

**DEVELOPMENT CONDITIONS
OF THE ENTITIES OF SOCIAL ECONOMY**

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Key words: social entrepreneurship, economisation, non-government organisation (NGO).

A b s t r a k t

This paper discusses the issues of development conditions of the entities of social economy. The paper aims at drawing attention to the problems of “economisation” of the activities of social economy entities while the aim of the surveys was to identify the development barriers and opportunities faced by non-government organisations from Warmia and Mazury region and determine the attitudes of those organisations to the issues of economic activity and entrepreneurship (those attitudes was measured primarily from the perspective of the market revenues generated in 2009). The survey was conducted by electronic means employing the questionnaire-based survey.

The results of studies presented in the paper allow concluding that the non-market financing (public funds) dominates in the majority of NGO’s from Warmia and Mazury region, the entities surveyed considered lack of funds for investments and difficulties in obtaining them the major barriers while the inflow of aid funds from the European Union was considered the main development opportunity by those organisations.

UWARUNKOWANIA ROZWOJU PODMIOTÓW EKONOMII SPOŁECZNEJ

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Słowa kluczowe: przedsiębiorczość społeczna, ekonomizacja, organizacja pozarządowa.

A b s t r a k t

W artykule poruszono kwestię uwarunkowań rozwojowych podmiotów ekonomii społecznej. Celem opracowania jest zwrócenie uwagi na problematykę „ekonomizowania” działalności podmiotów ekonomii społecznej, natomiast celem badań było zidentyfikowanie barier i szans rozwojowych, przed jakimi stoją warmińsko-mazurskie organizacje pozarządowe oraz określenie nastawienia tych organizacji do problematyki aktywności gospodarczej i przedsiębiorczości (nastawienie

to mierzono przede wszystkim przez pryzmat dochodów rynkowych uzyskanych w 2009 r.). Badania przeprowadzono drogą elektroniczną z wykorzystaniem metody ankietowej.

Przedstawione w artykule wyniki badań, pozwalają m.in. stwierdzić, że w większości warmińsko-mazurskich organizacji pozarządowych dominuje finansowanie nierynkowe (środki publiczne), za główne bariery rozwoju badane podmioty uznały brak środków finansowych na inwestycje i trudności z ich pozyskaniem, natomiast za główną szansę rozwojową badane podmioty uznały napływ środków pomocowych z Unii Europejskiej.

Introduction

Entrepreneurship and bottom-up initiative are considered the drivers of progress and foundations of economic development in every market economy. Similar trends can be observed in the social policy within the frameworks of which an increasing importance is attributed to social entrepreneurship as the starting point is the view (based in numerous practical experiences) that not the rigid rules and transfer of increasing amounts of funds for non-reimbursable and unconditional social aid but conditional support forcing the beneficiaries of the aid to undertake entrepreneurial activities with the accompanying elements of market risk represent the best method for solving social problems and preventing marginalisation of the people threatened with it. And although A. Rymśa draws attention to the fact that Polish entities of social economy do not like to take risk and represent conservative attitudes to multiplying the financial resources in their possession (RYMSZA 2006, p. 9), one should hope that the initial steps taken by many non-government organisations in the field of commercialisation of their own revenues will set the positive example to be followed by the others. Any person that wants to accomplish its dreams and achieve the goals that the man would like to achieve must possess the adequate means (both dreams that the man would like to achieve and the things that he would like to possess require large financial outlays). As a consequence, he must present entrepreneurial attitudes to obtain the means allowing accomplishing those dreams and goals. The situation is similar in case of non-government organisations, i.e. to be able to implement their own missions and goals of their operation they should (if possible) in addition to the public funds take efforts to obtain funds from conducting commercial activities. Of course, despite the analogies between the activities of an individual and a non-profit organisation, there are numerous differences that frequently do not allow non-government organisations “commercialisation” of their activities to the extent it is possible in case of an individual. Nevertheless, conducting economic activities by the third sector is becoming increasingly common in Poland. As observed by A. Jarosiński, this happens not just because the law allows conducting it by non-government organisations but also because increasingly often this is important from the perspective of their statutory tasks (JAROSIŃSKI,

KUCZMIEROWSKA 2007, p. 9). In some non-government organisations performance of those tasks without funds from commercial sources performance of those tasks would not only be difficult but even impossible.

