

We are IntechOpen, the world's leading publisher of Open Access books Built by scientists, for scientists

4,800

Open access books available

122,000

International authors and editors

135M

Downloads

Our authors are among the

154

Countries delivered to

TOP 1%

most cited scientists

12.2%

Contributors from top 500 universities



WEB OF SCIENCE™

Selection of our books indexed in the Book Citation Index
in Web of Science™ Core Collection (BKCI)

Interested in publishing with us?
Contact book.department@intechopen.com

Numbers displayed above are based on latest data collected.
For more information visit www.intechopen.com



Dynamic Capabilities for the Development of Romanian Social Enterprises (RSE): Support and Synergies with the New Legislation System

Gabriela Prelipcean, Anamaria Bucaciuc and
Mircea Boscoianu

Additional information is available at the end of the chapter

<http://dx.doi.org/10.5772/62419>

Abstract

Romanian social enterprise sector had a typical development in the Eastern European countries, emerging from state's role to withdraw from solving social problems, caused by the fall of communism, in comparison to the case of Western European countries where social enterprises emerged from active effort of the state to promote social enterprises as a solution to its massive economic problems. We are trying to understand the way social enterprises developed and which is their current status in Eastern Europe in comparison with the Western Europe, to further explore the sector's evolvement in Romania. We have analyzed an important turning point for Romanian social enterprises, represented by the entrance into force of the Law on Social Economy. Largely, this chapter wishes to explore the potential social enterprises can have in the Romanian economic, political, and social environment newly regulated by the Social Economy Law. In order to achieve this, a series of case studies has been carried on with Romanian social enterprises. Attention has also been paid to the way theory of dynamic capabilities can be applied in the case of social enterprises and to policy recommendations, which would facilitate the transformation of potential to visible impact.

Keywords: Romanian social enterprise (RSE), enterprise dynamic potential, legislation system, social economy, dynamic capabilities

1. Introduction

The idea of social enterprises is characterized by conceptual ambiguity. One reason for this confusion is the large variety of points of view from which social enterprises are discussed, and the poor communication between factors forming these points of view. Included here are the civil society organizations, which are a major creator of social enterprises, but also the business sector which shyly transforms traditional for-profit enterprises into social enterprises. In addition to these, there are also policy creators and researchers who try to understand the importance of social enterprises into today's society and economy, and wish to develop the sector. More than that, even though different researchers have tackled the possible capabilities of social enterprises [1–5], an applied research has not been developed. Another reason is the lack of a coherent and effective legislation regarding the development and functioning of social enterprises, not only in Romania, but also at the international level.

Social enterprises have become, over the last years, the subject of multiple researches, most of these trying to conceptualize and describe the principles under which they should function. Two perspectives have emerged from this, one stating that social enterprises are a hybrid between nonprofit organizations and businesses [6,7] and the other sustaining the provision of state services by social enterprises [8,9].

Meanwhile, the role played by social enterprises in the development of public policies at the European level has increased, with the adoption of Europe 2020 strategy in June 2010 [10]. In Romania, the concept of social enterprise has been automatically imported with the accession within the European Union (EU) in 2007 and the allocation of European nonreimbursable funds for the development of social enterprises. However, a legislation for the field of social enterprises has been adopted in Romania only in August 2015, and its efficiency is still debated.

This increase of interest in the field of social enterprises may be explained by the potential these can have on different aspects. Because they are considered to be a hybrid between nonprofit organizations and for-profit enterprises and at the same time are positioned closely to the public administration, academics stated that social enterprises have the potential to:

- Transform the welfare system by connecting problems faced by the community with available adequate solutions [1], address services to vulnerable persons, which are not recognized by public policies, and innovate in the field of their provided services [2];
- Increase employment, through Work Integration Social Enterprises (WISE) [2];
- Help the social cohesion and creation of social capital, through their continuous connection and work with the groups of vulnerable persons [2];
- Become a local development tool, by mobilizing resources of small communities and sharing their clear perspective on the way these communities create and follow their development agendas [3];
- Bring dynamics to the third sector, by importing business methods in nonprofit activities [4] and using rules both of the market and state [2];

- Become an institutional link between organizations from nonprofit, business, and public sectors within the network governance [5].

More than that, these types of organizations are well adapted to the volatile market conditions and specific risk situations, offering an extra knowledge base for entrepreneurs interested in the creation of social enterprises, in the conditions of a restrictive legislation. As well, there are few studies which refer to social enterprises as hybrid organizations, which cumulate the business and social components, in order to highlight the survival methods in special conditions. This implies a special attention on the business component in emerging countries and in those with an insufficient friendly legislation.

2. Development and status of social enterprises in Western Europe

Even before the Second World War, third sector organizations (now seen also as social economy sector) were providing services to the communities in most Western European countries [11]. This can be considered the premise of social enterprises development, which happened in the late 1960s and 1970s. At that time, because of the economic downturn and budgetary constraints which caused increased unemployment [12], but also because the effectiveness and legitimacy of state welfare programs were called into question [13–15], the welfare state system which characterized Western Europe at that time was under high pressure. In order to deal with these emerging problems, the civil societies felt the need to develop programs and initiatives: solutions to housing problems for marginalized groups of people, child-care services adapted to the needs brought by a new socioeconomic environment, services for elders, urban regeneration initiatives [16], and also the currently known Work Integration Social Enterprises (WISE). These wanted to help poorly qualified persons, who did not have a job, to enter the labor market. We also have to bear in mind the fact that the labor market of that time was changing to its core while labor-changing technologies were appearing [17].

