

## **SOCIAL COOPERATIVES AS SOCIAL ECONOMY ACTORS IN THE DEVELOPMENT OF ENTREPRENEURSHIP-BASED ON THE EXAMPLE OF THE KUJAWSKO-POMORSKIE VOIVODESHIP**

**Małgorzata Zajdel\***, PhD; **Małgorzata Michalcewicz-Kaniowska<sup>†</sup>**, PhD

University of Technology and Life Sciences in Bydgoszcz, Poland, Faculty of Management

**Abstract:** Social cooperatives, which serve both economic and social purposes, play a significant role in the development of the social economy sector. They function as enterprises and conduct business activities. This study was carried out in 2013 in the Kujawsko-Pomorskie Voivodeship, Poland. The survey research was conducted in 2013 among the whole population (42 units) encompassing all units of the statistical population under study. Thirty questionnaires were returned, accounting for 71% of the general population. Its objective was to assess the role of social cooperatives as social economy actors. The specific objective of the study was to evaluate legal conditions that regulate the functioning of social cooperatives, assess the way social cooperatives operate and identify problems connected with forming and day-to-day running of such organisations. The results indicate that social cooperatives contribute to stimulating entrepreneurship by operating on the market. Social cooperatives demonstrate richly varied organisational and human resources potential. The majority of them continue to expand their business portfolios and create new jobs. Therefore, it is of vital importance to provide financial support for such organisations as well as to ensure transfer of best practices and expertise between them and institutions with considerable experience in this area.

**Key words:** social cooperatives, social economy, entrepreneurship, social entrepreneurship, regional development

**JEL code:** R11

### **Introduction**

The significance of social cooperatives sector stems from the fact that such organisations may become permanent elements of a social and occupational reintegration system. They present people, especially the long-term unemployed and people with disabilities with opportunities to find a job. At the same time, they may contribute to the regional development. The notion of a social cooperative is by no means a new one - it has been in use in the European Union for many years. Public administration institutions in many EU Member

---

\* Corresponding author. \* Małgorzata Zajdel Tel.: + 48 52 340 81 76  
E-mail address: m.zajdel@utp.edu.pl

States support social cooperatives contributing to the creation of even more workplaces. From the theoretical point of view, a social cooperative is an association of socially excluded people or groups threatened by marginalisation who jointly conduct business activities on the basis of their own work for the benefit of social and occupational reintegration of its members (Krasuska B., 2009). Experiences of other countries significantly contribute to the development of the social economy sector in Poland. Social cooperatives are especially widespread and well-developed in Italy and in the countries of Northern Europe. Finland stands out among other European countries in this respect. In the 1980s its high unemployment levels drove an increase in civic initiatives dedicated to job creation, also in terms of jobs for people with disabilities. Cooperatives that were formed there in the 1990s have been exerting quantifiable economic, social and psychological effects (Les E, 2012/2013).

Social economy actors perform not only business but also social actions in the course of their entrepreneurial activities. This process takes place under specific socio-economic and political conditions and stimulates economic growth (Zuzek D., Mickiewicz B., 2013).

A social enterprise, or a social economy enterprise, is an organisational unit that conducts business activities. The optimisation of profit is by no means its main objective and it earmarks any financial surplus for social purposes. According to Duraj and Papiernik, such organisations can usually be regarded as partnerships and they acknowledge the need to take certain business risks. At the same time, they rely on volunteer work and give jobs to those socially excluded and threatened by marginalisation (Duraj J, Papiernik - Wojtera M., 2010). Business activities carried out by social economy actors are connected with voluntary, free and deliberate work, which goes far and beyond any family and work relationships or friendships, for the benefit of others or a whole community. As research conducted by Zajdel and Michalcewicz-Kaniowska indicates, over 80% of the organisations under study rely on help from people who do not receive remuneration for their efforts (Zajdel M, Michalcewicz-Kaniowska, 2014).

Social cooperatives operating in Poland as social enterprises are the subject of this study and the Kujawsko-Pomorski region serves as a case in point. The objective of the study is to assess the operation of social economy actors.

The specific objective of the study was to conduct an analysis in terms of:

- legal conditions regulating functioning of social cooperatives;
- the way social cooperatives operate;
- problems connected with the formation and day-to-day running of such organisations.

