

# Catholic Social Teaching as a Source of Enrichment of the Moral Dimension of Social Enterprise Management

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**Abstract:** Social enterprises perceive social and environmental issues as primary objectives of their hybrid socio-economic activities. They believe that financial stability is a prerequisite, not a goal. This approach is similar to Catholic social teaching (CST). The detailed content of the social encyclicals is a valuable means of deeper exploration and enrichment of the moral dimension of social enterprise management. The following article analyses social entrepreneurship from the point of view of the fundamental principles of CST and theological premises. The reference to the management of a social enterprise of the supreme personalistic standard and principles such as the common good, subsidiarity, and solidarity allows the moral dimension of this process to be understood more deeply. The paper was created based on a method appropriate to research focused on moral theology and CST. First, the content of selected literature on the subject (social entrepreneurship) and carefully selected theological-moral sources (especially papal documents and publications by CST researchers) were analysed. Subsequently, the results of the analysis were subjected to inference and conceptual work in relation to the adopted general research objective and specific research tasks: the phenomenon of social enterprises was described; the specific features and limitations of the social enterprise management process were identified; the fundamental principles of Catholic social teaching as normative criteria for social enterprise management were reviewed; the possibility of applying the aforementioned CST principles to social enterprise practice was discussed and presented, and the final conclusions were formulated.

**Keywords:** Catholic social teaching, management, principles of social life, social enterprise, social entrepreneurship

Social entrepreneurship is a relatively new area of research. The development of this discipline over the past few decades can be linked to a growing interest among researchers, and more broadly among society as a whole, in the social, environmental, and moral aspects of economic activity.

The idea of social entrepreneurship can be defined by four traits: (1) the social purpose of the activity resulting in the creation of social values for the benefit of people in need of support (at risk of social exclusion), society (particularly the local community) or the environment; (2) market orientation – a clearly profit-making form of activity utilising business strategies, methods, and financial profit as a means to fulfil an established mission or social purpose; (3) the innovative nature of the venture

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(social innovation); (4) the implementation of a specific venture through an organisation such as a social enterprise.<sup>1</sup>

The first characteristic of social entrepreneurship, which relates to the creation of social value, including social change, is associated with its ethical dimension. Furthermore, many definitions of social entrepreneurship emphasise the presence of a “strong ethical fibre” in the activities undertaken by social entrepreneurs.<sup>2</sup> In this context, it is worth noting that the overwhelming minority is made up of researchers who engage in a discussion on the moral aspects of social enterprises.<sup>3</sup> While numerous publications on business ethics or corporate social responsibility (CSR) are available, analyses that take into account the organisational specificity of social enterprises appear to be essential in the case of social entrepreneurship. These organisations are quite different from commercial enterprises, which are usually oriented towards profit maximisation.

The ethical perspective adopted by the researcher is also relevant in this type of research. Every variety of normative ethics (e.g. utilitarian ethics, ethics of duty, ethics of responsibility, etc.) offers an original contribution to the understanding of the moral dimension of human behaviour, including the management of a social enterprise. Consequently, what seems to be particularly worthwhile – if only due to the marginal interest of researchers in this approach – is a discussion about the potential that the fundamental principles of Catholic social teaching exhibit in relation to the moral dimension of social enterprise management. Such a research perspective is adopted in this article.<sup>4</sup> In addition, it is worth emphasising that Pope John Paul II categorised CST as research of a theological and moral nature.<sup>5</sup> The essential content of CST is included in the papal encyclicals. Starting with *Rerum Novarum*, an encyclical of Leo XIII published in 1891, popes have addressed pressing issues relating to the times in which they lived. In the discourse on the moral dimension of social enterprise management, the social teaching of John Paul II (especially *Centesimus Annus*) and the encyclical *Caritas in Veritate*, written by Benedict XVI, deserve special attention.

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1 Choi – Majumdar, “Social Entrepreneurship.”

2 Bacq – Janssen, “The Multiple Faces,” 382.

3 A valuable review of the literature on social entrepreneurship includes the following publications: Nur Suriaty, “The Discussion”; Hota – Subramanian – Narayanamurthy, “Mapping the Intellectual Structure.” On the other hand, the rationale for undertaking a broader study on the ethical dimension of social entrepreneurship is described, among others, by Elizabeth Chell *et al.* in “Social Entrepreneurship.”

4 At this point, the author would like to emphasise once again that CST is one of many possible viewpoints from which the moral dimension of social enterprise management can be analysed. For readers who are perhaps less familiar with this type of approach, it is worth clarifying that the proposed approach does not entail narrowing the motives of social entrepreneurs to those of a spiritual nature only. In fact, CST represents a variety of normative social ethics that stems from a particular religious and moral tradition. Moreover, it is a universal proposal, not a confessional one, since its core consists of personalistic ethics emphasising the dignity of every human person above anything else. Therefore, it calls for the affirmation of the subjectivity of every person as a participant in all social, economic, and political structures.

