



RegPol²: Socio-economic and Political Responses to Regional Polarisation in Central and Eastern Europe

WP3/ESR11

The role of social entrepreneurship in rural development

- A comparative study between Hungary and Germany-

ABSTRACT Social entrepreneurship is a concept which has emerged as an active area of practice and research in the past three decades. The aim of this work is to find out whether the SE concept has a potential in building up strategies to cope with (or to adapt to) regional polarisation. The spatial focus is on rural areas of Hungary and Germany.

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1. Social entrepreneurship discourse

Social entrepreneurship research has emerged in the past three decades parallel from two different contexts (USA and Western Europe). In the beginning there was no dialogue between Europe and the USA, which has led to the emergence of the different schools of thought (Nyssens and Defourny 2010 and 2014). In the first sub-chapter (1.1), I will reflect on the definitional issues of social entrepreneurship and attempt to answer the question why social entrepreneurship still lacks a universal definition, which all of its users would accept. In the second part of this chapter I will reflect on the different conceptions of social entrepreneurship in Hungary and Germany.

1.1 Social entrepreneurship discourse on a global scale

Social entrepreneurship research emerged from social cooperative research with a special emphasis on work integration enterprises, while in the USA discussions of social enterprise emerged in the context of non-profits expanding their commercial activities to fill in the gaps following reductions in federal funding for their activities (Davies 2014, p. 63).

Defourny and Nyssens (2008) point out that the term “social entrepreneur” and “social enterprise” has a conceptual diversity. While American foundations and organizations, like Ashoka from the mid-1990s focus on the people behind a social enterprise (social entrepreneurs), European researchers focus more on the organizations (social enterprise). One of the most cited definitions of the social entrepreneur comes from Dees (1998) who states that:

“Social entrepreneurs play the role of change agents in the social sector, by:

- *Adopting a mission to create and sustain social value (not just private value),*
- *Recognizing and relentlessly pursuing new opportunities to serve that mission,*
- *Engaging in a process of continuous innovation, adaptation, and learning,*
- *Acting boldly without being limited by resources currently in hand, and*
- *Exhibiting heightened accountability to the constituencies served and for the outcomes created.” (p. 4.)*

In the European social enterprise research the emphasis has been much more often put on the collective nature of the social enterprise, as well as on its associative or cooperative form, although the US approach is gaining some influence. In terms of financial resources the “hybridization” has been emphasized in Europe (income from sales or fees from users, public subsidies linked to their social mission, private donations and/or volunteering).

In important difference between the US and European social enterprises is that while European social enterprises rely on financial support, dominantly from the public sector, their American counterparts receive support from foundations (Defourny and Nyssens, 2010; Kerlin, 2006).

1.1.1 Schools of thought

In order to be able to organize the different ways of understanding social entrepreneurship Defourny and Nyssens (2010 and 2014) distinct three schools of thoughts: the earned-income school, the social innovation school and the EMES approach. The earned income school of thought and the social innovation school of thought have emerged from the US context.

The **earned-income school** of thought defined social enterprises by their earned-income strategies. The emphasis within this school is on social enterprises as combining social and economic goals, and not necessarily as vehicles for innovation. Two strands can be distinguished within this school. The first strand understands social enterprise as the commercial activities of non-profit organisations (“commercial non-profit approach”), while the second strand extends the understanding of social enterprise beyond non-profits to encompass all forms of business initiatives (“mission-driven business approach”) (Davies 2014). Defourny and Nyssens (2014) relate the concept of Muhammad Yunus (2010) to the “mission-driven business approach” of the earned income school of thought, admitting its stronger social conditions: A social business is a non-loss, non-dividend company designed to address a social objective (Yunus, 2011).

The second school of thought that evolved from the US discourse of social entrepreneurship is the **social innovation school**. Following Dees and Anderson (2006) the emphasis is on social entrepreneurship as the activities of social entrepreneurs, who may be setting up new non-profits, but who equally may be operating in the private or public sectors. In this school there is less concern about income flows and more on the outcomes and social impact achieved by individuals. There is also often an emphasis on the idea of social entrepreneurship as bringing about systemic change through innovation (Davies 2014).

The third school of thought, the **EMES approach** has evolved parallel with the US ones. The EMES research network has defined an ideal type of social enterprise within three dimensions (economic, social and participatory):

“Economic and entrepreneurial dimensions of social enterprise

- a) A continuous activity producing goods and/ or selling services
- b) A significant level of economic risk
- c) A minimum amount of paid work

Social dimensions of social enterprise

- d) An explicit aim to benefit the community
- e) An initiative launched by a group of citizens or civil society organizations
- f) A limited profit distribution

