

# Government support of social entrepreneurship development: institutional and methodological aspect

Apoyo gubernamental al desarrollo del emprendimiento social: aspecto institucional y metodológico

Apoio do governo ao desenvolvimento do empreendedorismo social: aspecto institucional e metodológico

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## Abstract

The article considers the essence of the concept of "social entrepreneurship" taking into account the approaches of national and foreign researchers, reflects the retrospective of this concept. In order to study the institutional and methodological aspects of government support of social entrepreneurship in Russia, the approaches to the analysis of the concept of social entrepreneurship are studied. The characteristics of the main participants of the institute of social entrepreneurship are given, also the priorities of state policy in the field of socially-oriented non-profit organizations and legal regulation of this sphere are considered. In the course of the analysis of the legal framework of regulation of social entrepreneurship in Russia, the expediency of fixing the concept of "social entrepreneurship" at the legislative level and the mechanism of its functioning are revealed.

**Keywords:** Social entrepreneurship, institutions, government support, legal regulation, systematic approach.

## Resumen

El artículo considera la esencia del concepto de "emprendimiento social" teniendo en cuenta los enfoques de los investigadores nacionales y extranjeros, refleja la retrospectiva de este concepto. Con el fin de estudiar los aspectos institucionales y metodológicos del apoyo gubernamental al emprendimiento social en Rusia, se estudian los enfoques para el análisis del concepto de emprendimiento social. Se dan las características de los principales participantes del instituto de emprendimiento social, también se consideran las prioridades de la política estatal en el campo de las organizaciones sin fines de lucro con orientación social y la regulación legal de esta esfera. En el curso del análisis del marco legal de regulación del emprendimiento social en Rusia, se revela la conveniencia de fijar el concepto de "emprendimiento social" a nivel legislativo y el mecanismo de su funcionamiento.

**Palabras claves:** Emprendimiento social, instituciones, apoyo gubernamental, regulación legal, enfoque sistemático.

## Resumo

O artigo considera a essência do conceito de empreendedorismo social, levando em conta as abordagens dos pesquisadores nacionais e estrangeiros, reflete a retrospectiva desse conceito. A fim de estudar os aspectos institucionais e metodológicos do apoio governamental do empreendedorismo social na Rússia, as abordagens para a análise do conceito de empreendedorismo social são estudadas. As características dos principais participantes do instituto de empreendedorismo social são dadas, também as prioridades da política de Estado no campo das organizações sem fins lucrativos socialmente orientadas e regulação legal

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desta esfera são consideradas. No decurso da análise do quadro jurídico de regulação do empreendedorismo social na Rússia, revela-se a oportunidade de fixar o conceito de “empreendedorismo social” a nível legislativo e o mecanismo do seu funcionamento.

**Palavras-chave:** Empreendedorismo social, instituições, apoio governamental, regulação legal, abordagem sistemática.

## Introduction

The concept of “social entrepreneurship” is complex and consists of two independently existing ones “social” and “entrepreneurship”. Social is all that is aimed at society and for the benefit of society, entrepreneurship is an activity aimed at the realization of their desire to make a profit. In the legal framework of the Russian Federation, social entrepreneurship is not allocated to a separate category, it belongs to the small (the average number of employees is not more than 100 people, revenue is not more than 800 million rubles) and average (average number of employees is not more than 250 people, revenue is not more than 2 billion rubles) business. There are also socially-oriented non-profit organizations, the essence of which the same is, but the main difference is in self-sufficiency and profit.

The concept of “social entrepreneurship” reflects a variety of objectives and features, where an important component of this type of activity is not getting the maximum income from the production of a product or the provision of services (works), but the solution or definition of social problems and their consequences existing in society. The main task of social entrepreneurship is to generate changes with a positive effect on the infrastructure and social environment.

Social entrepreneurship has been active in Russia since the early 2000s. Government support for social entrepreneurship in Russia is a system of legal, social, information, consulting and other measures aimed at ensuring the implementation of the goals and principles of its development. The effectiveness of decisions taken to support and develop social entrepreneurship depends on a combination of social and market motives, as well as the application of innovative approaches implemented by public authorities.