5 John Paul II, *Sollicitudo Rei Socialis*, no. 41; John Paul II, *Centesimus Annus*, no. 55.

The article aims to assess the contribution that the principles of CST can make to the discovery and enrichment of the moral dimensions of social enterprise management. It is not enough to assume *a priori* that a social enterprise (through its leaders and employees) is simply supposed to “do good.” From the point of view of CST principles, it is necessary to look critically at, among other things: how – taking into account the moral aspects – a social enterprise should be organised; how – taking into account the ethical dimension – it should be managed; and what moral principles should social managers follow. They constitute the key research questions of this article.

A three-stage research procedure was adopted, which is characteristic of CST and determines the structure of the content. It includes: (1) a description of the subject of the research; (2) a presentation of the normative contribution of CST to the analysed subject; and (3) an indication of practical recommendations taking into account the normative considerations of the subject under study. Therefore, the selection of the publication as research material for the analysis was based on the criterion of substantive suitability relating to the implementation of specific research tasks, which – at the same time – determine the structure of the content of the article. The aforementioned tasks include: (1) a description of the phenomenon of social enterprises; (2) an indication of specific features and limitations of social enterprise management; (3) a discussion on the fundamental principles of Catholic social teaching as normative criteria of social enterprise management; (4) a discussion and presentation of the possibilities of applying the analysed principles of CST to the social entrepreneurship practice; and (5) a presentation of final conclusions.

The paper was created based on a method appropriate to research focused on moral theology and CST. First, the content of selected literature on the subject (social entrepreneurship) and carefully selected theological-moral sources (especially papal documents and publications by CST researchers) was analysed. The results of the analysis were then subjected to inference and conceptual work in relation to the general research objective and specific research tasks adopted.

## 1. The Phenomenon of Social Enterprises

In the literature, “social enterprise” is often used as an umbrella term referring to different types of social enterprises and various organisational and legal forms. In different countries and regions of the world, it is not uncommon for the social enterprise concept to cover different forms of specific objectives or ways of implementing social undertakings. That is why the term “social venture” – as Marzena Starnawska notes – is “the most universal term representing what is happening

in social entrepreneurship, as it does not refer to any particular sector and does not point to any particular organisational and legal form.”<sup>6</sup>

Setting aside the widespread debate on the term social enterprise,<sup>7</sup> it is important to identify three dominant schools defining a social enterprise:<sup>8</sup> (1) earned income – a social enterprise is any form of commercial activity that is undertaken by a non-profit organisation to fulfil its mission or (within the same approach) a commercial enterprise pursuing social objectives can be considered a social enterprise (this occurs, for example, in the case of CSR initiatives); (2) social innovation – this approach emphasises the significance of social innovation in increasing the level of effectiveness of social enterprises, at the same time appreciating the key role of the social entrepreneur as a charismatic leader, social change agent and social businessman who seeks innovative solutions to existing social problems; (3) EMES<sup>9</sup> – this strand, explained below, results from the work of a network of collaborating universities and researchers in Europe who undertake research on social enterprises and social entrepreneurship.

The first two approaches originated in the United States, while the third concept emerged in Europe. The twofold – North American and European – definition of social entrepreneurship stems from varying cultural, historical, social, political, and economic contexts in which social enterprises have developed on these continents. The fundamental difference between these approaches also lies in the diverse perception of social enterprise leaders. The European continent emphasises the associative nature of social entrepreneurship. The key role is played by a group of citizens and their joint initiative, self-help, and public-private partnerships. However, in the American model, social enterprise initiatives are created thanks to the involvement of individuals and their specific characteristics, such as entrepreneurship, charismatic leadership and social inclinations. Therefore, a social enterprise in the United States combines the aspect of social innovation with market-based activities and the use of management methods characteristic of private enterprises.<sup>10</sup>

The American understanding of a social enterprise includes a number of different legal forms: private profit-oriented businesses engaged in socially beneficial activities (corporate social responsibility, corporate philanthropies); dual-purpose businesses combining commercial and social objectives; non-profit (social purpose)

6 Starnawska, “Przedsiębiorczość społeczna,” 172–173.

7 For the discussion about the definition of a social enterprise – see: Ciepielewska-Kowalik *et al.*, *Social Enterprise in Poland*.

8 Starnawska, “Przedsiębiorczość społeczna.”

9 The abbreviation EMES comes from the French title of a research project “L’EMergence de l’Entrepise Sociale en Europe” (Eng. “The Emergence of Social Enterprises in Europe”), carried out between 1996 and 1999 on behalf of the EC Directorate-General for Research and Innovation – more information available at [www.emes.net](http://www.emes.net).