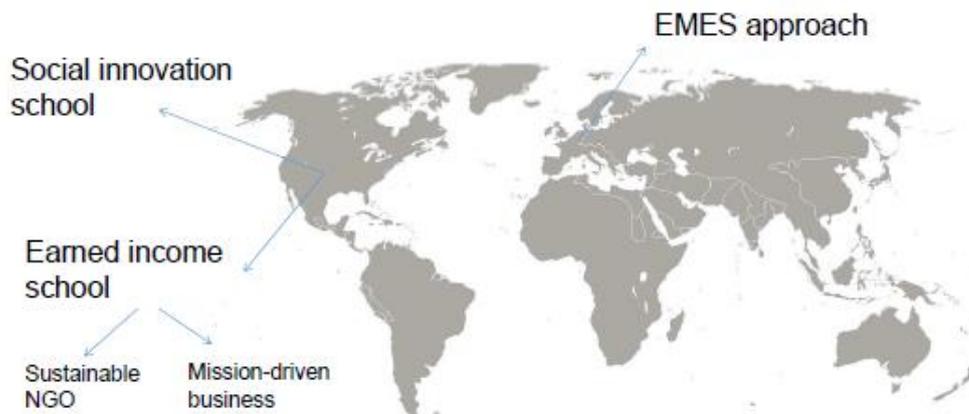
Participatory governance of social enterprise

- g) A high degree of autonomy
- h) A decision-making power not based on capital ownership
- i) A participatory nature, which involves various parties affected by the activity”
(Defourny and Nyssens 2014, p. 48)

There are convergences and divergences between the three schools of thought in terms of social value, enterprise, economic risk, governance, profit distribution or scaling and diffusion of social impact.

Social value: All three schools agree that subordinating the profit aims to the social aims (which are originated from social values) is a defining feature of the social enterprises. In itself “social value” is a contested term, which can be interpreted by multiple ways. For this reason Cho (2006) argues that to

fix a definition ‘inevitably requires exclusionary and ultimately political choices about which concerns can claim to be in society’s true interest’ (p. 36).



1. Social entrepreneurship schools of thought Source: own epilation, based on the work of Defourny and Nyssens (2014)

Enterprise: All three schools make clear that some form of trading or enterprise is essential for a social enterprise. They must be directly involved in the production of goods and services on an on-going basis (Davis, 2014). While the European school claims that the production of a good or the provision of a service is itself which constitutes to the social mission, in the “earned income” school the trading activity is often considered as a source of income. In the US it is common for a non-profit to establish a separate business entity under its control, like a restaurant or a bookstore at a museum, to generate revenue from sales. Only this latter business entity will then be labelled as a social enterprise (Defourny and Nyssens, 2014).

Economic risk: In social innovation school risk comes from the fact that the entrepreneur, who established the social enterprise, bears the risk for it. In contrast, in the earned income school, it is assumed that social enterprises are relying on market resources (Davies 2014).

Governance: In contrast with the social innovation and earned income school the European approach is more concerned about the governance structure of a social enterprise. The EMES approach promotes participative governance within social entrepreneurship which contrasts with the social innovation schools emphasis on the individual social entrepreneur.

Profit distribution: While EMES prohibits or limits profit distribution the mission-driven business strand and the social innovation school do not have any restrictions on distributing surplus and social enterprises may take any legal form including those which may involve distributing profits to the shareholders (Davies 2014).

Scaling and diffusion: In Europe public policies are expected to be a key channel for the diffusion of social enterprise models. In contrast, in the US schools of thought, expansion has been expected via the growth of social enterprises themselves, policies are not really expected to play a role diffusing social enterprise (Davies 2014).

1.1.2 Critical views on social entrepreneurship

Nicholls (2012) argues that *“the current status of social entrepreneurship can be conceptualized as a field that has yet to achieve a paradigmatic consensus and that lacks a ‘normal science’ or clear epistemology”* (p. 222).

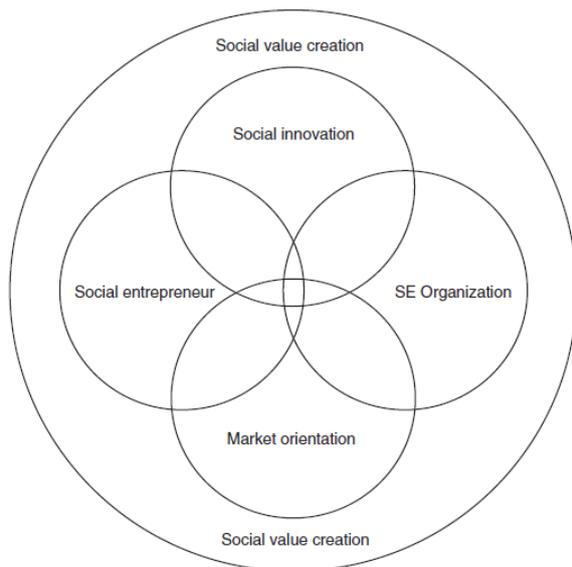
Nicholls claims that there are two dominant narratives within social entrepreneurship: narratives based on a “hero entrepreneur” success stories and narratives based on organizational models reflecting ideal types from commercial business. Narratives based on —hero entrepreneur success stories. There is often a focus on systemic change in the “hero entrepreneur” narratives. This systemic change although is *‘never very clearly defined’* (p. 236). This narrative supports internal logics that legitimate new philanthropic practices that we see in the field of venture philanthropy, with the emphasis on getting maximum social return on investment. Narratives based on organisational models support internal logics that legitimate ideas of efficiency and the marketisation of the state. (Davies 2014, S. 72)

