



# Profit and Common Good in Polish Private Limited Non-Profit Companies

Anna Waligóra 

## Social Entrepreneurship and Common Good

Social entrepreneurship combines various types of economic and economic-related activities that function within the social economy (Waligóra 2017, p. 7). A common assumption of all social enterprises is to diversify the economic goals of the company's operations with social goals. There are different ways to achieve this balance.

In the subject literature, there can be bound various guidelines for understanding the area of social economy and various definitions of social enterprises (Spear 2004; Jegorow 2010). They refer to law and economics as well as to ethical assumptions and practices of functioning. The description of social enterprise is often formulated in relation to historical traditions. In Poland, the model based on the accomplishment of economic activity accompanying the regaining of independence is particularly strong, based on the unions between representatives of

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A. Waligóra (✉)

Poznań University of Economics and Business, Poznań, Poland

e-mail: [Anna.Waligora@ue.poznan.pl](mailto:Anna.Waligora@ue.poznan.pl)

similar professions inhabiting individual areas covered by the partition, in 1772–1918 (Piechowski 2008, pp. 13–15). Nowadays, due to the dynamic development of the social economy supported by European Union funds, social enterprises are created in the spirit of equalizing economic opportunities, strengthening various employment opportunities and the assumptions of civic democracy (Praszkier et al. 2014).

In spite of the fact that two waves of development of social entrepreneurship have taken place so far, one can speak of a common reference to the idea of the common good, that is, the terrestrially encapsulated and practical intentions to create communities and societies that include, as far as possible, all economic activity on the economic market (Rymsza and Kaźmierczak 2009).

In reference to the above assumptions, the following definitions of social entrepreneurship and social enterprises were adopted in this paper.

Social entrepreneurship - types of organized business practices, also going beyond the legal framework binding for the social economy, positively valorized in relation to social symbolic values and meeting the requirement of economic rationality.

Social enterprise - an economic entity whose activity is focused on the profit devoted to the development of the enterprise, meeting the economic needs of social entrepreneurs and socially useful goals, assuming that economic and social objectives are treated as equivalent. ([http://www.wbc.poznan.pl/Content/404384/Waligora\\_Annarozprawa\\_doktorska.pdf](http://www.wbc.poznan.pl/Content/404384/Waligora_Annarozprawa_doktorska.pdf), access: 2 June 2019)

These definitions contain an attempt to combine two key values for the social economy—balancing the economic and non-economic benefits of enterprises with functioning in relation to the conditions (needs and human potential) of local communities.

The main division of social enterprises in relation to their market activities is linked to their economic efficiency. Entities such as Social Integration Clubs, Centers for Social Integration, Occupational Therapy's Workshop do not carry the promise of earning income, and are even a denial of it. Despite this, the activities organized in them bring citizens (disabled and unaffected by disability) to function in the social

world, teach social resourcefulness, and thus bring closer to participation in the labor market (even if it means temporary performance of low-qualified jobs).

Rehabilitation through work is a widely recognized approach to teaching life in society (Grewiński 2009), and thus a proof that even unprofitable social enterprises with the premises of not bringing economic profit, although operating on the outskirts of the market, fall within the definition of a social enterprise.

A special place in the below list of social enterprises with the premises of not bringing economic profit and social enterprises assumed to bring economic profit is held by student co-operatives whose main task is to foster educational institutions in developing entrepreneurial attitudes of students. Student co-operatives can, but do not have to make an economic profit; they have to teach, on what principles to strive for it. Originally, student co-operatives constituted a bridge between enterprises that partially funded their activities, seeing their future employees as students in cooperatives. Unfortunately, this practice is slowly expiring (in Poland), contributing to the distance of the educational market and the labor market.

Social enterprises assumed to bring economic profit are strongly internally differentiated. This results both from their historical and legal conditions and the evolution of the original assumptions formulated for these entities. They include both financial institutions that were supposed to serve other social enterprises as well as more or less advanced forms of cooperative organizations. Among the social enterprises assumed to bring economic profit, the most similar to the functioning of the free market entities, the Employment Cooperatives and the Vocational Development and Training Center should be distinguished. In their theoretical assumptions, they are based on an inclusive approach to the market; in practice, management is reminiscent of ordinary enterprises using, to a greater extent, social policy mechanisms for the inclusion in the market of units that have difficulty in finding a place on it (Table 1).