Later on, social enterprises have received strong governmental support to foster and accelerate growth. This happened not only through direct governmental support but also by creating a conducive institutional environment [12].

When talking about Western European countries (Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, Monaco, Netherlands, Switzerland, according to United Nations' composition of geographical regions [18]), we see that the history of labor integration organizations represents in major part the development of social economy [19]. That is why, in some Western European countries (Belgium, Austria, Switzerland), social enterprises are often confused with Work Integration Social Enterprises (WISE). Other countries, led by the strong presence and "tradition" of the "third sector," "social economy," or "solidarity economy" (see Germany and Luxembourg), are characterized by a confusion of social enterprises with organizations comprising these larger sectors. Anyhow, except France and the Netherlands, in all previously mentioned countries, there is no clear and broadly accepted definition of social enterprises. Neither the French nor the Dutch situations are simpler: in France exists a legal

form for social enterprises, the Société Coopérative d'intérêt Collectif (SCIC), which loses field to the form of an association which is more flexible and cheaper for the development of social enterprises, and in the Netherlands there is a debate on the preferred influence on the concept of social enterprise—the Anglo-Saxon tradition which is more focused on the entrepreneurship and engagement in the market aspects, and the societal organizations which are focused on the “public good.”

Even if in Western Europe the “third sector” benefits from clear regulation, there is no legislation for social enterprises. When talking about public support, WISEs benefit from different measures (compensations for lower productivity of employees, which are part of disadvantaged groups, etc.). However, the mutual support mechanisms function better, through coworking spaces, consulting, networking, training, and other types of assistance.

Regarding the financing of social enterprises, Western Europe is quite interesting because it promotes the same financial instruments as for traditional enterprises. Moreover, in Belgium, for example, the first social impact bond has been launched in 2014. In Switzerland, on the other hand, commercial banks are keen to invest in social enterprises.

However, even if there are different measures supporting social enterprises in Western Europe, it is very difficult at the moment to determine the dimension of the social enterprises sector. A reason for this is the lack of legislation, which would determine social enterprises to be included in a registry, on the one hand, and another reason would be the lack of a consistent definition on the other hand. As seen in **Table 1**, now there are only large approximations available regarding the dimension of the sector.

Country	Number of social enterprises
Austria	Between 200 and 700 WISEs
Belgium	2000 WISEs, and between 2210 and 3170 social enterprises
France	Between 6000 and 28,000 social enterprises
Germany	Approximately 100,000 social enterprises
Luxembourg	30 WISEs, and between 200 and 300 social enterprises
Netherlands	Between 4000 and 5000 enterprises
Switzerland	Around 1.000 WISEs

Table 1. Estimation of the number of social enterprises in Western Europe.

3. Development and status of social enterprises in Eastern Europe

When talking about Eastern European countries (Belarus, Bulgaria, Czech Republic, Hungary, Poland, Republic of Moldova, Romania, Russian Federation, Slovakia, Ukraine, according to the United Nations' composition of geographical regions [18]), we have to bear in mind the centralized planned communist economy that characterized the regions for years. This meant that all the economic activity was coordinated by the state, and cooperatives lacked the

voluntary and democratic participation that should have been their main characteristic [20]. Another milestone in the development of today's East European economies was the transition from state's controlled intervention to 1990's organic dissolution. Since then, considerable funding programs aimed to support the accession to European Union have encouraged the development of old and new social economic organizations. And this way, they managed to represent and express the citizens' needs, get involved in service-providing, and exert pressure on change of governmental policies [21].

Regarding social enterprises, they have been supported mainly by national strategies, and less by civil society which was already weakened by the communist regime. Taking into consideration also the rising unemployment and inefficiency of social services brought by transition to market economy, social enterprises started to respond to these problems and reflect the reality from the region [20].

A set of reports published by the European Commission in 2014 on the landscape of social enterprises in European Union's countries [19] presents the way national communities understand social enterprises, and how governmental bodies and stakeholders deal with them and support them.

Using these reports and up-to-date information, we understand that, of EU's countries, East European ones have the least representativeness on the social enterprises' map. From our analyzed East European countries, only Slovakia, Bulgaria, and Romania have a legal definition for social enterprises, through the adoption of different laws or national plans. Of these, Slovakia uses the narrow perspective of WISE (Work Integration Social Enterprises) for defining social enterprises. However, in these countries the discussion on the concept of social enterprises is still ongoing from different perspectives (American model, EMES model, etc.). In Czech Republic, on the other hand, the Thematic Network of Social Economy has developed a definition for social enterprises that managed to be accepted by national institutions and private organizations, even if there is no legal framework for the regulation of social enterprises. In Poland, the concept of social enterprises is not even used, as it is being confused with the broader concept of "social economy," and in Hungary, mainly researchers and NESsT International Foundation try to develop understanding the field.