10 Defourny – Nyssens, “Conceptions of Social Enterprise.”

organisations that undertake market activities in order to be able to fulfil a social mission.<sup>11</sup>

In Europe, the concept of a social enterprise is not uniform either. The prevailing definition, as mentioned earlier, is that developed by the EMES Network. According to this interpretation, a social enterprise can be identified by the following economic criteria: (1) continuous activity producing goods and/or services, (2) undertaking a significant level of economic risk, and (3) a minimum level of paid work; as well as social criteria: (1) an explicit aim to benefit the community, (2) an initiative launched by a group of citizens or civil society organisations, (3) a limited profit distribution; combined with participatory governance: (1) a high degree of autonomy, (2) decision-making power not based on capital ownership, and (3) participatory nature, which involves various parties affected by the activity.<sup>12</sup>

As the authors of this definition emphasise, the indicated criteria should not be seen as necessary “conditions” that an organisation must meet in order to be seen as a social enterprise, but as a description of the “ideal type” of such a business. It is, therefore, a methodological tool rather than a normative set of elements that make up a social enterprise.<sup>13</sup>

It is worth noting that social enterprises adopt various organisational forms in different countries, depending on the legal system and the cultural and historical background of the development of the non-profit sector. As a result, the social enterprise sector includes both new organisational formations (e.g. in Poland, this includes social cooperatives) and traditional third-sector organisations (foundations, associations).<sup>14</sup> The increasing importance of this sector leads to a growing interest in practical aspects of social enterprise management in the field of research. It is especially important to understand the determinants of the success of these organisations. Factors conditioning the efficiency and effectiveness of social enterprises lie in the human layer (management and employees), as well as in other internal resources of the organisation and its environment.<sup>15</sup>

## 2. Characteristics of Social Enterprise Management

Every organisation is isolated from its environment, with which it interacts in a specific manner. Social enterprises operate in settings involving specific challenges, constraints, opportunities, and threats. The role of a social manager is to deal with these

<sup>11</sup> Kerlin, “Social Enterprise.”

<sup>12</sup> Defourny – Nyssens, *The EMES Approach*, 12–15.

<sup>13</sup> Defourny – Nyssens, “Social Enterprise in Europe,” 239.

<sup>14</sup> Brzuska – Kukulak-Dolata – Nyk, *Ekonomia społeczna*, 19–53.

<sup>15</sup> Wronka-Pośpiech – Frączkiewicz-Wronka – Dobrowolska, “Osobowościowe wyznaczniki pracy,” 108.

conditions. As Martyna Wronka-Pośpiech *et al.* point out, according to contingency theories of leadership,<sup>16</sup> it is essential to adapt the management and leadership styles to the given situation and organisational context.<sup>17</sup>

The nature of social enterprises, which influences the manner in which they are managed, is determined by the inclusion and prioritisation of social objectives in their mission. This orientation towards creating social transformation facilitates the establishment of a well-defined direction for the actions of managers and employees. At this point, it is particularly important to engage in dialogue with stakeholders and create a coherent organisational culture.<sup>18</sup>

It is closely linked to another factor determining the functioning of these organisations, namely financial resources. Their level is reduced by profit, as it is not the purpose of social enterprises, but rather a means to achieve their social mission. As a result, the managers of these entities – unlike managers in charge of commercial enterprises in which profits can be reinvested – have to be much more concerned about financial stability. However, social managers are obliged not only to look for diverse sources of funding (which will allow them to gather the financial capital necessary to invest in innovative initiatives in support of social change),<sup>19</sup> but they should also remember about maintaining liquidity at the business level.<sup>20</sup>

Furthermore, it should be noted that in the process of raising funds for a social enterprise's mission activities (also from a broad range of non-business sources), the management often becomes somewhat dependent on various stakeholder groups (e.g., public sector authorities, taxpayers, the unemployed and employees). Each of these groups may pursue different goals, develop different perceptions, and have different expectations of activities undertaken by social organisations.<sup>21</sup> This poses a considerable management challenge, but in this case, the success depends on the ability of a social enterprise to manage issues that are relevant to its stakeholders. This is what ultimately plays a crucial role in legitimising and accounting for the assigned responsibilities.<sup>22</sup>

In addition, the management of a social enterprise requires not only a modern approach (i.e., planning, good organisation of work and resources, leading and controlling) but also taking into account the uniqueness of the human factor involved in this type of organisation. The personnel and even the management of social co-operatives – which by definition have a democratic management style – are often

