

# How Can Social Teaching of the Church Improve Social Entrepreneurship

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**Abstract--**Eternally open issue of entrepreneurial activities based on ethничal principles can be furthermore emphasized if development of social entrepreneurship is seen through influence of Catholic ethics. This paper shows social entrepreneurship as a developed form of entrepreneurship in which social care about common welfare is a complementation to economical components. Increased entrepreneurial responsibility is expressed in choice of activities as well as in way of conducting any entrepreneurial activity. Society's support to development of social entrepreneurship is achieved by giving a part of social activities to entrepreneurs who then complete them following market principles, thus releasing the scarce social investment resources into settling all other needs necessary for common welfare. Social entrepreneurship develops from entrepreneurial care for socially useful activities, and from state support to entrepreneurial behaviour in traditionally non market activities. Catholic ethics, being the social influence on entrepreneurship, arises from social teachings of the Church and is being varidely developed throughout the centuries. After relatively passive attitude of the Church towards the problems of entrepreneurial development in the nineteenth century, Catholic ethics, inspired by social teachings, thrived in the twentieth century and it created conditions for providing answers to many questions of modern times. The author would like to show Catholic ethics to be completely in accordance with contemporary concept of social entrepreneurship pursuing standardization of social responsibility in business activities.

**Keywords:** Entrepreneurship, ethic, social responsibility, social teaching of the Church

## I. INTRODUCTION

THE new evaluation of entrepreneurship appears at the moment of globalisation determined by many integration and disintegration components at the same time. Integration factors are linked to development of consciousness on need of responsible behaviour towards common goods, both natural that are limited and usable<sup>1</sup>, as

<sup>1</sup>It is a fact that the Church has been slow to recognize the gravity of the ecological problems, for the society and for the individual. There are beliefs that the encyclical, pointing out the importance of nature for man, as well as importance of social concern for nature, *Sollicitudo Rei Socialis*, The Social Concerns of the Church (John Paul II, 1987), is actually a proof that the Catholic Church moved on this sensitive issue after almost all the other world institutions had already done so. For more detail: Sean McDonagh, S.S.C., "The Greening of the Church", (1990): 175, 187. [http://www.shc.edu/theolibrary/resources/comments\\_cst.htm](http://www.shc.edu/theolibrary/resources/comments_cst.htm)

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well as social ones that seek solidarity and subsidiary. Pope John Paul II had a very specific opinion on that:

*Globalization must include solidarity. Globalization has profoundly transformed economic systems by creating unexpected possibilities of growth, but it has also resulted in many people being marginalized, whether by unemployment in the developed countries or by being consigned to even deeper poverty in the developing world. The pope has proposed that certain precise commitments be made to move closer to global solidarity, and he noted that some of these are quite urgent: debt forgiveness for the poorest countries, the sharing of technology and prosperity, greater efforts in conflict prevention and resolution and respect for human rights.<sup>2</sup>*

Technology also helps creating a global connection because it speeds up dissemination of scientific achievements, breaks down information barriers and creates realistic prerequisites to define minimum standards of a universally acceptable behaviour. Importance of entrepreneurship is being emphasized in economy, and not only because it is a faster way to develop small and medium businesses but also because it is a creative contribution to market success of business organisations, regardless their size. It was no accident that even in time when there were numerous theoretical controversies on entrepreneurship Peter Drucker emphasized innovativeness as a basic determinant of entrepreneurship:

*Admittedly, all new small businesses have many factors in common. But to be entrepreneurial, an enterprise has to have special characteristics over and above being new and small. Indeed, entrepreneurs are a minority among new businesses. They create something new, something different; they change or transmute values.<sup>3</sup>*

## II. SOCIAL ENTREPRENEURSHIP AND CATHOLIC SOCIAL TEACHINGS

Entrepreneurship is seen as an important factor of economic development, improved by application of information technology enabling immediate connection of business subjects in real time, regardless their size and geographical distance. In that way numerous business organisations are included in new value communities and they contribute to the creation of business organisation networks

<sup>2</sup>Editorial, "Solidarity in globalization," *America* (Jun 3-Jun 10, 2000): 3.

<sup>3</sup> Peter, F. Drucker, "Innovation and Entrepreneurship", (Melbourne: Collins, 1993): 22.

and their immediate communication<sup>4</sup>. Since both the creativity and personal initiative are traditionally connected to the entrepreneurship, their strengthening, makes solid ground for expectations of a faster economic development. At this moment, idea of global cooperation dominates, at least in current Church documents.