A further concern with social entrepreneurship is that it depoliticises the image of social change. Dey and Steyaert (2010) argue that social entrepreneurship is currently dominated by a —grand narrative “which imparts an optimistic script of social change” (p. 86) characterised by certain values of rationalism, utility, progress and individualism. This grand narrative is problematic, they argue, because it ends up over-simplifying inherently complex issues in relation to social change. We could have the impression within this grand narrative that “social change can be achieved without causing debate, tensions or social disharmony” (p. 88). Dey and Steyaert point out that there is a neutralisation of social entrepreneurship which suggests it is ideology free (or post-ideology) and is best understood as a purely pragmatic means of addressing social problems. This tendency within dominant narratives of social entrepreneurship to “de-politicize, trivialize and individualize” complex social processes “culminates in a depoliticized story of harmonious social change” (p. 99).

Cho (2006) shares the concern that the dominant narrative of social entrepreneurship tends to give an apolitical account of social change. Defining “social value” or determining what lies in the collective interest of the society is that we typically have to do by a process of deliberation. But ‘when social entrepreneurs organise their actions around values they have identified as social, they have already made demanding epistemological and political claims around their ability to articulate what lies in the public interest’ (p. 42). Social entrepreneurship as a field is therefore guilty of “bypassing political processes in favour of a subject-centred, market-oriented approach to the definition and achievement of —social objectives” (p. 49).

1.1.3 Social entrepreneurship, as an essentially contested concept

After Gallie (1956) Choi and Majumdar (2014) argued that social entrepreneurship is an essentially contested concept. This means that the scholars who use it will hardly ever be able to come to an agreement on a universal definition. As Gray (as cited in Choi and Majumdar, 2014) states, definitional disputes over essentially contested concepts are disputes which “cannot be settled by appeal to empirical evidence, linguistic usage, or the canons of logic alone”. Therefore it is important that social entrepreneurship researchers explicitly state their specific understanding or consider contestant uses of the concept. “(Without this) it will remain difficult for researchers to build on each other's work and establish social entrepreneurship as a coherent field of research” (Choi and Majumdar 2014, p. 372).



2. Social entrepreneurship as a cluster concept, source: Choi and Majumdar (2014), p. 373.

Choi and Majumdar (2014) defined five subconcepts of social entrepreneurship. They argued that social entrepreneurship should be considered as a cluster concept for two reasons. Firstly, using social entrepreneurship as a cluster concept would compel researchers to explicitly state which sub-concept of social entrepreneurship they emphasise within their understanding of social entrepreneurship. This would make it easier to build on each others work and to identify relevant literature. Secondly, conceptualizing social entrepreneurship as a cluster concept would help to build up a broad research agenda for the field and at the same time help to organise our recent knowledge about social entrepreneurship.

1.2 Definitions and concepts in Hungary and in Germany

Birkhölzer et al. (2014) (Germany) and G. Fekete et al. (2014) (Hungary) have prepared two reports (A map of social enterprises and their eco-systems in Europe. Country Report: Germany and Country report Hungary) to the European Commission in which they attempt to give an overview about what is considered to be social entrepreneurship in Germany and in Hungary. Within these reports the scholars followed the European Commission's approach and referred to social entrepreneurs as operators of the social economy (European Commission 2011). Furthermore they used third sector as a synonym for social economy.

Social entrepreneurship is understood differently by different actors in Germany. Responsible public bodies or large welfare organisations use the term Sozialunternehmen for "social enterprise" and generally have a broader set of organisations in mind when speaking about "social entrepreneurship". On the other hand stakeholders from the rather new, but vivid ecosystem around the "new-style" enterprises, which follow the Anglo-Saxon approach (earned income school and social innovation school) to social entrepreneurship often refer to this new type of enterprises in English as "Social Enterprises" (Birkhölzer et al. 2014).

Social entrepreneurship is mentioned mainly in the context of the Anglo-Saxon approach in the Hungarian public discourses. NESST, a charity promoting social entrepreneurship in Eastern Europe and in Latin America, a key player of the Hungarian social investment market, follows the Anglo-Saxon approach (earned income school) in defining social entrepreneurship. Innovation, financial sustainability and own products/services are emphasised in their definition.

In terms of public discourses in Germany, social entrepreneurship is often mentioned together with "third sector" (dritte System-hinting a possible – philosophical – third way of organising the economy), "social economy" (Sozialwirtschaft – a subset of the economy delivering social services, aiming a social mission) or "solidarity economy" (solidarische Wirtschaft – referring to an altruistic approach to operations, possibly excluding new-style social enterprises) (Birkhölzer 2015).

The academic debate about social entrepreneurship is young, but rather vivid in Germany. The term “social enterprise” appeared in Germany for the first time in the 1990s (Birkhölzer et al. 2015).