16 Fiedler, *A Theory of Leadership*; Vroom – Yetton, *Leadership*.

17 Wronka-Pośpiech – Frączkiewicz-Wronka – Dobrowolska, "Osobowościowe wyznaczniki pracy," 109.

18 Wronka-Pośpiech, "Kulturowe uwarunkowania zarządzania przedsiębiorstwem społecznym."

19 Wronka-Pośpiech – Frączkiewicz-Wronka – Dobrowolska, "Osobowościowe wyznaczniki pracy," 108–109.

20 Clark – Brennan, "Entrepreneurship."

21 Brzuska – Kukulak – Dolata – Nyk, *Ekonomia społeczna*, 58.

22 Balser – McClusky, "Managing Stakeholder Relationships"; Wronka-Pośpiech – Frączkiewicz-Wronka – Dobrowolska, "Osobowościowe wyznaczniki pracy," 109.

made up of people from socially excluded groups or groups at risk of social marginalisation.<sup>23</sup>

However, it appears that the ability to achieve goals set by a given organisation depends mostly on the qualities and motivation of the social entrepreneur/manager.<sup>24</sup> It is a person who is especially challenged to pursue a mission that encompasses social and economic objectives. They must continuously adapt the enterprise's strategy to external market requirements, other manifestations of the turbulent environment, as well as dynamic changes occurring in the non-profit sector. Moreover, the operation at the intersection of business and social sectors means that they have to interact with various stakeholder groups and manage these relationships skilfully. While ensuring revenue generation, they cannot stop focusing on their social mission and the creation of social impact.<sup>25</sup> Some researchers emphasise that social entrepreneurs exhibit a distinctive type of socio-moral commitment.<sup>26</sup> Others highlight traits such as altruism, indignation and disagreement with existing inequalities and injustices<sup>27</sup> or compassion.<sup>28</sup> Roger L. Martin and Sally Osberg point out that when searching for specific characteristics distinguishing social entrepreneurs from commercial entrepreneurs, it is important to focus first and foremost on the values benefitting from their actions.<sup>29</sup> In turn, the implementation of certain values is guarded by relevant principles.

### 3. CST Principles as Normative Criteria for the Management of the Social Enterprise

CST provides theological and moral principles to give insight into the complexity of phenomena and processes occurring in the social sphere, including the economic sector. Therefore, they can also be applied to the management of social enterprises. The four fundamental principles of CST include: (1) the dignity of a human person, (2) the common good, (3) subsidiarity, and (4) solidarity.<sup>30</sup>

<sup>23</sup> Brzuska – Kukulak-Dolata – Nyk, *Ekonomia społeczna*, 58.

<sup>24</sup> Zadroga, "Professional Ethics," 501–504.

<sup>25</sup> Wronka-Pośpiech – Frączkiewicz-Wronka – Dobrowolska, "Osobowościowe wyznaczniki pracy," 109.

<sup>26</sup> Wronka-Pośpiech – Frączkiewicz-Wronka – Dobrowolska, "Osobowościowe wyznaczniki pracy," 110; Nicholls, "Playing the Field."

<sup>27</sup> Yujico, "Connecting the Dots."

<sup>28</sup> Miller – Wesley – Williams, "Educating the Minds."

<sup>29</sup> Martin – Osberg, "Social Entrepreneurship"; Wronka-Pośpiech – Frączkiewicz-Wronka – Dobrowolska, "Osobowościowe wyznaczniki pracy," 110.

<sup>30</sup> The documents of the Church's social doctrine do not explicitly systematise social principles. It is rather the result of the efforts of researchers dealing with Catholic social teaching. Nevertheless, it is certainly possible to notice their somewhat hierarchical nature. The key guiding rule is the personalistic standard,



Human dignity, which stems primarily from the revealed truth of man's creation in the image of God (Gen 1:26–31; Gen 2:4b-7:18–25), means that every human person has an intrinsic value that should be respected in every dimension of social life. This personalistic rule constitutes the foundation and root of all other principles of Catholic social teaching and of the entire content of the Church's social doctrine.<sup>31</sup>

It is in the spirit of personalism that Benedict XVI placed persons and their communities (including enterprises) at the centre of social thought in his encyclical *Caritas in Veritate*. The Pope emphasised that “the economy needs ethics.” More importantly, he adds that it cannot be “any ethics whatsoever, but an ethics which is people-centred” (CV 45). Thus, he presents a thesis that only personalistic ethics, which refers to the fundamental principle of recognising and respecting the dignity of the human person and forbids treating a human being as a tool serving any (also economic) purpose, can uphold an authentic moral order in business, including social entrepreneurship. Entrepreneurial ethics that does not take into account the inviolable dignity of the human person and the transcendent value of natural moral norms “inevitably risks losing its distinctive nature and it falls prey to forms of exploitation; more specifically, it risks becoming subservient to existing economic and financial systems rather than correcting their dysfunctional aspects. Among other things, it risks being used to justify the financing of projects that are in reality unethical” (CV 45). This is why the principle of Christian personalism, the implementation of which leads to responsible behaviour with respect to each person and to the authentic fulfilment of people through self-giving to others (which is a manifestation of love), is so significant. Such an understanding of ethical standards allows recognising that morality is not – as in the case of deontonomism – constituted by standards or detailed rules imposed on mankind (for example, in the form of codes of professional ethics), but by the fulfilment of a person through a morally good act.<sup>32</sup>

