

SOCIAL ENTREPRENEURSHIP IN THE CZECH REPUBLIC: CURRENT TRENDS IN RESEARCH ON HYBRIDITY

Gabriela Vaceková, Jana Soukopová, Tereza Křenková

***Abstract:** The hybridity phenomenon has received increasing attention in the scientific literature worldwide. However, this is largely western literature, which is not perfectly suited to the transitional context of Central and Eastern Europe, respecting its specific features. The lack of relevant research on hybridity in the post-communist countries shows a considerable research gap that strongly indicates the need for deeper insight. The paper contributes to the conversation by rethinking hybridity in the context of transitional economies. The typical hybrid organizations, combining a market orientation with a social mission, are social enterprises. The discourse on social enterprise is quite different across countries, including across (post-)transitional economies. The Czech Republic is a CEE country still lacking legislative regulation on social entrepreneurship. The paper provides a comprehensive picture of the driving forces, challenges, and opportunities for social entrepreneurship in the specific historical, socio-economic, legislative, and political conditions of the Czech Republic. The main results presented in the paper show key historical events explicitly influencing social entrepreneurship and its current state based on up-to-date data, enabling the assessment of current trends in research on hybridity in the Czech Republic.*

***Keywords:** Hybrid Organizations, Social Economy, Social Entrepreneurship, Czech Republic.*

***JEL Classification:** H44, L31, L33.*

Introduction

Social entrepreneurship is a contemporary phenomenon associated with the advancement of a civil society in which corporate altruism is on the rise. The key period associated with the first mention of the social economy is the early 21st century, when new problems began to appear for which European countries had to seek innovative solutions. These solutions are provided mostly by social enterprises. The primary intention of social enterprises is usually not related to profit. They are characterized by the performance of public benefit activities, and their contribution is seen in the inclusion of people who are in some way disadvantaged in the labour market. These social enterprises are a type of hybrid organization, and they are currently a subject of both professional and intense political debate at the international level.

Hybridity has long been, and will remain, a characteristic of organizations that have not been explicitly founded to gain profit (e.g., [5], [24]). The trend towards emerging hybridization in the transitional economies of CEE has increased significantly in recent years as more nonprofits explore revenue generation opportunities [20], [32], [34]. Unfortunately, a complex approach that would enable reflection on the specific nature of hybridity in a transitional context as well as on current public debates and policy making discourses on the subject is lacking. This paper will fill this gap while focusing on social entrepreneurship in the Czech Republic.

The paper assesses and analyses the development and current state of social entrepreneurship in the Czech Republic, with regard to the growing hybridization phenomenon worldwide. Our research questions were:

- Which historical events in Europe were the driving forces explicitly influencing the development and the current state of social entrepreneurship in the Czech Republic?
- What are the challenges to and opportunities for social entrepreneurship in the specific historical, socio-economic, legislative, and political conditions of (post-)transitional countries?