According to a detailed academic contribution to the definitional debate, which was delivered by the Mercator research network, the key characterising elements of social entrepreneurship are the following:

- “Formal organisation, primarily as an enterprise or an association;
- Start-up organisation or a reorientation of existing organisations (in line with the hybridisation trend of certain welfare organisations and associations);
- Solving social problems as mission;
- Entrepreneurial approach;
- Mostly use of innovative solutions (although this is not necessarily characteristic of social “intrapreneurs”);
- Revenues are not restricted to market revenues but may come from donations.” (Birkhölzer et al. 2014, p. 7)

There is an organic scientific debate around the definitions in Germany. The fact that it is not even clear whether “social entrepreneurship” is a new or an old concept (Lorentz-Streiter 2013 in Birkhölzer 2014) demonstrates the ambiguity around this sector.

A recent approach was developed by Scheuerle et al. (2013). They differentiate between a wide and a narrow view of social entrepreneurship. The narrow view is oriented towards new social start-ups, while the wide view accommodates many traditional social sector NPOs (Birkhölzer 2015).

German scholars have contributed to the international scientific debate on social entrepreneurship too. Lautermann (2012) looks at social entrepreneurship as a creative transformative process (entrepreneurship) rather than an organisational aspect (enterprise) (Birkhölzer 2015). An extended concept of “society-oriented entrepreneurship” has been suggested (Lautermann 2012). It is based on two arguments: first, the inappropriateness of defining any particular type of entrepreneurship as “social”, when any entrepreneurship has an impact on the development of the society and is directed at certain social issues (Lautermann 2013); and secondly, the fact that entrepreneurial contributions to societal development cannot be viewed as objectively given phenomena, but must be seen as constructs, which are inevitably based on certain theoretical perspectives – with inevitable normative implications (Birkhölzer 2015).

The academic debate about social entrepreneurship is less intensive in Hungary than in Germany. Hungarian scholars have not yet contributed to the international debates of social entrepreneurship. A single and widely accepted definition for social enterprises does not exist in Hungary (G. Fekete et al. 2014). A Western European definition of social entrepreneurship (CONCISE 2003) was taken over and used in more Hungarian academic papers (e.g. Petheő 2009). According to the working definition of the “CONCISE” report social enterprises

- Have participative decision-making processes;



- Are not-for-profit organisations;
- Seek to reach social aims by engaging in economic and trading activities;
- Have legal structures which ensure that all assets and accumulated wealth are not in the ownership of individuals, but are held in trust and for the benefit of those persons and/or areas that are the intended beneficiaries of the enterprise's social aims;
- Have organisational structures in which full participations of members is encouraged on a co-operative basis with equal rights accorded to all members;
- Encourage mutual cooperation (CONCISE 2003 in G. Fekete et al. 2014 and in Petheó 2009).

The CONCISE definition was developed as a working definition for the European agenda. The European agenda used the term “social enterprise” as an instrument fighting against unemployment, poverty and social exclusion (Birkhölzer et al. 2015). Fighting against poverty, social exclusion and unemployment are typically welfare goals. Amin (2009) argues for the explicit policy recognition of the tension between market and welfare goals and cautions against the erosion of the welfare state through privatization or neglect to the degree that the third sector is forced to step in. He insists that a qualitative difference exists between the state and the social economy in welfare provision. “The welfare role of social economy is not to replicate or replace state provision.” (Amin 2009, p. 8.)

Furthermore not all of the social enterprises mentioned in the Hungarian country report (G. Fekete et al. 2014) meet all of the needs in the above formulated definition. Eg. traditional cooperatives have participative decision-making processes, but do earn profit and not necessarily seek to meet social aims. Non-profit organisations have a clear social mission, but not necessarily have participative decision making processes.

Kelen (2012), a Hungarian scholar, looks at social enterprises from a rural development perspective. He emphasises participative governance and the social aim in his definition. Financial sustainability or innovation is not mentioned in his definition. According to Kelen, in the context of **rural Hungary** the social aim of these social economy enterprises is to provide employment and training for people who are difficult to be employed. Kelen also draws the example of community supported agriculture as a possible example for social entrepreneurship.

2. Social economy and social entrepreneurship

In Europe social entrepreneurship is seen as an integral part of the social economy (Defourny and Nyssens 2008, Amin et al., 2002; G. Fekete, 2004 and 2011). Social economy, which is often used as a synonym for the third or civil sector by EMES researchers, has influenced considerable number of policies not just at national state levels in Europe but also at EU levels.

The emergence of the social economy is linked with the crisis of Fordism (e.g. in Moulaert and Ailenei 2005, Gerometta, Häussermann and Longo 2005, Amin, Cameron and Hudson 2002). Amin et al. (2002) argue that the earlier concepts of social economy, such as “Third Sector”, “non-profit activity”, “community business” or “voluntary organisation” captured something more modest. As already elaborated, Amin (2009) cautions against the erosion of the welfare state through privatization or neglect to the degree that the third sector is forced to step in.