Social enterprises are piling up in relation to applicable law and locally diagnosed needs. It does not mean, however, that with the current formal and legal assumptions, they manage to effectively fulfill the entrusted

**Table 1** Division into social enterprises not oriented and oriented to economic profit—Polish example

| Social enterprises with the premise of not bringing economic profit  | Social enterprises assumed to bring economic profit  |
|--|--|
| Social Integration Clubs (Kluby Integracji Społeczne – KIS)          | Cooperative banks and Credit unions (Banki spółdzielcze – BS i spółdzielcze kasy oszczędnościowo-kredytowe – SKOK) |
| <i>Student co-operatives (Spółdzielnie uczniowskie)</i>              |  |
| Centers for Social Integration (Centra Integracji Społecznej – CIS)  | Social cooperatives of private persons (Spółdzielnie socjalne osób prywatnych)                                     |
| Occupational Therapy's Workshop (Warsztaty Terapii Zajęciowej – WTZ) | Social cooperatives of legal persons (Spółdzielnie socjalne osób prawnych)   |
| –  | Employment cooperatives (Spółdzielnie pracy – SP)  |
|  | Vocational Development and Training Center (Zakłady Aktywności Zawodowej – ZAZ)                                    |
|  | Corporate foundations (Fundacje korporacyjne)  |
|  | Private limited non-profit companies (Spółki z o.o. non profit [non for profit])                                   |

Source Own study

social “mission”. This is due, among other things, to the fact that they largely operate in isolation from the needs of local markets, where they are not recognizable as partners for economically effective activities. The problem described above is also a consequence of finding in the economic profit of social enterprises denial of the essence of their activity, although it is the earned profit that forms the basis of their long-term operation. Corporate foundations and the main for this paper, private limited non-profit companies, combine economic and social thinking, which is the core of building the common good, because it is the individual improvement of the quality of life that contributes to building social well-being.

Private limited non-profit companies constitute a relatively new legal solution for cooperation of various types of entities on the market.

Although their name indicates a lack of expectations regarding the economic profit, a profit approach is characteristic of their activities. It combines both a commitment to earn and a balance between what is social and economic. Private limited non-profit companies can be appointed by various types of entities: business entity, public institutions, third sector organizations, including church legal entities. They can also be co-funded by grass-roots civic initiatives, such as associations implementing local missions (e.g. ecological, democratic, related to the challenges of social policy). The common condition that the founding entities must meet is the possession of a legal personality and the ability to set up the initial capital, which capital does not have to be paid equally by the individual founders.

The specific freedom of management resulting from the formula of functioning of private limited non-profit companies constitutes a special field for implementing the assumptions of corporate social responsibility. This type of entities may meet with ambitions of realizing the assumptions of social responsibility of enterprises as well as the need for professional activation of participants in local realities. The resource approach is the key here. When investing in the establishment and operation of a private limited non-profit company, the company shares the most important resource that determines its superiority over other founders—capital. Other institutions, however, bring real know-how about how the capital invested is best used based on the assumption of balancing the economic and non-economic objectives of the functioning of a social enterprise.

Such an approach seems to be crucial to bring the above-mentioned entities closer to the requirements imposed on them today concerning the development of dialogical attitudes within the social world. Moreover, it seems that the partial replacement of actions and ephemeral activities (which are also important) the formation of private limited non-profit companies solves the problem of shaping long-lasting (effective) corporate social responsibility policies and permanently combining them with the challenges and objectives of local development.

## Emergence of Private Limited Non-profit Companies

In the contemporary literature on the subject, social entrepreneurship is often not identified or analyzed as a tool for corporate social responsibility. Certainly, as a strategy of action, it is more obvious in the American than European context (Kerlin 2008, pp. 120–122), but CSR activities and entrepreneurship as such do not go hand in hand. This approach implies two types of consequences. First, social enterprises are often ephemeral entities, detached from the conditions of the markets on which they manage, which does not strengthen the sanctioning of their duration. Not supported by social programs, they cannot withstand competition on the open market. Secondly, open market entities seem to not base activities in the area of CSR on real local needs, which means that they do not use the potential of social entrepreneurship that could support these activities. A platform for the dialogue of these two types of institutions could be non-profit companies.