Objective of the studies and characteristics of entities surveyed

The aim of the paper is to draw attention at the issues of “economisation” of the social economy entities activities while the main objective of the survey conducted in 2010 was to identify the development barriers and opportunities faced by non-government organisations as well as determination of the attitudes of those organisations to the issue of economisation of their activities (understood as an attempt at increasing the share of market revenues in the overall revenues). The following were assumed for the specific objectives of the study:

- Identification of the size as well as sources of revenues of non-government organisations from Warmia and Mazury region;
- Identification of the reasons for not undertaking attempts at economisation of own activities by non-government organisations from Warmia and Mazury region;
- Identification of reasons motivating efforts for economisation of own activities by those organisations.

In relation to performance of the above-indicated objectives, 72 non-government organisations operating in Warمیńsko-Mazurskie voivodship were surveyed. The survey was conducting by means of the questionnaire-based method. The survey questionnaires were completed by, e.g. 41 presidents and 4 vice-presidents as well as 8 members of the management boards of those organisations. The other respondents were members and office employees, including project department managers, heads of local units and specialists. The survey questionnaires were distributed to the non-government organisations by electronic means using the Internet and the completed questionnaires were also returned by electronic means. During that process the electronic database available at the Marshal's Office of Warمیńsko-Mazurskie Voivodship was used. Out of 72 organisations 66 were associations, 2 were funds and 3 organisations had other organisational form.

The non-government organisations surveyed operate in a variety of areas and aspects of socioeconomic life with prevalence of activities related to education, social aid and social services, tourism and recreation (all those areas were indicated by 30 and more entities) as well as development of democracy and civic society, activities for the disabled, prevention of social pathologies, sports activities and activities in the field of culture and arts (each of those areas was indicated by more than 20 organisations).

As concerns the revenues obtained by the organisations surveyed in 2009 the most frequently indicated range in the questionnaire was that of from 50 000 to 100 000 PLN (that range was indicated by 30% of the respondent organisations). Revenues exceeding 1 million PLN were declared by 11% of the organisations while the same proportion of organisations indicated the ranges from 0 to 1000 PLN as well as from 100 000 to 500 000 PLN.

The fact that over 30% of the organisations surveyed do not generate year revenues exceeding 10 000 PLN must be considered a weakness of the third sector in Warmińsko-Mazurskie voivodship. In the sample surveyed, however, 11.1% of the organisations obtained revenues exceeding 1 million PLN. The share of the “poorest” NGOs in the group surveyed was 11.1%; one can say then that the revenues of the NGOs surveyed were diversified although the phenomenon of economic stratification is not marked as strongly as in the other regions or in relation to the national averages describing the national sector of NGOs (e.g. the surveys conducted in 2008 on the representative sample of 1714 associations and foundations published by Klon/Jawor Association indicates that as much as 5.0% of the organisations that had the budget exceeding 1 million PLN aggregated 70–80% of the financial resources of the entire sector (GUMKOWSKA et al. 2008, p. 63).

Development barriers and opportunities of non-government organisations from Warmia and Mazury region

In the distribution of responses concerning barriers to development the domination of financial difficulties over the other factors is visible clearly, i.e. the highest number of points (in total 304 points awarded that is 19.0% of the total number of points¹), was awarded to lack of funds for investments and difficulties in obtaining them. Not many points fewer were scored by the main barrier in the form of excessive public administration bureaucracy (276 points awarded, which gives 17.3% of all the points awarded).

