Social entrepreneurship, benefits of networking from the perspective of Croatian NGOs

Slađana Brajević  
University of Split, University Department of Professional Studies, Split, Croatia  
brajevic@oss.unist.hr

Antonija Babić  
University of Split, University Department of Professional Studies, Split, Croatia  
ababic@oss.unist.hr

Ivona Jukić  
University of Split, University Department of Professional Studies, Split, Croatia  
isustic@oss.unist.hr

Abstract: The concept of social entrepreneurship has attracted a lot of attention in Croatia over the past several years. However, judging by the available information, the implementation of the concept of social entrepreneurship is still not very widespread. Social networks can provide social enterprises with information, support and access to resources. In this study we have tested the benefits of networking from the perspective of Croatian NGOs with a social component. The assumption was that presidents of NGOs in Croatia do not think that networking can help entrepreneurs to access resources that would otherwise be unavailable or costly to obtain. We also assumed a lack of knowledge about the advantages of networking such as certain legal benefits, facilitated lobbying with national institutions, and increased eligibility for government grants. Our research is based on the sample of 200 NGOs with a social component. The second purpose of this survey was to raise awareness of social entrepreneurship in Croatia and to show the importance of knowledge about network support in the process of developing social entrepreneurship.

Key words: Non-governmental organization (NGO), social entrepreneurship, networking, entrepreneurship

1. Introduction

Even if social entrepreneurship is a young term in social science and still lacks a consistent theory to define it, being seen as “a large tent” (Martin et al., 2007) for all kind of activities, the social phenomenon of social entrepreneurship is becoming wider and stronger as ever before. The same is happening with social networking. Social entrepreneurship can strongly benefit from a wise use of social network and networking.

The key difference between social entrepreneurship and commercial entrepreneurs is that in commercial entrepreneurship, the main focus is on the economic return, while in social entrepreneurship is in social return, which means that conventional entrepreneurs look essentially for economic profit (Kirzner, 1973), meaning that their performance is attached to financial return (Austin, Stevenson, & WeiSkillern, 2006). On the other hand, social entrepreneurs search, generally, to accomplish social goals based on the economic sustainability (Dorado, 2006). Leadbeater (1997) defends that many of the traits and behaviors of social entrepreneurs are the mirror of commercial entrepreneurs, including their
determination, ambition, charisma, leadership, ability to communicate their vision and inspire others and maximizing the use of resources; the key difference is that in business entrepreneurship, the main focus is the economic return while in social entrepreneurship is the social return. However, the creation of economic wealth is important for the social entrepreneur, so that he can ensure the sustainability of the organization and for it to become self-sustaining. Profit and wealth creation can be part of the model, but they are only means and not end in themselves (Dees, 1998).

Social entrepreneurship in Croatia is a rather new phenomenon and is still poorly developed. The term appeared in the public discourse rather late, in 2006, and since then has increased to the point where a strategy for social entrepreneurship has been initiated.

Social entrepreneurship refers to innovative and financially sustainable activities focused on solving social issues. A social enterprise’s commercial activities do not necessarily have to be in accordance with the social mission; rather, its purpose is to create financial resources to implement social goals (Noya, 2009). Therefore, social entrepreneurship can encompass a rather wide range of organizations and enterprises – from those which generate profit by themselves, to those which procure resources for other organizations which pursue social mission.

The criteria used for classification of social enterprises are the following: (1) pursuit of social (or environmental) goals along with the economic ones; (2) availability of a profit generating strategy and its share in the organization’s total profit; and element of innovation.

According to this classification, the first group is composed of traditional non-governmental organizations or associations. These are characterized by a large share of social goals and a non-profit status, and they represent the focus of this paper and the topic of our research.

The second category refers to nonprofit social enterprises. Unlike the classical NGOs, this category entails innovation, i.e. an innovative approach in the achievement of (social) goals.

The third group encompasses the so-called hybrid social enterprises which pursue social goals and whose profit generating strategy is in accordance with the social mission. Finally, the fourth category includes for-profit social enterprises which have a set of social goals, but whose profit generating strategy is not necessarily complementary with them. There is also a fifth category, which largely overlaps with commercial entrepreneurship and which is more closely related to socially responsible business practices (Vidović, 2012).

The aim of this paper is to explore the benefits of networking from the perspective of Croatian NGOs. As a starting point for this research, the assumption was that presidents of NGOs in Croatia do not think that networking can help entrepreneurs to access resources that would otherwise be unavailable or expensive to obtain. We also assumed a lack of knowledge about the advantages of networking such as certain legal benefits, facilitated lobbying with national institutions, and increased eligibility for government assistance.

This survey has been conducted on the sample of 200 associations in the Republic of Croatia in July/August 2015. Our respondents were Croatian NGOs which perceived the social component as an important one, and incorporated it in NGOs core activities.

By means of this research, we wanted to achieve the following objectives: (1) discover the benefit of networking among NGOs; (2) raise awareness of social entrepreneurship; (3) promote and spread the knowledge about social entrepreneurship among Croatian NGOs and the interested public.