Do we need to read the economy as three separate systems for our research? Amin (2009) questions whether the economy should be read as three separate systems (with the social economy unequivocally located in one of them) or as an entity differentiated along lines that blur the distinction between market, state and third sector. While primary goals and legal status within the social economy may be distinctive, there may be more overlap with the private and public sectors in the areas of meeting needs, building capacity and social reintegration than is suggested by a three-system approach to the economy.

For example categorization based on economic conduct, as Gibson-Graham et al. (2013) attempt to point out in their typology of the “diverse economy” might disassemble the social economy (and the third sector in general) as a coherent category. Gibson-Graham et al. divide the economy by mode of entrepreneurial conduct, to then identify variation in each of three categories. This, transactions are divided between “market”, “alternative market” and “nonmarket” arrangements; labour between “wage”, “alternative paid” and “unpaid” forms; and enterprise between “capitalist”, “alternative capitalist” and “noncapitalist” organization.

Table 1: The diverse economy, Gibson-Graham et al. (2013), p. 13

THE DIVERSE ECONOMY				
LABOR	ENTERPRISE	TRANSACTIONS	PROPERTY	FINANCE
Wage	Capitalist	Market	Private	Mainstream Market
Alternative Paid	Alternative Capitalist	Alternative Market	Alternative Private	Alternative Market
Unpaid	Noncapitalist	Nonmarket	Open Access	Nonmarket

“Gibson-Graham’s categorical descriptions and allocations are not uncontroversial, but the salient point is that, depending on the mode of conduct considered (organizational, labour or transactional), the social economy can be placed in different segments of the economy (...).” (Amin 2009, p. 10) If conceptualized as a heterogeneous entity with varying degrees of proximity and overlap with an equally heterogeneous public and market economy, the social economy could be expected to work alongside, perhaps even in conjunction with, other actors including private businesses and state bodies, to deliver its commitment to economic engagement through social participation (Amin 2009).

“What the social economy can deliver ultimately depends on the economic, cultural and institutional context in which it develops.” (Amin 2009, p. 11) For example, Jerzy Hausner relates the limitations of the Polish social economy – still small, fragile, state-dependent, and focused on returning people in the mainstream economy – not only to the absence of an appropriate institutional framework, but also to the long term erosion of social capital, especially under Socialism. Hausner (2009) argues that the development of an independent and vibrant social economy for which there is ample economic opportunity and social need, has been hampered by a history of lack of public trust in the third sector any by low levels of community participation, social trust and co-operation within Polish society. As Hungary’s history is similar to Poland’s, very similar arguments were formulated by (G. Fekete 2011):

“The legacy of the state socialist past, i.e. distrust, the survival of paternalism and the devaluation of the concept of social solidarity, weakens the adaptation of a Western European-type Social and Solidarity Economy and Local Economic Development.” (p. 25)

In contrast with this, in other advanced welfare states such as Canada, Italy and France, where the liberalization of the state has been less pronounced, and where an active social economy movement has succeeded in securing some public and policy influence, government response has been less instrumental. In these countries it is accepted that the third sector should operate in parallel to the private economy and the state (Amin 2009, p. 15).

In countries with established welfare states, but now pushing hard towards market reform (e.g. Britain and Denmark), government interest cannot be separated from the aim to roll back state provision by stimulating “a social market” for welfare. “Social enterprises are expected to provide a high quality service at competitive prices as well as thrive as businesses in the open market in order to qualify for policy support.” (p. 15) Such a dual demand violates the distinctiveness of the social economy (Russell and Scott 2007, Spear et al. 2008, cited by Amin 2009).

While in these developed market economies with strong welfare states the “solidarity economy” is viewed as a parallel system, in left-leaning countries with weak economies and weak welfare states the term has begun to stand for post-capitalist possibility. The survival and growth of worker co-operatives, micro-credit schemes, reciprocal trading networks, community-led initiatives, and social enterprises are read as a sign of a real possibility in an alternative, non-capitalist economy. Amin (2009) argues though conditions for the social economy to lead the way out of poverty and ill-being remain extremely weak in the “developing” world.

In post-socialist countries, such as Hungary solidarity economy is also seen as an alternative to capitalism. G. Fekete (2011) claims that as social economy does not challenge the market economy status quo there is a need for a more radical approach. Solidarity economy, which is an emerging approach in “developing” countries, might be a better perspective.

Ironically, public policy expectations in “developed” economies with highly privatized welfare systems such as the USA are not that different. “It is left to social enterprises and activists committed to the solidarity principles to interpret initiatives such as social housing, community gardens or neighbourhood improvement as steps towards an economy that values collective work, needs-based organization and care for the commons (Graham and Cornwell 2009).

