

TIES 2020

International conference «Trends and innovations in economic studies»

INVESTIGATING SOCIAL ENTREPRENEURSHIP: NEW RESEARCH FINDINGS

Liubov A. Lebedintseva (a), Daniel A. Lebedintsev (b), Pavel P. Deriugin (c, d)*

*Corresponding author

(a) Saint-Petersburg State University, 7/9, Universitetskaya nab., St. Petersburg, 199034, Russia,
llebedintseva879@gmail.com

(b) Saint-Petersburg State University, 7/9, Universitetskaya nab., St. Petersburg, 199034, Russia,
farades@protonmail.ch

(c) Saint-Petersburg State University, 7/9, Universitetskaya nab., St. Petersburg, 199034, Russia, ppd1@rambler.ru

(d) Saint-Petersburg State Electrotechnical University ("LETI"), 5, Prof. Popova str., St. Petersburg, 197022, Russia,
ppd1@rambler.ru

Abstract

The article considers theoretical approaches to understanding the essence of social entrepreneurship and practical aspects of this phenomenon in modern Russian society, and also defines the main technologies of social partnership. The historical development of social entrepreneurship (SE) initially took place in two different logics – Anglo-American and Western European (or Continental), which contributed to the emergence of two different theoretical models. The characteristic features of each model are identified. It is noted that in the United Kingdom and the United States of America there have long been deep traditions of self-organization of the population as an effective means of solving social problems, while in the continental countries of Western Europe, the state takes a decisive role in the Romano-German legal system. Based on these differences, traditions are formed in the development of organizational, managerial, and value forms of SE. The authors note that in modern conditions, two theoretical models converge, and the formation of a universal (synthetic) model based on the Erasure of significant differences in the practices of SE development is traced. Attention is paid to the analysis of modern forms of SE, in particular, the ratio of such polar categories as income orientation (profitable business), and mission orientation (achieving a social result). It is noted that in the era of globalization and internetization, social entrepreneurship acquires a special role in society, helping individuals to adapt to the new digital environment, acquiring the necessary skills, thereby contributing to socio-economic development. This study presents generalized problems faced by entrepreneurs working in the social sphere in St. Petersburg.

2357-1330 © 2020 Published by European Publisher.

Keywords: Social entrepreneurship, scientific schools; NGO, Saint Petersburg.



This is an Open Access article distributed under the terms of the Creative Commons Attribution-NonCommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

1. Introduction

When a new scientific field allocating, there is always a problem of defining key concepts, in our case, these are the definition of social entrepreneur and SE. We understand a social entrepreneur as focused on creating their own business, potentially ready to bear risks and be innovative. It is on the aspect of innovation, that J. Schumpeter emphasized and argued that only in this case can a successful enterprise be created (Schumpeter, 1934). Following Sharir and Lerner (2006) claim that "the social entrepreneur acts as an agent of change to create and maintain social value without being limited by the resources currently available" (par. 1, p. 7). In any case, creating their own enterprise, a social entrepreneur implements their idea in a certain market niche, taking into account its focus on social need.

The growing awareness in recent decades of the potential contribution of SE to the economy and society is hardly surprising in view of the growing number of third-sector organizations, namely, a segment of the economy that consists of neither public nor commercial interests. These organizations differ in their sphere of activity, areas of activity and prerequisites for their formation, but the common denominator is that they operate on a voluntary basis, and not for profit (Acs & Audretsch, 2010). Such practices have been defined in the scientific literature as "hybrid organizations" (Doherty, Haugh, & Lyon, 2014, p. 436). The difference between a social entrepreneur and the classic definition of an entrepreneur is that a social entrepreneur first of all looks for ways to implement social value, measuring the effectiveness of his enterprise in this way. It should be noted that "while the main goal of entrepreneurial activity in the business sector is to achieve economic returns, the main interest in social risk is the added value and social component, because too often the recipients do not have the means to pay the full cost of the services they provide" (Christie & Honig, 2006, par. 2, p. 3). The authors also outlined the problems of formation and development of seven new successful social enterprises in St. Petersburg. These enterprises include both classic non-profit enterprises and business enterprises focused on fulfilling a social mission. The strategic orientation of these enterprises will in any case be aimed at achieving social values in society, helping the poor and the social needs of various social groups in society.

It is necessary to Supplement existing case studies and highlight approaches and directions for studying social entrepreneurship, its current implementation practices and features in specific countries and regions. For example, the approach proposed by Paul light, which can be referred to as "the study of traces of entrepreneurs who destroy stereotypes in solving social problems" (Nicholls, 2006). As part of this approach, we as researchers are obliged to "look back", in the sense that scientific research always lags far behind practical reality.