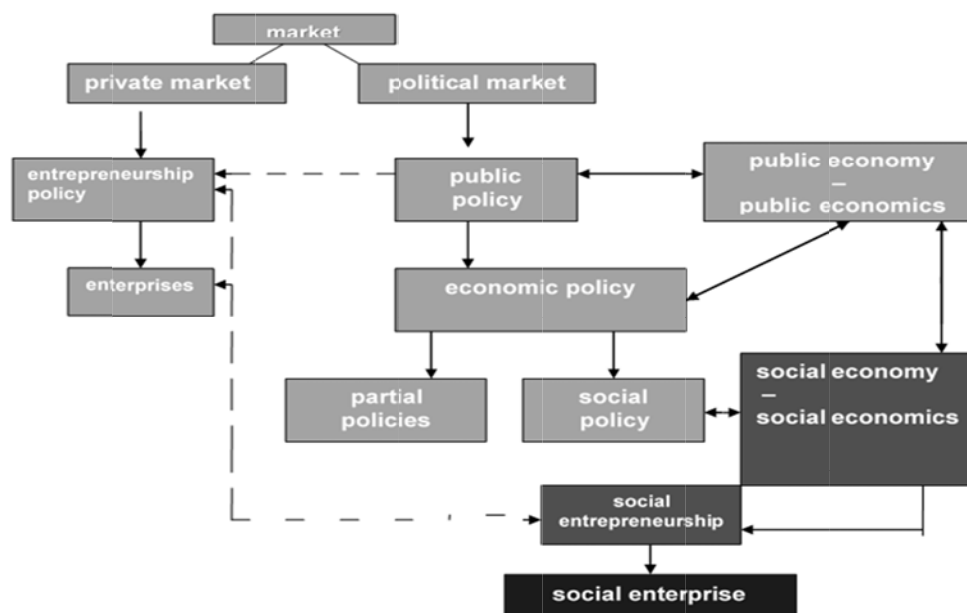
The paper is structured to present the answers to these research questions. The first part of the paper provides data on the concept of social entrepreneurship in the Czech Republic and key events in its development. The second part presents the outcomes of transformation and the current state of social entrepreneurship in the Czech Republic in the context of hybridity. The final part is devoted to a discussion of these results and the formulation of conclusions.

1 Social entrepreneurship and hybridity phenomenon

1.1 The social economy in the light of growing hybridization

The social economy is considered to be an alternative to the public sector and the market. Its development is related to solving the problems of the welfare state, while sharing responsibility for the quality and range of services.

Fig. 1: System of theoretical identification and classification of social economy and social entrepreneurship



Source: [21]

This responsibility should be shared within the public sector, private business sector, and non-governmental nonprofit sector. The social economy includes activities carried out by various kinds of hybrid organizations, such as cooperatives, associations, and mutually beneficial organizations, the purpose of which is to provide services to clients, but not to make a profit [3], [11], [19], [25], [31].

Hybridity is not “just any mixture of features from different sectors” [1]; it is about different governance and operational principles in each sector. But hybrids are also not a separate sector, “since there is no evidence that they have distinctive and explicit principles of management and operation which set them apart from other sectors” [1].

1.2 Social entrepreneurship

Social entrepreneurship is much discussed but little understood. Given the increasing importance of hybrid organizations, this should be addressed. Finding universal criteria for labelling an organization as a social enterprise is not easy. Narrow definitions may suffer from a tendency to generalize and oversimplify. Overly broad definitions lack practicality [27-28].

In the Commercial Code [6], entrepreneurship is listed as a continuous activity carried out independently in the entrepreneur’s own name and on their own responsibility for profit. However, social entrepreneurship reinforces the importance of self-management with the purpose of creating resources that will subsequently be used for the implementation of the given mission. This is a hybrid organization operating on the border between nonprofit and for-profit entities [4].

Tab. 1: Differentiation of the thinking of nonprofit and for-profit subjects

Thinking of charity organizations	Business thinking
Maximising profits to meet social needs	Maximising profits to meet the needs of an owner or investor
Providers obtain income by persuading donors to help achieve their mission	Providers obtain income according to competition based on price and quality
Success is based on achieving organizational objectives. The main goal is serving the public interest.	Success is based on the ability to maximise the difference between revenues and costs and the achieved profit.

Source: authors according to [14]

In general, social entrepreneurship is an activity aimed at solving social objectives by means of market transactions, which corresponds with the operations of private organizations [14]. Although hybridity is a relatively new subject of study, there is a considerable amount of literature on social entrepreneurship in Europe [cf. 35].

1.3 The European concept of a social enterprise

The “blurring of the boundaries of the public, private and third sector” [1] has long been recognized in the western literature. Hybridization is not less significant in the (post-)transitional context. In the Czech Republic, the organizations considered to possess significant characteristics of more than one sector are usually social enterprises.