Studies of the concept of “social entrepreneurship” began relatively recently. The starting point in these studies is a more detailed

consideration of the scope of the concept of “entrepreneurship”, “entrepreneurial activity”, “entrepreneur” and so on. Social entrepreneurship is an entrepreneurial activity aimed at mitigating or solving social problems. A social entrepreneur differs from a benefactor in that he or she knows the purpose of the funds allocated to him or her and can assess the consequences of his or her contribution (Mukhin, 2011).

In modern conditions, social entrepreneurship is actively developing in the United States, Russia, India and Poland. The most successful it is in the UK, Germany, the Netherlands, where entrepreneurial activity using innovative methods is aimed at the implementation of services and social goods (Zhokhova, 2015).

In foreign experience the great importance in the study of the nature and development of social entrepreneurship S. Zahra, D. Austin, G. Diz, D. Thompson, A. Nichols, D. Mair, G. Stevenson and others introduced. In the early 2000s the appearance of the first scientific papers on the rationale and problems of social entrepreneurship is observed. As the base of the research the authors chose quantitative and qualitative research methods, the emphasis is placed on the characteristic of social entrepreneur and its inherent features.

In modern Russian practice, research activities in this direction are also carried out by such researchers as: A.A. Moscovskaya, N.Yu. Aray, A.N. Makarevich, Yu.E. Blagov, M.L. Batalina, L.D. Taradina, etc.

The problems of stimulating the activity of innovative institutes are considered in the works of Professor V.F. Islamutdinov (Islamutdinov, 2016). Professor Naumenko O.N. analyzes the historical context of socio-economic development of Russian regions (Naumenko & Naumenko, 2018). The researchers Takmasheva I.V., Lebedeva I.D. study the business environment of regions from the point of view of

innovative development (Takmasheva et al., 2018).

Mechanisms of economic security of economic entities are considered in the works of such scientists as: Mandritsa I.V., Prasolov V.I., Kuznetsov O.A. and many others (Prasolov & Mosime, 2017; Mandritsa et al., 2016; Kuznetsov et al., 2018). Part of the researchers come to the conclusion that the state of the industrial complex has a significant impact on the socio-economic development of the territory (Eremeev, 2018).

Thus, "social entrepreneurship" can be considered as a socially responsible activity of economic entities in the field of small and medium-sized businesses, which is aimed at solving emerging social problems in society under certain conditions, such as: employment of certain categories of citizens (mothers with children under the age of three; disabled people of different groups; children from orphanages, etc.) with a certain share in the total number of employees of organizations; production, provision of work or services in various activities: health care, social services, various activities and clubs for young people, assistance to victims of emergency situations, the implementation of equipment and technical means for the treatment, prevention and rehabilitation of people with disabilities, etc.

### Research Methodology

The authors chose the system of government support for the social entrepreneurship development as the object of research.

The aim of the research is to build and substantiate a system of mutually beneficial cooperation of key participants and institutions of social entrepreneurship development. To achieve this aim, the following tasks were consistently and gradually solved:

- 1) Description of the main participants of the institute of social entrepreneurship;
- 2) Consideration of priority directions of state policy in the sphere of socially oriented non-profit organizations;
- 3) Analysis of the legal regulation of this sphere.

The following main methods were used for the research:

- logical: method of expert assessments, method of situational analysis and

synthesis, abstraction;

- formalized: classical methods of economic analysis and statistics, traditional methods of economic statistics, methods of decision theory.

### Results

In modern economic literature the following approaches to the analysis of the concept of social entrepreneurship are given.

**-Collectivist approach.** Social entrepreneurship as a business way to mitigate social problems usually develops within the framework of public (non-profit) organizations. Therefore, social entrepreneurship is essentially a collective enterprise based on collective self-government.