The public support available for social enterprises from these countries mainly consists of EU founding some forms of business support schemes (training, coaching, business advisory, etc.), offered by international foundations or networks and support from media and the sector itself. However, all these measures are not available in all countries, or lack consistency and coherence. One specific support type, specific for WISE, can be met in Romania and Slovakia, and consists of subsidies covering a part of salaries for persons hired under reintegration contracts in social enterprises.

A very important financial support from which social enterprises should benefit is the social investment market. However, in East European countries this mechanism type is rudimentary or even inexistent. A set of reasons behind this might be the low capacities of social enterprises, low understanding of financial instruments, and their attachment to grant financing on one

hand, and also the scarce interest from financial organizations to understand the specificity and diversity of social enterprise sector in order to assess the credit risk on the other hand.

A problem in the recognition of social enterprises' importance and potential in East European countries is the fact that there are no official estimates on the number of social enterprises. Each country has its numbers, mainly estimated by organizations from the sector itself, but until a national registry is created, these are not reliable.

When discussing Russia, Ukraine, and Republic of Moldova, the situation is not so different as we would believe—in Russia, the concept of social enterprises cannot be found in any legislative proposal, but social enterprises movement is expanding [22]; Ukraine has had a proposal for Law on Social Enterprises created in 2012, but this has not been adopted [23]; and in Republic of Moldova, the concept of social enterprises is understood by civil society which is also promoting the development of a law regulating them [24]. In all these countries, social entrepreneurship is localized between the public and private sectors, and it wishes to solve social problems, even if the confusion between social economy and social enterprises is present. Here, the access to financial support is even weaker, mainly because of the lack of European grants, the main supporter of social enterprises in East European Union's countries.

If we would consider the social enterprise sector dimension in Eastern Europe, we could see from **Table 2** that the situation is the same as in Western Europe, except for Slovakia, where the number of registered social enterprises is clear, thanks to the Act No. 5/2004 on Employment Services. This means that it is quite hard to determine the number of social enterprises, when there is a lack of commonly accepted definition and a proper legislation.

Country	Number of social enterprises
Bulgaria	Between 200 and 450 social enterprises
Czech Republic	Between 250 and 300 social enterprises
Hungary	Approximately 3000 social enterprises
Poland	Approximately 5200 social enterprises
Romania	Approximately 7000 social enterprises
Slovakia	96 legally established social enterprises, but approximately 900 organizations which respect the criteria of social enterprises

Table 2. Estimation of the number of social enterprises in Western Europe.

4. Development and status of social enterprises in Romania

The history of social enterprises (in a broader sense) in Romania is strong related to the development of social economy, taking into consideration that the concept of social enterprises has been developed in the last few decades. According to the Romanian Ministry of Labor,

Family, and Social Protection [25], the history of social economy dates from the nineteenth century. One of the first organizations representing the Romanian social economy—the agronomic and manufacturing company named “Falansterul de la Scăieni”—has been developed in 1835. After that, the Project for home storage and loans was created (1845), which marked the beginning of the cooperative sector. Only later, in 1887, the Code of Commerce regulated the functioning of cooperatives. Associations and foundations were regulated in 1921, and cooperatives for disabled were regulated in 1948.

For the instalment of the communist regime in 1948, between 1947 and 1949, all forms of civil society associative structures were abolished on the grounds that it would be contrary to the interests of communism. However, there were a number of organizations which were tolerated with the purpose to control the population through them: “cooperatives, factory organizations, nonparty associations of women, media organizations, educational and cultural organizations and youth unions” [26]. In 1974, these merged into the Socialist Unity Front.

After the Romanian Revolution of 1989, the Decree-Law 67/1990 on the organization and operation of consumer and credit cooperative entered into force. This was replaced by Law 109/1996 on the organization and operation of consumer and credit cooperatives. Legislative changes during this period have regulated the operation of NGOs, microfinance, and employment of people with disabilities.

Despite the fact that over time there have been various forms of social organizations, the concept of social economy was mentioned first in the Romanian legislation in the Government Decision 829/2002 on the adoption of the first National Plan against poverty and social inclusion, with amendments and additions. Later on, it has been taken into consideration within various policy documents and regulations.

Since then, social economy has been included both in national development strategies and priorities for the European fund grants. First, this happened by showing interest on social inclusion and cohesion, and later on by explicitly declaring the objective of developing social enterprises or the social economy. Within the 2007–2013 European Union’s Financial Framework in Romania, the Sectoral Operational Program for Human Resources Development was the single and first program to deal with the development of social economy. Here, the main field of intervention 6.1, “Social economy development,” managed to promote key concepts like social economy, and it encouraged the experimentation of new approaches in the civil society’s sector [27]. In the same period a proposal for the Law on Social Economy was made, which entered into force only in 2015, after a long series of negotiations between government, academics, and the already developed social economy sector.

The 2014–2020 European Union’s Financial Framework in Romania brought a considerably bigger interest on social enterprises, which was found in national strategies [28–31], Sectoral Operational Programs [32], and national support programs [33].

