A NEW PARADIGM FOR THE MODEL OF A NEW ECONOMY:
THE ROLE OF SOCIAL ENTREPRENEURSHIP

НОВА ПАРАДИГМА ДЛЯ МОДЕЛІ НОВОЇ ЕКОНОМІКИ:
РОЛЬ СОЦІАЛЬНОГО ПІДПРИЄМНИЦТВА

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Oleksiy I. Stupnytskyy
Ph.D. (economic sciences), Professor of the Department of International Business of the Institute of International Relations of Taras Shevchenko National University of Kyiv. E-mail: a.stupnitsky@ukr.net

Vlad Genin
Ph.D. in Business Administration, Professor, Campus College Chair of the School of Business and IT, Bay Area – Silicon Valley Campus, University of Phoenix (USA). E-mail: vladgenin@yahoo.com

Abstract. The necessity of using innovative social technologies, and explores the concept of social entrepreneurship, which is parsed as a form of social innovations. It analyzes the concept of «social entrepreneurship» as a relatively new specific type of enterprise, and its differences from commercial entrepreneurship. It proves, that today in terms of the new model of economic development the social entrepreneurship allows, first of all, to carry out efficient change of social relations and management systems, for the sake of growth of sociopolitical accessibility of marginalized groups to resources for provision of more qualitative satisfaction of the needs and participation in political processes; and, secondly, to save communicative integrity of social system due to the increase of social capital and possibility of choice for a social individual. It gives a characteristic of both “European” and “American” models of social entrepreneurship, as well as its peculiarities and differences. The provides the examples, how the most successful social entrepreneurs from the West contributed with the distribution of innovations, whose usefulness was rated so highly, that they were implemented on a national scale with the support of the state and business. Also, it analyzes current level of development of social entrepreneurship in Ukraine, the existing problems of creating favorable organizational,
legal, economic and competitive conditions, organization and operation of different forms of social entrepreneurship, interaction between the state and public organizations, and maintenance of the development of social entrepreneurship in regions.

**Key words:** social entrepreneurship, social innovations, social policy, social responsibility of business, public benefit.

**Анотація.** Обґрунтовано необхідність використання інноваційних соціальних технологій та досліджується поняття соціального підприємництва, котре аналізується як форма соціальних інновацій. Проаналізовано поняття «соціального підприємництва» як нового специфічного типу підприємництва, а також його відмінність від комерційного підприємництва. Це доводить, що на сьогоднішній день нова модель економічного розвитку соціального підприємництва дозволяє, в першу чергу, здійснювати ефективну зміну суспільних відносин і систем управління, заради зростання соціально-політичної доступності маргінальних груп до ресурсного забезпечення більш якісного задоволення їх потреб під час участі в політичних процесах; і, по-друге, дозволяє зберегти комунікаційну цілісність соціальної системи у зв'язку зі збільшенням соціального капіталу, а також можливість вибору для соціального індивіда. Вона дає характеристику як «європейській», так і «американській» моделі соціального підприємництва, а також демонструє свої особливості й відмінності. Наведено приклади відносно того як на більшій успішні соціальні підприємці із Заходу сприяли розподілу інновацій, значення яких було оцінено настільки високо, що вони були реалізовані в національному масштабі за підтримки держави і бізнесу. Крім того, аналізується поточний рівень розвитку соціального підприємництва в Україні, існуючі проблеми створення сприятливих організаційних, правових, економічних і конкурентних умов, організація і функціонування різних форм соціального підприємництва, взаємодія між державними та громадськими організаціями, а також технічне обслуговування розвитку соціального підприємництва в регіонах.

**Ключові слова:** соціальне підприємництво, соціальні інновації, соціальна політика, соціальна відповідальність бізнесу, суспільне благо.
Today the mission of social entrepreneurship of a new model of economic development is of particular importance as it promotes development, firstly, of innovative technologies in the form of extraordinary ways of solution of social problems, that have not got analogues before, as well as, secondly, favorable business environment for innovation, and maintenance of active social position and social solidarity, and, thirdly, of the conditions for more sustainable and dynamic socio-economic progress of states.