The common good means that all social activities and institutions should be oriented towards the improvement of the human person and of humanity as a whole. Generally, it can be understood as the duty to organise social conditions, which ensure that human beings and whole communities can reach their potential by creating a favourable environment. The CST tradition contains extensive reflections on the common good, but it is John XXIII's definition that can shed important light on issues analysed in this article. The Pope defines this principle as “the sum total of

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or, in other words, the principle of the dignity of the human person. This is the basis from which – like a root – grow other principles and the detailed content of the Church's social teaching. Furthermore, each of the principles of social life can be regarded as a concretised application of the personalistic standard to a particular area or aspect of the said life. Apart from the aforementioned dignity of the human person, *the Compendium of the Social Doctrine of the Church* also specifically identifies the principle of the common good, subsidiarity and solidarity (no. 160). See also: Gocko, “Zasady nauki społecznej.”

31 Pontifical Council for Justice and Peace, *Compendium*, no. 160.

32 Derdziuk, “The Integrating Function of Virtue.”



those conditions of social living, whereby people are enabled more fully and more readily to achieve their own perfection” (MM 65).

It is worth emphasising that, from the perspective of CST, the common good is not an external rule imposed on business but rather an internal principle describing the good created by the business and the way in which this good is linked to the development of the person who works there. The common good helps to understand what actions can lead to the prospering of good business.<sup>33</sup> In view of this principle, it is thus worth enriching the concept of social enterprise management to steer it in the direction of *good* social entrepreneurship. In this context, John F. McVea and Michael J. Naughton define “well-managed enterprise” by identifying – following the Pontifical Council for Justice and Peace<sup>34</sup> – three fundamental criteria: (1) “good goods” – the production of goods (commodities) and offering services that are genuinely good; (2) “good work” – the organisation of work in such a way that workers develop their potential and talents; (3) “good wealth” – the creation of wealth (prosperity) in a sustainable way and its equitable distribution. When all three types of goods are present, enterprises provide social conditions that increase the likelihood of human development. Each of these interrelated goods is supported by principles that help the leader to structure organisational processes in a way that creates a community designed to serve the development of all people associated with the enterprise.<sup>35</sup>

Subsidiarity is a reminder that it is a grave mistake to deprive individual human beings and communities of what they can achieve on their own initiative. For this reason, the principle offers people and communities the freedom to contribute to the development of each human person, as well as the human family as a whole. In CST, it is generally understood as the duty to protect and foster the manifestation of the inherent social nature of human beings. Its deepest meaning was formulated by Pius XI in his encyclical *Quadragesimo Anno*: “just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organisations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them” (QA 79).

In this light, the principle of subsidiarity is contrasted with all forms of over-protectiveness, bureaucracy, and the exaggerated presence of the state and public authorities in social life, while its implementation is fostered by, among other things, appreciation of the importance of associations and intermediate organisations as well

<sup>33</sup> Marek – Jabłoński, “Care of the Common Good.”

<sup>34</sup> Pontifical Council for Justice and Peace, *Vocation of the Business Leader*.

<sup>35</sup> McVea – Naughton, “Enriching Social Entrepreneurship,” 4, 7.

as their support, for example, through legislative and institutional assistance. This allows the intermediate social bodies, such as social enterprises, to properly perform tasks constituting their responsibility.<sup>36</sup>

Solidarity – as stated by John Paul II – is not some “feeling of vague compassion or shallow distress at the misfortunes of so many people, both near and far. On the contrary, it is a firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because we are all really responsible for all” (SRS 38). This principle encourages sharing resources, time, talents, and skills with those who suffer from poverty, oppression, lack of freedom, illness, disability, old age, etc. After all, each person should (primarily out of love) care for every neighbour, as Jesus Christ teaches in the Gospel (Mark 12:29–31; John 13:34). In the case of a social enterprise, managers should make every effort to improve – if necessary – the conditions and quality of life of all individuals with whom their organisation interacts. It may include employees, customers, suppliers, shareholders, and the communities in which they operate. For instance, they should pay attention to whether any of their employees are suffering. Then, they should ask themselves: how can we help? How can we put the principle of solidarity, expressed most profoundly in the commandment to love our neighbour, into practice in our social enterprise? In this sense, social entrepreneurship is sometimes referred to as a solidarity economy.<sup>37</sup>

#### 4. Results and Discussion: Implications for Social Enterprise Management

A personalistic view of the morality of economic life cannot, however, stop at the level of general ethical theories and postulates. Respect for the dignity of every person without exception should be the basis and key criterion of any specific recommendation relating to the practice of social entrepreneurship. This is why John Paul II, in his encyclical *Centesimus Annus*, emphasises that an enterprise (including a social enterprise) should first and foremost serve humans, in accordance with their material, intellectual, moral, spiritual as well as religious requirements (CA 34–35). Consequently, it should not operate only to produce certain material goods or services in order to multiply the financial profit of the capital owner: “profitability is not the only indicator of a firm’s condition. It is possible for the financial accounts to be in order, and yet for the people — who make up the firm’s most valuable asset — to be humiliated and their dignity offended” (CA 35). In this context, John Paul II declares

<sup>36</sup> Pontifical Council for Justice and Peace, *Compendium*, no. 186–187.

