

# POSSIBILITIES FOR SOCIAL ENTREPRENEURSHIP IN WINE INDUSTRY: AN EXPLORATORY APPROACH

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**Abstract:** *Social entrepreneurs cleverly combine business techniques and private sector approaches in order to develop solutions to social, cultural, or environmental problems, and do so in a variety of organizations. All European countries need to promote the entrepreneur spirit, to stabilize the institutional and cultural environment for innovations, and to increase the number of socially oriented small and medium sized enterprises (SMEs). This exploratory approach is focused on SMEs from wine industry, positioned in Plovdiv territorial unit, Bulgaria. It presents opportunities to enrich company's innovation strategies with a view to increase the share of social enterprises and the motivation of employees and owners to implement "good practices" for social entrepreneurship. This study offers different perspectives for observing the phenomenon social entrepreneurship, opportunities for financing and National policies that are focused on their encouragement.*

**Keywords:** social entrepreneurship, innovation, wine industry, competitiveness

## 1. Introduction

In terms of content, the article deals with an extremely important economic problem, devoted to social entrepreneurship as a key element of the European and, in particular, the Bulgarian social market economy. As a whole the competitiveness of Bulgarian SMEs is still built basically by routine innovations and the profile of the innovative enterprises is low technological. The development of entrepreneur spirit in the contemporary community is a leading theme that meets a great science, media and public support. **The theme significance** takes a central position in discussions, researches and organizational activities connected with the process of creating social entrepreneurship. This takes an essential role in the Bulgarian economic environment as well as the national strategies for economic growth. In recent years, the European Commission began setting a policy framework for a social economy and social entrepreneurship, which found expression in a number of policy documents outlining the limits and opportunities for their development.

The Global Entrepreneurship Monitor (GEM) consortium has distinguished between 'opportunity' and 'necessity' entrepreneurship, based on the reasons given by entrepreneurs for starting a new business, with necessity entrepreneurship tending to dominate in transition and developing countries. As a result, many entrepreneurs in transition environments are well equipped to identify and exploit opportunities as they emerge over time, even if the initial reasons for becoming an entrepreneur in the first place can reasonably be described as 'necessity'. It is also influenced by the learning experience of individuals, which can contribute over time, to changes in their motivation and behaviour with respect to social entrepreneurship.

**The object** of this study is small and medium-sized enterprises from wine industry, positioned in the territorial unit of Plovdiv (according to the division of territorial units and wine regions in Bulgaria of the Executive Agency for Vine and Wine, EAVW).

**The subject** of this paper is the utilization of the opportunities with a view to increase the share of social enterprises and the motivation of employees and owners to implement "good practices" for social entrepreneurship.

The researcher's **thesis** is that the proper use and implementation of specific socially-responsible activities, understanding the necessity for taking right decisions to achieve success in their actions focused on social causes and ideals, will lead to enhanced competitiveness of the wine sector as a whole.

This article **aims to study** the role of social entrepreneurship as an essential factor to increase the creativity and innovativeness of wine industry in Bulgaria and hence the competitiveness of this specific sector of the national economy.

The human relationships are the engine for the social enterprise. According the Bulgarian legal definition a "social enterprise" means an enterprise no matter of its registration form that is with a basic aim reaching of measurable positive social influence but not gathering profits for its owners, participants and stock holders. It also "provides services and/or stocks that generate social returns and/or uses a method for producing stocks and services that are implemented in its social aim" (Bulgarian trade law).

**The following limitations** have been introduced in the article: the purpose of this research is to present an exploratory approach of different possibilities for socially responsible activities that can be introduced in wine enterprises without transforming them into social enterprises as defined by the Bulgarian trade law. Many researchers investigate wine industry in Bulgaria (G. Dimitrova, 2018; Borisov and Radev, 2011, etc.) and present methods and technics for increasing their competitiveness. They discuss the impact of several microeconomic and macroeconomic factors of this industry, key trends and reviews of the market for wine drinks in Bulgaria (T. Dimitrova, 2017). The focus of this article is not introducing the specifics and development of wine industry, but to present opportunities for innovative models diversification with social activities.

Wine production in Bulgaria has a rich long-term experience because of the favourable geographic location and soil - climatic conditions, which outline the subsector as one of the main subsectors for the Bulgarian economy. A significant part of Bulgarian wine producers are also focusing on differentiation and diversification strategies, seeking ways to promote their business, expanding their markets and increasing their sales, and offering uniqueness to achieve and develop competitive advantages. In this context, the opportunities for social entrepreneurship of companies can be part of their innovative strategies.