So, the problems of ‘classical’ evolutionary modernization focus not only on technological aspects, but also acquire more complicated socio-humanitarian forms. In fact, for different participants of social process (state, markets, specialized social institutions, and social networks) proper redistribution of functions provide the level and quality of life. At the same time, on one hand, formation of market social services take place by transferring some functions and responsibilities from the family to markets and institutions. Innovativeness of a state control uses (1) efficient social technologies of integral development of community, (2) new approaches in understanding of complication of social processes and (3) models, that provide process of the dynamic development of an economic system. On the other hand – social technologies turn into structural activity of agents of management and population concerning optimization of social processes, and social entrepreneurship – into social innovation of unprofitable or profitable entrepreneurial activity [Москалев, 2007]. Various aspects of social innovations, social entrepreneurship and administration of branches of social field were investigated in studies of B. Adamova, F. Borodkin, O. Chernysh, E. Utkin, etc.

The aim of the article is to analyze the role of social entrepreneurship, to substantiate the necessity and expediency of its functioning as a generator of a socially-oriented economic development.

Important research results. Social entrepreneurship is an activity which has three reference points: social, market and innovative ones [5, 2008: 191]. Today the most common definition of social enterprise, which belongs to Gregory Dees, director of the Center for the Advancement of Social Entrepreneurship of Duke University (USA), identifies the following five main factors: (1) assuming the mission of creating and maintaining social value (benefits); (2) identification and use of new opportunities for implementing the chosen mission; (3) the implementation of continuous innovation, adaptation and learning; (4) determination of the action which is not limited by available resources; (5) high responsibility of the entrepreneurs for their performance – as to direct customers, and the society [Dees, 2001]. Analysis of international best practices of social entrepreneurship shows that in addition to unprofitable venture organizations it is often includes profitable organization for social purposes - the banks of local communities, cooperatives, social communities, ‘hybrid’ organizations that include profitable and unprofitable units, and so on.

The social entrepreneurship is based on the principle ‘the idea, plus the energy of someone who is able to embody it’. In the course of time the idea becomes a project, new approaches are suggested to the problems, that form their own model, assumption and plans of which are tested at once, comprehension and ways of subsequent movement are determined. Today the examples of such ideas is measured by thousands, or, perhaps, by millions of changed life’s and fates. Modern international economic relations offer lots of cases of profitable social businesses, that
are working in the field of ecology, education, occupational therapy, social services both in industrialized and in developing countries. For example, Bernard Amadei from the USA realizes long-term social project of using the field of technological engineering for solving important social issues, such as hunger, poverty, diseases, involving students, professors and engineers, by forming a space for education and searching of solutions of particular problems (today community Engineers Without Borders has 609 projects in 43 countries and includes 14 000 members).

Social enterprise is a relatively new specific type of enterprises. The creation of first social entrepreneurship falls on 80-s of the 20th century, but they managed to give an account of themselves as a quite efficient and successful mechanism of solving social problems of a society. On the one hand social entrepreneurship is a business, aimed mainly for social purposes, with the proceeds, which go mainly on self-development, public affairs and solving social problems. A strange combination of two words ‘social’ and ‘business’ still causes misunderstanding among the public, there is confusion of concepts – social responsibility is how to allocate parts of the funds for certain social problems and business, which in essence wants to solve these problems. On the other, it combines fairness, democracy, social and environmental responsibility; it is a modern approach to the business of the 21st century [Спреклі, 2011].

New structures and institutions of democratic governance are keys to the concept of social innovation: the mechanisms of formation of new technologies and behavior that create conditions for social and cultural change. In general, social innovations – is the production and integration of new knowledge by the algorithm ‘program – organizational model – a set of principles and implementation tools’, used locally to respond to positive and negative results of the restructuring.

The results of the analysis of functioning of the sphere of social entrepreneurship in highly industrialized countries testify that economic and regulatory factors played an important role in spreading of social entrepreneurship. In other words, the existence of significant amount of social problems is a background for making social entrepreneurs, but their real development acquires particular economic and legislative support. The main difference between commercial enterprise and social entrepreneurship lies not in the motivation only, but in field of description of values, which are produced for the average entrepreneurship – market value (income/profit), and for the social – value, that receives society at all, a part of the society or target groups (the least protected and the least favorable social class), that don’t have any financial resources or political means of influence to achieve ‘transformation of values’ results on their own.