<sup>37</sup> Pastor – Benner, *Solidarity Economics*.

that “the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons” (CA 35). It is worth noting that this approach is consistent with the model of the functioning of the ideal social enterprise. However, the social entrepreneur’s recognition of the central role of the human person in the process of organisational management does not indicate that they should be less concerned about generating a financial profit. After all, it is by no means a matter of bankrupting a company in the name of personalism and other moral principles. What is needed is a strategy for optimising profit rather than maximising it at all costs. It is crucial to be aware of for whom and why profit is being made. This will help to avoid a rift between the need to fulfil the humanistic and social goals of social entrepreneurship and economic efficiency. For, as John Paul II stresses, “the lives of human beings, their souls, their bodies, are more precious goods than any form of accumulated wealth. What use is it to accumulate material goods in ever-increasing quantities,” asks the Pope, “if the enterprise itself, which is a community of persons, is in danger of losing its soul, its true identity?”<sup>38</sup>

It is thus imperative to focus on its “inside” in the process of managing a social enterprise and give this specific working environment a human, deeply personalistic dimension. This implies the creation of working conditions and the implementation of a management model in which “the development of personal capabilities is accompanied by the efficient and rational production of goods and services and helps the employee to recognise that they are truly working for themselves.”<sup>39</sup>

At the same time, it should be noted that genuine respect for the dignity of the human person and their right to full development within a social enterprise promotes greater productivity. This is because “the integral development of the human person through work does not impede but rather promotes the greater productivity” (CA 43). In contrast, the violation of the dignity of the human person is not only “morally inadmissible” but also “will eventually have negative repercussions on the firm’s economic efficiency” (CA 35).

The personalistic emphasis regarding social entrepreneurship is also revealed in Benedict XVI’s statement: “the primary capital to be safeguarded and valued is man, the human person in his or her integrity: ‘Man is the source, the focus and the aim of all economic and social life’” (CV 25). The encyclical *Caritas in Veritate* contains a reflection on dual-purpose (hybrid) businesses, which explicitly refers to the social enterprise. According to the Pope, “alongside profit-oriented private enterprise and the various types of public enterprise, there must be room for commercial entities based on mutualist principles and pursuing social ends” (CV 38).

Hybrid business models introduce the “logic of gift” and the “principle of gratuitousness” (CV 34) as an expression of brotherly love, both to the “logic of the market”

<sup>38</sup> John Paul II, “L’incontro con i lavoratori, con gli imprenditori,” 1770.

<sup>39</sup> John Paul II, “L’incontro con i rappresentanti del mondo del lavoro,” 1203.

(CV 36) and to the “logic of the state” (CV 39). The dynamics of the “logic of gift” are based on the dynamics of an individual aiming to achieve integral development: “the human person by nature is actively involved in his own development” (CV 68). Against this background, Benedict XVI emphasises that businesses too must first and foremost serve “integral human development” (CV 11, 17–18, 23, 30). They do not exist to generate profit but to produce goods and services that satisfy human needs. Profit is only an indication that they are working efficiently. Therefore, an enterprise should implement projects not to maximise profits, but to align productivity with the requirements of moral and social responsibility.<sup>40</sup>

What is more, the motivation of entrepreneurs must not be limited to financial incentives. The Pope believes that people involved in business have a vocation. In his view, business – like any human institution – must transcend the social sphere and become part of God’s plan of salvation. All human institutions should consequently strive to infiltrate their structures – based, after all, on human relationships – with a manner of thinking and acting in accordance with God’s Revelation. By doing so, Benedict XVI highlights the transcendent purpose of economic activity. He adds that the economy (and also social entrepreneurship) cannot become ethical “merely by virtue of an external label, but by its respect for requirements intrinsic to its very nature” (CV 45).