5. Romanian legislation system governing social enterprises

In Romania, the legislation system governing social enterprises consists now an adopted Law on Social Economy, which came into force in July 2015 [34]. Because of the way it finally appeared, it cannot regulate the sector by itself. It goes hand in hand with the laws and Government Ordinances which regulate cooperatives, associations, foundations, unions, enterprises, and so on.

An immediate confusion generated by this law comes from the title and first chapter, related to social economy, and rest of the content which regulates social enterprises. Article 1.1 states that the law regulates the field of social economy, establishes promotion and support measures for social economy; however, all these refer to social enterprises. So, we can see that concepts are still not clear enough, because of which social economy and social enterprises have been mingled in the same regulation. A single law written specifically for social economy or social enterprises would have been a better solution according to some authors [35]. The positive aspect is that Article 2 of the law defines social economy from a perspective accepted at the European level. From this social economy description within the law, Article 3 goes straight to social enterprises and enumerates the legal forms a social enterprise can have (cooperatives, associations, foundations, unions, and in the end any legal entity, which, according to their establishment documents, complies with the definition and all principles of social economy specified in the law).

Article 6 defines a social enterprise as any legal entity which acts in the field of social economy, has a social enterprise certificate, and respects the principles of social economy. Here are defined also new concepts such as “social insertion enterprise,” “social enterprise certificate,” and “social brand,” the first being the social enterprises which have part of their staff belonging to vulnerable groups and who fight against exclusion, discrimination, and unemployment; the second a form through which is recognized the contribution of social enterprises to the development of social economy; and the last one being another form of certification for social insertion enterprises.

The law also regulates a number of support measures for social economy activities on behalf of central and local public administration: granting the certificate of social enterprise, granting the social brand, development of support mechanisms for social insertion enterprises, promotion and support of human resources from the social economy field, participation in social economy activities, and establishment of information and counseling centers in the field of social economy. Even if the initiative is praiseworthy, until a body within the public administration will be dedicated to support social economy, all these initiatives will remain vague.

Further, we see how, from a social economy law, we go through a social enterprise law, and in the end to a social insertion enterprise law. This is because social insertion enterprises are dedicated the largest section of the law (Section 3). Allegedly, they have finance mechanisms (public and/or private sources)—Article 15, have a set of clearer support measures (granting of space and land, promotion, taxes and fees exempts, etc.)—Article 19, state aid mechanisms, national financial programs, and a month of the year dedicated to promotion of social economy—Article 22.

Some more tangible measures of the law, regarding social economy and social enterprises, for the near future, are the creation of dedicated compartments within the Ministry of Work, Family, Social Protection and Elders, National Agency for Employment, and a National Commission for social economy. Not least, an instrument which would show the dimension of the social enterprises sector will be a national registry of social enterprises.

An important aspect of the social economy which is missing from this law is the microcredit and the microfinance. Based on the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions, No. 682 from 25.10.2011, "Social Business Initiative" [36], access to credit is very important for the start-up and development of social enterprises. In this context, it reminds about the importance of the development on national level of key action No. 2 of the regulatory pillars of the 2007 Communication on the microcredit initiative, which says:

"Key action No 2.

In addition to continuing to ease access to micro-credits through the Progress Microfinance Facility and developing this instrument by strengthening institutional capacities under the European Union Programme for Social Change and Social Innovation for 2014-2020, to improve analysis, promotion and development of the legal and institutional environment for micro-credits."

Even though the law on social economy is ambiguous, lacks coherence and also the important aspects for the development of social enterprises, the sector declares itself happy with the entry into force after long and difficult negotiations. More than that, it represents a starting point to later improvements which will have to be made with the development of the sector.

6. Methodology

This research is based on an analysis of four case studies of established social enterprises from Romania. Their selection was made purposefully in order to represent a cross section of Romanian social enterprises types.

Taking into consideration that the field of study represents a novelty, and that the number of existing data is extremely low, the research methodology is adapted to these conditions and restrictions.

We chose four social enterprises created under the Sectoral Operational Programme for Human Resource Development. The reason for this is that being created under a controlled environment, and within an axis which had as priority the development of social enterprises, we considered these to be the closest entities to the EMES model of social enterprises.

More than that, the minds behind the development of these organizations have been active in solving social problems and even in the promotion and development of social enterprises in Romania.

The case studies have been based on documents review, history review, questionnaires, and discussions. The main topics followed in the research have been determination of the current stage of the organization (understanding its activity, its mission, the social value, economic value, and their financing instruments), the determination of the influence factors for potential of the social enterprise, and their perspective on the new Romanian social economy law.

7. Results and Discussion

Organizations that entered into our analysis are quite new, the oldest one being established in 2008 and the newest ones in 2015. In all cases though, the persons behind the organizations have been long active within the social sector, and also in the process of promoting social enterprises and regulating them. The legal forms under which these organizations exist and call themselves social enterprises are quite different: social, cooperative, association, and even department, with economic activities within the large foundation or organization. From this aspect, and also from observing the larger sector, we can see that there is no preferred legal form for social enterprises in Romania, at the moment. The activities carried on by these enterprises are as diverse as in any economic sector: from activities full with tradition in the region where they function, such as ceramics, wood carving, and weaving, to artistic activities such as glass fusion processing and services to the community such as cleaning, documents archiving, printing, and so on.