Hadjimichalis and Hudson (2007) criticise current EU policies, because they link the social economy as the solution to the explosion of place-based social exclusion, a localization of the social economy as a policy approach to tackle problems of local socio-economic development. The problem with this policy approach is that first, it addresses effects and symptoms rather than underlying processes; second, it underplays the significance of class in contrast with other dimensions of social inequality, such as ethnicity, gender or sexuality; and third, it constructs causal relations of social exclusion with particular places, often falling into a territorial trap. Besides the critics, Hadjimichalis and Hudson (2007) see social economy as an alternative and challenge to, rather than a complement to the mainstream regional development approaches; they see a potential in it, if it is based on more democratic economic practices, on meeting social needs and on enhancing social citizenship.

3. Rural development discourse

Rural development is a contested term and its understanding evolved through the history. Meanings of local and regional development are being questioned and there is a tendency towards a deeper understanding of development, which includes cultural, political, environmental concerns too. This approach requires more qualitative assessment, including wellbeing, equalities, political and cultural expression (Lund, 2010; Nel and Rogerson, 2005; Pike et al., 2007; Sen, 1999).

The literature on social enterprises and local/regional/rural/community development has been reviewed. While some scholars see development from an economic dimension (Mayer, 2014; Johnston and Lionais 2004, Malecki 1993, Johhannison 1990), others see it in a broader context, with more dimensions, such as social, cultural, environmental or economic (Eversole 2013 b; Christmann 2014, Evans 2007). There are scholars who even claim that in some cases economic growth can not mean development at all (Kajner et al. 2013).

Questions of sustainability are becoming especially important. The interrelationship between ecology and economy is highlighted in recent sustainability definitions (Kajner et al. 2013, Morgan, 2004).

Kajner et al. (2013) argue that a dynamically changing natural or social system is sustainable as far as it is able to increase its performance in a way that its resources are expanding (or stagnating, as – from my view - development by not decreasing the natural resources is already a huge step to our society). Kajner et al. claim that if the resources are used in a higher ratio of their reproduction, than we have to talk about a crisis or decline, but under no circumstances about “development”. Therefore we cannot claim that the processes characterizing our civilization, like the aim to increase economic performance, the rapid growth of the world population, the large-scale, harsh interventions would be the signs of development, and sustaining them would be the solution. Kajner et al. understand development as the steps towards environmental sustainability.

4. Community enterprise

It can be argued that community enterprise – such as social enterprise - is a contested concept. And its relationship with social entrepreneurship is not clarified either. While some scholars argue that it is a type of social entrepreneurship others claim the contrary. Somerville and McElwee (2011) argue for example that, social entrepreneurship and community-based enterprise are the two types of community entrepreneurship. Other scholars prefer to use the community entrepreneurship concept instead of social entrepreneurship (Gibson-Graham et al. 2013, Cameron 2009, Pearce 2009).

It can be claimed that similarly to the social enterprise term, community enterprise researchers probably would not agree on a unified definition of the concept community enterprise. The reason for this is that they are using this concept in different contexts. The concept does not yet have a clear epistemological base.

Placing community entrepreneurship within the theoretical framework of community economy might solve the epistemological problem of community enterprise. In the works of Cameron (2009) and Gibson-Graham et al. (2013) community entrepreneurship is used as a concept which fits well to the concept of community economy. Community economy is a theoretical framework which is often used in business or environmental ethics. It is based on the idea of self-reliance, which is closely linked to ecological sustainability. As Zsolnai and Podmaniczky (2011) argue every community should

achieve ecological sustainability by exploiting the ecological niche available. An ideal type of community economy should meet the following basic targets:

- *“Every system used in the community should be able to be continued, and every production cycle repeated, without environmental deterioration in the next hundred years.*
- *The size of the community should be stabilized at an appropriate level. The community economy cannot depend on economic growth for the maintenance of employment and prosperity.*
- *The community must produce at least enough food and raw materials to enable its members to live simple, comfortable lives, while staying within the limits of their environment and not exploiting their parts of the world.*
- *All energy used in the community should come from renewable resources.*
- *The community could have its own currency and banking system to avoid being exploited or disrupted from outside. Capital should not allow flowing in or out, and interest rate, if any, should be determined internally” (Zsolnai and Podmaniczky, p. 148-149).*

It has to be admitted though that in the contemporary world it is not easy to approach an ideal type of community, but it is important to formulate what steps we need to take if we want to live in an environmentally sustainable world.

Achieving ecological sustainability requires more substantive organizational forms that radically alter the underlying structure of currently dominating configurations of formal economizing. This means de-emphasizing profit maximization and market systems and introducing small-scale, locally adaptable, culturally diverse modes of substantive economic activities (Zsolnai and Podmaniczky 2011).