The experience of functioning of the existing private limited non-profit companies shows that the commitment to action taken between business and society in their creation has a particular impact on the density of social capital (Sztompka 2016, p. 12) which is the quality of the common good. Private limited non-profit companies are a special platform for dialogue between the conditions that dictate the market functioning of enterprises and social needs characteristic of the business environment of this company. One can even say that the creation of private limited non-profit companies is the best form of dialogue between what is economically rational and what is socially rational (without which economic rationality loses its justification).

## **An Example of Functioning Private Limited Non-profit Companies—Social Entrepreneurship Diakonijna Spółka Zatrudnienia Ltd. (Przedsiębiorstwo Społeczne Diakonijna Spółka Zatrudnienia Sp. z o.o.)**

Social Entrepreneurship Diakonijna Spółka Zatrudnienia Ltd. was founded in 2009 by the Barka Foundation (55 shares with a total value—PLN 418,000), Association for People and the Environment (15 shares with a total value of PLN 114,000), the Evangelical-Augsburg Commune in Poznań (30 shares with a total value of PLN 228,000), Kwilcz Commune (3 shares with a total value of PLN 24,300) and the German foundation Dachstiftung Deacon. The company has the status of a public utility entity (equivalent to German GMBH and the American corporate foundation). The purpose of a social enterprise is the professional and social integration of people affected by the problem of social exclusion (<http://dsz-diakonijna.pl/>, access: 2 June 2019).

The company is a production and service company (Picture 1). Its business activities include industries such as metalworking, plastics processing and sewing production and services (machine embroidery). The offer of Social Entrepreneurship Diakonijna Spółka Zatrudnienia Ltd. is addressed to market recipients and individual clients in Poland and abroad. Despite permanent contracts for the services and products offered, it is constantly looking for new markets and recipients of its activities. Thanks to the specific legal form of the operation, the company also has the possibility of unlimited participation in public tenders.

Unlike other companies operating in accordance with the Commercial Code, the profit of the Social Entrepreneurship Diakonijna Spółka Zatrudnienia Ltd. can be used only for the implementation of social goals that the company puts before it and its ongoing operation (including maintenance and development of the machinery park and maintenance employees). The founding contribution is therefore multiplied over the entire life of the company and does not return in financial form, and in the form of social profit to its shareholders.



**Picture 1** Loading yard for the transport of plastic welds for the Volkswagen branch in Germany (Source Author's archive)

Social profit, i.e. the social goal of a company operating in the Kwilcz commune (Poland, Wielkopolska voivodship, and the inter-city poviat) has been defined around the insufficient number of residential premises. The company from surpluses resulting from its operation has built social flats (Picture 2), which are partly at the disposal of the commune authorities, and partly at the disposal of the company, which places their employees in them, who before the employment were struggling with the problem of homelessness.

Social housing is a common good that the parties involved in the company have at their disposal. Therefore, both economic goals are realized here—the company is a profitable enterprise employing the inhabitants of the commune and people coming out of social problems that have decided to settle there, as well as social—the entity responds to actual, socially disappeared and theoretically unsolvable social problems. Thanks to the deep understanding of corporate social responsibility and the dialogue of entities involved in the company, a rational, economically and





**Picture 2** Part of the housing estate social housing built from the profits of the Social Entrepreneurship Diakonijna Employment Company Ltd. (Source Author's archive)

socially sustainable solution was created at the interface between CSR idea and the idea of common good.

## **A New Understanding of Corporate Social Responsibility?**

Corporate social responsibility is often related to activities carried out by an entity managing the common good of the entity's employees or people associated with them or for the benefit of the local community (Hopkins 2014, pp. 298–306). However, corporate social responsibility activities are embedded in a “mediated” dialogue with the business environment. The proposed CSR strategies relate to the currently discussed (fashionable?) activities on how to shape the relations of enterprises with the local environment. In the corporate social responsibility strategies of

business entities on the free market one can also find references to studies and reports presenting the vision of the needs of local communities. These visions are based not so much on the individual resources of enterprises and the needs of their environment as on a discourse based on the specific language of this issue. As a consequence, the importance and significance of actions within CSR acquire strategic importance, but also become actionable and ephemeral.