All four organizations have been established under different projects financed through Sectoral Operational Program for Human Resource Development (SOP HRD). This financial instrument is the main one existing at the time in Romania, which sustains the development of social enterprises. Driven mostly by the conditions imposed by SOP HRD, which had as an objective the integration into labor market of persons coming from vulnerable groups, the main objective of the analyzed social enterprises is to offer qualification and employment for different groups of vulnerable people. This brings Romanian social enterprises (RSE) closer to the Western concept of Work Integration Social Enterprise (WISE).

When considering the economic and social values of the organizations, we can observe that even the newest social enterprises have an important value for the community: employing a medium number of six persons and offering a net salary higher, with approximately 40% more than the minimum wage in Romania. The oldest social enterprise has employed 75 persons, of which 36 are youngsters with disabilities. The opportunities offered to these persons who normally would not have the chance to learn an occupation, to get employed, to receive a good salary, and further to be able to be integrated into the traditional labor market are considerable.

Considering that the potential of a social enterprise is the organization's capacity to achieve and overcome its objectives, offering exponential social and economic value to the community, we tried to understand the factors influencing this potential. The most important ones were considered to be access to finance and to markets, mistrust from the community, a low level of understanding of the social enterprises sector on behalf of the business sector and policy developers, lack of an empowering legislative system, and the failure in combining forces with

other social enterprises in order to achieve a higher goal. On a second level of importance were seen the know-how, social spirit, entrepreneurial spirit, and support structures such as networks, platforms, and so on. The fact that social economy and social enterprises are not clearly defined and understood at the national and international levels does not represent important factors from the perspective of managers of social enterprises, maybe also because the persons responsible with the growth of these social enterprises are coming from a long activity in the third sector where they have been used to bringing change and understanding of new social concepts and measures. Of course, first of all they need to have a good understanding of the terms, and this can be made through the alignment of policy creators, academics who create knowledge in the field, and practitioners interested in the conceptual aspects of social enterprises.

Another aspect we searched to understand was the support measures offered at the moment to social enterprises. We managed to see that these organizations do benefit at a moderate level from entrepreneurial education, infrastructure, business support programs, networks, investment planning systems, and so on, but all these through the projects financed by the Sectoral Operational Program for Human Resource Development. They do not benefit at all from dedicated financial instruments such as credits, social impact bonds, or guarantee schemes, the aspect which is of great importance in the economic sustainability of the social enterprises.

An important factor influencing the potential of RSE is the Social Economy Law which entered into force in 2015. From discussion with the representatives of the analyzed social enterprises, and also from the sector's whole perspective, the new law does not respond to the needs and expectations of social enterprises. However, the law is seen as a starting point for the coherent development of social enterprises, and so it is received with optimism. From the sector's perspective, there are different aspects which would improve the current law, by including more clear nonfinancial and nonfiscal measures similar to the best practices in the other EU Member States:

- tax incentives: exemptions or reductions of taxes and social contributions;
- regulation of the right to free use or with minimum rent levels for spaces;
- right to receive leases for public service without commercial character under the law;
- tax exemption for a certain time from the founding of the social enterprise;
- nonfinancial measures: regional incubators, consulting services for starting and developing social enterprises, and centres for technical assistance;
- direct support through funding for the establishment and development of social enterprises with resources from the state budget and local budgets;
- combined support, by applying nonfinancial and nonfiscal measures.

Also, the following measures would be of great help in the development of a strong social enterprises sector:

- Regulating the patronage of powers, so that companies can benefit from tax exemptions for consultancy offered pro bono to social enterprises and NGOs;
- Establishing a differentiated VAT of 9% for services of general interest;
- Introduction of some social criteria in public procurement contracts;
- Creating a social enterprise monitoring system and social impact assessment;
- Professionalization of social enterprises for increasing service quality and market competitiveness through transfer of know-how from companies;
- Extensive campaigns to promote social entrepreneurship as a solution to social and economic problems.

Not least, the development of a program of measures and actions to support the development of social enterprises at the national, regional, and local levels would be beneficial.

8. Dynamic capabilities in the case of Romanian Social Enterprises (DC-RSE)

A social enterprise is a hybrid organization which contains, besides the entrepreneurial component focused on business, the social component. Within specialized literature we can find few references regarding the competitive behavior or the entrepreneurial fitness of these new organizations [37–39]. There are not mentioned solutions or strategies for the survival of social enterprises in the adverse conditions of risk and volatility. In the case of Romania, as an emergent economy, the problem of the firms' survival by actively managing the resources, and integrating some reconfiguration/adaptive response to the movements of external environment, including evolutionary fitness, has even a greater importance. This analysis is useful also in terms of stimulating the creation of social enterprises in a rather restrictive regulatory environment.

Capabilities are continuous processes for the creation, expansion, upgrading, protection, and maintenance of assets' relevance in a dynamic and competitive context. Dynamic capabilities (DC) are personalized capabilities that involve a better understanding of the environment, excellence in orchestrating the company's capacity, flexibility, adaptability to changing opportunities, uniqueness, and protection, offering the exceeding of usual performances, especially in volatile environments [37,40].