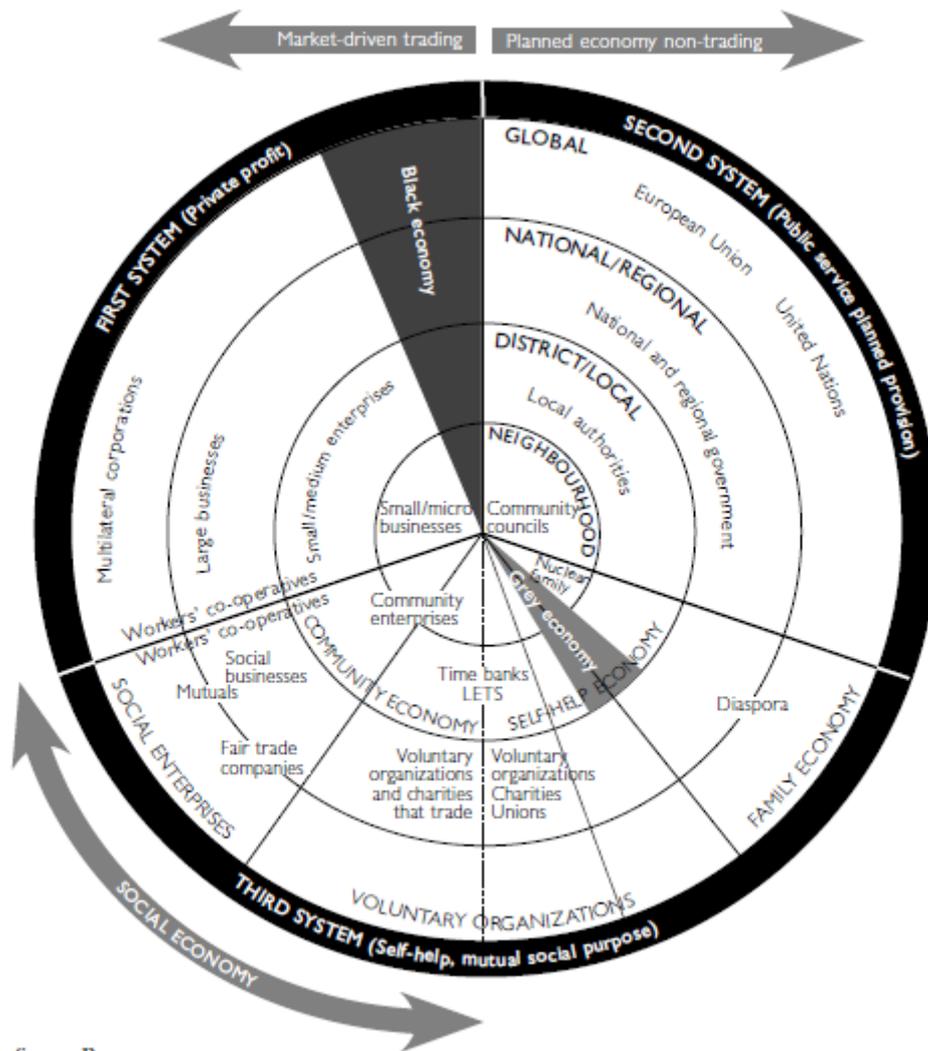
Gibson-Graham et al. claim that a community economy is "a space of decision making where we recognize and negotiate our interdependence with other humans, other species, and our environment" (Gibson-Graham et al. 2013, p. XIX).

However Amin (2009) uses not explicitly the word community economy, he points out that a group of social enterprise researchers (Julie Graham, Janelle Cornwell, Kathrin Gibson with the Community Economies Collective, José Luis Coraggio, María Sol Arroyo and Nöelle Lechat) worked with social enterprises that consider market engagement and profit-making as a means to a different kind of economy; one that values collective working, integrating work and family life, and social and environmental responsibility. „The actors involved in the enterprises - and the researchers studying them – are clear that goals are different from those in the economic mainstream, regarding the meaning and purpose of economic activity, and its social and political role.” (p. 7)

A community-based social enterprise – or a community enterprise - is a business, which is explicitly focused on improving well-being of the community members and not just on business goals (Gibson 2009).

Pearce (2009) argues that the term community enterprise was a broadly accepted description of a range of organizations which sought to tackle social issues by engaging in trade and which were owned and controlled by the community or the constituency they sought to benefit in the UK until the 2000s. Many of the best-known community enterprises in the UK grew out of community

activism. Community enterprises came to business as a means of either tackling the problems they had identified or earning funds so that they could pursue their community development plans (Pearce 2009). Community enterprises were seen as part of a process of community empowerment, by giving the disadvantaged and dispossessed the chance to engage with the political agenda and exert some control over their lives and circumstances.



Source: Pearce, 2003.

3. Community enterprises within the economy, Pearce (2009), p. 26

There has been a shift in the UK from the idea of community enterprise as an entity for community action to an emphasis on social enterprise as a business model, viewed as not very different in its essentials from private business. Pearce (2009) finds this problematic, as “the language of the business school has usurped the language of activism and political engagement.” (p. 30) Pearce’s argument fits very well with Chos critique about social entrepreneurship, in which he claims that social entrepreneurship as a concept contributes to depoliticising social change (Cho 2006). Another problem with the term social enterprise, which was pointed out by Amin (2009) too, is that social enterprises can easily become and be seen as the tool of the state as they lobby for more of the procurement cake and are courted by all the major political parties as a means of delivering welfare and other services (Pearce 2009).

With a number of other scholars who emphasize the community behind the social enterprises I would argue to turn back to the use of the term community enterprise as it is less exact as the term social enterprise.