In 2013 in Poland there were 751 social cooperatives entered into the National Court Register (Ogólnopolski Katalog Spółdzielni Socjalnych), out of which 42 were registered in the Kujawsko-Pomorskie Voivodeship. The survey research was conducted in 2013 among the whole population encompassing all units of the statistical population under study. Thirty questionnaires were returned, accounting for 71% of the general population.

The survey questionnaire consisted of a series of questions focusing on several issues, including the legal form of the organisation, its cooperation with other entities, ways of acquiring funds, area of business, its needs and problems. The questionnaire was divided into two parts. The main part comprised twenty-four questions, including four open-ended questions, twelve closed-ended dichotomous questions, one multiple choice question with one answer to be selected (so-called disjunctive cafeteria), one multiple choice question with many answers to be selected (so-called conjunctive cafeteria), four semi-opened questions and two interval questions with a one-to-five rating scale. There were seven questions in the demographics section.

## **Results and discussion**

### **1. Social cooperatives as business entities - theoretical background**

Effective support of entrepreneurship is closely related with a holistic view on the operation of an organisation which has to adjust to the ever-changing external conditions (Zuzek D., 2006). Support is especially important as far as social cooperatives are concerned, as they form an integral part of social policy, social security system and labour market policy. It is assumed that the role social cooperatives play in the development of local communities will continue increasing in the following years. There are nearly 900,000 social enterprises in the European Union. They produce close to 10% of GDP and employ 10% of the working age population. Social economy is one of the main priorities of the EU policy and an essential part of a socio-economic model for the future EU (Roelants B., 2012).

In Poland, in compliance with the Act of 27 April 2006 on Social Cooperatives, the object of activities of a social cooperative is to run a joint business based on the individual work of its members (Dz. U. Nr 96, poz. 873, z poz. zm.2). Furthermore, the legislation specifies that in addition to running a profit-oriented business, a cooperative is obliged to carry out activities for the benefit of social reintegration of its members. It may also perform social, cultural and educational activities for the benefit of its members and its local environment as well as socially useful public activities as per the Act of 24 April 2003 on Public Benefit Activities and Volunteer Work. A relatively new form of business activity, social enterprise achieved popularity in the late 1990s. Its distinguishing feature is combining non-profit work for the public benefit with profit-generating business activities (Glinka B, Gudkova S., 2011). The literature distinguishes 3 models of European social entrepreneurship:

- a cooperative model, in which the social enterprise is a cooperative committed to serving social purposes;
- a company model, associated with non-profit organisations competing with for-profit organisations and public sector institutions to fulfil commercial purposes;

- an open-form model, in which the objectives of a social enterprise are clearly set along with the freedom of choice regarding the legal form of its future business activity (Luczak P., 2011).

According to Szewczykowski, Sobota, Bojar and Zajdel, popularisation of methods such as Design Thinking may contribute to the growth of both social and human capital among all the stakeholders in the region. Its importance cannot be underestimated, as effective implementation of an idea often predetermines the level of market success, and, as a consequence, a decrease in the level of unemployment, which in turn can be treated as a quantifiable ratio of the intensification of regional development (Szewczykowski P., Sobota D., Bojar W., Zajdel M., 2014).

## **2. Assessment of the role of social cooperatives as social economy actors – the results of the author’s own research study**

Social cooperatives operate as enterprises and conduct business activities. Cooperatives may be formed by both natural and legal persons. Eighty seven percent of social cooperatives under study were established by natural persons, while the remaining thirteen percent were created by legal entities. As far as the number of their Management Board members is concerned, 73% of the cooperatives have a Management Board consisting of 3 people, 13% of 2 people, 7% of 5 people and 7% of 1 person. As regards the main areas of social cooperatives statutory activities, 67% of them are dedicated to social integration and activation, 56% aid the unemployed and socially excluded, 44% are involved in activities concerning the labour market and activities for the benefit of children, women and people with disabilities. Each cooperative under study enumerated at least two areas of its business activities. The most common services included catering (33%) and care for the elderly and people with disabilities (27%). Twenty percent of the respondents provide greenery maintenance services. Fourteen percent of the cooperatives offer services such as cleaning, running nursery schools and creating websites. In single cases business portfolios included the following services: tailoring, legal representation, construction and renovation services, roofing services, running a beauty parlour, running a holiday centre and organising residential school trips.