**The article is structured** as follows: following the introduction, in the first part, are described different theories, definitions and statements connected with commerce and social entrepreneurship. This analysis paves the way for the second part, in which is highlighted the development of social enterprises in Bulgaria. It is followed by the third part, which presents an analysis of specific socially responsible activities. The article closes with conclusions and recommendations for future research in the field of social entrepreneurship in wide industry.

## 2. Social enterprises in Bulgaria

### 2.1. Theoretical background

The 'social' nature of the motivation for social entrepreneurship makes the concept clearly distinguishable from commercial entrepreneurship. The question of why social entrepreneurship comes to be, in terms of motivation, can also raise the question of

'how come' social entrepreneurship comes to be (Orhei et al., 2015). The European Commission was the first to explore a multidimensional framework for entrepreneurial competence.

Since definitions in different countries vary, *social enterprise* should be described on the basis of shared characteristics such as social objectives, reinvestment of profits, a variety of legal forms and ways of stakeholder participation. **Priorities for social enterprises are providing better access to capital and tailored financial instruments.**

Schumpeter (1976, p.132) pays attention to the exceptional qualities of entrepreneurs, who possess "aptitudes that are present in only a small fraction of the population"; in particular, **imagination, confidence, and the resilience to overcome resistance to their vision.** This view of social entrepreneurship focuses on the personal qualities of people who start new organizations, and it celebrates traits like **boldness, accountability, resourcefulness, ambition, persistence, and unreasonableness.**

Social enterprises are not charitable organizations or social agencies. They are private enterprises managed and developed under the business rules with a business focus on **solving humane tasks**, not simply profit. They are oriented towards encouraging active civic participation and unification of efforts and expertise with wide public participation to achieve social change in a given area (Bezuhanova, 2014).

Social entrepreneurship is **the most promising form of addressing societal and/or environmental problems** as it combines social and entrepreneurial thinking and there are different forms to address societal challenges (Spiess-Knafl and Scheck, 2017).

## 2.2. Necessity for social entrepreneurship

During the 1980s, public bodies, faced with high rates of unemployment and a crisis in public finances, stopped relying exclusively on passive labour market policies based on a system of allocation of cash benefits to the unemployed and developed active labour policies, which aimed to integrate the unemployed into the labour market through professional training programmes, job subsidy programmes, etc. Within this field of active labour market policies, we can spot a large 'second labour market programme' (Defourny and Nyssens, 2010), offering intermediate forms of employment, between employment policies and social policies. Such a programme was based on the observation that, on the one hand, a number of unsatisfied social needs existed and, on the other hand, a large number of people were unemployed. These programmes thus tried to encourage the creation of new jobs in areas where they could satisfy social needs, as a mean of **both creating jobs for unemployed persons and curbing mainstream social spending.** In a context of lasting collaboration between the state and non-profit organizations in the provision of social services, public bodies heavily relied on associations for the implementation of this 'second labour market programme'. Indeed, some associations were pioneers in promoting the integration of unemployed persons through a productive activity. It could even be considered that these pioneering associations actually implemented active labour market policies before the latter came into institutional existence. With the institutionalisation of the second labour market programme, associations have increasingly constituted a tool for its implementation. This kind of public scheme fostered the trend toward a more productive role of and entrepreneurial dynamics within the non-profit sector.

Orhei et al. (2015) define *social entrepreneurship* in contrast to commercial entrepreneurship. Since 2006, the European Commission has also devoted much attention to the concept of entrepreneurship as competence. The European Qualifications Framework (EQF) defines entrepreneurship as a **sense of initiative and the ability to turn ideas into action.**

Scholars (Dana and Ramadani 2015; Sinclaire et al., 2018; Kovacheva and Dimitrova 2017, etc.) of socio-ecological transition

consider social enterprises not simply as a tool to alleviate social problems generated by market imperfections, but also as an **organizational model that can support social innovations for transition to more sustainable consumption and production practices.**

More specifically, by accessing a series of non-market resources (such as unpaid labor, affordable small loans, lower-than-market rent for premises, various sharing arrangements for the use of resources), social enterprises can provide an **effective survival strategy for transition initiatives**, which would otherwise not be able to survive in increasingly competitive markets focused on satisfying the short term expectations of shareholders (Dedeurwaerdere et al., 2017).

The research of Defourny and Nyssens (2010) emphasizes that in Europe, the concept of social enterprise made its first appearance in 1990, at the very heart of the third sector, following an impetus which was first an Italian one and was closely linked with the co-operative movement. In 1991, the Italian parliament adopted a law creating a specific legal form for 'social co-operatives' and the latter went on to experience an extraordinary growth.