Cameron (2009) has also turned back to the term community enterprise and argues that Australian community enterprises have the following characteristics:

- *“They focus on producing direct community benefit (e.g. ‘employment’ in either paid or purposeful work, social connections, environmental outcomes).*
- *They use economic activities as a means to help achieve their aim (and this can be through a conventional economic approach whereby paid employees produce goods and services for the market, or through a diverse economy approach where goods and services are produced and transacted through a range of economic practices that include alternative and non-market transactions, and alternative and unpaid forms of labour).*
- *They produce surplus for the enterprise, but not profit for individual gain.*
- *They are accountable to their identified constituents (usually through shared decision-making).” (p. 93-94)*

After Pearce (2009) and Cameron (2009) I would define the community enterprises as follows:

In my understanding a community enterprise:

- Is managed by a community, aims shared decision making
- Originates in a social movement (civil activism), in which the community members:
 - Identify an unfavorable situation they face
 - Build up strategies to change this unfavorable situation
- Use economic activities as means to help achieve their aim
- Produce surplus for the enterprise, but not profit for individual gain

5. Research question and methodology

Following the above described definition of community enterprise, my research question on a theoretical level is the following:

(1) To what extent can community enterprises of Hungary and Germany contribute to (sustainable) rural development?

In order to understand this question I have formulated the following sub-questions:

(2) How do community enterprises of structurally weak regions

- (a) define their challenges?
- (b) build up their strategies to cope with their challenges?
- (c) define development?

To understand the above questions I aim to use qualitative case study methodology with semi-structured interviews and participant observation. I am interested in community enterprises

from “rural peripheries” of Hungary and Germany. To answer the question what is considered to be a “rural periphery” in Hungary and Germany I will analyse academic discourses. I found two main discourses (measurable elements and non-measurable elements of peripherisation) which can implicate what is considered to be “rural periphery” in Hungary. Koós (2015) focused on the measurable elements of peripherisation and attempted to develop a deprivation indicator, which - even with its obvious imperfections, he argues - can be an effective tool in case of decision making on resource distribution to address poverty issues. After Townsend Koós understands poverty as a multi-dimensional resource- and opportunity shortage, which hinders reaching the socially accepted level of living conditions and limits participation in education and employment. Koós (2015) considered, aspects of housing, qualification, labour market participation, income conditions and demographics in his study.

The non-measurable dimensions of peripheralisation are also discussed in the social exclusion or socio-spatial marginalization literature (Nagy et al. 2015, Nagy and Virág 2015; Váradi and Virág 2015). In their work “The processes of socio-spatial marginalization in declining rural spaces” Nagy et al. consider marginalization as a social construct and focus on the emergence and reproduction of marginal situations and the mechanisms inducing them. They argue that marginalization is not just social, but also spatial. Social in the sense that the practices of the market, state and third sector actors induce and reproduce them and spatial in the sense that people who are socially marginalized (women/man, employed, unemployed, people with special needs, as a member of a cultural or ethnic group) experience marginalization as inhabitants of their settlement, region too. Institutional practices marginalizing spaces can be grabbed in challenges of reaching working places, income inequalities, the qualitative differences in and accessibility of public services, the concentration of consumer spaces, lack of civil activity, segregation and usually in the constantly reproducing living conditions (Nagy et al. 2015).

The studies focusing on the measurable elements of peripherality attempt to give a spatial view on the “rural peripheries” of Hungary. The studies looking at the non-measurable elements of peripherisation attempt to understand what the nature of a “rural periphery” is and how it is (re)produced. Both of the measurable and non-measurable elements of peripherisation are useful for me in selecting my case study community enterprises.

To select case study community enterprises I will develop a database, which is based on my own definition of what a community enterprise is. From this database I am going to make a typology of community enterprises. From each category I will identify case study community enterprises which are located on “rural peripheries” of Hungary and Germany.

I will begin my research with analyzing the publically available secondary data of the selected community enterprises from websites and organizational documents. As a next step I will conduct **in-depth, semi-structured interviews** with the key drivers (founders, community developers) of the selected case study community enterprises and also with their stakeholders, such as members of the community, employees, suppliers, local authorities, foundations, depending on the nature of the community enterprise. The open-ended interview questions will focus on the background and development of each enterprise, the nature of their operations and activities, outcomes and impacts in terms of rural development. Interview

recordings will be transcribed and checked with participants. Data categorization and thematic analysis is intended to be an iterative process (Huberman and Miles, 1994), therefore I am expecting new themes emerging through the analysis.

I will select a small number of community enterprises (2 or 4) and will visit and work with them for 2 to 4 weeks. Through **participant observation** I expect to understand what the community is and how it functions behind the enterprise.

6. Conclusion

Social entrepreneurship is a contested concept. It is not yet developed to a theory and it still lacks a definition that all its users would accept. Therefore it is complicated to use this concept effectively in rural development policies. I argue for using community entrepreneurship as an alternative concept to social entrepreneurship as this concept is more concrete and avoids depoliticizing social change.

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