The number of Management Board members in such organisations ranges from 1 person to 5 people. Most commonly, the Board consists of 3 (73%) or 2 (13%) members, the majority of them being women. The profiles of the studied entities reveal that in the Kujawsko-Pomorskie Voivodeship the majority of their members and managers are women (87%). The number of full-time employees in the cooperatives under study is extremely varied. It ranges from 4 to 50 employees. One cooperative does not have any full-time employees at all - its employees signed contracts for specific work or contracts for mandate.

Only 33% of the studied cooperative leaders had previous experience in managing an enterprise or ran their own business at some point. It should be pointed out that 67% of the founders of social cooperatives had no experience in running a business at all. It should

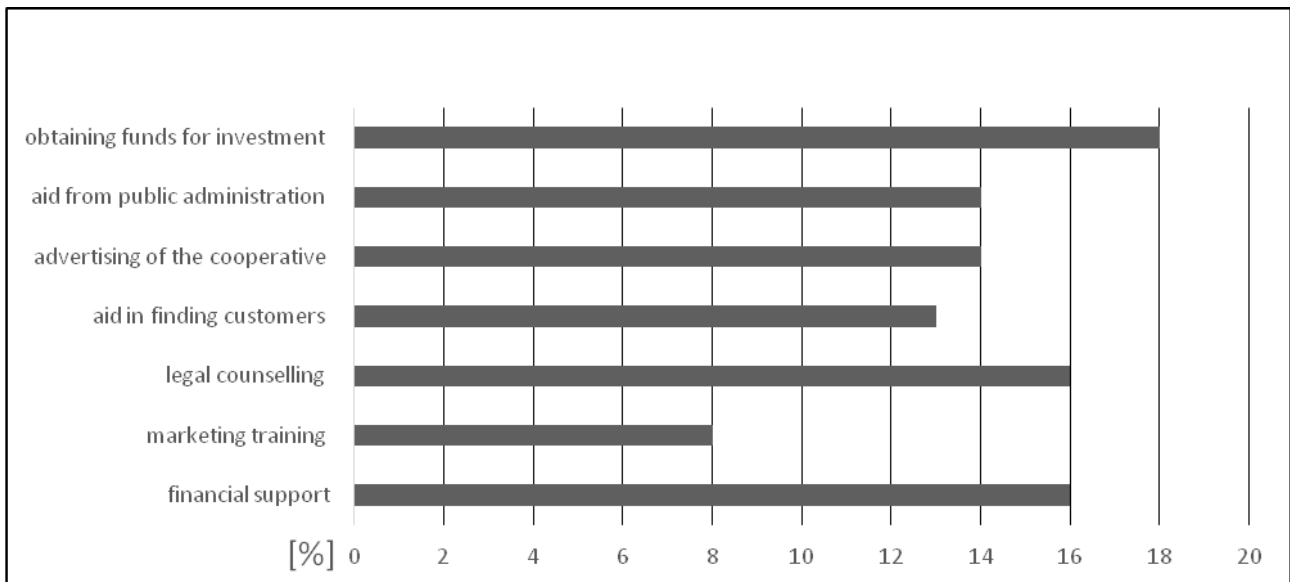
be borne in mind, however, that 87% of them try to gain supplemental education connected with management. Promoting social cooperatives at every stage of their development is so important that all of the studied organisations participate in various trade fairs, conferences, seminars etc. As few as 8% of the respondents do not use any form of advertising. However, online presence is so vital that all cooperatives have their own websites. The respondents emphasised the need for appropriate marketing of their services in order to gain new customers on the local and regional market.

The founders of social cooperatives had to prepare business plans as part of the establishment process. Ninety three percent of the respondents complied with this obligation. Research indicates that in 47% of the studied organisations the business plan was subsequently adjusted in order to enable unimpeded operation of the cooperative.

As far as their coverage is concerned, 60% of the studied organisations are active locally, 7% nationally, 13% regionally, and 20% provide their services in their poviats. The evolution of each organisation entails expansion of its business scope and addition of new services to its portfolio in response to the emerging needs of the customers. Not surprisingly, over 30% of the organisations are willing to extend their coverage to other regions in addition to offering their services locally.

