

SOCIAL ENTREPRENEURSHIP IN EMERGING INNOVATION ECONOMY

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ABSTRACT

Social entrepreneurship has recently attracted academics and practitioners in many fields. The V. Alekperov Fund “Our Future” has made a sustainable contribution in the research in this field. However, neither the term of “social entrepreneurship” nor its conceptual framework has been finally defined in scientific articles and legal literature. The aim of the article is to find out the answers to the following questions: Can only socially-oriented NGOs or other business be identified as social entrepreneurship entities? Can activity of municipal institutions for providing services on a commercial basis be referred to a social entrepreneurship? To conclude, conceptual definitions of the fundamentals of social entrepreneurship can make the basis for theoretical research and implementation of practical help in building of socially-oriented businesses.

Keywords: Social entrepreneurship, socially-oriented businesses, NGOs, non-government organizations.

INTRODUCTION

The relevance of the issue of social entrepreneurship (SE) can be substantiated by the hot discussion in research literature published recently. Practical measures for social entrepreneurship support are also actively discussed by regional and federal resources in Russia. However, this concept has only recently emerged in Russian economy there is still a gap in theoretical background and legal foundation of Russian social entrepreneurship.

The challenge is in clear understanding of SE concept itself. Does it include only the activity of socially oriented non-government organizations or this concept has more comprehensive meaning and includes all socially oriented business units of all kinds.

Another issue is identifying the role and place the state in the SE model. In Russia state organizations can and de facto should conduct profit making activities in the framework of objectives of their foundation. Can this be called social entrepreneurship?

The above said means that economic concept of SE comes first, and then this concept is to be legally limited. Though it should be considered that SE emergence is an expected result of citizen society and social initiative development.

Of high importance is the SE role in regional economy context, its place in different economies and possible forms in SE models.

Social entrepreneurship as a term consists of two parts each having a separate economic meaning. Thus, *entrepreneurship* as a term means “the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit”[12].

Social as a term means being oriented on the welfare growth of all citizens.

Putting these two terms together, the activities of state organizations of the social sphere that provide fee-based services can also be considered as SE, thus meeting the above named two definitions.

In legal literature SE refers to small and medium-sized businesses engaged in socially oriented activities aimed at achieving social goals to provide employment for socially disadvantaged population who produce socially significant products, as well as socially oriented non-profit organizations (NPOs), defined in Article 31.1 of the Law “On Noncommercial Organizations” dated 12.01.1996 № 7-FL[3]. SE has been provided by support, including the state since 2007 and since then has started its development.

Thus, based on these assumptions, SE can be given a generalized definition as *socially oriented activities of a business unit, aimed at profit, with elements of creativity and innovation approach, being a risk factor.*

METHODS AND MATERIALS

SE Model is a form of business organization that has socially oriented goals. By all means, SE model is connected to the model of social policy.

In the scientific literature, four basic models theoretically substantiated and practically confirmed are well known: liberal, continental, Swedish and Southern European.

The liberal model is a model with a weak government regulation. The private business implements social policy under the state control.

Continental model is also characterized by lack of government regulation. In this case, the private sector implements social policy through social partnership mechanism, i.e. relations under collective contract in enterprises.

Swedish or Scandinavian model is, in contrast, characterized by strong state regulation, when the state assumes all social responsibility and implements social policies.

Southern European model of social policy is employed in countries with weak social policy and has no clear characteristics.

This classification of social policy models is based on the opposition of strong and weak government regulation and clearly distinguishes two main SE models.

SE takes residual niche or the niche not covered by state social policy. Therefore, not only commercial companies, but also state (municipal) organizations providing social services on a paid basis in accordance with the Federal Law № 83 dated 08.05.2010 № 83-FL “On Amendments to Certain Legislative Acts of the Russian Federation due to the improvement of the legal status of state (municipal) institutions” can be considered as SE subjects. This SE model is typical for an economy with insufficient government regulation (Figure 1). This is typical of the neo-classical tradition, being fundamentals for continental and liberal models of social policy. Both are based on inadequate state regulation.