The non-government organisations see the major opportunity for development in the inflow of the European Union aid funds (that opportunity scored the total of 286 points²). This is the signal that the NGOs see in themselves the

¹ The respondents were asked to evaluate the factors with negative influence on the development of the NGOs specified in the questionnaire according to the 1 to 5 scale (the barrier could be: insignificant – 1; of low significance – 2; moderately significant – 3; important – 4; very important – 5).

² Similar to the evaluation of the barriers to development the respondents were asked to evaluate the factors with negative influence on the development of NGOs specified in the questionnaire according to the 1 to 5 scale (the opportunity could be: insignificant – 1; of low significance – 2; moderately significant – 3; important – 4; very important – 5).

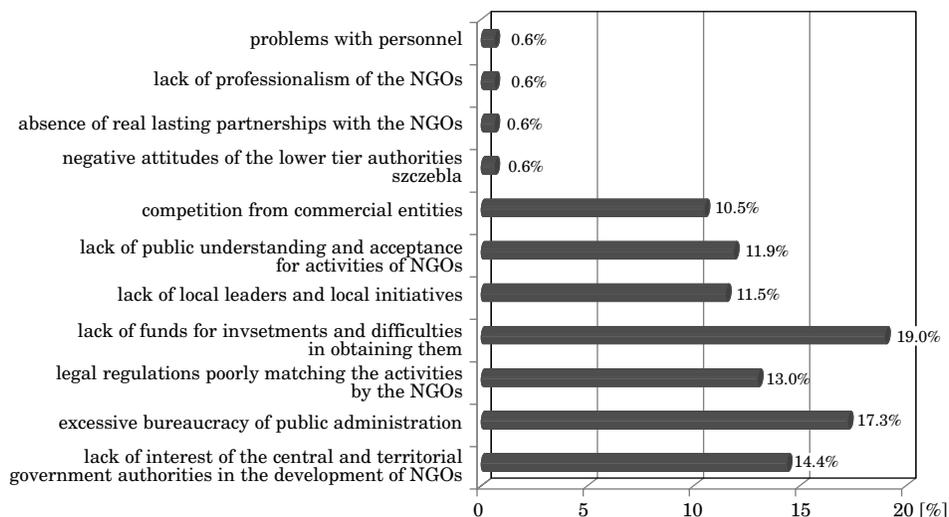
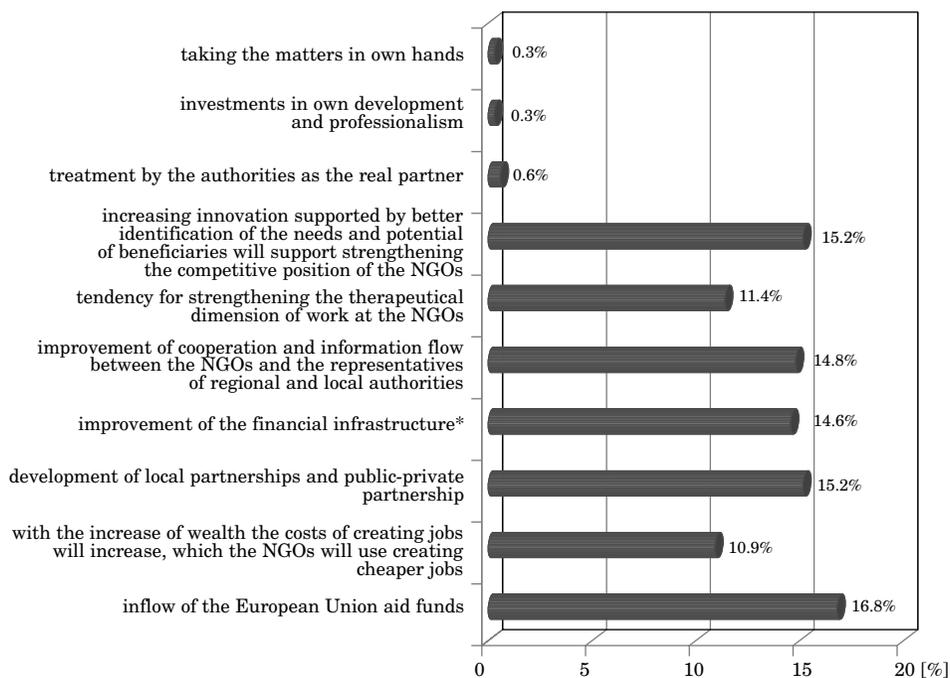


Fig. 1. Barriers to development of the non-government organisations surveyed

Source: own work based on the surveys conducted.