The organization SengülAkcar provides professional and personal support of women in Turkey to strengthen their role in the society and impact on the government with the help of five training centers in Istanbul, that are the center of generation of their own decisions and projects for the purpose to show women their alternatives and opportunities to be educated, active and to be important in a rather conservative society. Ximena Abogabir Scott from Chile brings a new way of informal education concerning environment – at that time when involvement of inhabitants of Chile is constantly decreasing. Ximena managed to unite nearly 300 organizations for carrying out investigations and identifies the needs for creation of educational stuff and conducting of workshops for the educationalists, who will expand practice and teach others in the context of peer-to-peer learning system, that expands and updates by itself.

ELIE ABOUSSAB sets up a national online platform, which helps inhabitants of Lebanon very quickly and in informal way to offer ways of solving vital problems of a country, to respond to the steps taken by a government, to influence its decisions by specific suggestions. Actually, a new format of a dialogue between citizenry and officials using modern technologies, affecting the formation of full-pledged public society of Lebanon is initiated [Свиначук, 2014].
In Europe, ‘legalization’ of social entrepreneurship started more than 20 years ago. So, in 1991 the parliament of Italy passed the law concerning the activity of ‘social cooperatives’ (small and medium businesses, that are solving social problems of communities) and determined their two types: those, who provide social, educational and health services to the public (group ‘A’) and those who create opportunities for employment and social integration of vulnerable social groups (group ‘B’) [Nussens, 2006: 4–5]. Governments of Spain, Portugal, Greece, Belgium and France also legally consolidate the work of social entrepreneurship in the form of cooperatives, the main feature of which is a democratic way of government and compulsory sharing of stocks of the company between its founders, volunteers and beneficiaries. In these countries of EU social entrepreneurship operates in the form of ‘cooperatives of social solidarity’ (Portugal), ‘cooperatives of social initiatives’ (Spain), ‘companies of social goal’ (Belgium), ‘social cooperatives of community property’ (France). The Parliament of Great Britain legalized the work of social entrepreneurship (‘companies, that are working in the interests of society’ – social interest companies) in 2004, and in 2012 The Public Services (Social Value) Act [8]. The work of social entrepreneurship also legalized in Hungary, the Czech Republic, Slovak Republic, Slovenia, Lithuania and Poland (The Polish parliament pass the ‘Social Cooperative’ in 2006) [Les, 2009: 21].

Currently, the main instruments of realization of one or another conception of state support of social entrepreneurship in EU are programs and strategies, that exist for almost every country at a national level: empresas de inserção in Portugal, enterprises d’insertion i associations intermédiaires – in France, programs of social economics in Ireland, and social enterprises in Finland. At the regional level there are such state programs as enterprises d’insertion, enterprises de formation par le travail i sociale werkplaatsen in Belgium, i empresas de inserción in Spain, that are targeted toward the development of national social entrepreneurship [Borzaga, 2008]. Subsequent state strategies of social entrepreneurship of Great Britain are considered to be successful: ‘Social entrepreneurship: strategy of success’, ‘Better business: A strategy and action plan for social enterprise in Scotland’. Their goal is to increase their role and open new markets for social enterprises, creation of integrated support of this sector, and so on [Stewart, 2011].

The US governmental support for social entrepreneurship comes down to: “elimination of legal administrative barriers, legislative ensuring of low interest rate loans, development of social partnership between national organizations, business and non-commercial sector”, accordance of preferences in the field of licensing and certification of social entrepreneurs in such field as social service, education, and medicine. Also those social enterprises are guaranteed to have an opportunity to receive a social orders from national agencies [Прищина, 2012]. In other words, there is no direct financing of social entrepreneurs in the country. Small Business Administration, that carries out a financial support of development of small business in general including social entrepreneurs partially deals with the issues in this field. Social enterprises receive a mediate financial support through Department of Social Innovations that annually assign about 2 million dollars on the most promising innovative projects including social enterprises [Сакоян, 2012].

