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## ECONOMICS

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*Sociology*

Majetić, F., Makarovič, M., Šimleša, D., & Golob, T. (2019). Performance of work integration social enterprises in Croatia, Slovenia, and Italian regions of Lombardy and Trentino. *Economics and Sociology*, 12(1), 286-301.  
doi:10.14254/2071-789X.2019/12-1/17

### PERFORMANCE OF WORK INTEGRATION SOCIAL ENTERPRISES IN CROATIA, SLOVENIA, AND ITALIAN REGIONS OF LOMBARDY AND TRENTO

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*Received: November, 2018  
1st Revision: February, 2019  
Accepted: March, 2019*

DOI: 10.14254/2071-  
789X.2019/12-1/17

**ABSTRACT.** This paper analyses objective and subjective social and economic performance of Work Integration Social Enterprises (WISEs) in Croatia, Slovenia, and Italian regions of Lombardy and Trentino. More specifically, the main aim is to test: a) the consistency between subjective and objective performance of WISEs and b) the compatibility between their economic and social performance. The rationale of the study is based on the fact that WISEs are commonly labelled as significant socioeconomic actors in Europe that often face various performance-related, i.e. managerial staff shortages. To the best of our knowledge, none of the previous studies have investigated this subject among WISEs in the analysed area. The data was collected using an online administered questionnaire between October 2017 and February 2018. The final sample included 109 organizations (23 organizations from Croatia, 36 from Slovenia, 39 from Lombardy, and 11 from Trentino). Each organization was represented by one highly ranked executive. The objective economic performance indicator was the profit-loss ratio; the objective social performance indicator was the share of disadvantaged population employed at a WISE. The subjective social and economic performance was measured using 18 indicators, and the Principal Component Analysis (PCA) revealed that this type of performance should be regarded as a unidimensional concept. The correlation analysis revealed a positive relationship between objective social performance and subjective socioeconomic performance, which indicates that the applied indicators of subjective socioeconomic performance are also relevant as potential predictors of objective social performance and demonstrates that representatives of WISEs tend to be realistic when evaluating their subjective socioeconomic performance.

**JEL Classification:** Z13

**Keywords:** Work Integration Social Enterprise, Croatia, Slovenia, Italy, Lombardy, Trentino, objective socioeconomic performance, subjective socioeconomic performance.

## Introduction

The article addresses the performance of WISEs (Work Integration Social Enterprises) in Croatia, Slovenia, and Italian regions of Lombardy and Trentino. The rationale of the research stems from the fact that WISEs are commonly labelled as significant socioeconomic actors in Europe that often face various performance-related, i.e. managerial staff shortages. Regarding their socioeconomic significance, WISEs engage over 14.5 million employees and represent important initiators of innovative ways of employment and social integration of disadvantaged people, which makes them prominent contributors to the overall social cohesion and inclusivity (European Commission, 2015). Especially nowadays, after certain austerity measures were introduced (by both governments and companies) in the aftermath of the global economic crisis, at a time of increased unemployment, employment precariousness, and public discomfort with the functioning of the global economy, social enterprises have been given impetus (as emphasised in: European Commission, 2015). In this context, WISEs have been recognised as the key actors in fighting poverty and exclusion (Commission Expert Group on Social Entrepreneurship, 2016).

WISEs are conceptualized as a type of social enterprises, i.e. enterprises whose ultimate goal, unlike commercial enterprises, is not profit maximization but achievement of a social mission (Dees, 2001; Bacq & Janssen, 2011). As a type of social enterprise, a WISE displays the following minimum characteristics: a) a private and autonomous enterprise operating on the market; b) core social mission is integration through work for the disadvantaged people; c) compliance with a minimum threshold of disadvantaged workers over the total workforce; d) disadvantaged workers have employee rights under national labour law (European Commission, 2015, p. 122). Professional integration “is achieved through productive activity and tailored follow-up, or through training to qualify the workers” (Davister, Defourny & Grégoire, 2004, p. 3). As an illustration, a Croatian-based WISE runs a textile business that relies on workforce recruited from vulnerable social groups (mainly disabled people). They use the textile business to achieve their social mission, i.e. work integration for vulnerable population members.