Since this early period, the debate has expanded in various types of institutions. Major universities have developed research and training programmes. International research networks have been set up, like the EMES European Research Network (EMES - Emergence of Social Enterprises in Europe), which has gathered, since 1996, research centres from most countries of the EU-15, and the Social Enterprise Knowledge Network (SEKN), which was formed in 2001 by leading Latin-American business schools and the Harvard Business School (Defourny and Nyssens, 2010). Various foundations have set up training and support programmes for social enterprises or social entrepreneurs. Various European countries have passed new laws to promote social enterprises.

Although social enterprises have the potential for contributing to society's wellbeing, the results of their work depend on external factors. In this sense, Sinclair et al. (2018) analyze the relationship between **social innovation, social enterprise and social policy** using data from Scotland. Their observation shows that the local authorities use social enterprises to contribute to some welfare activities, but the latter do not replace the role of the authorities. As the authors describe it, "the possibilities of partnership and co-production are limited by the self-interest and an instinct for self-preservation of key institutions". It seems that the scope of social entrepreneurship to large extent depends not only on the legislations but also on attitudes towards it in the specific context.

This research focuses the attention to implementing social activities, social mission and social responsibility into **innovation programs and strategies in wine industry enterprises.** Studying the wine industry and the challenges it faces in Portugal, Figueiredoa and Franco (2018) discuss the possibility wine cooperatives to serve as social enterprises. One of their conclusions is that "wine cooperatives are regarded as viable forms of alliance, principally in uncertain, complex and competitive markets, but it was also demonstrated that this type of rural cooperative is crucial for investment and social entrepreneurship".

## 2.3. National programs focused in development of SEs

The European Union provides many opportunities for grants, loans and guarantees available for small and medium enterprises. The financing options often are not direct funding. Usually, various national and sub-national institutions are intermediaries in this process.

According to Bulgarian Association of Regional Development Agencies (BARDA) the opportunities for financing social enterprises are submitted in summary on figure 1.

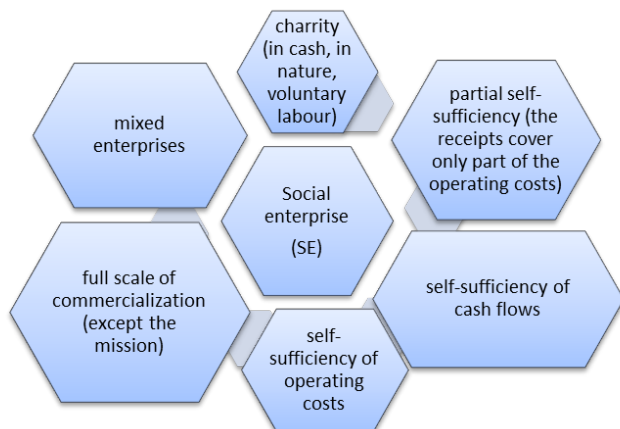


Fig. 1 Opportunities for SE financing

Source: The Bulgarian Association of Regional Development Agencies

The institutional environment influences the extent to which social entrepreneurship develops. **The National Social Economy Concept** presents Government's framework for the development of a social economy in Bulgaria. **The National Development Program Bulgaria 2020** identifies a specific area of impact and measures related to the social economy and entrepreneurship.

**The National policies** in summary that are focused on the encouragement of social entrepreneurship are presented on figure 2.

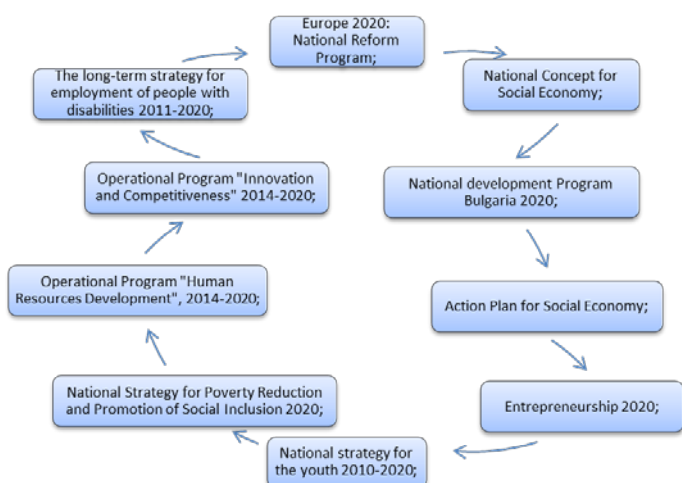


Fig. 2 National policies for SE

Source: own illustration

For the period 2014-2020, funds are planned under two operational programs to be used to promote "social entrepreneurship" but it remains unclear how much they will promote in practice the sustainable models and initiatives without good regulatory conditions for development and without to clarify what organizations will support.