In view of such a level of interest in widening their scope of operation, it seems necessary to disseminate information concerning such possibilities and to offer good examples. Research suggests that the great majority of organisations, i.e. 80%, obtain outside funds to finance their operation. The sources of funding are extremely varied and include e.g.: funds from community offices and other public institutions, the EU subsidies, grants etc.

The cooperatives under study also presented ways in which they cooperate with non-governmental organisations and other social enterprises in their local environment. The responses included: transfer of experiences, exchange of information concerning their current activities and cooperation in carrying out specific tasks. The research helped the authors to identify the areas that need special attention. For instance, the respondents signalled mainly their need for aid in obtaining funds for investment, legal counselling and financial support (Figure 1).



**Source:** author's construction based on own study

**Fig 1. Identified areas in which social cooperatives require support**

Research demonstrates that social cooperatives were beneficiaries of the aid offered by the following institutions: Social Economy Support Centre (Osrodek Wsparcia Ekonomii Społecznej) (67%), Kujawsko-Pomorski Centre for Social Economy Support (Kujawsko – Pomorski Osrodek Wspierania Ekonomii Społecznej) (80%), City Hall (80%), Regional Centre of Social Policy (47%), Voivodeship Labour Office (20%) and Poviát Labour Office (60%). The degree of cooperation between the cooperatives and their environment was also investigated. The results imply that cooperatives collaborate with the local self-government, local media, local businesses as well as multi-level institutions, and the average grade awarded to these organisations in terms of their engagement was higher than 3.5. Ministries and central offices, regional and national media as well as voivodeship offices received lower grades (average lower than 3) insofar as their collaboration with social cooperatives was concerned.

Sixty-seven percent of the studied cooperatives generate profit by regularly conducting market research. The cooperatives were asked to identify problematic areas connected with running a business. The respondents provided the following answers: finding customers, competition, business partners, insufficient degree of cooperation with the city hall, human resources problems. Some cooperatives hint at the insufficient level of knowledge among its members regarding broadly understood management as well as the lack of local customers and services sale teams. The leaders of the cooperatives were asked if they adopt any professional enterprise management methods in the course of their work. "Professional" being understood here not only as learned but also in terms of knowledge gained from books or methods developed as a result of their own experiences and length of employment as a manager. Eighty percent of the respondents declare to be adopting professional enterprise management methods, while 20% replied that they do not use any proven management methods in their relations with co-workers and subordinates. Despite the fact that 80% of the respondents utilise professional management methods, as many as 73% claim to still need

support in terms of developing their managerial skills. They were also asked for how long they had held managerial positions, not only in the cooperative but also in other organisations or enterprises. Only one leader had experience extending 21 years, while 14% of the respondents held such positions for 10 years only. The managerial experience of the other leaders lasted between 3 to 5 years. The study also set out to identify problems connected with establishing and running social cooperatives. The obtained results indicate that at the stage of establishing a social cooperative the respondents encountered problems while registering with the National Court Register and with finding their first customers. Other mentioned issues include the lack of financial support, insufficient knowledge of the rules that apply to the operation of such organisations, also among organisations which oversee the process of establishing cooperatives, the lack of actual support from institutions as well as the lack of understanding on the part of their local environment. The respondents also suggested possible solutions to such problems: greater aid from the government, less red tape (simpler accounting rules for social cooperatives), use of social clauses in Polish public procurement law, change of name from a "social" to e.g.: "community" cooperative (to avoid associations with socially excluded people), inclusion of country dwellers into the groups legally allowed to form cooperatives, creation of a professional factual support system, facilitation of the registration process with the National Court Registry. The respondents also enumerated current internal and external problems connected with running a cooperative. The most common issues include: the lack of knowledge concerning facilities available to social cooperatives and varying degree of their members' engagement in their activities. They also mentioned difficulties in maintaining the right balance between their mission of social reintegration and willingness to be economically efficient. The most common external problems included the lack of understanding and interest in social cooperatives among the state authorities, organisational problems connected with human resources, inability to use available facilities, internal conflicts and huge competition on the market, as well as problems with obtaining funds.