WISEs are the most visible activity of social enterprises in Europe (European Commission, 2015). In terms of individual differences and the countries they originate from, they differentiate by: a) type of subsidies (permanent, temporary, self-financing); b) type of employment offered to disadvantaged groups; c) intensity of skills training; d) level of encouraging the sense of citizenship and empowerment (the extend of inclusion of disadvantaged groups into structures of enterprises); e) level of working integration and destigmatization; f) integration goals; g) type of training (ŠENT, 2014, pp. 12-13). Typical examples of WISEs are disability enterprises, work centres, and protective-work centres that employ disabled people and other deprived categories, such as refugees, minors without basic vocational education, people with a history of addictions or criminal records, the homeless etc. (ŠENT, 2014). While such organizations are active across various sectors, the most common in Europe are manual labour (building, carpentry etc.), salvaging and recycling waste, maintaining public or green areas, and manufacturing packaging products (Davister et al., 2004).

The main aim of the paper is to observe social and economic performance of WISEs from both objective and subjective perspectives - indicating how WISEs perform in structural terms and how this performance is described within themselves, i.e. by WISEs' representatives. On the one hand, we are testing the consistency between subjective and objective aspects of performance. On the other hand, we are testing the compatibility between their economic and social performance. In theoretical and conceptual terms, we see WISEs in the context of relational networks contributing to the creation of relational goods beyond the logic of any

single functional subsystem of the society. The novelty of this study emerges from the scarcity of the previous empirical research findings in the field, cogency of the applied methodological approach, and practical usefulness of the results.

## 1. Literature review

Hence, this article addresses WISEs in terms of relational networks providing a solution to current structural challenges resonating with financial, political, and social challenges on a global scale. It partly builds upon the framework of social economy approach (EMES, 1999; Borzaga & Defouney, 2001; Evers, 2004; Gonzales, 2007), emphasizing transformative effects of globalisation, post-industrialization, and individualisation on the welfare system torn between the decreasing state responsibility and increasing free-market competitiveness. In that light, welfare systems have been reconstituted into dynamic, open, indeterminate welfare networks enabling a more effective response to social and economic risks (Gonzales, 2007, p. 199). Social enterprises that merge economic mission with a social one are seen as an important innovative form of the so called third sector, as they are able “to pursue a variety of social, political, and economic functions simultaneously, such as greater citizen participation, more rewarding occupation for employees, and higher quality care giving” (Pestoff, 1998; Borzaga, 2000; Borzaga & Defouney, 2001; in Gonzales, 2007, p. 201). This approach considers dynamic interactions within an institutional setting on the one hand, and structural constraints on the other (Gonzales, 2007, p. 204). We explore WISEs in the selected countries as part of a wider global and European setting, but we also pay attention to certain historical and political specifics of the area influencing cultural, economic, and social constraints of WISEs performance. The institutional enablements and constraints ensuing from public policy settings on different national and subnational levels are substantially influencing diversity in structures, activities, and productivity of WISEs (Cooney, Nyssens, O’Shaughnessy & Defourny, 2016).

In sociological terms, WISEs can be considered as relational networks, existing on the mezzo-level of the social order (i.e. between the micro-level of individuals and their interactions and the macro-level of the society as a whole and its subsystems). Relational networks, as understood from this perspective, imply joint commitment and joint action of their members accomplished through the recognition and relations of “we” - N members within the shared enterprise are of crucial importance (Archer & Donati, 2015, pp. 189-190). This brings our perspective close to the so called moral economy approach, emphasising the importance of trust, mutual respect, and collective participation of social actors as an effective response to the modernization and individualization effects (Ezioni, 1991; Donati, 1993; in Gonzales, 2007). When recognising that social enterprises (including WISEs as its sub-category) are simultaneously responding to social and economic problems by creating new jobs, personal wealth, and contributing to solidarity (Peredo & McLean, 2006), the important role is accorded to the personal mission of entrepreneurs, to their attempts to trigger social transformations (Yunus, 2007; in Rey-Martí, Ribeiro-Soriano & Palacios-Marqués, 2016).