For the last years social entrepreneurship acquired rather active development in the USA. Edward M. Kennedy Serve America Act not only expanded the opportunities of volunteering for the Americans of different age and occupational groups because of the website Serve.gov that allows searching for opportunities of volunteering domiciliary, but also created Social Innovation Fund with the total budget of 50million dollars. In 2010, its funds were distributed through an open competition among public organization that are working in the field of social entrepreneurship. By the terms of the competition every dollar ‘invested’ by the government of the USA should supplement by 3 dollars of co-financing from the organization-grantee.
During 2010-2012 SIF allocated 137 million dollars for the projects of 197 public organizations. According to official reports, grantees declared co-financing of 350 million dollars. In this way, for the last 3 years the government of USA managed to commit about 500 million dollars of state and private funds for the development of social entrepreneurship [6].

For the maintenance of social entrepreneurship and related social innovations, the government of the USA not only passes the laws, but also creates particular departments, internet-libraries, organizes scale grant competitions and even declassify the secrets.

The President Barack Obama is called as the first American politician, for whom maintenance of social entrepreneurship and social innovations changed into a fundamental constituent of economic policy. So, the most important for the development of this field was the decision of creating The White House Office of Social Innovation and Civic Participation, the main goal of which lies down in strengthening of the role of social entrepreneurship among public services and a sector of nongovernmental organizations. Michelle Jolin, former vice-president of social entrepreneurship Ashoka, which introduce socially-integrated innovations globally, was invited personally by the President for the development of a strategy of this Department [Kehane, 2013].

For the encouragement of innovations in different social fields The White House also founded a new website that includes information about competitions and prestigious rewards proclaimed by different national institutions among entrepreneurs, innovators, leaders of non-profit sector and citizen who proposed new approaches in solving different social problems. In 2012, United States Congress passed the official act America COMPETES Act, which expands the authority of all ministers and departments in matters of proclaiming such competition. Some initiatives, especially competition of United Stated Department of Education, were supported by Bill & Melinda Gates Foundation, Ford Foundation, MacArthur Foundation, W. K. Kellogg Foundation to the amount of 500 million dollars. It is refers to innovative social and educational programs Teach for America (80% increase among teachers in comprehensive schools in the poorest regions of the USA due to graduates of educational colleges) and City Year (granting of scholarships to the graduates of comprehensive schools, that are ready to work as a mentors in schools with the lowest rating of progress).

The important constituent of supporting social entrepreneurship policy of Barack Obama is also a decision to declassify significant layers of statistical, scientific and research information, which helps businessman and private individuals in the process of searching ideas for social businesses and social innovations. Signed by The President Memorandum on transparency and open government, allowed to post on Data.gov various national data, that could have the same revolutionary consequences for the development of social business that in one’s time had for the IT companies a decision of American government to make GPS available [Сотула, 2013].

In general, social entrepreneurship is a comparatively new phenomenon for the Post-Soviet states but in particular countries of the CIS (Kazakhstan, Russia, Belarus, Moldova and Ukraine) variants of institutional development of social entrepreneurship are already processed. ‘Intuitive’ approach in business mainly contradicts innovativeness – a new way of solving problems that makes the Ukrainian business less flexible, benevolent to the ‘classical’ schemes and traditionalistic in its approaches. As far as business in Ukraine is a new phenomenon, for the lack of inherited businesses or professional dynasty with market experience, owners of shops or managers of firms don’t have understanding ‘what is business at all and how to make it’, and their insight is based on life experience that is usually distant from real market conditions. At the same time the owner of auto café or a “start-up-student” could have different access to the capital or level of immunity from, but in educational and cultural terms they are equal [12].
For the last few years, social entrepreneurship in Ukraine becomes more popular among public organizations, as an efficient mechanism of solving of local social and economic problems of territorial communities. Using of entrepreneurial approaches for solving social problems allows decreasing dependence from budget financing and providing more or less sustainable development for the vulnerable social groups. Majority of social entrepreneurship of Ukraine provide with workplaces the representatives of target groups with which they are connected their principal activity. The main goal – is to achieve positive financial and social results at the expense of investments. Thus, in Kyiv there is LLC ‘Alisa’ for the people with disabilities (education and work in the six business-enterprises: stationery shop ‘Alisa’; cafe ‘Posadena’; trading house ‘Etit’; architectural firm ‘Instorm’; advertising agency ‘Monostat’; sports clubs for teaching martial arts). In Odesa there is non-governmental organization ‘Doroga do domu’ (publishing of newspapers for poor, workshop of tailoring of exclusive clothes for children and youth with traditional Ukrainian ornament in a modern style). Public organization ‘Oselia’ (Lviv) provides homeless with roof over their head at the same time attracts them to work on the restoration of furniture, which are then put up for auction or sale. In Zhytomyr the public organization ‘Mission of Samaritans in Ukraine’, which is working with hearing impairment, there are workshops of the manufacture of metal products (grilles, gates, etc.) and tailoring on individual orders [16].