The meaning of collective self-government in the field of entrepreneurship is to overcome the alienation of the collective from the management function, the transfer of this function from the external environment to the teams themselves. Thus, there will be the necessary prerequisites for the effective organization of the economy, entrepreneurship, business, as well as for optimal self-government within the team, each individual that makes up its part.

**-Socio-cultural approach.** The socio-cultural approach is based on the idea of sustainable development of organizations as self-developing systems. The effectiveness of management of sustainable development of socio-economic systems of various scales is determined according to the socio-cultural concept of management. The application of socio-cultural approach allows taking into account not only economic, but also non-economic factors affecting the management success.

**-Institutional approach.** The essence of this approach is to analyze the institutions and the external environment for the development of social entrepreneurship. In particular, the proponents of institutionalism deny the principle of optimization. In their opinion, economic entities should be guided not by the criterion of maximization, but by the criterion of optimization of the target function. In other words, the management of the organization should take into account not only its own interests, but also the interests of the employees working in the organization when making decisions. The development of the institute of

social entrepreneurship in Russia is only at the first stage of its development. Of course, certain steps have already been taken to develop it. A certain infrastructure has been created: laws are being developed, charitable funds are being created, the amount of grants is constantly increasing. However, further work is needed to develop the institute of social entrepreneurship, its formal and informal components.

Exploring the institutional aspects of entrepreneurial activity, in particular, the transformation and development of institutions, Paul DiMaggio, Professor of the University of Princeton, the researcher in the field of social and cultural studies, introduced the concept of institutional entrepreneurship (DiMaggio, 1988). As Neil Fligstein from the University of California noted institutional entrepreneurs are defined as economic agents whose activities are focused on changes or the creation of new institutional structures. They accumulate resources for the creation of new institutions or the transformation of existing ones (Fligstein, 1997).

The subjects of social entrepreneurship are:

legal entities whose activities are aimed at the production of goods (provision of services or performance of work) in the interests of socially vulnerable segments of the population and the creation of jobs for them of various forms of employment;

economic entities in the field of small and medium-sized businesses, in order to provide employment, support, empowerment, creating conditions for comfortable living of various social groups.

Users of socially significant services or the main consumers can be private and legal entities. Private ones include people who find themselves in a difficult life situation; groups of citizens who need rehabilitation after suffering diseases or injuries; young people, the elderly, the unemployed. The legal entities include commercial organizations that may be interested in buying goods, finding employees, etc.; non-profit organizations, as well as the state.

Targeted support for social entrepreneurs is provided through regional authorities, centers of social innovation and financing is carried out at the expense of subsidies from the Federal budget. For the purpose of support and development of the sphere of social entrepreneurship it is necessary to describe the form and measures of its support provided by the legislation of Russia.

Sustainable development of Northern oil-producing areas is impossible without state support of regional policy aimed at creating favorable economic, social and legal conditions for the population and small and medium-sized businesses (Bogomolova et al. 2017).

Support infrastructure of small business subjects is an integrated system of commercial and non-commercial organizations, which carry out their activities with the support of public authorities, and to provide the necessary economic, social and legal conditions for development of small business subject (Takmasheva, 2012).

In modern conditions, there is a development of support for socially-oriented non-profit organizations, including social enterprises in the field of finance, consulting and reducing administrative barriers.

In the field of support and development of social entrepreneurship, measures have been developed to support the access of non-governmental organizations to provide services in the social sphere, taking into account the benchmarks (table 1). The analysis of the control indicators of the implementation of measures to support the access of non-governmental organizations to the provision of services in the social sphere for 2016-2018 shows the dynamics of growth in all indicators. This makes it possible to plan and forecast state support for social entrepreneurship. The key factor hindering the development of the institute of social entrepreneurship is the imperfection of the legal regulation of this sphere.