The rise of WISEs may be seen as a response to a crucial challenge: the systemic level of social environment does not provide sufficient conditions for social cohesion, equality, and solidarity. Based on the analysis of the recent economic crisis, it has been argued that modernised societies are “constructed in such a way as to be immune to ethics” (Archer & Donati, 2015, p. 231). Contemporary neo-liberal order encouraging free-market economy has caused serious inequalities around the globe. A globalised society does not provide a strong basis for social solidarity, since it has been increasingly structured in terms of functional differentiation where different subsystems, such as economy, politics, science etc., are operating based on their own internal principles. Although they are mutually interdependent,

they are also self-referential and specialised (cf. Luhmann, 1999). In this context, production of goods and services typically falls into the domain of economy as a functional subsystem, organised strictly on the principles of market competition and able to observe the reality only through the lens of money and profits. Functional differentiation thus implicates that the political system can assert only contingent limitations upon the economic one (Archer & Donati, 2015, p. 231) rather aloof from the normative aspects of equality and solidarity.

We argue that while WISEs still acknowledge the predominant logic of functional differentiation of modern globalised society, they are supposed to transcend some of its aspects through *social economy*, to which they belong. On the one hand, they still operate within the principles of market economy that requires them to survive in the market or even generate profits (if they want to grow). On the other hand, they are committed to the principles of ethics, equality, and solidarity, which have nothing to do with the principles of the market and may even be seen as dysfunctional when observed from a strictly market-economical perspective. Eventually, they employ those categories of people whose employment is typically - by definition - not found beneficial by other employers *in the market within the solely market-economic principles*. It is the *compatibility* between the social and the economic principles that can be seen as the most crucial challenge for WISEs. Although they may enjoy certain special support from beyond the market, typically through support provided by normative and financial means, their ability to combine survival or even high performance in the market with the principles of solidarity and cohesion may also require enormous levels of ingenuity and innovativeness.

For solidarity and cohesion to emerge and sustain, there is a need for particular types of actors within social economy, called relational subjects. As Donati claims, a relational subject on the one hand acts reflexively while taking into account her/his relations with significant others, and on the other hand also operates on/with/through social relations (Archer & Donati, 2015, p. 301). In this regard, sociability is seen as an act of trust and cooperation among people acting in terms of reciprocal relation that can re-emerge in the contemporary social order (ibid). When being reflexively engaged in social relation, individual or collective actors can generate its/their own emergent properties through those relations, which contributes to social morphogenesis. Herein, the conceptualisation of reflexivity follows Archer's definition, by which it is "the regular exercise of the mental ability, shared by all normal people, to consider themselves in relation to their (social) contexts and vice versa" (Archer, 2007, p. 4). On the basis of reflexivity, individuals orient their personal concerns and following actions, which makes reflexivity a mediator between personal agency and social structure (Archer, 2003). Social actors can thus counteract social settings and contribute to a better social condition, which enables them to respond to challenges of globalisation and market demands.

While reflexivity is an emergent property of individual consciousness/thoughts, it can be extended to social networks as well (Donati, 2011), enabling WISEs to be understood as emergent cases of relational differentiation, seen as a new kind of social differentiation. It is conceived as an alternative to functional differentiation mentioned above. If functional differentiation is primarily related to the market, the primary sphere of society of the relation differentiation is the third sector, social-private sphere, and new civil society (Donati, 2011, pp. 25-26). WISEs in that regard generate relational goods (trust among people, cooperation, collaboration etc.), and being relational networks, they are able to exceed the primary nature of relationality (interpersonal character) and induce collective or secondary goods.

In the interplay among a) personal mission of the entrepreneurial, b) emergent relations/networks on a mezzo level, and c) global structural settings, it is important to distinguish between structure as such and semantics referring to the specific social identity (Luhmann, 1999; Lee, 2000). Actors and social systems cannot directly influence each other,

but only in terms of structural coupling (Luhmann, 1995) occurring through “trigger-causality” (Luhmann, 1995; Seidl, 2004). Based on this, we can infer that their interaction occurs through semantic representation, which refers to the cognition and related identities of individual actors on the individual actors level and to their self-representation/communication on the social systems level.