Furthermore, the language of communication of enterprises are economic measures by means of which they justify their duration. This is a “natural” phenomenon for the language of economics—it is difficult for enterprises over profit to prefer other, non-economic factors. For the social partners of enterprises (public institutions, social organizations, including the entities of the third sector and individual citizens), apart from economic gain, it is important to justify the social accomplishment of it.

The answer to the aforementioned deadlock between the “two worlds” of needs, the possibilities of business strategy and their surroundings may be the creation of entities operating on market principles (understandable at various levels for enterprises) and at the same time embedded in real local problems and responding to them—companies with limited liability for non profit. It seems that the creation of such entities transfers corporate social responsibility to a more advanced level, where the measurement of CSR effectiveness of enterprises and real social dialogue focused on the common good becomes as rational as possible, both economically and socially.

## **Methodological Explanation and Challenges for Further Research**

The study of phenomena in the field of social entrepreneurship entails a number of challenges related to a reliable and accurate diagnosis of this socio-economic phenomenon. Due to its dynamic development (social enterprise is discussed in the field of science and practiced all over the world), the description becomes a challenge. Another important goal is

to determine the dynamics of its development and predict the future of this development.

The first challenge is related to the selection of appropriate research methods. The dilemma of quantitative research on qualitative research is based on research related to social entrepreneurship build on the assumption of an unbreakable link between the social and economic dimensions of this phenomenon. The persistence and economic efficiency of non-profit limited companies do not always go hand in hand. What's more, the social impact of social enterprises may not be combined with what is called profit in the classical economy. For the above-mentioned reasons, it is worthwhile to use mixed research methods based on both existing data and field studies. At present, in the literature on the subject, such studies function most often separately (theoretical considerations in papers and fieldwork studies in research reports functioning on the outskirts of scientific discourse).

The second challenge is related to the inclusion in classical scientific considerations of research methods and techniques from the borderline of economics and sociology (and other social sciences). Conclusion regarding the operation of non-profit companies (similarly to other social enterprises) escapes the reasoning of homo economicus, which does not mean that the activities of social entrepreneurs are irrational from the socio-economic point of view. To understand how social enterprises work, a multidimensional recognition of the practices and relationships of such entities is necessary. They can be used by individual free-scenario interviews, field observations and, among others, sociological image analysis allowing to understand social entrepreneurship above the divisions built in the discipline of social sciences.

The third research challenge is to capture the social and economic balance of the importance of the development phenomenon of companies with limited non-profit liability. This problem is based on the assumption that undertaking economic activity constituting a contribution to the socio-economic activation of people remaining outside the labor market and their long-term maintenance on the market is a sufficient argument for embedding research on social enterprises in the field of economics. To a large extent, however, these are measures of "success"

of non-profit limited companies in context of common good, which traditional economics does not cover. Undeniable evidence for the significance of the subjects being investigated is their duration, which cannot be measured with the tools by which entities operating on the open market are examined. The third research challenge is to capture the social and economic balance of the importance of the development phenomenon of companies with limited non-profit liability. This problem is based on the assumption that undertaking economic activity constituting a contribution to the socio-economic activation of people remaining outside the labor market and their long-term maintenance on the market is a sufficient argument for embedding research on social enterprises in the field of economics. To a large extent, however, these are measures of “success” of non-profit limited companies, which traditional economics does not cover. Undeniable evidence for the significance of the subjects being investigated is their duration, which cannot be measured with the tools by which entities operating on the open market are examined.

The fourth, as it seems, unresolved problem of research on limited liability companies non for profit is the potential to generalize the conclusions gathered in this area. Certainly, it can be build a consensus around the need and purposefulness of creating this type of business entities. However, it is difficult to draw conclusions about the reasons for their formation, non-formal principles of organization and economic motives. What is more, it seems that the future will not bring here a coherent (on the scale of countries, regions and the world) systematic scientific vision of this phenomenon, which makes it even more interesting and important from the perspective of the need for scientific description.

This paper attempts to diagnose the “here and now” development of non-profit limited companies under certain social and economic conditions. According to the author, the most reasonable from a methodological point of view is to continue comparative research in the area of development of the surveyed entities. On the one hand, it seems that such a descriptive ambition of research is only a contribution to building a way of thinking about what social entrepreneurship of limited liability companies is. On the other hand, it is immediately a phenomenon strongly

culturally conditioned (socio-economic) that the adopted research strategy is difficult to replace with a more effective solution.

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