

## SOCIAL ENTREPRENEURSHIP IN HORECA SECTOR

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### Abstract

Social entrepreneurship is a global concept implemented in the USA and other regions, including the European Union member states. Social businesses that exist in many countries around the world are different from commercial firms by linking economic, social, and environmental activities and contributing to sustainable development. The HORECA sector is made up of hotels, restaurants and cafes; it represents an economic services sector that is suitable for establishing and developing social enterprises, especially integration social enterprises. The paper presents the results of the survey of social enterprises according to the foreign methodology, which is recommended in the Czech environment. The authors carried out a quantitative survey among managers of companies in the HORECA sector in 2017-2018. The aim was to find out how managers in this sector evaluate the benefits of social enterprises, the specific principles of their management, and the relevance of the individual characteristics of social entrepreneurship. A statistical analysis of the questionnaire survey results was carried out to identify the possible relationships between respondents' opinions and their characteristics, such as gender, age and management position. Results form the basis for wider use of methodology among other entities, especially in small and medium-sized enterprises.

**Key words:** social entrepreneurship, social enterprise, manager, HORECA

**JEL Code:** M12, M14, O35

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### Introduction

This paper introduces the concept of social entrepreneurship and the definition of a social enterprise that is globally accepted. It was created by EMES<sup>1</sup>. Survey results among managers of social enterprises are presented in this article and the objective was to find out how managers in this sector evaluate the benefits of social enterprises and how they perceive the

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<sup>1</sup> EMES is a research network of established university research centres and individual researchers whose goal has been so far to gradually build up an international corpus of theoretical and empirical knowledge, pluralistic in disciplines, and methodologies, around our “SE” concepts: social enterprise, social entrepreneurship, social economy, solidarity economy and social innovation. (<https://emes.net>)

adoption of the definition features and their specific principles of management and relevance of the individual characteristics of social entrepreneurship. Foreign concepts and experiences, especially from the European Union countries, serve as the basis for Czech definitions. No social entrepreneurship has been adopted in the Czech Republic up to now; however, there are certain facts that create suitable conditions to establish social enterprises. Research studies confirm that social enterprises linking economic activities with social or environmental objectives in the given area exist. However, social enterprises have not been formally defined yet; they are not recognized by legislation. Social Law on Social enterprise is currently being prepared and undergoes approval procedures. In the Czech Republic, a body (office) focusing on social enterprises at government or other level has not been established until now. Some facts create suitable conditions for the establishment and development of social entrepreneurship and research confirms the existence of social enterprises, even though a formal definition is still lacking. (Dohnalova, Guri, Hrabetova, Legnerova, Slechtova, 2015). Therefore, it is important to know the opinion of managers of social enterprises. How they adopt the characteristics resulting from the definition, where the strengths weaknesses occur. The real beginnings of the social enterprise phenomenon in the Czech Republic are mainly connected with the implementation of projects supported by the European Structural Funds (Legnerova, Dohnalova, 2017). From 2003 to 2008, non-governmental organisations (cooperatives and registered companies) often established international cooperation, gained experience from abroad and started to call themselves social enterprises or social companies. The interest to establish social enterprises was supported by the Human Resources and Employment Operational Programme of the European Social Fund. Between 2009 and 2014, the Ministry of Labour and Social Affairs defined, in its call for grant-applying projects in the “Social Economy”, the requirements to be fulfilled for an organisation to be considered as a social enterprise.