*among others, capitalisation of loan and guarantee funds operating in the region, EU funds, development of institutions supporting NGOs in access to capital

Fig. 2. Factors with positive influence on development of NGOs

Source: own work based on the surveys conducted.

potential, which thanks to the EU funds they will be able to develop. In that respect they act and think in a similar way to the commercial sector and they take actions to improve their own attractiveness and development. On the other hand, which is pointed out by J. Hausner, despite the increasingly brave efforts at “commercialisation” of the NGOs sector, i.e. the search for the economic dimension of the civic activities, the chances are still low that the organisations would resign arduous but relatively stable procedures of access to the European Union funds for operation in the free market (HAUSNER 2006, p. 11). That fact in a way makes non-government organisations similar to public administration.

Sources of revenues in the organisations surveyed

As concerns the sources of revenues of non-government organisations, they are highly diversified. Only 6 organisations had full clarity in that aspect because 4 of them defined their revenues as 100% non-market (including revenues from territorial government funds including those for performance of commissioned tasks, “revenues from 1%”, donations, collections, EU funds) and 2 defined them as others that cannot be considered to represent any class indicated in the questionnaire. The funds of other organisations had their sources in highly diversified activities. As concerns revenues from membership fees – 44 organisations obtain less than 25% of their revenues from them and only 9 organisations obtained more than 80% of their revenues but less than 100% from them. Non-market funds originating from the territorial governments, revenues from 1 percent of the tax, donations, collections and EU funds had a relatively high share in the revenues of NGOs (36 organisations declared that those sources correspond to more than 80% but less than 100% of their total revenues). The fewest responses were obtained to the question concerning generation of revenues using market mechanisms, i.e. strictly profit-oriented activities. Only 21 organisations undertake activities of that type generating revenues from that at the level of below 25% of their total revenues (17 organisations) and over 25% but under 75% of their total revenues (4 entities). This indicates clearly that still the major area of activities for the third sector organisations is represented by statutory activities in support of the general, social and local interests preferred to the purely economic activities generating revenues.

Investigating the correlation of the revenues obtained by NGOs in 2009 as concerns the source of revenues it can be concluded that the organisations generating the lowest revenues among those surveyed, i.e. under 10 000 PLN, obtained the largest proportion of those revenues from non-market source of membership fees. On the other hand the other organisations in case of which the

total revenues generated in 2009 exceeded 10 000 PLN (even those that generated over 1 million PLN) also indicated the major importance of non-market revenues (all 50 organisations generated 68% and more of those revenues from those sources) although those revenues were characterised by much higher diversification of sources. They included funds from bodies of territorial government (including funds obtained for performance of commissioned tasks), “revenues from 1%”, donations, collections and EU funds. This shows that organisations presenting higher revenues undoubtedly undertake more complex activities and initiatives than just collecting the membership fees. The entities that in 2009 generated revenues exceeding 1 million PLN obtained only 3% of the total revenues from the membership fees while 15% were revenues from purely economic activities that were profit oriented and profit generating.