2. Problem Statement

When it comes to SE, it must be remembered that its roots lie in entrepreneurship in General as a special type of behavior in the market. The term "entrepreneurship" has been used in the economic and business context for a long time. As a rule, entrepreneurship is understood as an initiative independent activity of citizens aimed at obtaining profit or personal income, carried out on their own behalf, under their own property responsibility or on behalf of and under the legal responsibility of a legal entity.

Entrepreneurial behavior in the social sphere, which solves social problems, has been called "social entrepreneurship". Despite the high interest of the scientific community in the phenomenon of SE, to date there is no consensus on the interpretation of the content of this phenomenon and, accordingly, the explication of the content of the concept. First of all, researchers are trying to overcome the terminological confusion. This operation requires reference to the etymology of the word "entrepreneurship", since the word "social" simply indicates the species. Nevertheless, theorists agree that the entrepreneur must have the ability to see and use new opportunities, the activity and motivation that are necessary to find these opportunities and the determination to take the inevitable risks. Note that in this way the entrepreneur is embedded in social practices. It plays the role of an active social subject capable of changing social practices..

3. Research Questions

The concept of SE is still poorly defined, and its boundaries with other areas of research remain unclear. While this may seem like a problem to some, we see it as a unique opportunity for researchers from various fields and disciplines, such as entrepreneurship, sociology, and organizational theory, to challenge and rethink basic concepts and assumptions (Mair & Marti, 2006).

4. Purpose of the Study

This article is intended to reveal the core of SE. Our main premise is that in order for SE to become a structured area of research, efforts must be made to clarify and define key concepts and constructs. To this end, we identify and analyze the main scientific traditions in the study of this phenomenon, based on practical examples of SE, identify its main problems of formation and development.

5. Research Methods

The research is based on the analysis of theoretical traditions in the study of the phenomenon of SE. The researchers focused on presenting two theoretical scientific traditions that currently exist, as well as a series of in-depth interviews with leaders of organizations engaged in SE.

6. Findings

Trying to explicate the content of the concept of SE, we must take into account the designated role of the entrepreneur in social practices, as well as the nature of entrepreneurial behavior. However, despite the complex interpretation of the concept, SE most likely contains a positive connotation. The term "SE" began to be used in the literature on social change in the 60–70s of the last century, and was widely used in the 1980s–90s. Today we can distinguish at least three approaches to the phenomenon: 1. The first group of definitions emphasizes that SE is the creation of commercial enterprises with a social purpose. The disadvantage of this approach is that SE will actually correspond to any activity, the income from which will be directed to solving social problems. Thus, SE can be understood as corporate social

responsibility, private donations of rich people, and the receipt of income of a non-profit organization, which is erroneous. 2. The second group of definitions emphasizes the importance of innovative activities of social entrepreneurs aimed at achieving a significant social effect. In this approach, innovation in solving social problems is often put at the forefront of the financial viability of the enterprise. Such a social enterprise may not generate any income at all, and the value of its activities will consist in the fact that it mobilizes resources to solve important problems. 3. Within the third group of definitions, the peculiarity of SE is that it is a way to catalyse social transformations that will lead to much broader long-term changes than the original focus of the problem being solved. In this tradition, social entrepreneurs influence not only the solution of one problem, but also the entire social context associated with it, thus provoking large-scale and sustainable transformations, without which the original problem would be forever preserved. Taking into account the boundaries defined by us, we can distinguish two main criteria that define a social enterprise: 1) socially-oriented goal or mission, orientation to the production of social change, the solution of social problems; 2) entrepreneurial nature: income-generating activities based on the use of business technologies.

6.1. Theoretical traditions of studying SE

The growing focus on SE on a global scale can be attributed to several mutually reinforcing economic, social and political changes that have taken place over the past ten years. There are two types of changes: first, persistent problems that require innovative approaches (i.e., on the demand side), and second, changes that increase the chances of solving these problems (i.e., on the supply side) (Nicholls, 2006). These General trends are responsible for the growth of SE. In General, there are two traditions in the study of this phenomenon: the Anglo-American and European schools. Let's look at each of them in more detail.

Anglo-American school. In the framework of the American approach, SE refers primarily to market economic activity that serves a social purpose regardless of the sector of activity and organizational and legal structure. SE is considered as a sub-domain of entrepreneurship, which provides attention to it from both business schools and social Sciences. The concept of SE in the United States is generally much broader and more focused on entrepreneurship for income than other definitions. This was for the first time when Gregory Dees proposes to consider as organizations engaged in social entrepreneurship those that fall into the continuum from profit-oriented enterprises engaged in socially useful activities (CSR); then dual-use enterprises that mediate profit goals with social goals; ending with non-profit organizations engaged in commercial activities that support the mission (social purpose organizations) (Dees, 1998, p. 62). For social organizations, commercial activities aimed at supporting the mission may only include income generation that supports other programs in the non-profit organization, or activities that simultaneously generate income and provide programming that meets the mission's goals, such as conducting workshops for the disabled in shelters (Kerlin, 2006). This broad definition is consistent with how business schools at leading American universities understand SE (Dees, 1998, p. 61; Dees, Anderson, & Wei-Skillern, 2004, p. 17).