*Globalization also requires greater cooperation by states to coordinate the economy, given that individual governments are often no longer able to exercise effective guidance. The Compendium<sup>5</sup> calls for the creation of "adequate and effective political and juridical instruments" (No. 371) that will ensure "the common good of the human family."<sup>6</sup>*

Translational cooperation for achieving common welfare can sound as a good political slogan but can only be achieved by trying to improve individual's life standards. It is Pope John Paul II who pointed out the problem of global responsibility for an individual in his congregation address in Madrid in May 2003:

*If globalization is to benefit all the world's inhabitants, it must be directed and regulated with international consensus. When the forces of a market economy and special interests are the only things guiding the international exchange of capital, goods and information, the weakest members of society have no guarantee of benefit and risk greater exploitation.<sup>7</sup>*

Social entrepreneurship should not be looked for in the sphere of introducing social or charitable factors into economy, but it should be looked for in the sphere of creating a social support for development of small profit centres that will achieve market success by their entrepreneurial potential and creativity of their founders. This kind of entrepreneurship should be the key factor for creating new jobs and introducing changes of social values. However, Clayton Sinyai has well perceived that social entrepreneurship can only go so far, citing an expert:

*Asked about the phenomenon, Columbia economics professor Jeffrey Sachs-famous for advising post-Communist nations to speedily privatize their economies-offered a note of caution. "We see a lot of major successes in social entrepreneurship, and we're seeing more space for it in some societies," he told The New York Times. "But we cannot simply rely on social entrepreneurship for what government needs to do."<sup>8</sup>*

There should be no doubt: entrepreneurs will continue to seek profit, and state will continue to look after common welfare. But social entrepreneurs together with the responsible state will create a market in which entrepreneurship will be based on market principles trying to constantly increase common welfare. Social entrepreneur is not settled by temporary solutions to a problem but he tries to change his environment: local community, society and the

<sup>4</sup> Means, G. and Schneider, D., "Meta-Capitalism", (New York, John Wiley and Sons, 2000): 19.

<sup>5</sup>Pontifical Council for Justice and Peace, "The Compendium of the Social Doctrine of the Church" (Vatican, 2004)

<sup>6</sup>Zenit, "Toward a Moral Economic Life"

[http://www.catholiceducation.org/articles/social\\_justice/sj00190.html](http://www.catholiceducation.org/articles/social_justice/sj00190.html)

<sup>7</sup> „Globalization must be regulated by international consensus“, America, The National Catholic Weekly, New York (May, 19, 2003): 5

<sup>8</sup>Sinyai, Clayton, „Meet the Innovators“ America, The National Catholic Weekly, New York (Sep 13, 2004): 24

whole world.<sup>9</sup> David Bornstein finds examples of social entrepreneurs in people such as Henry Ford and Steven Jobs who changed society by their relation towards business. For David social entrepreneurs are:

*... people with new ideas to address major problems who are relentless in the pursuit of their vision, people who simply will not take „no“ for an answer, who will not give up until they have spread their ideas as far as they possibly can.<sup>10</sup>*

If such concept appears to be too demanding it should not be disregarded that entrepreneurs have always changed the world by their creative contribution and their energy. Without their courage and their innovations many projects would never have been started or would even have brought any results.

The first important component of social entrepreneurship is accentuated social responsibility in choosing a business activity. A social entrepreneur achieves its social mission above all by doing socially useful work where such job does not have even one component that would endanger moral criteria in relation to human community or in relation to natural environment. Profit is not the primary driving force of his entrepreneurial initiative. It is only an acceptable final solution of his activity that is driven by higher, social goals. If drive for keeping common welfare is completed by a reasonable market approach, a very effective combination is created that both fulfills entrepreneur's social needs and is beneficial to him.<sup>11</sup> Taking the role of meeting general needs, regardless its effect on market grounds, entrepreneur releases limited state resources, and by clever management they can be redirected into other needed socially useful activities. Business ethics of a social entrepreneur begins by rejecting all those activities that endanger social interest and natural environment.