Table 1
Average revenues by type considering the total NGOs revenues obtained in 2009

Type of revenues obtained	Revenues obtained by NGOs in 2009 (average)						
	0-1 K	over 1 K – 10 K	over 10 K – 50 K	over 50 K – 100 K	over 100 K – 500 K	over 500 K – 1 M	over 1 M
	8 org.	14 org.	10 org.	22 org.	8 org.	2 org.	8 org.
Revenues generated by applying market mechanisms*	0	0.71	20.00	4.36	0	0	15.00
Non-market revenues including: – funds from territorial governments including funds for commissioned tasks, “revenues from 1%”, donations, collections, EU funds, other)	25.50	29.71	69.60	82.91	68.00	99.00	79.38
Non-market revenues, including membership fees	55.75	36.50	10.40	11.82	5.25	1.00	3.00
Others – cannot be classified directly to any of the above identified groups	18.75	33.07	0	0.91	26.75	0	2.62

* includes, e.g. profit-oriented economic activity, statutory activities performed at a fee, interest and dividends, lease, sale of fixed assets, other market revenues

Source: own work based on the surveys conducted.

The surveys also touched upon the issue of “economisation” of own activities. Only 20 organisations surveyed have undertaken activities of that type during the past 3 years while other 20 have done nothing to economise their activities. All the organisations that generated revenues of from 100 000 to 500 000 PLN in 2009 have undertaken efforts at economisation of their own activities during the past 3 years. On the other hand only 25% i.e. 2 out of 8 organisations with the highest revenues have undertaken activities of that type.

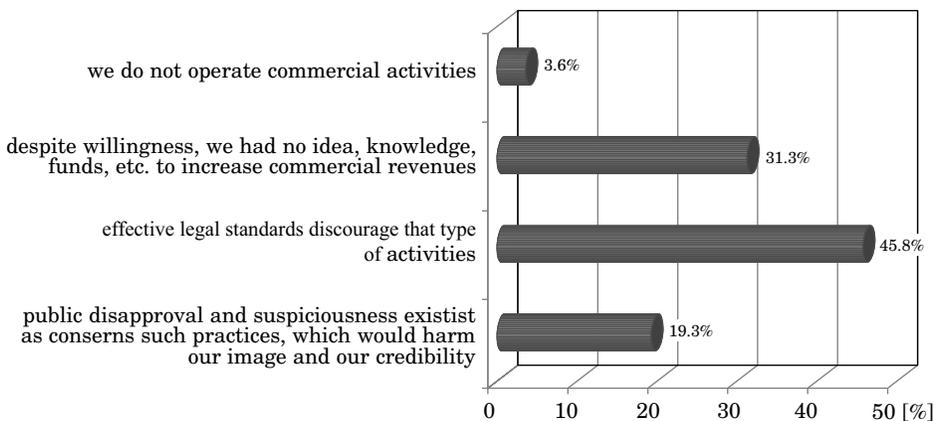
Table 2
Organisations undertaking efforts at economisation of their activities during the last 3 years including the revenues generated

Economisation of activities during the last 3 years	Revenues obtained by NGOs in 2009 (average)						
	0-1 K	over 1 K – 10 K	over 10 K – 50 K	over 50 K – 100 K	over 100 K – 500 K	over 500 K – 1 M	over 1 M
Attempt made	0%	31%	36%	36%	0%	100%	25%
No attempt made	100%	69%	64%	64%	100%	0%	75%

* The number of organisations included in the summary was 71 because one of the respondents did not give any answer to the question concerning economisation and as a consequence correlation with its revenues was not possible

Source: own work based on the surveys conducted.

Concluding, the majority of the organisations surveyed have not undertaken any efforts at economisation of their own units giving for the reasons justifying that situation (the respondents could mark more than one response) the discouraging legal regulations (45.8% of the respondents, i.e. 38 organisations) pointing first of all at tax regulations and unclear regulations concerning separation of economic activities from statutory activities.