In 2010, the project of the British Council ‘Contribution of social entrepreneurship development’ supported by the fund ‘East Europe’, PricewaterhouseCoopers and ‘ErsteBank’ was initiated in Ukraine. Its goal is dissemination of new idea to the Ukrainian society, and also providing entrepreneurs with essential help for the better start of their social business. For the last 4 years company Unilever has been organizing a competition «Sustainable Living Young Entrepreneurs Award for young initiative entrepreneurs that offers their innovative projects and technologies in the field of social development. Seven winners of the competition receive financial support in amount of 200 000 euros; individual program of tutorship from Cambridge Institute for Sustainability Leadership (CISL) and Ashoka, where leading world experts to facilitate design and development of their social projects and the only absolute winner receives HRH The Prince of Wales Young Sustainability Entrepreneur Prize.

In 2016, the Elfenworks Foundation (Silicon Valley, California, USA) started its mission in Ukraine. The Foundation fulfills socially-responsible business, which aims on revelation of social problems and creation of new approaches and methods of popularization of the most successful social projects. Dr. Lauren Speeth, the founder and CEO of the Lauren Speeth’s Fund, who created in 2005 a team of socially-responsible entrepreneurs of the highest quality, with deep and comprehensive experience in the fields of multimedia, computer technology, music, film, management, law, finance, education, human development and social justice, has been successfully implementing a number of social projects with the Center of President Jimmy Carter, National Poverty Center at Stanford University, Mills College and Saint Mary’s College of California, that are developing the ideas of socially-responsible business.

Dr. Speeth initiated ‘The festival of student films’ that encourages students to create scenarios of social justice, accompanied by advocacy campaigns of public organizations that is a unique example of a massive social impact of culture and social business on solving various problems of mankind. To enhance the social impact, the competition is accompanied by ‘advertising campaigns of social activity of citizens’, social media provides information about the various opportunities to participate in social projects for third sector organizations, social news, individual author’s speakers, entertainment content, videos and presentations of public organizations, that are working in the fields of education, culture, environment, wildlife protection, social justice, and a healthy nutrition. In fact, the combination of cinematograph with social
entrepreneurship, advocacy and philanthropy makes ‘social film studio’ commercially success-
ful and due to this consistency, creativity of different tools of influence the direction in charity
field – ‘film philanthropy’ is developing. Lauren Speeth is also a world famous producer nom-
inated for ‘Grammy’ award for the media project ‘In Harmony with Hope’ (with annual awards
to groups and individuals who are concerned with solving poverty problems in America).

Within the Ukrainian project framework the student competition has been launched for the
special fund allocated by the Elfenworks Foundation granting the Ukrainian student-winner spe-
cial scholarship in the field of social entrepreneurship. In the spring of 2017 there will be pres-
entation of Dr. Lauren Speeth’s book Intelligence & Compassion in Action, The 7 Pillars for
Social Entrepreneurship, which aims to help social entrepreneurs to evaluate concepts, theses and
tools of social entrepreneurship, personal skills/predispositions, integrate various aspects of their
business, including career-guidance, planning, training, and management practices, and con-
tribute to the success of a new generation of social entrepreneurs through the ‘Methodology of
Seven Pillars’ and all available existing experience.