Dynamic capabilities contain:

- Detection and understanding of opportunities (by differentiated access to the Kirzner-type of information and the Schumpeterian destruction) of the existent equilibrium;
- Evaluation/filtration of opportunities (decisions of investment in volatile environments need to take account of concepts like timing, leverage, cospecialized assets, irreversibility, and opportunity costs, with a more closer focus on the evaluation of intangible assets);

- Maintaining performance and competitiveness through adaptability and agile reconfigurations.

Scanning and finding opportunities are essential in emerging volatile environments and refer to the ability of detection and even creation of various opportunities. It takes individual capabilities, knowledge in the specific segment, and also ability to understand the mechanisms of accumulation/filtering/fusion of information.

Accessing opportunities entail an active management of technological competences and assets complementarity, taking into account the anticipated inflows or radical change in investment priorities. There has to be maintained a balance between excessive prudence (e.g., the decision bias against innovation), which increases the risk aversion and block of innovation, and excessive optimism, which reduces the speed of accessing opportunities. The concept of alignment/coalignment of resources has to be considered in the context of equilibrated/prudent management of portfolios, timing, leverage, cospecialized assets, irreversibility, and opportunity costs.

The enterprise's ability to create, adjust, modernize, or completely replace the business models in the context of redesigning the enterprise's borders is essential within the theory of dynamic capabilities. This is also the innovative element which defines the uniqueness of the enterprise's survival strategy. When discussing about capitalizing the complementarity, scale economies, investments in complementary assets, and co-specialization are taken into account.

Intangible activities are essential in learning processes and knowledge management (technological transfer, know-how, IPR, etc.). New business models have to assure the combination of assets and reconfigurations through decentralized architectures, along with the minimization of agency problems (e.g., integration of intern mechanisms for prevention of waste).

In conclusion, dynamic capabilities could be applied and integrated into social enterprises, especially in the case of emerging economies and/or volatile dynamics. In order to assure competitiveness, besides the creation of new products/processes, there have to be implemented new organizational solutions and new business models based on evolutionary and entrepreneurial fitness. Dynamic capabilities in the case of social enterprises imply leadership and entrepreneurship, because it starts from detection, understanding and evaluation of opportunities, finding and implementing synergic solutions of coordination, the dispersed and cospecialized elements/sub-elements, and agile reconfiguration of organizational architecture. The framework of dynamic capabilities in the case of social enterprises is well adapted to the study of issues raised by social enterprises' competitive advantage, because it offers solutions to accessing opportunities, understanding decisional problems in dynamics, and also strategies of agile reconfiguration of social enterprises' specific processes.

9. Conclusions

Social enterprises are a type of organizations that have managed to grow exponentially in a challenging social and economic environment, which knows crisis after crisis. Maybe, exactly

this need of a saving solution from poverty, social exclusion, environmental problems, and many others, has supported the development of social enterprises' sector. However, their potential has not been fully exploited yet. Because different regions on the globe tackle with different kinds of social and economic problems and have different history, the process of development of social enterprises is different. This is the case also for Western Europe and Eastern Europe. Social enterprise sector in Eastern Europe, in contrast with Western Europe, emerged not from the active effort of the state to promote social enterprises as a solution to its massive economic problems, but rather as a withdrawal of the state's role to solving social problems, caused by the fall of communism.

However, the background of a specific group of Eastern European social enterprises, the Romanian one, gets closer and closer to the Western concept where social enterprises are almost completely overlapping the Work Integration Social Enterprise (WISE) concept. This means that social enterprises are mostly organizations which deal with integration into labor market of unemployed persons, coming from vulnerable groups. An important reason for this overlapping is the new Law of Social Economy which entered into force in 2015.

The present study aims to see how social enterprises can reach their potential of solving social problems through economic activities, and if the theory of dynamic capabilities can be applied to them.

So, from a set of case studies, we have seen that Romanian social enterprises have an important impact on the communities they serve, by doing the thing that nobody is doing it: introducing into labor market groups of persons, who, most of the times, are not prepared to work, do not have the opportunity to get employed in traditional enterprises, and are not productive for the society. These social enterprises not only employ these types of persons, but also introduce them into traditional enterprises, transforming them into active workers. However, their potential of reaching more unemployed and solving more social problems is influenced by different factors: access to finance and to markets, mistrust from the community, a low level of understanding of the social enterprises sector on behalf of the business sector and the policy developers, lack of an empowering legislative system, and the failure in combining forces with other social enterprises in order to achieve a higher goal, know-how, social spirit, and entrepreneurial spirit and support structures such as networks, platforms, and so on.

A part of the problems faced by social enterprises could be solved with a more coherent and adapted law on social economy. So, we have collected a set of proposals for the legislative system of social enterprises, which would be of help for the sector, some of these being: creation of some nonfinancial and nonfiscal measures similar to the best practices in other EU Member States; a differentiated VAT for services and products offered by social enterprises; introduction of social criteria in public procurement contracts; creation of a social enterprise monitoring system and a social impact assessment tool; and, not least, the implementation of extensive promotion campaigns for social enterprises, in order to create understanding and empathy from the community and the business sector.