The second important component of social entrepreneurship is increased responsibility towards social community and individual in the process of doing business. Elementary components of any entrepreneurship are paying taxes, being responsible towards suppliers, buyers and employees. Those components are defined by state legislation, and increased responsibility is expected of social entrepreneur regarding application of moral guidelines and entrepreneurial business ethics. Ethical behaviour is not a sufficient condition for social entrepreneurship but it is its integral component. In process of creating a new social value and meeting his individual needs, a social entrepreneur will not jeopardize neither the interests of his employees, buyers and suppliers nor of the greater social community. He will gladly give up the activity that would, in the name of increasing profit, endanger people and their natural environment. A social entrepreneur at the same time creates individual and common welfare but not without promoting social values above individual ones. Social entrepreneur is surely not a loser, even if he temporarily gives up the profit in the name of protecting common welfare. In this way he

<sup>9</sup> „What is a Social Entrepreneur“, [http://www.ashoka.org/fellows/social\\_entrepreneur.cfm](http://www.ashoka.org/fellows/social_entrepreneur.cfm)

<sup>10</sup> David Bornstein, „Social Entrepreneurs and the Power of New Ideas“ (Oxford University Press, 2004): 1

<sup>11</sup> „Merging Mission & Money“, <http://www.socialentrepreneurs.org/home.htm>

creates conditions for long- term business in his own interest and interest of common welfare that is an inseparable part of his mission.

The importance of social entrepreneurship arises from the two mentioned forms of its responsibility. Present concept of Church social teachings is expansion of Pope Leo XIII encyclical *Rerum Novarum* and Pope Pius XI encyclical *Quadragesimo anno* that mark fortieth anniversary of the Catholic Church first official document on its social teachings appearing. There is no need to further point how late the Church was in relation to historical needs. The fact remains that the nineteenth century was filled with other theories of social teachings without foothold in Christian ethics. Social disintegration, being the consequence of industrial production domination over feudal agriculture, led to creation of new classes: workers and their employers, while the traditional classes of landowners and serves almost completely lost their importance. The classical economic theory, Marxism, liberalism, and later also modern theories, noticed the problem of collective creation and individual distribution of excess values. For those reasons they offered solutions that led to violent political revolutions and taking over of state power in many countries. All that time the Church has relatively passively let aggression theories such as communism take over the domination over care on social justice and equality. A big change followed the arrival of Leo XIII to the head of Catholic Church. The Church started opening towards the world and there was dialogue with modern thoughts that were not always in line with the Christian teachings. Leo XIII announced eight famous encyclicals, and among a particularly important one «*Rerum Novarum*» (Of new things) from 1891. This encyclical was a real beginning of the Catholic social thought because it mentioned big changes and ‘new matters’ that started to appear among nations. It put a special accent on transition of then current social considerations from political to economic field. Describing the workers’ misery, the encyclical does not fall behind Marxist texts, but it points out that the real remedy for the perceived social disease cannot be violent state coup but God’s love, human solidarity and faith in eternal life. Instead of starting a communist revolution the solution is to spread the Christian teachings and state care for common welfare. Workers are surely entitled to a just compensation for their work and a worthy place among other social classes. Leo XIII recommends worker associations for creation of independence and discipline. He also stands for cooperation of workers and employers. The constant care for justice and solidarity of all the state institutions and individuals could overcome social inequalities and create conditions for worthy life of all people. *Rerum Novarum* encyclical is very valuable for showing that the Catholic Church recognized then current social problems, felt for the sufferings of the poor classes, opposed such condition and refused to accept it as a ‘natural order’. The encyclical also encourages the Church and the state to get involved in the solution for social and economic problems, and to offer a better remedy for a malignant disease than the one offered by socialists or communists.

Pope Pius XI was so thrilled by Leo XIII thoughts that in 1931 he celebrated the fortieth anniversary of his encyclical by publishing a new encyclical «*Quadragesimo anno*» (Forty

years) in which he gives thanks in the name of all the Catholics to his predecessor for leaving them such valuable messages. Emphasizing numerous inspirational messages from the other encyclicals, Pius XI still perceives the great importance of the social question that is a ‘difficult subject’ of human society. In his encyclical he pointed out the basic points of ‘*Rerum Novarum*’ by examining for the past forty years the actions of the Church, state and work associations, and possible unions between workers and employers. He expanded discussions on ownership and relations between work and capital. He emphasized state authorities in protecting ownership, as well as employers’ obligation to use their wealth for common welfare and not only for individual enjoyment at expense of public misery. He noticed unjust capital demands as well as unjust work demands in the socialist idea of forbidding private ownership and creating a socialist state. Pius XI might as well predicted the biggest evil of state bureaucracy in his message that state can ‘trick the careless’ even worse than the capital owner can. He commented very reasonably spending of newly created goods stressing that in a just distribution interest of workers and their families have to be met, as well as company interest and common welfare interests, i.e. interests of state which cares about common welfare. In his encyclical Pius XI honoured Leo XIII and emphasized the importance of his thoughts, but he also added the ideas of the Church’s social responsibility and accentuated the need of State and individual cooperation for creation of a more justful society.