**Table. 1.** Analysis of control indicators of implementation of measures to support the access of non-governmental organizations to the provision of services in the social sphere

№	Name of control indicator	Measure unit	Current value	Period of the action plan implementation		
				2016	2017	2018 forecast
1	Subjects of the Russian Federation in which agreements, agreements on public-private partnership, agreements on municipal-private partnership in the social sphere were concluded during the year	unit	21	30	50	70
2	Subjects of the Russian Federation in which regional programs of support of socially oriented non-profit organizations are implemented	unit	75	76	78	80
3	Share of the number of children of private preschool educational organizations in the total number of children of preschool educational organizations	%	1,4	1,7	1,8	1,9
4	Non-governmental organizations involved in the implementation of territorial compulsory health insurance programs	unit	1435	1505	1580	1660
5	The share of social service institutions based on other (non-state) forms of ownership of the total number of social service institutions of all forms of ownership	%	4,4	6,6	8,8	10,0

Source: made by authors

Figure 1 shows the legislative framework that guides the implementation of activities based on the principles of social entrepreneurship.

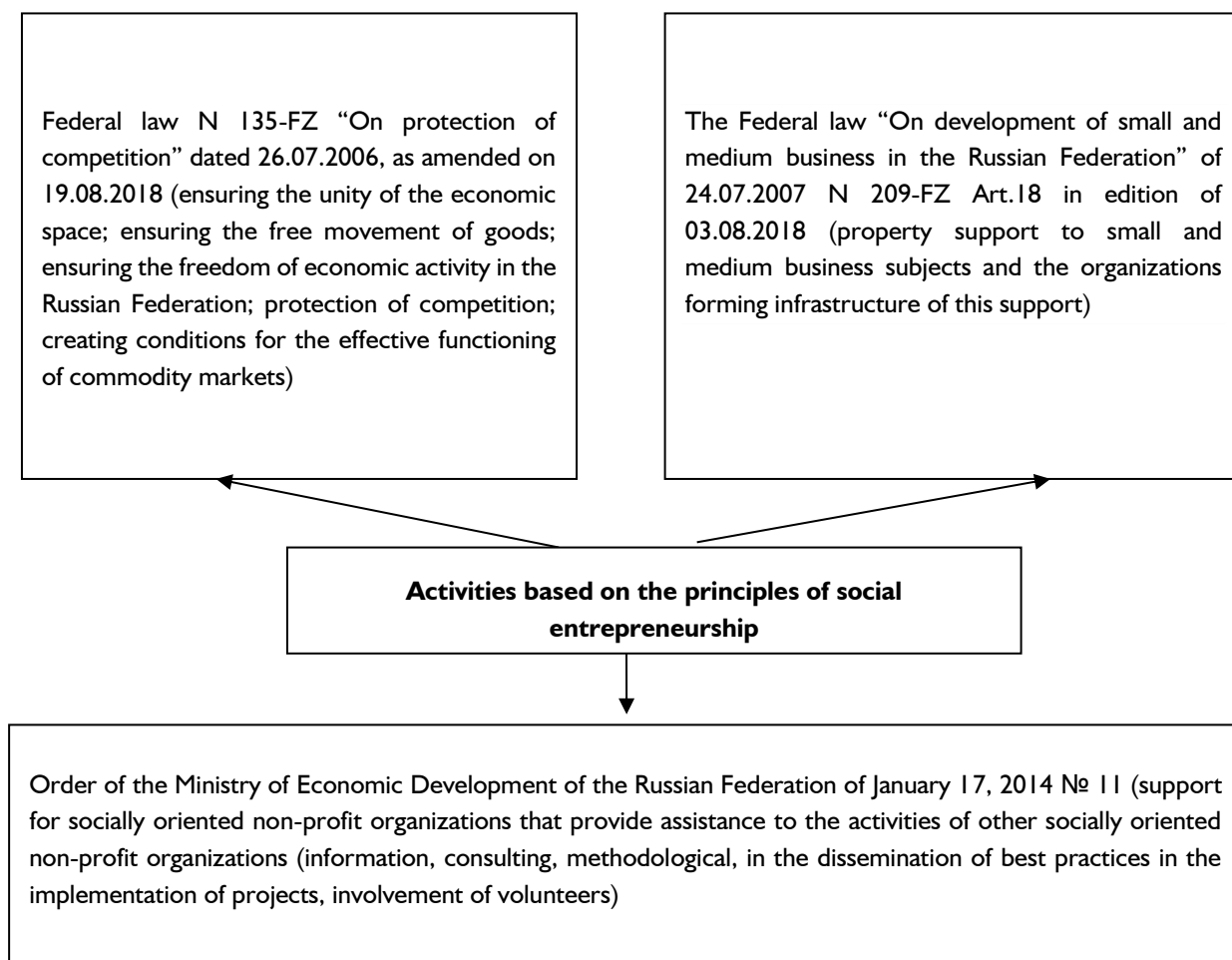


Fig.1. Regulatory and legal framework for the regulation of activities based on the principles of social entrepreneurship

Source: made by authors

## Discussion

According to many researchers, there are a number of reasons for the need to transform non-profit organizations into social enterprises:

- 1) expansion of social needs of the population, formation of new needs;
- 2) reduction of state funding of non-profit organizations in the negative environment, resulting in an increase in competition for state resources;
- 3) growth in the number of social and socially-oriented enterprises in the public sector;
- 4) toughening of requirements of funds and sponsors to financial responsibility and reputation of non-profit organizations.

These factors will optimize the system of state support and development of the social sector of the Russian economy.

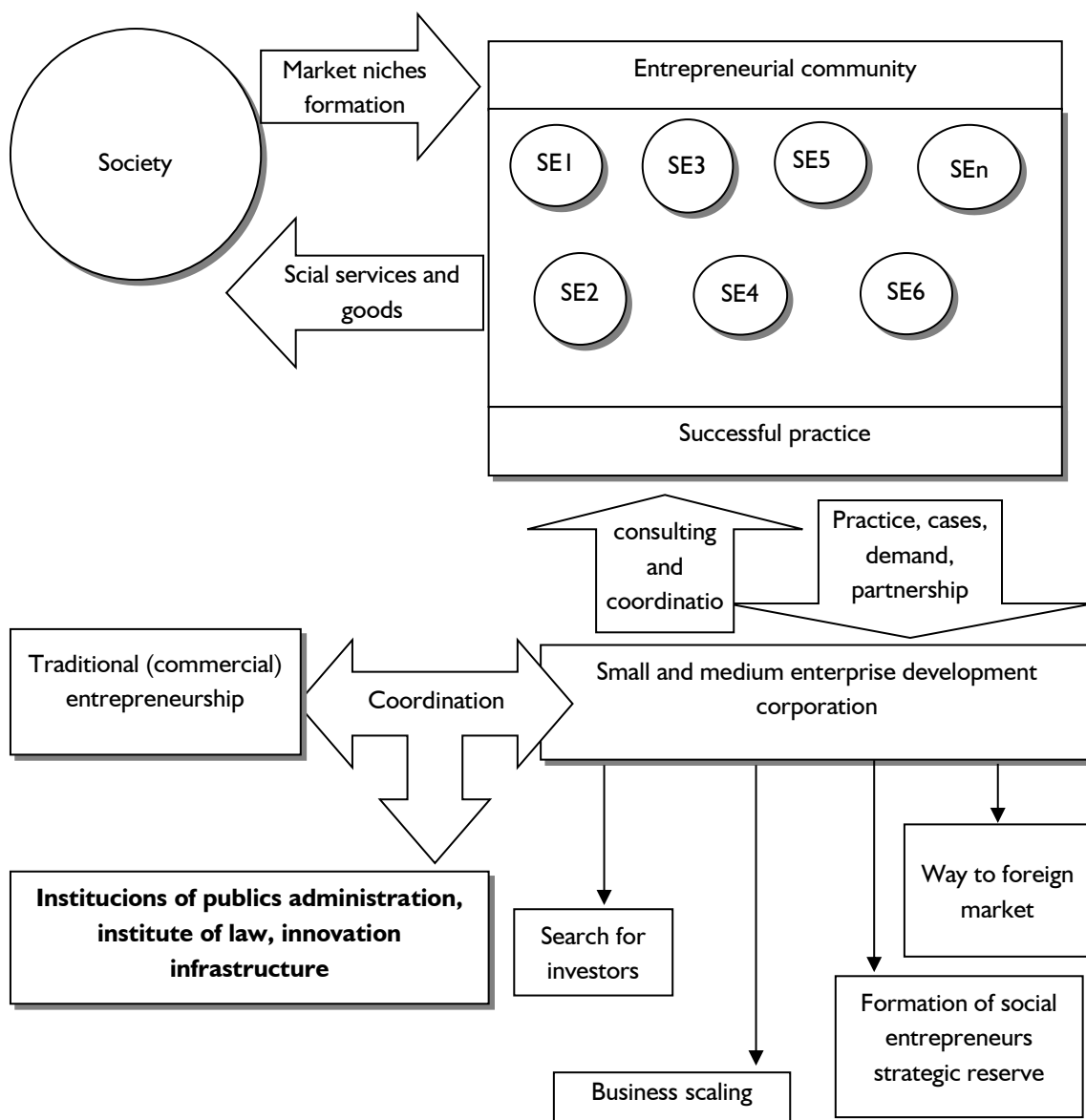
The fundamental factors of effective development of state support for social entrepreneurship are:

- 1) Optimization of the legal framework that determines the essence of the phenomenon of social entrepreneurship.
- 2) Formation of a system of support for social entrepreneurship on the basis of commercial enterprises.

According to the authors, the delegation of the state function to support and develop social

entrepreneurship to traditional commercial enterprises as the most effective (market) resource management institutions is quite promising (Figure 2). The authors present a system of mutually beneficial cooperation of key participants and institutions of social entrepreneurship development. The basis of this system is the business community, including the subjects of social entrepreneurship. Their activities are aimed at mutually beneficial cooperation with the company, which

contributes to the formation of new market niches, forming and complicating the structure of demand for social goods and services. At the federal and regional level, it is advisable to coordinate and support the development of social entrepreneurship by the subjects of traditional (commercial) entrepreneurship. The key function of commercial enterprises is the effective use of public funds in the implementation of state support programs for social enterprises.



\*SE – social enterprise

Fig.2. Development system of the institute of social entrepreneurship of the Russian Federation

Source: made by authors

These functions should be accumulated by the Corporation for the development of small and

medium-sized enterprises. As a commercial organization, the Corporation is also necessary



to regulate the market of outsourcing of state functions through licensing activities to support social enterprises by commercial enterprises – managers of budget funds, like the Central Bank issues licenses to credit institutions for banking operations.

Within the framework of this concept, commercial enterprises are asked to provide consulting and educational services, including assistance in finding investors, support enterprises in terms of scaling social business, ensuring access to foreign markets. A strategically important aspect for the state is the formation and development of human capital (personnel reserve of the country), which allows meeting new challenges and achieve the goals of the social state. The development of social enterprises will form the basis of successful practices and cases to optimize the legal regulation of the social block (Institute of law), innovation infrastructure and the system of state regulation of socio-economic development of the country.

### Conclusions

The elaboration of the necessary measures for the development of support mechanisms for organizations providing services in the social sphere will allow more successful implementation of activities within the framework of social entrepreneurship in the priority sectors of this sphere. The need to develop tools to attract public-private partnership in the social sphere at the moment is relevant, with the development of recommendations to the public authorities of the subjects, which will allow more effective management of social processes in priority sectors. The formation of infrastructure to support socially oriented non-profit organizations is a prerequisite for their activities. The expediency of fixing at the legislative level the definition of “social entrepreneurship” and the mechanism of its functioning is not in doubt. This can be done by amending the Federal Law “On the development of small and medium-sized enterprises” or by developing special legal acts in order to solve effectively the social problems of society and the state as a whole.

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