We have also seen that dynamic capabilities could contribute to the balance of resources in Romanian social enterprises (RSE) together with the special synergies that will boost the future

development of RSE. The framework of dynamic capabilities in the case of social enterprises is well adapted to the study of issues raised by social enterprises' competitive advantage, because it offers solutions to accessing opportunities, understanding decisional problems in dynamics, and also strategies of agile reconfiguration of social enterprises' specific processes.

The findings presented here provide a holistic understanding of how the potential of social enterprises can be increased in the Romanian economic, political, and social environment, newly regulated by the Law on Social Economy. These target an under-researched topic in the Romanian context, offer recommendations for a policy which would sustain the achievement of social enterprise's potential, and bring to light an area of research which is still in its infancy.

Author details

Gabriela Prelipcean^{1*}, Anamaria Bucaciuc¹ and Mircea Boscoianu²

*Address all correspondence to: gprelipcean@yahoo.com

¹ Stefan cel Mare University of Suceava, Suceava, Romania

² Henri Coanda Air Force Academy, Brasov, Romania

References

- [1] Roy MJ, Donaldson C, Baker R, Kerr S. The potential of social enterprise to enhance health and well-being: A model and systematic review. *Social Science and Medicine*. 2014(123):182–193. DOI: <http://dx.doi.org/10.1016/j.socscimed.2014.07.031>
- [2] Borzaga C, Defourny J. Conclusions: Social enterprises in Europe, a diversity of initiatives and prospects. In: *The Emergence of Social Enterprise*. London and New York: Routledge; 2001. pp. 350–370.
- [3] Eversole R, Barraket J, Luke B. Social enterprises in rural community development. *Community Development Journal*. 2014;49(2):245–261.
- [4] Gossage J. The potential for social enterprise to reduce social exclusion and promote regeneration in Carmarthenshire. Ceredigion and Pembrokeshire: Coedcanlas Enterprises; 2008.
- [5] Park C, Wilding M. An exploratory study on the potential of social enterprise to act as the institutional glue of network governance. *The Social Science Journal*. 2014;51:120–129.
- [6] Dees JG. Enterprising nonprofits. *Harvard Business Review*. 1998;76:55–67.

- [7] Young DR. New trends in the US non-profit sector: towards market integration? OECD; 2003.
- [8] Aiken M, Slater R. Feeling the squeeze? Tabbies or tigers: the case of social enterprises contracting in the fields of recycling and work integration. In: The 4th Annual Social Enterprise Research Conference. London; 2007.
- [9] Pharoah C, Scott D, Fisher A. Social Enterprise in the Balance: Challenges for the Voluntary Sector. West Malling: Charities Aid Foundation; 2004.
- [10] European Commission. Europe 2020—Europe’s growth strategy [Internet]. [Updated: 08/01/2016]. Available from: http://ec.europa.eu/europe2020/index_en.htm [Accessed: 11/01/2016]
- [11] Defourny J, Nyssens M. Conceptions of social enterprise and social entrepreneurship in Europe and the United States: convergences and divergences. *Journal of Social Entrepreneurship*. 2010;1(1):32–53. DOI: 10.1080/19420670903442053
- [12] Daryl P. The emergence and development of social enterprise sectors. *Social Impact Research Experience Journal (SIRE)*. 2011.
- [13] Borzaga C, Defourny J. *The Emergence of Social Enterprise*. New York: Routledge; 2001.
- [14] Borzaga C, Santuari A. New trends in the non-profit sector in Europe: the emergence of social entrepreneurship. In: OECD, editor. *The Non-profit Sector in a Changing Economy*. Paris: OECD; 2003.
- [15] Defourny J, Favreau L, Laville J-L. Introduction to an international evaluation. In: Spear R, Defourny J, Favreau L, Laville J-L, editors. *Tackling Social Exclusion in Europe. The Contribution of the Social Economy*. Aldershot: Ashgate Publishing Ltd; 2001. pp. 3–28.
- [16] Nyssens M. Western Europe. In: Kerlin JA, editor. *Social Enterprise: A Global Comparison*. Medford, MA: Tufts University Press; 2009.
- [17] Kotynkova M. The European labour market and its changes. *European Scientific Journal*. 2015;2:47–53.
- [18] Division United Nations Statistics. Standard Country and Area Codes Classifications (M49) [Internet]. . Available from: <http://unstats.un.org/unsd/methods/m49/m49regin.htm> [Accessed: 16/12/2015]
- [19] ICF Consulting Services. *A map of social enterprises and their eco-systems in Europe*. Brussels: European Commission; 2014. Available from: <http://ec.europa.eu/social/keyDocuments.jsp?advSearchKey=socentcntryrepts&mode=advancedSubmit&langI&langId=en>
- [20] Nicolăescu V, Cace S, Koumalatsou E, Stănescu S. *Economia Socială - Analiză comparativă în opt state membre ale Uniunii Europene*. Expert ed. Bucuresti: Proiectul “INTEGRAT - Resurse pentru femeile și grupurile Roma excluse social”; 2011.