### III. SOCIAL ENTREPRENEURSHIP - REAL MODEL OR UTOPIA?

Social entrepreneurship should not be linked to religious beliefs or to moral believes of smaller social groups. It should be seen in the context of real economic categories. It is true that economic trade creates certain distance, even conflict of interests between the two parties (supplier and buyer). However at the same time it brings to creation of money balance and certain respect between the two parties. It is not surprising that corporative economy prefers respects against arrogant individualism in market processes<sup>12</sup>. Economic subject demands conditionless respect in all social forms. This respect is achieved through certain behaviour standards that do not have to be religion initiated. In developed democracies, the market and its liberal forms participate in the creation of general principles of social freedom and democracy. That fact affirms the market to be the generator of democratic behaviour and a real indicator of the way liberalism can be the basis upon which social wealth is created. Generally, the problem of contrasting ‘liberal’ logics and common welfare is not valid in real understanding of social entrepreneurship. There are many positive examples of successful people that did their entrepreneurial job with intentions for general good in the society<sup>13</sup>. Finally, social entrepreneurship is affirmed in two ways: individual choice of activity of common social interest and social support to strengthening entrepreneurship in the sphere of social services and care for public good.

<sup>12</sup> Manzone, G.: Il Mercato, Teorie economiche e dottrina sociale della Chiesa, Queriniana, Brescia, 2001., p. 328.

<sup>13</sup> For more detail see: Caloia, A.: L'imprenditore sociale, Piemme, Casale Monferrato, 1995.

For bigger influence of social entrepreneurship in society, a synchronized action is needed. In the context of social care on entrepreneurial responsibility, it is not surprising that the need arises to coordinate procedures and rules on the global level. International standard SA 8000 sets requests for establishing and maintaining of systems for management of social responsibility. It was created as a voluntary standard to ensure respect of rights and morals in the production of goods and services. It is also applicable to all kinds of business and other organisations. The standard was developed in New York by the organisation SAI (Social Accountability International), former CEPAA (Council on Economic Priorities Accreditation Agency), and in cooperation with a large number of companies, non-government organisations and unions. Mission of this standard is global improvement of working conditions, and it is based on conventions of International Labour Organisation (Occupational Safety and Health Convention, Women Protection Convention, and so on) and United Nations' conventions (Convention on the Rights of the Child, Universal Declaration on Human Rights, and so on). International Standardization Organisation (ISO) prepares an international standard ISO 26000 with requests for establishing system of managing social responsibility.<sup>14</sup> Since its structure will be coordinated with the already existing ISO standards for management systems (quality and environment management), the future system for managing social responsibility will be a suitable component of integrated management systems. The most prominent demands of the current SA 8000 standard are standards for health and safety at work, which gives it a special significance in the context of management's social responsibility. The standardization should accentuate concordance on what the benefits are for all those that standards apply to. The biggest problems however happen when any global idea tries to be implemented on national level. The reason for that is non-existent responsibility of any "world government", or any "world inspection" supervision mechanism, or even any "world repression" or "world judiciary" mechanism, regardless the effort of the United Nations and other global organisations such as the World Bank, International Monetary Fund or transnational courts with limited mandate to justify their existence. All these organisations lack the democratic election mechanisms since they function according to logics of the chief financier, meaning they are responsible to finance source and not to an imaginary "world democratic electoral body". The positive side of standards is that they are more technically and less politically defined, and are therefore focused on processes and procedures used to achieve a certain quality level, regardless the subjective environment influences. To avoid subjectivism there should be a national legislature that accepts standard and implements it according to their national supervision and sanctioning mechanisms. The assumption is that all these national mechanisms are based on democratic components and market economy. Standards are minimum needed tolerance in the sphere of social responsibility in order to achieve principles of social entrepreneurship. For having a better overview of the

importance of international standardization in the sphere of social responsibility there should be given a full overview of the standardization scope. By establishing social responsibility certification system, entrepreneurs show high level of consciousness for modern business and care for individual and environment.

#### IV. CONCLUSION

Social entrepreneurship can be accepted as a real model of social development, and the intensity of its affirmation is going to depend on social support and application of information technology. Society support to social entrepreneurship is no different than the traditional support to small and medium companies. Institutional and material support will give better results if there is climate of social security in local communities, which would be appropriate to a developed civil society and free market competition. Internet based direct networking of small and medium companies with large business systems is an additional impulse to development of social entrepreneurship. At this moment Christian social teachings contribute to affirmation of social entrepreneurship more than just a moral influence on a limited religious group because it promotes the idea of global dispersion of the social entrepreneurship principles as a creative initiative of an individual and state institutions to achieve common good. This completely corresponds to the super national activities of standardizing social responsibility and making it a normal component of a successful market business.

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