## **1 Methods and materials**

### **1.1 Methods**

The authors used for their research the methodology according to the foreign definition of social enterprise of EMES. The base of this definition is the fact, that social enterprises pursue their social benefit, economic benefit and environmental and local benefit as private entities

(Defourny, Nyssens, 2008; Jiao, 2011; Dey, Steyaert, 2012). Frequent employment of individuals from disadvantaged social groups or environmental goal pursuit differentiates them from profit-generating companies. They contribute to the social integration of disadvantaged social groups by their employment and thus combating the unemployment. The authors carried out a quantitative survey among company managers in the HORECA sector in 2017-2018. The aim was to find out how managers in this sector evaluate the benefits of social enterprises, the specific principles of their management, and the relevance of the individual characteristics of social business. The statistical analysis of the questionnaire survey results was carried out in order to identify possible relationships between respondents' opinions and their characteristics, such as gender, age, and managerial position. The research method was a questionnaire survey and the research sample included managers at all management levels in hotels, restaurants and cafes in the Czech Republic. Out of 200 questionnaires, 87 questionnaires were completed. Altogether 45 women and 42 men participated in the questionnaire survey. The return on questionnaires was 43.5%. The obtained data were gathered in order to distinguish the characteristic properties of the observed phenomena. For the key variables, statistical methods of dependency investigation were applied, which allowed the verification or refutation of the hypothesis.

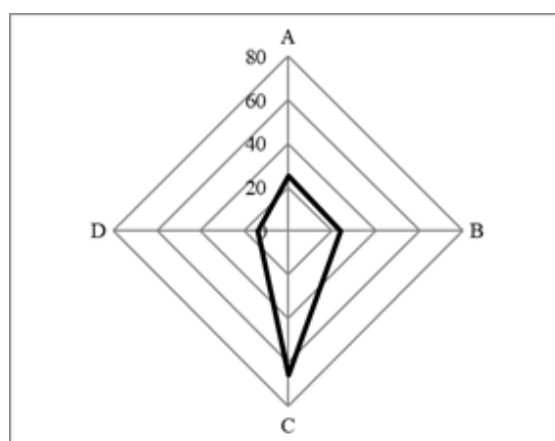
## **1.2 The concept of social enterprise**

The concept of social enterprise is mainly connected with the employment of disabled people in the Czech Republic. The legislative background supports these social enterprises by providing subsidies for the creation of jobs according to the Code of Employment. (Dohnalova, Legnerova, 2018). A social enterprise is defined as a “subject of social entrepreneurship”; it is a legal person founded according to private law or a part of a legal person or a natural person that complies with the principles of social enterprise (Legnerova, Dohnalova, Cipelewska-Kowalik, 2018). The social enterprise pursues a goal of public benefit, which is formulated in its founding documents. It is established and developed on the basis of the so-called “triple bottom line” - economic, social and environmental concept (Coker, Flight, Valle, 2017).

## 2 Results and discussion

For the purposes of this article, only a part of the results shown in the following graphs was selected. Figure 1 shows the frequency of respondents' answers dealing with the social benefits of social enterprise management. The respondents' option was following: A – employees' and members' participation in the company orientation, B – preferential usage of local resources, C – running a beneficial activity for the company or a specific group of disadvantaged people, D – the minimum share of products and services sales in total revenues). Simultaneous multiple responses were allowed.

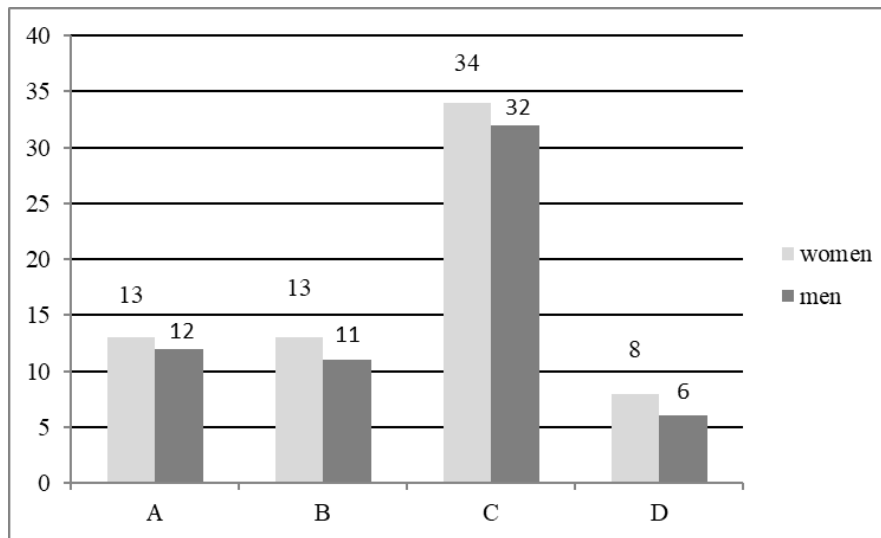
**Fig. 1: Social benefit from management of a social enterprise**