This theological view has a distinctly biblical basis. Saint Peter encourages everyone to “participate in the divine nature” (2 Pet 1:4). Saint Paul expresses a similar idea, stating that Christians are “no longer foreigners and strangers, but fellow citizens with God’s people and also members of his household” (Eph 2:19). The recognition of God as the Father by one Spirit (Eph 2:18) consequently establishes a universal brotherhood among them. Moreover, it emphasises the importance of social structures fostering fraternity, friendship, solidarity and love, even if humanity is already united and reconciled to God “in one body [...] through the cross” (Eph 2:16). For “in Christ we, though many, form one body” (Rom 12:5) and we have been called to “serve one another humbly in love” (Gal 5:13), “build each other up” (1 Thess 5:11) and “strive to do what is good for each other” (1 Thess 5:15).<sup>41</sup>

As mentioned in the earlier part of this article, a well-functioning social enterprise – as a specific form of creating the common good – produces three interdependent sets of goods: good goods, good work and good wealth. With regard to CST, the “good goods” criterion implies that a good social entrepreneur maintains solidarity with the poor. They become aware of opportunities to serve those in particular need, as well as the disadvantaged and undervalued in contemporary society. In the case of social entrepreneurs, such solidarity, which often stems from a deep sensitivity to the suffering of the vulnerable, is expressed through a firm and persistent

<sup>40</sup> Grassl, “Hybrid Forms of Business.” DOI: <https://doi.org/10.1007/s10551-011-1182-5>.

<sup>41</sup> Grassl, “Hybrid Forms of Business,” 5–6. DOI: <https://dx.doi.org/10.2139/ssrn.1776125>.

commitment to the common good.<sup>42</sup> The second good created by a good social entrepreneur is the organisation of good work, in which employees can develop their talents and potential. At the heart of good work lies the principle of cherishing the dignity of human labour and its subjective dimension. A good social enterprise manager recognises that work affects not only their character but also the employees they manage and work with. From the perspective of CST, this recognition should prompt good social entrepreneurs to structure work also according to the principle of subsidiarity. This principle – similarly to the common good – promotes employee development by providing them with opportunities to use their talents and skills that help to achieve the organisation's mission. In practice, it is necessary to design the work performed by the personnel in such a way as to use their talents and skills; to teach, develop and adequately equip employees by providing them with the right tools, training and experience that allows them to perform their tasks; and to establish strong relationships with the staff based on mutual respect and trust.<sup>43</sup> Thirdly, a good social entrepreneur must be aware that, according to CST, there are two – closely related – dimensions of “good wealth”: creation and distribution. It is not possible to distribute wealth if it has not been created. Simultaneously, it is not possible to create wealth without distributing it fairly to those who have created it. Like the good servants in the Parable of the Talents (Matt 25:14–30), entrepreneurs create wealth by making creative use of the available resources and finding innovative ways to produce more than what they have received. In business, this is referred to as the “added value.” That is why every good entrepreneur (including a social entrepreneur) wanting to ensure the viability of their organisation must use resources efficiently and maintain adequate levels of revenue, high levels of productivity and effectiveness. For the social entrepreneur, the creation of wealth entails a moral obligation to distribute it. At the same time, it is necessary to emphasise that this task does not consist in carrying out the distribution but ensuring that this process is guided by the principle of equitableness. According to the CST, the principle of equitable distribution requires the allocation of wealth in a way that creates fair and appropriate relationships with those who have participated in its creation. In practice, this rule confronts entrepreneurs with a series of intricate and difficult moral challenges that address fundamental issues of justice and fairness. In fact, the issue of equitable distribution involves the resolution of moral implications related to how to set prices and employee remuneration, how to manage liabilities and receivables, how to pay taxes, and how to allocate benefits and provide support within the framework of a declared social mission.<sup>44</sup>

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<sup>42</sup> McVea – Naughton, “Enriching Social Entrepreneurship,” 7–9.

<sup>43</sup> McVea – Naughton, “Enriching Social Entrepreneurship,” 9–12.

<sup>44</sup> McVea – Naughton, “Enriching Social Entrepreneurship,” 12–14.

With regard to the principle of subsidiarity, it is crucial to respect the nature of social enterprises as grassroots organisations created as part of a civil society initiative. Such a stance should be reflected in the appreciation of their specificity on the part of the entities and communities in their organisational environment, which takes the form of respect for their mission and the promotion of their unrestricted freedom and responsibility for the undertaken actions.<sup>45</sup> In contrast, a tangible manifestation of the implementation of the principle of subsidiarity in the internal management of a social enterprise is an approach in which managers strive for financial independence from external institutions. It is expressed in attitudes and activities focused on raising funds mainly at one's own risk, as well as through one's own efforts and resources, that is, in the form of business activities. This allows shifting away from an "extended hand" attitude, which is the case with many NGOs and leads to almost complete dependence on the preferences of public or private donors. Guided by the principle of subsidiarity, well-managed social enterprises aim to become sovereign entities capable of taking action in the public sphere in line with their own mission and based on their own resources (including financial). In practice, this means that managers have to independently formulate development strategies based on their own resources, exercising true self-governance and striving to ensure the well-being of citizens. In this way, the chance of not falling into the trap of becoming an "extension" of public institutions or a hostage to philanthropic emotions in favour of a real implementation of the notion of empowerment becomes real.<sup>46</sup>