To be more specific, in order for WISEs to successfully challenge market demands and contribute to social morphogenesis/producing relational goods, they have to articulate proper semantics to affect structure. This semantics resonates with a double challenge WISEs are facing. Firstly, they have to articulate a proper business strategy complying with market needs and attaining necessary resources (Welsh & Pendleton, 2006; Carraher, Welsh & Svilokos, 2016), and secondly, they have to legitimise their production in relation to their stakeholders providing public or other funds for their existence (Kuosmanen, 2014, p. 250). This implies that on top of their market competitors and stakeholders, organizations should also pay attention to their social mission (i.e. beneficiaries) and customers (i.e. PR). It has been argued that in case of WISEs, the development of legitimacy is even a more complex issue than for other third-sector organizations (Defourny & Nyssens, 2010; Kuosmanen, 2014). To put it differently, those enterprises have to simultaneously take into account social, economic, and socio-political goals, and focus the legitimacy not just towards external partners, but also internal ones, with important regard to their employees. This line of work makes them a part of the “‘caring capitalism’ where the achievement of relevant social goals relies on competitiveness in the marketplace” (Hibbert et al., 2005; in Carraher et al., 2016, p. 389).

While observing the performance of WISEs, it may be argued that the distinction between the structure and the semantics corresponds to the distinction between objective and subjective performance. On the one hand, there are objective criteria on how WISEs perform in terms of inputs, outcomes, and impacts, but there are also subjective self-descriptions by WISEs representatives on how their organizations perform. What is of particular interest for us to observe is the issue of consistency between the objective (structural) and the subjective (semantic) aspects of performance.

Regarding a brief presentation of concrete/tangible previous research findings on the subject, there has been a lack of systematic and comparative research of organizations in Europe. A rare bright spot in the field is a recent conceptual paper, an overview of the WISE scene in several post-socialist Central European countries (Marković, Baturina & Babić, 2017), a study on comparison between European and non-European WISEs (Laratta, 2015), and two EU-supported research projects that provided the first comparative analysis of WISEs across more than ten European countries (“ELEXIES” (2009); “The Socio-Economic Performance of Social Enterprises in the Field of Integration by Work” (2001-2004)). Furthermore, several non-comparative studies on the socio-economic dimension of European WISEs need to be emphasized: Džunić, Stanković & Janković-Milić (2018) evaluated organizational effectiveness; Ramus, La Cara, Vaccaro & Brusoni (2018) explored innovation strategies useful at turbulent times; Avilés, Adam, Amstutz, Cavedon, Ferrari, Lucchini, Schmitz & Wüthrich (2017) conducted a study on the success factors of WISEs; Battilana, Sengul, Pache & Model (2015) investigated ways to harness productive tensions at WISEs; Kuosmanen (2014) investigated the process of establishing organisational legitimacy; Hazenberg, Seddon & Simon (2014) explored the performance of a WISE in the context of its organisational aims, values, and structures; Katz (2014) explored strategies for creating good jobs for people with disabilities; while Bode, Evers & Schulz (2004) conducted research on ways to face new challenges for WISEs. However, to the best of our knowledge, none of the previous studies have dealt with the topic of this paper. Regarding papers on performance measurement among social enterprises of all types on the global level, there are studies approaching numerous

aspects of the phenomenon from various perspectives. For instance, Arena, Azzone & Bengo (2015) developed an instrument that takes into account efficiency and both management and social effectiveness to evaluate social, environmental, and economic impacts; Lyons (2012) assessed organizational performance using the (modified) Logic Model Framework; Crucke & Decramer (2016) analysed economic, environmental, community, human, and governance performance; Grieco, Michelini & Iasevoli (2016) and Dufour (2015) were interested specifically in the dimension of social-value creation; while Ormiston and Seymour (2012), Bagnoli & Megali (2011), and Liu, Eng & Takeda (2015) focused on analysing organizations in specific places (respectively Latin America, Europe, UK, and Japan). Several researchers analysed the relationship between organizational performance and its (potential) determinants: Liang, Peng, Yao & Liang (2015) analysed the relationship between entrepreneurs' personality traits and their perceived social entrepreneurship performance; Liu, Takeda & Ko (2014) examined the relationship between performance and strategic orientation; while Miles, Verreynne, Luke, Eversole & Barraket (2013) focused on the entrepreneurial orientation-performance relationship. Finally, in the field of managerial staff shortages among social enterprises (of all types), the literature emphasizes the following elements as the most critical: a) "organizational capacity" (e.g. lack of managerial control, inability to "balance social and financial goals"); b) product development process ("lack of relevant and quality products, lack of market intelligence/feedback"); c) customer base development ("inability to reach (and keep) customers in sufficient numbers/variety"); d) finance (lack of planning skills, under-capitalization) (Spear et al., 2009, pp. 255-259; Meadows & Pike, 2010, p. 133; and Leslie, 2002; in Majetić, Pinchuk & Brkljačić, forthcoming 2018).