The definitions of social enterprise tend to describe the functions of different types of social entrepreneurship (c.f. [8-9], [12-13], [15-18], [22-23], [26], [29-30], [33], [36-37]). Complications in defining social enterprise also arise from the diverse national contexts as well as from the fact that they are found in many different sizes and legal forms. A social enterprise is usually a small or medium company, including cooperatives. The EMES research team identified 160 social enterprises in 10 countries with the EU classification of social integration enterprises according to their activity [13]:

- Disadvantaged Work Integration Social Enterprise (WISE) focus on employing significantly disadvantaged groups whose employment opportunities are almost unlikely. The aim is to create long-term jobs supported by public funds.
- Self-funded WISE create long-term self-financed jobs, which are financed from public funds in the initial phase. The medium-term goal is to achieve a self-financing capacity and to reduce the support for employees in order to enhance their skills and competencies.
- Transition WISE are a type of short-term project under which a job or training is provided to disadvantaged people in order for them to increase their skills and subsequently to find a job on the open labour market.
- Disabled WISE aim at re-socialization, which is adapted to the mentally ill and people with severe disabilities; the goal of these companies is to involve employees in structured activities and to help to establish social contacts.

Innovativeness can be seen in the diversity of goals in multisource financing, in the different approaches to job creation, and in the new type of entrepreneurship including partnerships with the public sector. Generally, social enterprises are organizations that are driven by social tasks and apply marketing strategies to achieve social or environmental purposes [2], [14].

2 Methods

The paper relies on the study of contemporary hybridity phenomena in social entrepreneurship development with an emphasis on the (post-)transitional context. The data were obtained from the list of social enterprises created under the TESSEA project and from the lists of supported enterprises from two grant calls focused on social economy. The paper also uses data from the directory of social enterprises [7], last updated via telephone interviews in the last quarter of 2013. There were 211 social enterprises registered in the directory in March 2015. We study the current state of social enterprise, simultaneously “interpreting” the past and present states using the concept and a perspective that exist in the present, which is one of the possible approaches of historical methods and methods of economic institutionalism (the process of evolution of the institutions). We used logical induction and logical cognitive methods, which enable the formation of conclusions.

3 Results

The results section of the present paper provides both theoretical and empirical insight into the issue. The first and the second subchapter bring a new and innovative approach to the key events influencing the development of social entrepreneurship as well as to the transformation of social enterprises in the Czech Republic. The results of this short excursion into history help to understand the development and current state of social entrepreneurship in the Czech Republic, with regard to the growing hybridization phenomenon worldwide. It makes a suitable basis for the analysis of current state of the social entrepreneurship in the Czech Republic presented in the third subchapter.

3.1 Key events influencing the development of social entrepreneurship in the Czech Republic

The events presented in a brief overview in the following table contributed to the development of social entrepreneurship both globally and later in the Czech Republic.

The information in the table covers the 1980-2008 period. As social entrepreneurship began to develop in the Czech Republic in 2008, the table also includes data from the Czech environment.