When referring solidarity to social enterprises, it is crucial to emphasise that CST acknowledges the great potential of private organisations that are not oriented towards profit-generating activities, such as social enterprises, for solving many human problems. It is due to the fact that such organisations are characterised by the courageous pursuit of a harmonious combination of productive efficiency and interpersonal solidarity.<sup>47</sup> "Civil society, organised into its intermediate groups, is capable of contributing to the attainment of the common good by placing itself in a relationship of collaboration and effective complementarities with respect to the State and the market. It thus encourages the development of a fitting economic democracy. In this context, State intervention should be characterised by genuine solidarity, which as such must never be separated from subsidiarity."<sup>48</sup> The development of the social enterprise sector has played an instrumental role in revealing many of the hidden or ignored problems of the capitalist economy, including the marginalisation of those who cannot afford to access the market because of their limited purchasing power or whose dysfunctions do not allow them to compete with others on

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<sup>45</sup> Pontifical Council for Justice and Peace, *Compendium*, no. 357.

<sup>46</sup> Frączak – Wygnański, *Polski model ekonomii społecznej*, 15.

<sup>47</sup> Pontifical Council for Justice and Peace, *Compendium*, no. 357.

<sup>48</sup> Pontifical Council for Justice and Peace, *Compendium*, no. 356.



the open labour market. The inventiveness of social entrepreneurs and the social innovations that they propose are often applied to these types of problems in a manner that is more effective than traditional government or traditional charity solutions. Consequently, there are two main ways in which social entrepreneurs can pursue solidarity with the poor in relation to good goods. The first involves the creation of goods and services that serve the poor, while the second consists in the establishment of conditions that allow empowerment and foster self-respect among those in need.<sup>49</sup>

## Conclusions

Social enterprises perceive social and environmental issues as primary objectives of their hybrid activities. They regard financial stability as a prerequisite, not a goal. Such an approach is close to CST. Furthermore, the detailed content of social encyclicals constitutes a valuable means of deeper exploration and enrichment of the moral dimension of social enterprise management.

The foregoing discourse allows concluding that social entrepreneurship, like economic life as a whole, should not be devoid of references to moral principles and even more – to theological content. This view is supported by the analysis of the fundamental principles of CST. The moral dimension of social enterprise management can be better understood by taking into account the guiding personalistic standard, as well as principles such as the common good, subsidiarity and solidarity.

In relation to social entrepreneurship, the personalistic rule, which refers to the dignity of the human person, generally involves focusing on management actions through which the dignity of all those who make up a social enterprise and are associated with it is respected. One of the key objectives of social entrepreneurship lies in the empowerment of individuals and communities for the benefit of whom certain undertakings in the sphere of social transformation are launched. In this context, it is also necessary to apply the principle of subsidiarity as the basic rule determining the division of labour and responsibilities linked to the execution of social and professional reintegration activities. A transition from assistance to self-help must occur.

It is important for the managers of social enterprises to be able to act collectively on behalf of people in need of help, as well as demonstrate genuine solidarity with the disadvantaged. Moreover, in order to address social problems effectively, it is necessary to have an understanding of the complex causes of these problems and to think in terms of systems. For this reason, the practical implementation of principles of solidarity and the common good should involve, among other things, the creation of genuine structures of solidarity and the common good through appropriate

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<sup>49</sup> Sobocka-Szczapa, *Ekonomia społeczna*, 27–28.



legislative and market changes, resulting in an increased number of social enterprises working for the poor and other people at risk of social exclusion.

Despite various factors that normally push social enterprises in one of the extreme directions – either towards commercialisation (profit) or social activism – ultimately, only the authentic vocation of Christian love (*agape*) appears to motivate the activities of social managers strong enough so that the hybrid organisations can avoid “distorting” their natural mission. This will allow all the characteristic features of social enterprise management discussed in the article to be taken into account.

Based on the teaching of Pope Benedict XVI included in *Caritas in Veritate*, it is worth emphasising that the theological novelty of the approach presented in this paper lies in the fact that social institutions (including social enterprises) should not only be seen as flawed human structures, but also as communities in which, thanks to Holy Spirit, it is possible to implement the principles of the Kingdom of God and – above all – the commandment of love revealed in the Gospel by Jesus Christ.

The adopted research perspective, which is characteristic of CST, naturally has its limitations. The article is based on deliberately limited sources that are typical of the Catholic moral tradition. The research results can be further developed by taking into account other moral religious traditions or theories of normative ethics. Furthermore, a future direction of research may include, inter alia, an analysis of selected models of social enterprise management in terms of the implementation of CST principles. The study may also focus on a discourse on the moral dimension of social enterprise management in the context of a selected philosophical theory or religious tradition.

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