## 2. Research aims and hypotheses

Regarding WISEs from Croatia, Slovenia, and Italian regions of Lombardy and Trentino, our aim was to test the following:

- the compatibility between their economic and social performance;
- the consistency between structural and semantic aspects of their performance, represented as the relationship between elements of performance that can be assessed in objective ways (the structural aspects of WISEs performance) and the subjective (semantic) self-description of WISEs performance;
- the differences in subjective and objective socio-economic organizational performance among the analysed areas.

On this basis, three hypotheses have been formulated:

- H1: Subjective socio-economic performance is positively related to objective economic performance.
- H2: Subjective socio-economic performance is positively related to objective social performance.
- H3: Objective social performance is compatible with objective economic performance.

The correlations implied by H1 and H2 indicate the consistency between the subjective perception of key socio-economic performance elements and the objective social and economic performance. The lack of consistency (in terms of insignificant or even significantly negative correlation) would imply that the elements assessed within the framework of socio-economic performance are either irrelevant (or even damaging) for the objective social and economic performance or incorrectly / unrealistically assessed by WISEs representatives.

Regarding H3, we have no inherent reason to expect compatibility, i.e. a positive correlation between the objective aspects of economic and social performance. The lack of compatibility would indicate that WISEs either focus excessively on the economic

performance, i.e. making money, thus neglecting their social mission, i.e. work integration, or employ vulnerable population to the extent that lacks business / economic justification.

### 3. Research methods

The final sample included 109 organizations. In Croatia, the sampling procedure started from the list of social economy actors (of all types) compiled within the “iPRESENT” scientific research project. Secondly, staying in line with the official “Strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period 2015-2020”, i.e. with its conceptualization of social enterprises as social mission-oriented organizations that make or plan to make at least 25% of triennial income through entrepreneurial activities (Vlada Republike Hrvatske, 2015, p. 8), we took into account only not-for-profit organizations that make or plan to make at least 25% of annual income through entrepreneurial activities. Finally, from the above-mentioned group, the present study included only those involved in operations of work integration i.e. WISEs. The final sample from Croatia included 23 organizations. In Slovenia, the initial list of WISEs was compiled based on the official records kept by the Slovenian government. They included: the list of Slovenian social enterprises registered as such (since only B-type social enterprises can be considered WISEs (similarly to the Italian case) and the official register does not distinguish between A and B social enterprises, the selection was assisted by lists of WISEs compiled previously by ŠENT); the list of Slovenian disability companies (all of them were considered WISEs); and the list of Slovenian employment centres (all of them have been considered WISEs). It should be noted that the last two categories are not considered WISEs based on the Slovenian legislation, but they mostly fit the WISEs definition since they operate on the market and employ disabled persons. The final sample embraced 37 WISEs from Slovenia. Regarding the Italian regions, 39 organizations from Lombardy were included in the final sample; all of them were social enterprises within the largest network of social enterprises in Italy (CGM Group). In Trentino, 11 organizations were included in the final sample; all of them were regional B type cooperatives, i.e. work integration social cooperatives.

Regarding the representativeness of the final sample, this study was conducted within a wider project on labour force shortages at WISEs in several European countries (“CE1223\_INNO-WISEs”, supported by the INTERREG CENTRAL EUROPE). The present study’s sample included all organizations that local experts involved in the project (researchers, practitioners, and/or public officials) selected for the representative national/regional samples.

The data was collected using an on-line administered questionnaire (translated in native languages) from October 2017 till February 2018. Each organization was represented by one highly ranked executive (CEO, owner, etc.) selected by the authors of the study (based on the executives’ area of expertise).

