective advertising, sales opportunities, etc.).

The members of the sector are typically lacking in resources, therefore it needs to increase awareness, value creation, quality of products/services (preferably electronic) on free or low-cost channels according to target groups (website, Facebook, Instagram, newsletter). We also consider the 'emotional' kind of popularization is gently permissible.

Conclusion

Based on the international and domestic literature, it can be stated that, despite the wide range of literature of the recent years, there is still no single definition of social enterprises. However, the different variations are closing. In Hungary the concept of NEST EUROPE Nonprofit Ltd. is currently considered to be the most accepted and used version. In the medium term, it may be expedient to define it at the legislative level (as in Italy).

In addition to the official insignificance statistics of the sector an extremely colorful world can be observed through the questioning of social enterprises, whose social benefits far outweigh income, traffic or employment data.

In our investigations, we concluded that the embeddedness of social enterprises is significantly lagging behind compared to other European countries. To find out more about their situation, a questionnaire exploring the opinions of

individuals was indispensable. Through this analysis, we were able to formulate suggestions to the social enterprises.

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