In Bulgaria, this link is mentioned in some analyses but is not thoroughly explored from the research point of view. There must be an answer, at least in relation to the next questions:

- What do we define as a social enterprise?
- Which are the key stimulating factors for their development in a Bulgarian context?
- What do we want to achieve with their support - what is the added social value?
- In what ways will the sustainability of their activities be ensured?

### 3. Specific socially responsible activities and options for implementation in wine industry

Activities related to social responsiveness can be classified differently. Donnelly, Gibson and Ivancevic (Donali, Gibson, Ivancevic, 1997) point eight categories of social responsibility:

1. Socially responsible actions in connection with the production line, safe, reliable and high quality products. Such actions can be taken by any wine producer and it is absolutely applicable in the sector.

2. Socially responsible actions in marketing practices, i.e. plausible and full information in advertising. This one is also universal and can be applied in any sector, including the wine industry.

3. Social responsibility in employee training (retraining instead of exemption as a result of introducing new technology). According to various discussions on media in Bulgaria with employers' organizations, most of them provide additional training for their employees. The same is valid for wine sector so the third category of actions also represent an option to be implemented in the wine industry.

4. With regard to environmental control, socially responsible behavior requires the introduction of a production technology that reduces the level of pollution. Such activity is really significant and it corresponds the topic of innovations in the wine sector. There is variety of new technologies, allowing wine producers to decrease the pollution levels.

5. Attitude towards employees, remuneration and job satisfaction, and providing additional benefits such as day care facilities in the enterprise and others. There is no limitation such measures to be implemented in the wine industry as well.

6. Hiring and/or raising women or minority persons. Wine production doesn't require only men for the production. It is an industry, in which women can take part. Also there is a possibility for inclusion of more people from Roma minority.

7. Socially responsible actions in the field of health and safety of employees. This category of social responsibility can be fully applied to wine sector.

8. Corporate philanthropy - donations to universities, foundations, and other organizations in the arts and culture, aid to the poor, financing of municipal development projects, as well as other groups and causes in society. Companies are increasingly interested in making donations that ultimately contribute to greater profits. Recently popular is the causation-marketing, exploring the relationship between the organization's profits and the cost of implementing activities that are included in the notion of corporate philanthropy. Such kind of activity doesn't depend on the sector at all. It can be done by companies from all industries, including the wine production.

Additional service benefits include pension funds, health and hospitalization insurance, accident insurance, etc. In some cases, this practice is in response to concerted pressures on the part of employees, usually through trade unions.

Other socially responsible activities are extensive employee training programs, mentoring, employee assistance programs, and various forms of childcare assistance and care for the elderly.

A good example is the IBM program to assist employees who care for elderly relatives (30% of employees have had such problems).

Activities that are undertaken in the interests of the employees of an organization actually benefit the organization itself. For example, day care centers for children increase employee productivity, improve discipline.

External specific beneficiaries are minority groups, ethnic groups, women, disabled people, elderly. They influence companies through political and public opinion. For example, women claim equal rights and pay. The social obligation is in response to anti-discrimination laws and regulations. Social reaction is the company's behavior outside the law, implementing positive programs.

In the case of socially responsive behavior, the company not only seeks solutions to current problems but tries to get to their point of view. For example, developing training programs for long-term unemployed, implementing programs to promote women's professional careers. The most important feature of these actions is that the economic, social and political situation of a particular group of people is improving as a result of the company's efforts.

#### 4. Conclusion

The arguments presented support the author's thesis. The results corresponding to the thesis that exploring and identifying social entrepreneurship opportunities is a possible task only if a proper and sufficiently comprehensive range of National and European strategies, policies, funding programs to support the development and strengthening of the wine sector are used. There are many opportunities for financing and National policies that are focused on the encouragement of social entrepreneurship. Management can implement specific activities to increase the social value of the company. Social entrepreneurship presents an intriguing and fertile ground for organizational research. Entrepreneurial social attitude is an exciting phenomenon with broad implications on strategy, innovation, and workplace environment. Furthermore, all the socially responsible activities can be applied in the wine production sector. In fact the enterprises from this industry can contribute to the social entrepreneurship without being social enterprises as defined in the Bulgarian trade law. Besides, using the Portuguese experience Bulgarian wine cooperatives can also serve as social entrepreneurs.

It should be noted that a further exploration of the studied topic is needed and it will be done in future research.

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