- [21] Cace S, Arpinte D, Scoican NA, Theotokatos H, Koumalatsou E. *Economia Socială în Europa*. Expert ed. București: Asociația pentru Dezvoltare și Promovare socio-economică CATALACTICA—Filiala Teleorman; 2010.
- [22] Dearden-Phillips C. My three lessons from an encounter with Russian social enterprise [Internet]. 2013. Available from: <http://www.theguardian.com/social-enterprise-network/2013/oct/21/social-enterprise-in-russia>
- [23] Bibikova V. *Social Enterprise in Ukraine*. Belgium: Social Enterprise and EMES network, International Comparative Social Enterprise Models (ICSEM) project; 2013. Available from: <http://www.iap-socent.be/sites/default/files/Ukraine%20-%20Bibikova.pdf>
- [24] Moldova Fundația Est Europeană. *Antreprenoriatul social în Republica Moldova: Realități și perspective*. Chișinău:2013.
- [25] Ministerul Muncii Familiei și Protecției Sociale. *Raport de cercetare privind economia socială în România din perspectivă europeană comparată*. Bucuresti:2010.
- [26] Tismăneanu V. *Raport final, Comisia Prezidențială pentru analiza dictaturii comuniste din România*. Bucuresti:2006. Available from: http://www.presidency.ro/static/ordine/RAPORT_FINAL_CPADCR.pdf
- [27] Institutul de Economie Socială. *Finanțarea POSDRU pentru economia socială 2007-2013. Lecții învățate pentru 2014-2020?* București:2013. Available from: http://www.ies.org.ro/library/files/prezentare_adrian_secal_cnes_2013.pdf
- [28] Ministerul Mediului și Dezvoltării Durabile. *Strategia Națională pentru Dezvoltare Durabilă a României Orizonturi 2013-2020-2030*. Bucuresti:2008. Available from: http://www.mmediu.ro/beta/wp-content/uploads/2012/06/2012-06-12_dezvoltare_durabila_snddfinalromana2008.pdf
- [29] Departamentul pentru Întreprinderi Mici și Mijlocii Mediu de Afaceri și Turism. *Strategia Guvernamentală pentru Dezvoltarea Sectorului Întreprinderilor Mici și Mijlocii și Îmbunătățirea Mediului de Afaceri din România – Orizont 2020*. București: 2014. Available from: <http://cursdeguvernare.ro/wp-content/uploads/2014/07/sgimmma-26-mai-2014.pdf>
- [30] Ministerul Muncii Familiei și Protecției Sociale. *Proiectul Strategiei Naționale de Incluziune Socială și Reducere a Sărăciei 2014–2020*. Bucuresti:2014. Available from: http://www.mmuncii.ro/j33/images/Documente/Proiecte_in_dezbatere/2014/2014-12-29_HG_SIncluziune-Anexa1.pdf
- [31] *Strategia de dezvoltare teritorială a României. România policentrică 2035. Coeziune și competitivitate teritorială, dezvoltare și șanse egale pentru oameni*. Bucuresti:2015. Available from: Retrieved from [http://www.sdtr.ro/fckeditor/uploads/Strategia de dezvoltare teritoriala a Romaniei - proiect.pdf](http://www.sdtr.ro/fckeditor/uploads/Strategia_de_dezvoltare_teritoriala_a_Romaniei_-_proiect.pdf)
- [32] Departamentul pentru Afaceri Europene. *Reforme naționale pentru creștere inteligentă, durabilă și favorabilă incluziunii la orizontul anului 2020*. Bucuresti:2011.

Available from: http://www.fonduri-ue.ro/res/filepicker_users/cd25a597fd-62/Documente_Suport/Studii/1_Studii_POR/10_Romania_si_strategia_ue_2020.pdf

- [33] Departamentul pentru Întreprinderi Mici și Mijlocii Mediu de Afaceri și Turism. Procedura de implementare a Programului pentru stimularea înființării și dezvoltării microîntreprinderilor din sfera economiei sociale. Bucuresti:2014. Available from: <http://www.aippimm.ro/downloadFile/6256/4727>
- [34] RomânieiParlamentul. Law no. 219/2015 on social economy, entered into force on 27.08.2015.
- [35] Fici A, Galera G, Bucaciuc A. Exploring the potential of cooperatives and social enterprises in Romania. Forthcoming.
- [36] European Commission. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, No. 682 from 25.10.2011 "Social Business Initiative".
- [37] Helfat CE, Peteraf MA. The dynamic resource-based view: capability lifecycles. *Strategic Management Journal*. 2003;24(10):997–1010.
- [38] Phillips W, Lee H. Social innovation in practice: The role of relationships in developing, acquiring and utilising dynamic capabilities in social enterprises. In: British Academy of Management Conference; 10–12 September, 2013; Aintree Racecourse. Liverpool: <http://eprints.uwe.ac.uk/19942>
- [39] Lincoln CVL. How social enterprises acquire and manage resources [dissertation]. New Zealand: Auckland University of Technology; 2013. Available from: <http://aut.researchgateway.ac.nz/handle/10292/5556>
- [40] Teece DJ. Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*. 2007;28(13):1319–1350.

IntechOpen