Tab. 2: Key events in the field of social entrepreneurship

Year	Event
1980	First international conference about earning money in a social enterprise Ashoka's definition of social entrepreneurship emphasized that the purpose of establishing a social enterprise is not necessarily profitable, but such activity is not excluded Establishment of the first nonprofit consulting firm in the field of social enterprises The first international conference on making money in a social enterprise
1982	The first national survey of nonprofit social enterprises (questionnaires)
1984	The National Centre for Social Entrepreneurs, an alpha centre of public and private initiatives
1993	The first official academic program in the field of social entrepreneurship at Harvard University (Dees)
1997	The first consulting firm focused on social enterprises in Central Europe and South America (Lee Davis, Nicole Etchart) School of Social Entrepreneurs (founder: Sir Michael Young)
1998	First national meetings of social entrepreneurs (Co-founders: Jerr Boschee, Jed Emerson, Gary Mulhair, John Riggan, Bill Shore, and Richard Steckel)
2004	Centre for Social Innovations in Toronto World Forum SKOLL for social business (Jeff Skoll) aimed at a broader definition of social entrepreneurship
2005	The UK legislation created a new form of legal person, which gave social enterprises access to capital markets and gave social investors the ability to get financial returns from their investments into volunteer and community organizations
2006	The University Network for Social Entrepreneurship, based on collaboration with professors, researchers, and doctors to develop social entrepreneurship (Founders: Ashoka, the Skoll Centre for Social Entrepreneurship, Social Enterprise Knowledge Network, EMES)
2007	Social Investment Fund Management (UK), established for more than a four-year investment period, for new and existing social enterprises in health and social services The government defines a social company as a business with a primary goal, with surpluses principally reinvested in the business rather used than to maximize profits for owners and shareholders
2008	First social enterprises combining black, Asian, and ethnic minorities
2009	The thematic network for social economy TESSEA
2010	The principles of social enterprise compiled by TESSEA
2011	Project about social enterprise as a way of thinking in Ostrava
2012	A questionnaire survey of a hundred social enterprises in the Czech Republic (P3 – People, Planet, Profit o.p.s.).
2013	ČSOB announced a new grant program with the aim of helping working social enterprises.
2014	A set of indicators for social enterprises and social integration companies (P3 – People, Planet, Profit o.p.s.).
2015	1st quarter - outline of a bill on social entrepreneurship in the Czech Republic 4th quarter - paragraph version

Source: Authors

3.2 Transformation of social enterprises in the Czech Republic

As the paper focuses on specific features of hybridity in a (post-)transitional context, we pinpoint some significant determinants of social entrepreneurship development in the transition economies as compared to developed economies, such as [21]:

- Businesses with a “social” attribute are being perceived quite negatively politically and socially, as they are reminiscent of socialism;
- Interest groups in the social economy have a different structure in the former transition economies (as future social enterprise employees).
- In the Czech Republic, as in other former transition countries, there was already a high percentage of long-term and generational unemployed people. The younger unemployed people were often illiterate, without any social contacts; they were socially excluded. Some of them did not want to assume a mainstream way of life;
- In developed economies, social economics and social entrepreneurship were promoted naturally through experience and the established partnership networks with the nonprofit sector; in the transition economies, this sector has just been established and is still finding its position. Therefore, the time and process shift is really significant. A certain advantage of this delay is the fact that all entities – not only NGOs – have been gradually entering the process of establishing social enterprises.

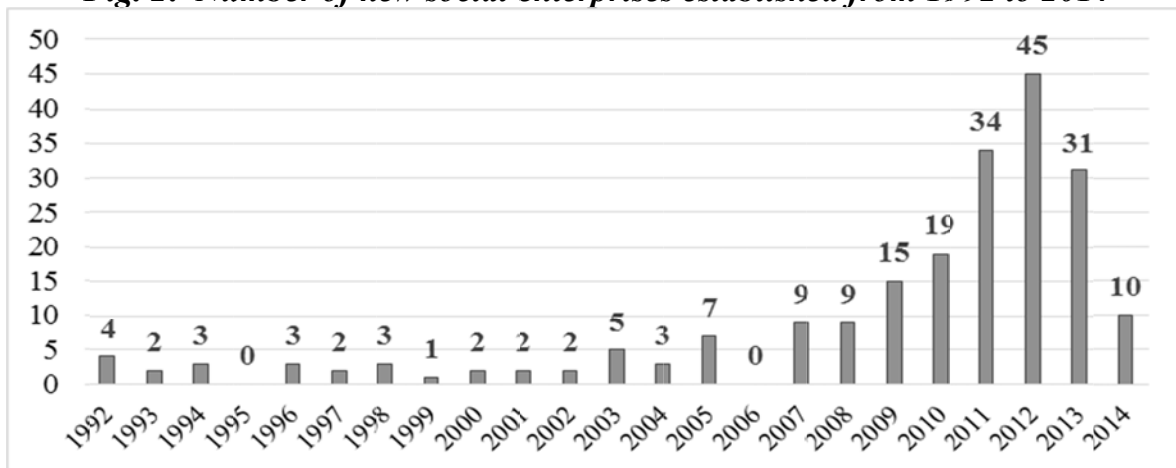
This implies that the development of social entrepreneurship cannot be supported simply by importing western European approaches. Unless the approaches are embedded, social enterprises will just be “replications of formulas that will last only as long as they are fashionable” [14].