In the existing literature on social and economic performance of WISEs, we may note a contrast between rather sophisticated measurement concepts on the one hand and difficulties obtaining the empirical data that would correspond to these levels of precision and sophistication on the other. For example, a very thorough set of indicators of economic-financial performance, social effectiveness, and institutional legitimacy developed by Bagnoli & Megali (2011) is linked to a single case study. In practical applications, a simplified nature of the actually used metrics often contradicts the need for a broad and more complex framework including proper impact measurements and adjustments on this basis. Such contradictions may result in a lack of valid assessment regarding the achievement of the social mission (Ormiston & Seymour, 2012). Several measurement tools are available to measure performance of WISEs, e.g. Social Return on Investment toolkit (SROI), Global Impact Investing Network (GIIN) or

the more recent B Impact Assessment (developed from GIIRS). Their application can be both externally and internally motivated by organizations (Lall, 2017).

While these tools are relevant for any single WISE, they are not applicable to broader populations or samples of WISEs. Our research thus had to rely on a simpler approach that enables the measurement of performance through a survey among WISE representatives. Although we cannot provide a deeper insight into the performance of any individual WISE, we have been able to collect quantitative data for a broader sample of WISEs in Trentino, Lombardy, Croatia, and Slovenia.

To begin with indicators of performance employed in this study, it needs to be emphasized that the measurement of objective social performance is clearer for WISEs than for many other types of social enterprises, since their central social mission is undoubtedly on the work integration of vulnerable social groups. This integration could be seen in relative terms, i.e. how many members of vulnerable groups they are able to integrate as a ratio of the total number of people they need (i.e. use) to perform their activities. The share of disadvantaged workers at a WISE can be observed from an established perspective of performance management (cf. Bagnoli & Megali, 2011, pp. 156-158). Although it does not tell us much about the *outputs* (i.e. “activities realized to achieve the mission”) and *impact* (i.e. “consequences for the wider community”), it simultaneously addresses the *inputs* (i.e. “resources that contribute to the activities undertaken” - more specifically the portion of disadvantaged workers in the composition of human resources) and *outcomes*, i.e. “impact for the intended beneficiaries”, in the case of WISEs, the disadvantaged groups that need to be integrated through work.

We apply a similarly straightforward measure to assess the objective financial-economic performance. Namely, we analyse if a WISE has finished the last year with profit. Doing business with losses would imply the lack of economic performance, while generating profit or at least breaking-even has been considered as an indicator of sufficient economic performance. It is true that reporting zero profits indicates the lack of ability of the company to enhance its activities, but it can still enable its sustained operations.

One should be aware that in structural terms, the indicators of objective economic performance are based on a clearly different logic than the indicators of objective social performance since they relate to different functional subsystems. While the money-based logic of the economic subsystems demands (the maximisation of) profit, the solidarity-based logic of the non-profit, third sector, in the case of WISEs call for (the maximisation of) work integration of the vulnerable, deprived social groups.

Regarding the indicators of subjective performance, we use the following list of organizational features indicating various aspects of socio-economic performance: effective team work, effective collaboration with other organisations, English language proficiency, other foreign languages proficiency, international cooperation, regular additional learning, capability of quick implementation of changes, efficient human resources management, efficient work organisation, high level of self-initiative, familiarity with legal regulations, good administrative skills, proficiency in financial management, and successful fundraising. The respondents were asked to indicate on the 4-item Likert scale the extent to which their organization contains each of the above-mentioned features. At this stage, we avoid making distinctions between subjective social and subjective economic performance. Most of the items in our list may be both economically (since they are in line with some managerial expectations) and socially beneficial (since they indicate successful work integration).



#### 4. Research results

The objective social performance of WISEs in the investigated area in terms of ratios of deprived social groups at the enterprises is presented in table 1.

Table 1. Objective social performance of WISEs

Variable	Area	N	Min	Max	M	SD	C	Q1	Q3
Objective social performance	Croatia	23	0.12	1.00	0.63	0.253	0.60	0.50	0.78
	Trentino	11	0.26	0.76	0.48	0.163	0.43	0.39	0.61
	Lombardy	36	0.00	0.73	0.31	0.192	0.31	0.24	0.43
	Slovenia	33	0.00	1.00	0.57	0.287	0.57	0.50	0.71
	Total	103	0.00	1.00	0.48	0.269	0.50	0.29	0.67

Table 2 presents the analysis of differences in objective social performance among the analysed areas. Hence, statistically significant differences were found between WISEs in Croatia and Lombardy and between WISEs in Slovenia and Lombardy (Croatia and Slovenia achieved the higher score).