Source: own research

As the most common social benefit the respondents have chosen the following: social enterprises run activities beneficial for a society or a specific group of disadvantaged people. Other options were chosen by the respondents in a considerably smaller number. According to the respondents the social benefits related to the share of sales in the total profit are the least important. The result confirms that respondents are aware of the need to help specific groups of disadvantaged people. The following null hypothesis ( $H_0$ ) "There is no statistically significant difference between gender and frequency of individual social profits" and an alternative hypothesis  $H_1$ : "There is a statistically significant difference between the gender and frequency of individual social profits" have been established to research the existence of the frequency of individual social welfare options and gender. Figure 2 shows the results by gender of the respondents.

**Fig. 2 Social benefit by gender of respondents**

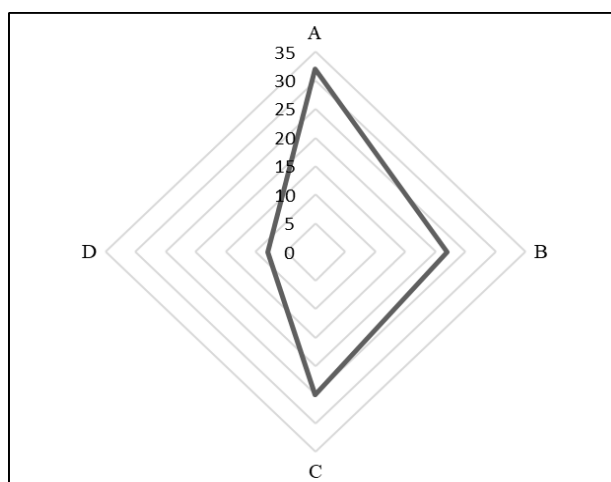


Source: own research

Based on the independence test at the 5% significance level, the null hypothesis ( $H_0$ ) dealing with the independence of individual characters was not rejected. This means that dependency between the respondents' gender and the frequency of individual social profits has not been possible to prove. Hypotheses aimed at age and managerial positions were tested subsequently in the same way. Based on the independence tests at the 5% significance level, the null hypotheses ( $H_0$ ) dealing with the listed characters' independence was not rejected. This means, that it has not been possible to prove that there is a dependency between age or the managerial position and the frequency of individual social benefits.

Figure 3 shows the respondents' frequency of answers to the following question: "What specific principle of social enterprise management would you apply?" The respondents were asked to choose only one option out of four (A - employees participation in managerial decision-making and in managing the business, B - independence in managerial decision-making process and business management on external founders, C - dependence on managerial decision-making process and enterprise management on the local community and founders, D - dependence on local authorities).