Western European School. In Western Europe, the concept of social entrepreneurship has variations within the two streams of thought and less distinction between practitioners and scientists. One

school of thought emphasizes the SE dynamics developed by firms that seek to increase the social impact of their production activities. For example, Nicholls highlights the importance of innovative approaches to meeting social needs that are developed primarily through non-profit organizations, but also in commercial firms (Nicholls, 2006). In the latter case, this idea is at least partly related to the discussion of "corporate social responsibility". Another school develops an approach that restricts analysis to the area of social enterprises belonging to the third, or non-profit, sector, and includes social cooperatives (Nyssens & Kerlin, 2009). This understanding of SE is typical for the Continental (Western European) approach. SE is increasingly seen as a significant factor affecting economic growth and development. However, it was found that the relationship between entrepreneurial activity and economic growth differs between groups of regions. It is assumed that the differences are related to the quality of the business ecosystem of these regions, which affects the regional characteristics as a whole (Bosma et al., 2018). Some authors use an approach that considers entrepreneurship as a proxy for the impact of institutions on economic growth (Content, Bosma, Jordaan, & Sanders, 2019).

In Russia SE as a social practice is only beginning to develop, the number of actually operating social enterprises is small, and often they do not even perceive themselves as such. There are also no significant measures of state or public support for this movement (Lebedintseva, 2015). It is not surprising that SE in Russia is in its infancy. In the USSR, the social sphere was monopolized by the state, and therefore it was out of the question to transfer part of its functions to someone else. The Russian specificity is the fact that SE in our country, in fact, is not institutionalized – there is no such concept in the Federal legislation. The reference to it is found in normative and legal acts of local character, where it is used in relation to two groups of social enterprises. First, to organizations that provide goods, work and services to socially vulnerable citizens at reduced prices, and, secondly, socially-oriented commercial enterprises that can be classified as socially responsible business, or enterprises that are of great social significance for the region. Nevertheless, independent observers believe that Russia has a real chance to become a country where SE will become a driving force for positive change. In general, in Russia, according to experts, there are four approaches to understanding the practice of SE: 1. SE as a way of social support for certain groups of the population; 2. SE as a mechanism for promoting economic development and supporting entrepreneurship; 3. SE as an alternative state mechanism for solving social problems; 4. SE as a socially oriented business (Content, Bosma, Jordaan, & Sanders, 2019; Deryugin, Lebedintseva, Jin, Shi, & Shilyaeva, 2018). Now the first attempts are being made to select organizations that are candidates for social entrepreneurs. Analysis of this work shows that in many cases, successful non-profit organizations and small business organizations, where the "set" is carried out, are still very far from the best examples of SE that are found in the West and in third world countries. There are also natural barriers to this, due to the youth and lack of professionalism of NGOs that have not yet learned to conduct their business with business-like intelligence. Small businesses have their drawbacks. Having a social goal as a project, small businesses easily part with it for the sake of a profitable business. So for them, a social project is more a way to put eggs in different baskets than a sustainable social mission. Nevertheless, most experts hold the view that the role of social entrepreneurs today are mainly non-profit organizations that develop their economic activities (Di, Haugh, & Tracey, 2010). Thus, this segment can be the basis for the formation and development of social enterprises. An additional characteristic of such

NGOs is the scope of their activities: it should allow for the implementation of entrepreneurial principles. In an environment where both practice and understanding of SE are just emerging, it would be useful to identify some common characteristics of existing or potential social entrepreneurs. The key characteristics of those organizations that are already engaged in SE were the following: 1) good reputation in the local community, a wide range of partners at the local level from government, business, media, and other NGOs; 2) focus on the most relevant, "topical for the territory" social topics (for example, educational programs, housing reform); 3) availability of basic technical and administrative resources (premises, staff of permanent employees, office equipment) and at the same time limited financial resources, which dictates the motivation to seek external investment; 4) features of the leaders of such organizations: high activity, possession of innovative technologies, experience in the business sector; 5) obvious formal sign: the ability to engage in business activities should be recorded in the Another characteristic feature of such enterprises is often the use of a simplified tax system, which allows you to increase the profitability of commercial activities.