Table 2. ANOVA with Scheffe post-hoc test (Objective social performance)

Variable	No.	Area	N	M	SD	F (p)	Scheffe		
							2	3	4
Objective social performance	1	Croatia	23	0.63	0.253	10.75 (.000)	.453	.000	.881
	2	Trentino	11	0.48	0.163		-	.215	.763
	3	Lombardy	36	0.31	0.192		.215	-	.000
	4	Slovenia	33	0.57	0.287		.763	.000	-

In the context of objective economic performance assessment, as shown in table 3, the area with the highest portion of WISEs that reported either profit or break-even was Slovenia, followed by Croatia, Lombardy, and Trentino.

Table 3. Objective economic performance of WISEs

Variable	Area	Total N	Profit (or break-even)	
			%	%
Profit-loss (2016)	Croatia	22	86.4%	13.6%
	Trentino	11	63.6%	36.4%
	Lombardy	39	82.1%	17.9%
	Slovenia	36	91.7%	8.3%
	Total	108	84.3%	15.7%

Using Principal Component Analysis (PCA), we tested the existence of various dimensions within our battery of items dealing with subjective socio-economic performance. The analysis indicated that subjective socio-economic performance should be regarded as a unidimensional concept (see Table 4). Consequently, we do not distinguish between social and economic performance at the subjective level but use an integral concept of subjective socio-economic performance instead.

Table 4. A single factor solution for subjective socio-economic performance obtained using Principal Component Analysis

Variables	Factor
	1
Effective team work	0.635
Effective collaboration with other WISEs in the same sector	0.481
Effective collaboration with other WISEs in other sectors	0.602
Effective collaboration with research centres (ICT, social innovation, technology transfer)	0.693
Effective collaboration with other organisations in terms of joint projects	0.487
English language proficiency	0.622
Other foreign languages proficiency	0.610
International cooperation	0.505
Regular additional training	0.649
Lifelong learning	0.723
Capability of quick implementation of changes	0.765
Efficient human resources management	0.719
Efficient work organisation	0.607
High level of self-initiative	0.607
Familiarity with legal regulations	0.716
Good administrative skills	0.639
Proficiency in financial management	0.625
Successful fundraising	0.577
$\lambda$	7.155
% variance	39.75

K-M-O = 0.874; Bartlett Chi = 949.740; df = 153; p = 0.000

Table 5. The scale description (Subjective socio-economic performance obtained using PCA)

Variable	N	Min	Max	M	SD	C	Q1	Q3	$\alpha$
Subjective socio-economic performance	101	31.00	72.00	50.82	8.734	45.00	45.00	57.00	0.906

Table 6 presents the analysis of differences in subjective socio-economic performance among the analysed areas. Hence, the statistically significant differences were found among Lombardy and all other analysed areas (Croatia, Slovenia, and Trentino scored higher on the scale).

Table 6. ANOVA with Scheffe post-hoc test (Subjective socio-economic performance)

Variable	No.	Area	N	M	SD	F (p)	Scheffe		
							2	3	4
Subjective socio-economic performance	1	Croatia	23	54.52	8.923	8.43 (.000)	.998	.001	.959
	2	Trentino	11	54.00	5.138		-	.031	.996
	3	Lombardy	38	45.76	7.546		.031	-	.003
	4	Slovenia	29	53.31	8.298		.996	.003	-

Table 7 presents the correlation analysis of the variables. The analysis refers to the WISEs in the investigated area as a whole. As shown in the table below, the only statistically significant correlation was found between objective social performance and subjective socio-economic performance. The negative correlation in the realm of objective economic performance occurred because the “profit” category was coded using 1 and loss using 2. However, the correlations were not statistically significant.

Table 7. Correlations among the variables

		Objective social performance	Subjective socio-economic performance	Objective economic performance
Objective social performance	Pearson Correlation	1	.225*	-.010
	N	103	99	99
Subjective socio-economic performance	Pearson Correlation	.225*	1	-.022
	N	99	101	97
Objective economic performance	Pearson Correlation	-.010	-.022	1
	N	99	97	108

\*. Correlation is significant at the 0.05 level (2-tailed).