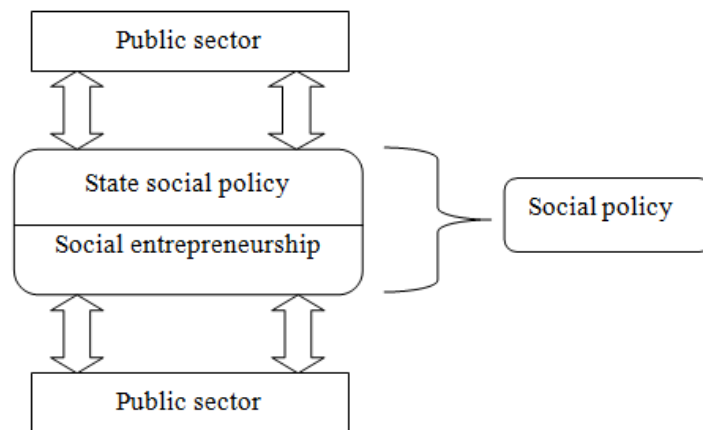


Figure 1 – The place of SE in non-innovative economy

The Russian model of social policy in the 2010-2020 has features common to the continental model, characterized by insufficient role of state in the economy[6].

Let us consider the main features of Russian social economic model that substantiate its the similarity with continental model.

The first point is that independent social funds actively operate in both models. In Russia these are the Social Insurance Fund, Pension Fund and Mandatory Medical Insurance Fund.

Secondly, in both Russian and continental model the government tries to transfer the responsibilities for social policy to the private sector, which manifests in the following:

- development of social policies in individual enterprises in the form of significant social packages.
- provision of certain financial and economic independence to the state (municipal) institutions in terms of giving opportunities to engage in commercial activities and spend their own earnings (Federal Law № 83 dated 08.05.2010 № 83-FL “On Amendments to Certain Legislative Acts of the Russian Federation due to the improvement of the legal status of state (municipal) institutions”).
- development of private entrepreneurship aimed at solving social problems of citizens by private business.

Primarily, social policy concerns the workforce. Almost all benefits of Social Insurance Fund are paid only to working citizens, as the insured person is to be employed. The exceptions are maternity benefits, but even in this case those unemployed get them in the guaranteed by the state minimum.

Furthermore, employment policy is active in nature and includes a number of measures. Typical activities undertaken on the regional level are the following: advanced professional training of workers being under threat of dismissal; public works, temporary employment of workers under threat of dismissal, as well as recognized in the prescribed manner unemployed people and job seekers; training of graduates of educational institutions in order to provide work experience; employment of persons with disabilities; support measures for self-employment of unemployed citizens and

stimulation of starting own business, more jobs for unemployed citizens; targeted support to citizens who applied to employment offices in order to find job, like the organization of their relocation to get jobs where they are available, including those created the federal target programs, investment projects and others[10].

One more trend is Russian citizens working outside the working day (work week) and during holidays and vacations.

Another specific is high income differentiation. The Gini coefficient for the results of 2014 is 0,416[8].

Modern Russian economic model is also characterized by emerging of a class of highly qualified professionals in different areas, especially top managers, being in high demand, in spite of sufficient unemployment among semi-skilled workers and those with low qualification. Young professionals who would like to be competitive in labor markets are to have the following competencies sales skills – 19.5% of employers put it in the first place, competent and speaking – 17.3% and 14.2% presentation skills[9].

Blue-collar workers are also to be highly qualified. Thus, in January 2016 the most popular worker professions in Krasnoyarsk krai were the miners, construction and repair workers – 35.5% of the vacancies[7]. In Russia, recruiting more and more involves headhunting, management selection, executive search, and others. For example, in Novosibirsk search for highly qualified top managers has become a series of specially organized operations including TV presentations, interviews in the press, and so on[11].

As an infrastructure element of a developing economy in an innovative region, SE accompanies development of clusters and technology parks. This model is specific for the economy with strong state regulation, which takes social care on itself (Figure 2). SE includes technology parks and cluster areas working for population, since it is not always possible to provide social services to the population due to the territorial remoteness of these regions from the center. We mean private kindergartens, hospitals, schools and similar organizations of social infrastructure, demanded in the areas of advanced innovative development.