3.3 Current state of social entrepreneurship in the Czech Republic

The Czech Republic has not yet put into effect any legislative definition of social entrepreneurship. As there is no strictly defined criteria that a social enterprise should meet, a registry for all of the social enterprises in the Czech Republic is not possible.

We evaluated the findings obtained by an analysis of the directory of social enterprises [7]. The directory provides an overview of social enterprises, divided by region, business area, and the place of performance, social responsibility, and target groups. The directory was made to create an overview of the development of social enterprises according to the year of their foundation and their legal status.

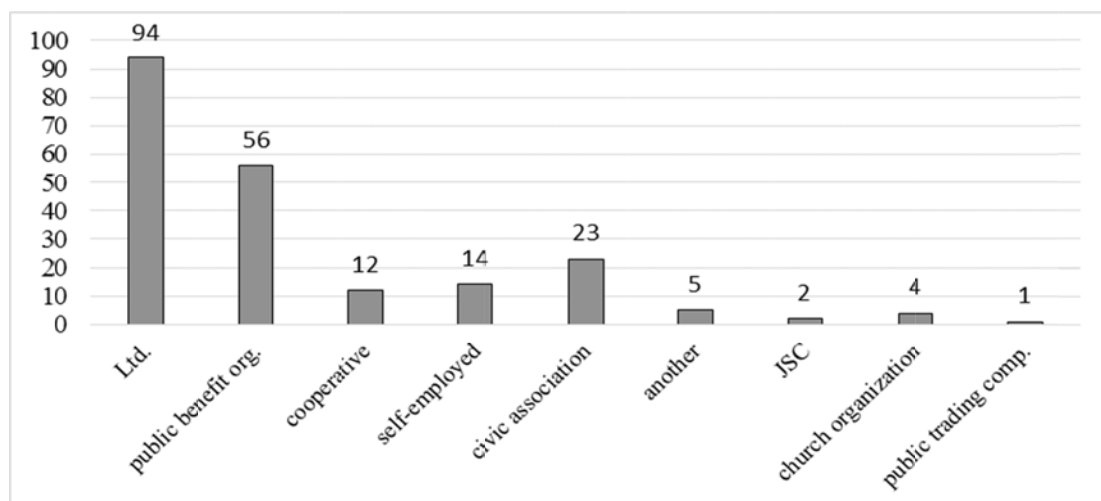
Fig. 2: Number of new social enterprises established from 1992 to 2014



Source: Authors according to [10]

The claim that the number of social enterprises has increased exponentially in the last decade can be confirmed by an analysis of their development. The first social enterprises were established as early as 1992, when four were created. There were no seismic changes in their development until 2007. In 2007 and 2008, nine social enterprises were established. Following a period of economic crisis (2008-2009), the number of social enterprises started to increase. From 2009 until the first quarter of 2014, it was possible to draw subsidies from the ESF and ERDF, and therefore the number of social enterprises increased rapidly, with a record number of 45 social enterprises established in 2012. With the end of the entitlement to the subsidy, the number of start-ups was limited as well, and so only 10 were created in 2014. The total number of registered social enterprises is currently 211.