## Discussion and Conclusions

Although comparison among the analysed regions has not been our primary research goal, this part of the results is also interesting and even somewhat surprising. First, Lombardy reported lower subjective socio-economic performance in comparison to the other areas. Second, in terms of objective social and economic performance, WISEs from the two regions of Northern Italy perform no better than the ones from Croatia and Slovenia. Instead, Slovenian and Croatian WISEs even seem to engage comparatively larger proportions of vulnerable groups in the workforce than their Lombard counterparts and reporting losses (the objective economic performance) seems to be more common for WISEs in Trentino than for their counterparts in other regions.

Clearly, caution is required before drawing any broader generalisations - the objective performance findings are contrary to both the common-sense expectations (e.g. social entrepreneurship tradition in Italy) and recent research findings. Namely, according to the recent research report on Central European WISEs (DT. 1.1.5.), the WISE sector in Slovenia and Croatia mostly consists of organizations with various performance-related shortages, the organizations were marked as deprived from the real entrepreneurial spirit, and there is a lack of professional network with enough capacity for wider and deeper support for the development of WISEs. On the other hand, the Report related the Italian scene with a strong cooperative spirit that enables the establishment of various innovative family businesses and a rich ecosystem of civil society organizations. It was emphasized that Italy represents a good example for others (world-wide) to learn from because it nurtures: a) stakeholders participation that contributes to economic democracy and fosters innovation; b) advanced knowledge transfer; c) innovative public-private partnership; d) impact measurement and accountability; and e)

specialized finance. Therefore, taking these findings into account, comparatively lower objective social performance by the Lombard WISEs may be a result of sampling limitations because the Lombard sample also included certain social enterprises that do not necessarily belong to the WISE category. They may also prioritize other social goals to employing vulnerable social groups. However, even if we consider this sampling problem, we cannot explain the comparatively lower objective economic performance of the WISEs in Trentino. It would be premature to conclude that Croatian and Slovenian WISEs perform better in objective terms than their counterparts in Northern Italy, but we can argue that longer traditions and greater experience in work integration, typical for Northern Italy, are no guarantee for better social or economic performance of WISEs in objective terms. Regarding the subjective socio-economic performance results, a comparatively longer tradition of being simultaneously exposed to dynamic free-market competition and necessity to address expectations from other functional subsystems might have contributed to a more conservative performance self-evaluation in the case of Lombardy.

Another interesting finding that can be drawn from our study is the unidimensionality of the subjective socio-economic performance. At least when measured against the set of questions we have compiled, the socio-economic performance turns out to be a straightforward one-dimensional concept though it is measured by a number of manifest variables.

Furthermore, our central findings are related to the consistency between the subjective and objective performance and the compatibility between the social and the economic performance. Our results, in fact, confirm both of them.

Although the correlation between subjective socio-economic and objective social performance (0.225) is not very high, it is statistically significant. This indicates, first, that the indicators we have applied to measure the subjective socio-economic performance are also relevant as potential predictors of objective social performance. And secondly, it also demonstrates that WISEs representatives tend to be rather realistic when considering their subjective socio-economic performance. In other words, the *semantics* of WISEs performance is quite consistent with their social performance in the objective *structural* terms.

Moreover, we have found no correlation of the objective economic performance either with objective social performance or with subjective socio-economic performance. Nevertheless, this is no surprise: one cannot expect that good social performance would also imply good economic performance because - as we have already noted - the logic of the economy as an autonomous functional subsystem is clearly *different* from the principles of solidarity linked to the social mission of WISEs. However, difference does not mean incompatibility. It is essential that we have found *no negative* correlation between social and economic performance. In other words, having relatively more people from the vulnerable social groups employed does not mean a problem for the objective economic performance: WISEs with higher proportions of employees from vulnerable groups perform no worse in the market than their counterparts with lower proportions of such groups. *Involving vulnerable groups and thus fulfilling the social mission of WISEs does not prevent these organisations from achieving success in economic terms as well.*

Finally, practical implications of the study presented are threefold, placed within the realm of practitioners, scholars, and public officials. Namely, a) the results might encourage new social entrepreneurs to enter the field and the instrument might be employed (by practitioners) for conducting various types of exact (longitudinal) performance evaluations; b) the study might attract a wider range of scholars to empirically investigate the subject; and c) it should offer public officials a new social procurement-related insight into social enterprises.

## Acknowledgement

This study was supported by the INTERREG CENTRAL EUROPE (“CE1223\_INNOWISEs”).

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