## **Conclusions**

Social cooperatives operating in the Kujawsko-Pomorskie Voivodeship demonstrate richly varied organisational and human resources potential and are able to further develop and expand the scope of services they provide. Not only do they require appropriate tools and specialist services in order to fulfil this potential but they also need to obtain funds for their day-to-day business activities. The research emphasizes certain barriers and limitations. In order to improve their situation, it is of vital importance to provide social cooperatives with financial support as well as to ensure transfer of best practises and expertise between them and institutions with considerable experience in this area. Social cooperatives try to adjust their business activities to the emerging needs of the customers by expanding their business portfolios and through cooperation with other entities and institutions operating on the market.

## Bibliography

1. Luczak P., (2011), Changes of the Scope of Social Entrepreneurship in: Annals Of Agricultural Economics And Rural Development, (Zmiana zakresu przedsiebiorczosci społecznej [w:] Roczniki Ekonomikii Rolnictwa i Rozwoju Obszarow Wiejskich) Annals (rocznik) XXXVIII nr 2, s. 11.
2. Szewczykowski P., Sobota D., Bojar W., Zajdel M., (2014) Design Thinking as a Method of Regional Development Intensification, (Design Thinking jako metoda intensyfikacji rozwoju regionalnego), Marketing and Market (Marketing i rynek), nr 10, s. 183-189.
3. Zajdel M., Michalcewicz-Kaniowska M., (2014), Development Of Kujawsko- Pomorskie Region In The Context Of The Functioning Of Social Economy Entities - Results Of Research, (Rozwoj regionu kujawsko-pomorskiego w aspekcie funkcjonowania podmiotow Ekonomii Spolecznej- wyniki z badan), Europa Regionum Tom XXI, ss 154-163
4. Zuzek D., Mickiewicz B., (2013), Opportunities and Barriers for Development of Entrepreneurship in Rural Areas in Poland, Warsaw Agricultural University Scientific Papers "Economics and Organization of Food Economy", No. 101, s.41-51, (Szanse i bariery rozwoju przedsiebiorczosci na obszarach wiejskich w Polsce, Zeszyty Naukowe SGGW „Ekonomika i Organizacja Gospodarki Zywnosciowej”, nr 101, s.41-51).
5. Zuzek D., (2006), Small and Medium Companies as Being of Regional Entrepreneurship, [in:] Acta Agraria et Silvestri, Vol. XLVI / 1 (Economic Section), Pub. Polish Academy of Sciences, Krakow, pp. 254 - 262, (Male i srednie przedsiebiorstwa jako istota przedsiebiorczosci regionalnej, [w:] Acta Agraria et Silvestria, Vol. XLVI/1 (sekcja ekonomiczna), Wyd. PAN w Krakowie, Krakow, s. 254 - 262).
6. Duraj J., Papiernik - Wojtera M, (2010), Entrepreneurship and innovation, (Przedsiębiorczość i innowacyjność), Difin, s. 25-26.
7. Glinka B., Gudkovam S., (2011), Entrepreneurship (Przedsiębiorczość), JAK, s.22-23.
8. Les E., (2012/13), European Experience on the Social Entrepreneurship on the Example of Italy and Finland,; Social Assistance From Clientelism to Participation (Europejskie doswiadczenia w sprawie przedsiebiorczosci społecznej na przykladzie Wloch i Finlandii,; Pomoc społeczna os klientyzmu do partycypacji), pod. red.. E. Les, s. 387.
9. Roelants B., (2012) Prague, Social Economy, First European Conference on Social Economy in Central and Eastern Europe, a Preparatory Document, CECOP, pp. 3 (Praga Ekonomia Spoleczna, Pierwsza Europejska Konferencja na temat Ekonomii Spolecznej w Europie Srodkowo-Wschodniej, dokument przygotowawczy), CECOP, s.3.
10. The amended Act of 24 April on Public Benefit Activity and Voluntary service (AA, No. 96, pos. 873) (Ustawa z dnia 24 kwietnia 2003 r. o dzialalnosci pozytku publicznego i o wolontariacie (Dz. U. Nr 96, poz. 873, z pozn. zm.2).
11. Krasuska B., (2009), Spoldzielnia socjalna jako forma dzialalnosci gospodarczej s.5, <http://wupwarszawa.praca.gov.pl/documentss>
12. Directory of Social Cooperatives (Ogolnopolski katalog Spoldzielni Socjalnych) <http://www.spoldzielniesocjalne.org/wielkopolskie.htm>