Fig. 3: Social enterprises according to their legal form

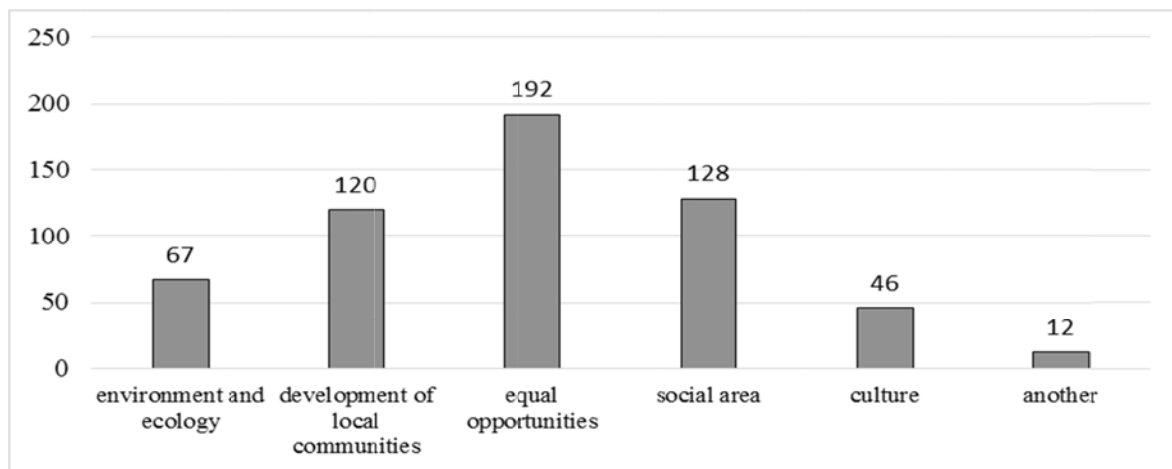


Source: Authors according to [10]

The claim that most social enterprises have a legal form Ltd. (cit.) has been confirmed. Until the end of 2014, Ltd. was the largest group, with 94 social enterprises. The second largest group included 56 public benefit organizations. However, this legal form was abolished, so it is expected to change into a different legal form. There were 23 civic associations, 14 self-employed social enterprises, and 12 cooperatives. Five social enterprises reported that their legal form is “other”. Two of these companies have the legal form of “social cooperative”, which is not specified in the directory, or they stated “other”, but they fall under one of the specified forms. The New Civil Code, valid since 1 January 2014, enables a wide liberalization of nonprofit business activities. However, these activities

have to be in line with the core mission and should help to achieve it. Hence, the gainful activity cannot reach a level that could be considered “comparable to business”.

Fig. 4: Social enterprises according to their social beneficial effects



Source: Authors according to [10]

Social enterprises most often state that their social contribution is in the area of equal opportunity (employment of socially or physically disadvantaged people) in combination with a focus on the environment and ecology, development of local communities, or social or cultural goals. A social contribution is reported by 192 enterprises. 120 enterprises are involved in developing the local community, and 128 social enterprises deal with the provision of social counselling and social assistance. A total of 46 companies claimed that their public contribution was to culture. In order for a company to claim social integration, it is necessary to employ a fixed proportion of socially or physically disadvantaged people in the total number of employees. However, this figure is not identified in the directory of social enterprises, and therefore we can only infer that companies are more inclined towards being WISE businesses.

4 Discussion

The concept of social entrepreneurship was almost unknown some 20 years ago [14]. In the last decade, it has become a subject of discussion on both sides of the Atlantic, including in CEE countries. To deepen the discussion on social entrepreneurship as embodied in western and eastern Europe, it is useful to underline the distinct development these regions experienced.

In the former centrally planned economies, the phenomenon of social economy and social entrepreneurship was important because the transformation process and the change of national economic structures created conditions for an enormous increase in unemployment and social exclusion. The causes were, in particular: inertia in thinking, reliance on high standards of social state guarantees, low qualification of the workforce and low productivity, restructuring of the national economy, loss of sales on soft foreign markets (CMEA), low competitiveness of products, new labour market demands for jobs with high added value, work process inefficiency, technological advances in production, and labour market rigidity in comparison to developed economies. All these factors created a specific historical, socio-economic, and political environment that differs from western Europe.