In order to examine the aforementioned goals, the reminder of the paper is organized in four sections. The first section provides readers with an introduction into the topic and into the importance of this type of research. The second gives an overview of social entrepreneurship and benefits of networking for social entrepreneurs. In the third section of this paper, research
methodology and research results will be presented. And in the last section, the authors will offer research conclusions.

2. Social entrepreneurship and networking

Socio-entrepreneurship, in literally meaning, consists of two words, which are socio and entrepreneurship. They fuse and create a new word. So, socio-entrepreneurship is entrepreneurship that has social goal and method. Social entrepreneurship begins with a discussion of previous studies of Certo and Miller (2008), which pointed out that there are three ways to look at in social entrepreneurship. First, from the overall mission, social entrepreneurship has a mission to social value creation with profit as an indirect effect. Second, performance measurement is difficult to do because the difficulty of social value measurement. Third, resource utilization, that social entrepreneurship utilizes the resources voluntarily. Social entrepreneurship has profit as the goal and results oriented.

Certo and Miller (2008) define social entrepreneurship as a process that involves the recognition, evaluation and exploitation of opportunities that result in social value which involves the provision of basic needs such as food delivery, health services and education. Social entrepreneurship is an activity with community goals, which hopefully is profitable and the profit is used to reinvest in the organization itself (Steinerowski, Jack, & Farmer, 2008). It is more likely to occur in contexts where there are socio-economic, environmental and cultural issues (Dacin et al., 2010) and promotes a lasting, attractive and sustainable solution for social problems (Nga & Shamuganathan, 2010). Social entrepreneurs are people who identify a failure in society and transform it into a business opportunity; they recruit and motivate others to their cause and build networks with essential people at the same time. Also, they face the obstacles and challenges and introduce their own systems to manage their social business (Thompson, 2002).

Developing and successfully using the social network means to rationalise (Parsons, 1951) the necessity of networking (Blau, 1972). Social networks (that are generating trust – as in social capital) are working as a economic lubricant generating lower transactional costs, new ways of collaborating and business opportunities – prosperity, in general (Fukuyama, 1996), but it needs a sustainable effort in order to “establish or reproducing social networks that are going to be used on long term” (Bourdieu, 1985). The same rule of the “weak ties” that Granovetter (Granovetter, 1973) developed to explain how the way people find a job applies to organizations when it comes to raise funds for their activities, perform better, solve a task faster, find volunteers to involve and so on.

Networks have several useful properties for social entrepreneurs. The first is size. Social entrepreneurs can enlarge their networks to get crucial information and other resources from knowledgeable others. The next is positioning. Entrepreneurs position themselves within a social network to shorten the path to knowledgeable others to get what they need (Blau, 1997; Burt, 1992; Granovetter, 1973). Finally is relationship structure. Social contacts may be related to the entrepreneur or to each other through several types of relations or interactions. In single stranded relations, each person performs only one activity with the entrepreneur and is related to that person through only one type of relation. Multiplex ties, in contrast, have several layers of different content or types of relationships (Scott, 1991). They may play numerous roles in the entrepreneur's support group. Researchers pay special attention to the contribution of multiplex ties to entrepreneurship. They especially note that social network members can contact and organize themselves, expanding the opportunities they make available to the entrepreneur (Burt, 1992; Hansen, 2001).
3. Research methodology and findings

The purpose of this research was to meet research goals, explore the benefits of networking from the perspective of Croatian NGOs, understand and explore the motivations of networking for social entrepreneurs, and answer in research questions: What motivates individuals to network in a social context enterprise?

The structured questionnaire method was applied. In our research, we use closed type questions. The answers are easier to code and quicker to analyses in closed questions. With Google Docs, we created a form which represents the basis of our online survey. Having created the form we sent it as a direct mail to email addresses of members of our target group, leaders of Croatian NGOs1. The target group of respondents who can best provide the information we need are NGOs in Croatia which also have a social component as a registered part of their activities.

Preparations for the analysis of NGOs also included desk research, and audio scripts that contained a large number of questions significant for the research also proved to be highly valuable for the analysis. Respondents were contacted by e-mail.

The structured questionnaires include 4 questions each. The measuring instrument (questionnaire) for this research consisted of a set of questions that the respondents (presidents or vice presidents of NGOs) were asked to answer and express their agreement/disagreement with the proposed statements, whereby the Likert measurement scale of five degrees was used (1 - not at all; 2 – very little; 3 – some, 4 – much, 5 – completely).

The most sensitive part of any social sciences survey is the response rate, especially when the survey is not completely anonymous, as we targeted a specific group of NGOs, and contacted them directly. Also, our survey was conducted in a very sensitive period, between July and August 2015, while most of Croatians used their annual leaves, which we took into consideration, and adjusted our questionnaire to be easy fulfilled by mobile phone or tablet. Out of the total of 200 questionnaires which were sent, 42 were returned, representing a response rate of 21%, which can be accepted as relevant in social surveys (Fombrun and Rindova, 1998).

From the total number of participants, 34 were females (81%) and 9 were males (12.5%). The research was conducted on the entire territory of Croatia. Distribution of the respondents across Croatia was as follows: NGOs operating in Osijek-Baranja County (23.3%), the City of Zagreb (23.3%) and Split-Dalmatia County (20.9%), while the rest were from other counties.