**Fig. 3 Choosing a specific principle of social enterprise management**

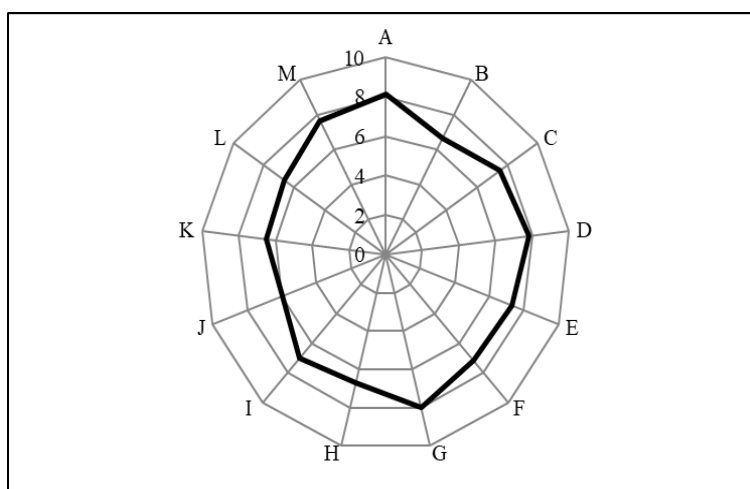


Source: own research

Option A was the only right choice of all other options. Most respondents have chosen this option; however, it was only 36.8% of all responses. On the one hand, the respondents perceive the benefits of social entrepreneurship; on the other hand, they are not fully aware of their specifics. The same methodological approach was used to examine the dependence between the frequency of selected social enterprise management and the gender, age and managerial position. Based on the independence tests performed on the 5% significance level, the null hypotheses ( $H_0$ ) on the independence of the listed characters were not rejected. This means that it has not been possible to prove that there is dependence between gender, age or the managerial position and the frequency of selected management specifics.

Figure 4 shows how the respondents evaluate the significance of individual characteristics of social entrepreneurship (A - employment and social inclusion of people disadvantaged in the labour market, B - consideration of environmental aspects of production and consumption, C - emphasis on the development of work skills of disadvantaged employees, D – compliance with equal opportunities for all employees, E - potential profit used primarily for the development of a social enterprise and/or for the community objectives fulfilment, F - cooperation of a social enterprise with local actors, G – preferential use of local resources, H - participation of employees and members in the company orientation, I - ability to manage economic risks, J - restrictions on asset management, so-called asset lock, K - preferential satisfaction of the local community needs and local demand, L - independence in managerial decision-making and management of external founders, M - adoption of an ethics code or ethical principles of behaviour).

**Fig. 4 Importance of social entrepreneurship characteristics**



Source: own research

Respondents assessed employment and social inclusion of people disadvantaged in the labour market as the most significant characteristic, followed by the preferential use of local resources. As the least significant characteristic, they chose the restrictions on the disposal of property. The advantage is that all characteristics have reached an average value of 5.9 or higher. The respondents understand the importance of a social enterprise as a part of the business environment in the HORECA sector. The same methodological approach was used to examine the dependence between the assessment of individual characteristics of social entrepreneurship and between gender, age and managerial position. Based on the independence tests performed on the 5% significance level, the null hypotheses ( $H_0$ ) on the independence of the listed characters were not rejected. This means that it has not been possible to prove that there is a dependency between gender, age or the managerial position and assessment of the significance of the individual characteristics of social entrepreneurship. The authors have identified the most serious obstacles that managers in the HORECA sector face in relation to social business. Managers (both women and men) feel the lack of interest of the state and public institutions in social entrepreneurship. There is no support from the state and municipalities. In the Czech Republic, there is no legislative anchoring the social entrepreneurship and no system support is set.

## Conclusion

Although it is a new issue in Czech environment, social entrepreneurship is perceived positively, especially as a tool to employ as well as to include socially disadvantaged people in the labour market. Nevertheless, the authors recommend continuing education of social

entrepreneurship as it is done abroad (Bridge, 2015). In the HORECA sector, the use of preferential local resources is an important characteristic. Social enterprises - hotels, restaurants and cafés combine economic, social, and environmental activities. It is emphasized abroad that in local conditions they contribute to sustainable regional development (Lange, Dodds, 2017). Research shows some trends, but the research has been focused on hotels, restaurants and cafes only. However, there is a clear interest in the social overlap of economic activities and the interest of managers in the social inclusion of disadvantaged people through employment. It is crucial for managers to support local sustainable development. The authors recommend conducting the same research in other economic areas, thus identifying the same or different opinions of managers on social business.

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