Enhancing of the development of social enterprises in Ukraine requires the creation of a
special legal framework for their successful functioning and establishing favorable conditions
in the field of taxation (most social enterprises operate in the form of a small business), priori-
tization of public financial support, as well as creating tools to attract businesses and public or-
ganizations for the development social entrepreneurship [Кірєєва, 2011]. It is necessary, firstly,
the creation of information, scientific and methodical, educational and consulting center that
develops and supports social entrepreneurship sector; secondly, the development of effective
mechanisms of partners’ search and financing of social entrepreneurship with the involvement
of local government programs of enterprise development support, socially-oriented private com-
panies, credit and other financial institutions, international charities, etc.; and thirdly, activation
of experience exchange between the foreign and domestic social entrepreneurs. The world prac-
tice shows that social entrepreneurs can propose solutions that may eventually be implemented
at national level, including those borrowed from a public sector.

It is relevant for Ukraine to create a special portals for social enterprise support (an exam-
ple of such a platform is Ethical Consumer Guide in Australia (Guide.ethical.org.au), where
they can find information on the social responsibility of the manufacturer or seller of goods and
services, find out the nearest social enterprise, that sells goods or provides the necessary serv-
ices, etc.; the website of non-commercial organization Kiva (Kiva.org/start), that gives an op-
portunity for social entrepreneurs to receive a microcredit from an interested party through the
internet due to posting on the site the information about their business, as well as creating and
conducting cash mobs, that consider massive meetings of people from the socially responsible
enterprises for the sake of their support through purchasing of goods and dissemination of in-
formation about them.

Conclusions. The modern practice of international economic relations shows that the prin-
ciple of separatism is losing its relevance in relation to the society, since none of its scope can
be considered as an independent one. An additional advantage of social entrepreneurship is in-
tegration of the processes of production and distribution that allows decreasing inequality in so-
ciety, extending the life cycle of these organizations that act as intermediaries between socially
relevant business and investors. Today there are significant opportunities for the development
of social enterprises for Ukraine.

Firstly, it is a paradox situation about the absence of law that would regulate social entre-
preneurship in Ukraine provides with opportunities to choose the most optimal of its business.
So then, social entrepreneurship is created not for the privileges, but for the improvements of life
quality of vulnerable social groups of the society at all. The wide spectrum of business entities of successful social entrepreneurships just confirms the advantage of this opportunity.

Secondly, large business is always interested in outsourcing. As far as social responsibility is a part of a large business, which helps the local community to solve urgent problems, companies are looking for the opportunities to replace grants by start-ups increasingly. In this case they acquire outsourcing for further solving social problems that requires grant support. For the better implementation of its advantage, social entrepreneurship in Ukraine should turn into educated entrepreneurship, and its efficiency depends on opportunities to build long-term institutional confidence between social entrepreneurship and its customers.

Thirdly, existence of material (building/construction, which are not used by traditional business and owned by communities) and human resources of those categories, such as people with disabilities, people with addictions, those emerged from prison, refugees (internally displaced persons), minorities, the elderly ones, HIV positive people, mothers having many children (BTW, they have excellent ability/skills/talents, but their ‘peculiarities’ are scared traditional entrepreneurs to hire them due to some of the myths and stereotypes). There are a lot of examples abroad where workshops of non-performing enterprises are transformed into office centers with employment of representatives of vulnerable groups and income allocated to solve local problems.

Fourthly, Ukrainian consumers’ culture is changing for the better. Loyalty of Ukrainian consumers to the production of social entrepreneurship is growing. Slow growth of small business and lack of intense competition contributes the fact that social entrepreneurs could easily find their buyers, constitute more conscious culture of consumption, and then jointly solve pressing social problems in the communities. Moreover, the support of social entrepreneurship by international funds and organizations that allows creating and developing it according to experience and internationally recognized criterions has been increasing.

Social Entrepreneurship in Ukraine is a new phenomenon and is still developing not because of the state or private investors, but rather thanks to individual enthusiasts. The key to the success of the conception of social entrepreneurship in Ukraine which is based on Western experience is the elaboration of a national strategy of its development that would allow coordinating the efforts of all stakeholders – entrepreneurs, non-governmental organizations, donor agencies and the state.

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