Average age of a Croatian NGO is 13 years. According to the research, the largest proportion of NGOs, up to 40.5% were employers while only 11.9% of respondents were either employees or volunteers in the NGO sector.

The variable "Benefits of networking from the perspective of Croatian NGOs." is a product of a chosen question while the reliability of the measurement scales was analyzed by means of the Cronbach’s alpha coefficient. Cronbach’s alpha reliability coefficient normally ranges between 0 and 1. However, there is actually no lower limit to the coefficient. The closer Cronbach’s alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale George and Mallery (2003) provide the following rules of thumb:"<0.9 is excellent, <0.8 is good, <0.7 is acceptable, <0.6 is questionable, <0.5 is poor, and <0.4 is unacceptable". While increasing the value of alpha is partially dependent up on the number of items in the scale, it should be noted that this has diminishing returns. It should also be noted that the alpha of our survey is <0.7, which is acceptable.

1 A data base of Croatian NGOs, with the relevant contact details is publicly available on the following link: https://uprava.gov.hr/o-ministarstvu/ustrojstvo/uprava-za-opcu-upravu/registri registar-udruga/826.
Table 1 Benefits of networking for NGOs (mean and std. deviation for each question)

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networking can provide certain legal advantages</td>
<td>3.6905</td>
<td>.94966</td>
<td>42</td>
</tr>
<tr>
<td>Networking: makes it easily lobbying with national institutions</td>
<td>3.9762</td>
<td>1.04737</td>
<td>42</td>
</tr>
<tr>
<td>Networking: makes it easier to receive government assistance</td>
<td>3.7143</td>
<td>.99476</td>
<td>42</td>
</tr>
<tr>
<td>Networking: makes it easier to react strongly to the appearance of new social change in society</td>
<td>3.8333</td>
<td>.93487</td>
<td>42</td>
</tr>
</tbody>
</table>

Source: Research results

Table 2 Case Processing Summary

<table>
<thead>
<tr>
<th>Cases</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>42</td>
<td>100,0</td>
</tr>
<tr>
<td>Excludeda</td>
<td>0</td>
<td>.0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100,0</td>
</tr>
</tbody>
</table>

a. Listwise deletion based on all variables in the procedure

Source: Research results

Table 3 Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.931</td>
<td>.931</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Research results

We can see that all (42) of our respondents answered this question. Alpha coefficient for the four items is 0.931, suggesting that the items have high internal consistency.

After a detailed analysis of all four areas of competitive advantage which social entrepreneurs can obtain as the result of networking, it has become clear that the perception of interviewed presidents of NGOs ranges from 3 and 4 in terms of ratings, i.e. from indifference to agreement, as demonstrated in Table 1. It is important to highlight that no presidents expressed complete agreement with any one of the statements, i.e. that no competitive advantage features received the rating 5, which certainly leaves enough room for further work on improving the role of NGOs, both by NGO presidents themselves, and by relevant institutions. Competitive advantage related to national institutions received a high average rating of 3.80. Namely, presidents of NGOs in Croatia mostly agree with the statement that networking can help in receiving government assistance (3.714), and most of them also believe that networking could offer certain legal benefits (3.690). Many interviewees also agreed with the statement that networking facilitates lobbying with national...
institutions (3,976). According to our survey, it allows NGOs to respond more easily and more efficiently in the face of new social changes (3.833).

4. Conclusion

Networking of NGOs in the Republic of Croatia is one of the main driving forces of development of NGOs on the local, regional and national level. According to the results of the conducted research, we can see that the interviewed presidents of NGOs are aware of the importance of networking, because joint activities allow them to obtain certain legal benefits (e.g. tax reliefs). All interviewees agree that networking could facilitate lobbying with state institutions and make it more efficient, and that in this way they might receive state assistance more easily and more quickly. The interviewed presidents of NGOs in the Republic of Croatia believe that networking would allow them to respond more efficiently to all social changes that could occur in the global market. NGO networks are not sufficient to overcome all disadvantages NGOs are faced with in their business operations, but if networking becomes a part of their business strategy and policy, it could contribute significantly to the achievement of positive results which could not be achieved by means of NGOs’ individual policies.

The conducted research speaks in favour of the claim that NGOs in the Republic of Croatia can obtain great benefits from networking, but there are also numerous areas which require further work so that those benefits could manifest themselves fully. NGO networks are necessary so that the joint contribution could be manifested through social development.

For a further development of this area, it is necessary to prompt research on social entrepreneurship and encourage networking among social enterprises, which would allow dialogue and exchange of experience. Finally, further surveys should be conducted among all NGOs in the Republic of Croatia in order to obtain their view on all the benefits they might receive from networking.

To conclude, we would like to cite Drayton, one of the most quoted authors dealing with the topic of social entrepreneurship, who provided the best outline of what social entrepreneurs should represent: "...There are many creative, altruistic, ethically good people with innovative ideas; however, only one in many thousands of such good people also has the entrepreneurial quality necessary to engineer large-scale systemic social change..."

REFERENCES