Each region produces specific debates. The discourse on social enterprise varies widely across countries. Western European social enterprises “tend to be based in a social

cooperative model and tend to be narrowly targeted on work integration efforts” [14]. The western European approach also emphasizes “the participatory aspect of social enterprises” (ibid), a characteristic that has received relatively little attention in the (post-)transitional countries so far.

While exploring the issue of social entrepreneurship in light of the hybridity phenomenon in the CEE context, we found that future research should focus on three main areas in order to cover the current research gap in the Czech Republic.

First, we suggest focusing on the driving forces of hybridity in transitional economies. Nonprofit organizations in CEE play diverse roles and fulfil various functions, and a hybrid nature is emerging. The historically determined diversity and hybridity of the nonprofit sector have resulted in heterogeneity in the transitional economies of CEE. The research should provide a brief insight into the historical background of these countries, focusing on totalitarian repression, transformation, and new democracy. While explaining the nature of the changes in the historical configuration of a civil society, the research could indicate the main shared features and differences in the development of these countries that could affect the emergence of hybrid organizations.

Second, future research should provide a comprehensive review of the state of the field. There are many relevant research papers devoted to this issue in the scientific literature worldwide. Unfortunately, this does not hold true for CEE transitional countries. In order to discover the current state of research on hybrid organizations in post-communist countries, the research should provide a systematic literature review. This review would minimize bias through an audit of reviewer decisions [24]. It should focus on relevant topic-related search terms (e.g., hybrid*; business-like/business like; social enterprise*, etc.) in order to summarize the research on hybrid organizations. This could reveal the current state of the field with the broad opportunities that hybridity offers.

Third, we suggest focusing on the challenges to and opportunities for emerging hybrid organizations in the transitional countries of CEE. NPOs can become business-like in any dimension in more or less comprehensive ways, maintaining alternative orientations to varying degrees. This is encapsulated in the concept of hybrid organizations, which emphasizes the merging of logic from different fields [24]. In light of the considerable heterogeneity of the transitional economies, we would suggest concentrating on the situation in the Czech Republic. The focus could be on the overall trends and figures of the Czech nonprofit sector, emphasizing the role of hybrid organizations. This would enable an illustrative example of various forms of hybrid organizations in the Czech Republic, including social enterprises, with application possibilities to other transitional economies of CEE.

Conclusion

Hybrid organizations have received increasing attention in the scientific literature worldwide. However, this literature is largely Anglo-Saxon, and it is not perfectly suited to a transitional context. The lack of relevant research on hybridity in the post-communist countries shows a considerable research gap that strongly indicates the need for deeper insight. The paper contributed to the conversation by rethinking the existing literature in the context of (post-)transitional economies. We provided a comprehensive picture of the driving forces, challenges, and opportunities for social enterprises in the specific historical, socio-economic, and political conditions of the Czech Republic. We outlined potential areas

of future research and confirmed the need for focusing on hybrid organizations, which are currently a subject of both professional and intense political debate at the international level.

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Contact Address

Gabriela Vaceková, Ing., Ph.D.

Masaryk University, Faculty of Economics and Administration
Department of Public Economics
Lipová 41, 60200 Brno, Czech Republic
Email: gabriela.vacekova@econ.muni.cz
Phone number: +420 549 49 8318

Jana Soukopová, Mgr. Ing., Ph.D.

Masaryk University, Faculty of Economics and Administration
Department of Public Economics
Lipová 41, 60200 Brno, Czech Republic
Email: soukopova@econ.muni.cz
Phone number: +420 549 49 3034

Tereza Křenková, Ing.

Masaryk University, Faculty of Economics and Administration
Department of Public Economics
Lipová 41, 60200 Brno, Czech Republic
Email: 425133@mail.muni.cz
Phone number: +420 549 49 8318

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