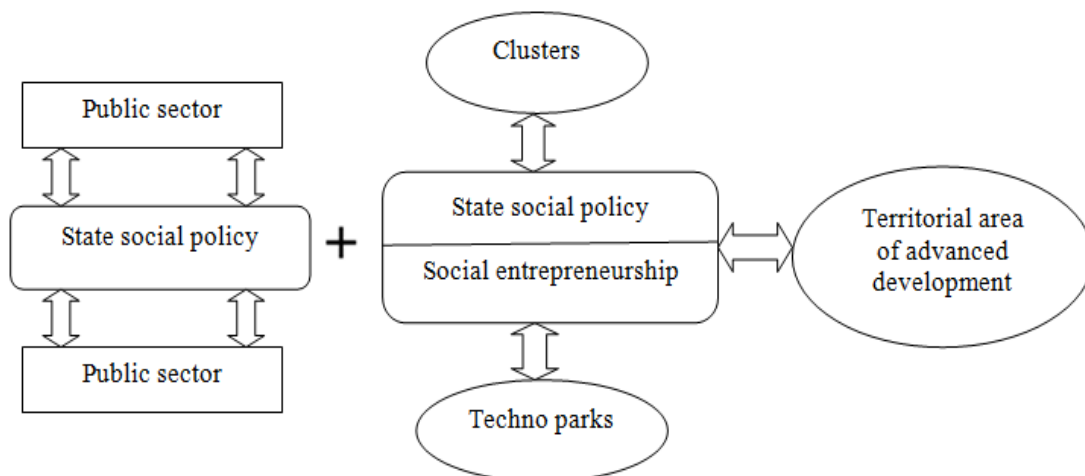


Figure 2 – The place of SE in innovative economy

RESULTS

Based on the analysis of economic models and modern situation in Russian economy the main specific features of innovative economy model have been indicated.

New Russian economic model is characterized with strong state participation in economy, where social partnership is regarded a tool to compensate “failures” of the state social policy. Thus, in the innovative economy the main mission of social entrepreneurship is to contribute to the human capital development. Consequently, social entrepreneurship is to be integrated in the traditional areas of social policy: education, health, social protection and assistance. All considered above indicate the important role of knowledge in the innovative economy.

Another mission of SE is the formation of the social infrastructure of the economy itself. The state is not able to be as fast to create a social infrastructure to meet the needs of emerging innovation clusters. And social entrepreneurship can be involved in this process via public-private partnership mechanisms.

Krasnoyarsk krai is focused on innovative development. Recently developed industrial concept, an economic policy document focused on industrial innovative development of Krasnoyarsk krai is aimed at the development of the business policy integrating social entrepreneurship.

The objectives of the Industrial Policy Concept were defined as the following:

1. The formation of high-tech, competitive industry that provides the transition of the economy of the state from the export of raw materials such as the development of a innovative type of development;
2. Provision of the country's defense and state security;
3. Rising employment rate and improved living standards of Russian citizens;
4. Well-balanced industrial development in the municipalities of the Krasnoyarsk krai;

In order to achieve the objectives of industrial policy is necessary to achieve the following objectives:

1. Creation and development of a modern industrial infrastructure;
2. Encouraging stakeholders in the industry to carry out the implementation of intellectual property and the development of innovative production of industrial products;
3. Encouraging stakeholders in the industry to use the material, financial, labor and natural resources efficiently and effectively, providing increased productivity, the introduction of import substitution, resource-saving and environmentally friendly technologies;
4. Increasing the output of products with high added value and support the export of such products;
5. Support for technological modernization of stakeholders in industry, modernization of fixed assets on the basis of rates, leading to aging;
6. Provision of technological independence of the national economy.

CONCLUSION

Social entrepreneurship as a concept attracting much attention of academics and practitioners in many fields still have many gaps to fill in terms of model development and characteristics investigation. Based on economic model analysis SE can be defined as a bank of socially oriented activities of a business unit, involved in creativity and innovation aimed at profit.

The aim of the article was to identify the aim and place of social entrepreneurship in the innovation economy. The authors presented characteristics of the Russian model of social entrepreneurship and came to the conclusion that social entrepreneurship in Russia has been becoming an integral agent in developing innovation and cluster economy in the region.

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