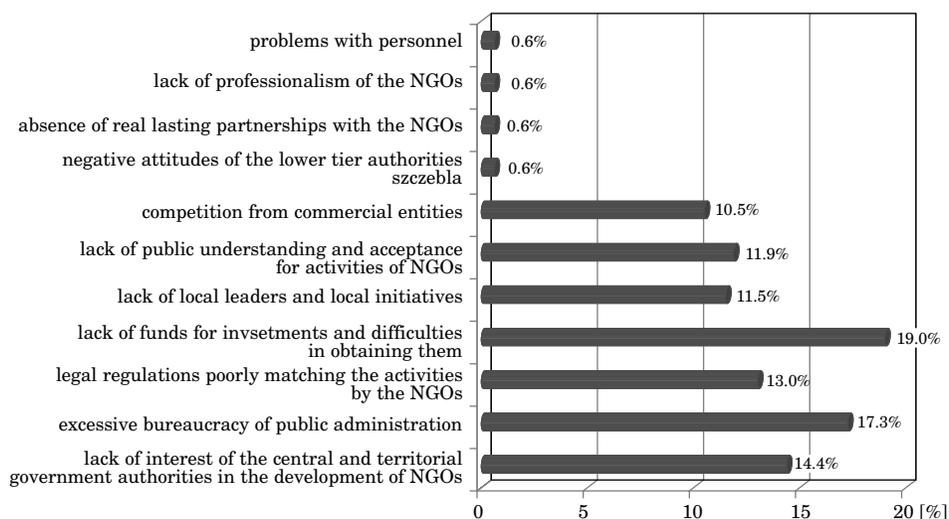


N=84; * the respondents could mark more than one answer

Fig. 3. Reasons for not attempting economisation of own activities during the last 3 years according to the respondents

Source: own work based on the surveys conducted.

Only 20 of the organisations surveyed took an effort at economising their activities and generating revenues from commercial sources giving as the main reason for involvement in such activities that the funds obtained in that way assure stable planning and performance of statutory activities (18 organisations). In that case the organisations are not dependent on membership or collection and level of membership fees. They can plan the future activities and investments and those revenues secure their survival under difficult and competitive conditions.



$N=48$; * the respondents could mark more than one answer

Fig. 4. Reasons for undertaking efforts at economising own activities of the organisation during the last 3 years of its operation

Source: own work based on the surveys conducted.

Lots of hopes are built by assurances given by the organisations concerning their own future and development. As many as 44 third sector organisations surveyed declare initiation (or expansion) of activities increasing their revenues from commercial sources. Only 28 organisations do not see such a need. The respondents asked to enter the percentage share of the revenues that should ultimately be provided by revenues from commercial sources provided diversified responses. The largest group would like to increase (or expand) revenues from commercial activities within the range of up to 25% of their total revenues (such prospects concerning revenues were seen by 25 respondent organisations). The second most populous group consisted of organisations that would like to increase revenues of that type to the maximum of 49% (that level was indicated by 21 organisations). It can be seen then that the vast majority of non-government organisations would like to come near to the definition of the social enterprise according to which it is the organisation operating in any business using the strategies of generating revenues for the

purpose of maintaining double or triple profit and loss account, and it applies only the such strategies or includes them in its diversified flow of revenues that also includes donations and subsidies from the public sector (*Przedsiębiorstwo społeczne...*, p. 209). Only two of the organisations surveyed would like to see their entire revenues originating from commercial sources (i.e. only two organisations would like to achieve self-sufficiency that is the ability of funding their future activities using the funds earned by them only).

Conclusion

Non-government organisations fulfil a number of social and economic functions in any developed country with the market economy. Next to the profit-oriented organisations (e.g. enterprises) and the public sector (e.g. government, territorial government) they represent the power that in some areas of human activities allows better performance of responsible tasks and functions than both earlier mentioned sectors.

The results of the studies conducted allow concluding, among others, that:

- non-market financing (public funds) dominates in the vast majority of non-government organisations from Warmińsko-Mazurskie voivodship,
- lack of funds for investments and difficulties in obtaining them were considered the major barriers in their development by the organisations surveyed,
- the inflow of the European Union aid funds was considered the major development opportunity by the organisations surveyed,
- the assurances by the organisations concerning their own future and development sound optimistic. As many as 44 of the third sector organisations surveyed declared undertaking (or expanding) the activities increasing revenues from commercial sources. Only 28 such organisations did not see such needs.

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