It can be argued that any type of business activity in modern society should be social. In this case, the goal of the business will also be to achieve the maximum economic result, but the focus will be on the long-term period or the effect of this result, and this, in turn, implies the creation of non-economic (social) value. The essence of this approach is clearly formulated by practicing entrepreneurs who consider as the goal of entrepreneurship (a) improving the quality of life, (b) eliminating irrational and (c) extending the life of the beautiful; and who claim that the majority of successful entrepreneurial projects had just such a social, primary motivation that allowed the team that created them to form a long-term competitive advantage.

7. Conclusion

However, today there is a wide range of problems that arise on the way of development of SE in Russia. As part of this study, we conducted a series of in-depth interviews with managers of non-profit companies operating in St. Petersburg. The following problems were identified:

1. The first group of problems is related to the lack of understanding of the nature of SE on the part of the main groups of society. SE is a new phenomenon today, its logic is not understood by either society or the main subjects of public relations, including tax and legislative authorities, and this is the main barriers to its development.

2. The second group of problems reflects the difficulties of legislative and administrative promotion of the idea of SE. First, it usually takes a very long time from the adoption of laws at the Federal level to their implementation at the level of regions and local communities; second, there may simply not be enough resources on the ground to implement legislation.

3. The third group of problems is related to contradictions in the psychology of SE, namely, objective differences in the logic of business and social activity. Russian start-up social entrepreneurs face the problem of combining social goals with long-term and sustainable self-sufficiency. The same problems – the contradictions between social and commercial outcomes – have been and are still being faced by social entrepreneurs in other countries, especially in emerging economies. However, over the years, social entrepreneurs and organizations that support them have learned several lessons, the

knowledge of which helps them to overcome the "identity crisis" of a social enterprise-business or charity-and build the very bridge between public and commercial interest, which is so necessary for Russia to achieve social peace and well-being.

4. Finally, the last group of problems is the problem of attracting financial resources at the first stage of business development, the lack of special credit and loan programs. Social enterprise, like any other business, needs investment. In Europe and the U.S. these investments came in the form of venture philanthropy – contributions to social enterprise at a low rate, without interest, on return of the sum or in the form of software-centric investment with minimal return. In the United States, private philanthropists, including private foundations, have become a source of venture social capital. In Europe, in addition to private funds, affordable loans and investments in SE are represented and implemented by the state (Doherty, Haugh, & Lyon, 2014). Summing up, it should be noted that positive changes in the economic development of Russia – the development of the non-profit sector, the expansion of social responsibility among Russian business, its tendency to quickly adopt international experience-are good prerequisites for the development of SE. This, in turn, is a serious step towards solving the social problems of modern Russia by combining the resources of the main sectors of society.

Acknowledgments

The research was conducted in St. Petersburg State University with the support of RSF (project No. 19-18-00246).

References

- Acs, Z., & Audretsch, D. (Eds.) (2010). *Handbook of Entrepreneurship Research an Interdisciplinary Survey and Introduction*. New York: Second Edition. Springer.
- Bosma, N., Content, J., Sanders, M., & Stam, E. (2018). Institutions, entrepreneurship, and economic growth in Europe. *Small Business Economic*, 51, 483–499. <https://doi.org/10.1007/s11187-018-0012-x>
- Christie, M., & Honig, B. (2006). Social entrepreneurship: New research findings. *Journal of World Business*, 41, 1–5.
- Content, J., Bosma, N., Jordaan, J., & Sanders, M. (2019). Entrepreneurial ecosystems, entrepreneurial activity and economic growth: new evidence from European regions. *Regional Studies*. <https://doi.org/10.1080/00343404.2019.1680827>
- Dees, J. G. (1998). Enterprising nonprofits. *Harvard Business Review*, 76, 55–67.
- Dees, J. G., Anderson, B. B., & Wei-Skillern, J. (2004). Scaling social impact. *Stanford Social Innovation Review*, 1, 24–32.
- Deryugin, P., Lebedintseva, L., Jin, J., Shi, I., & Shilyaeva, A. (2018). Values of entrepreneurship: approaches to network diagnostics (based on empirical sociological research of Russian and Chinese entrepreneurs). In: *Russia – China: History and Culture. Collection of articles and reports of the IX International conference* (pp. 121–128). Blagoveshchensk.
- Di, M., Haugh, H., & Tracey, P. (2010). Social Bricolage: Theorizing Social Value Creation in Social Enterprises. *Entrepreneurship Theory and Practical*, 34, 681–703.
- Doherty, B., Haugh, H., & Lyon, F. (2014). Social Enterprises as Hybrid Organizations: A Review and Research Agenda. *International Journal of Managing Review*, 16, 417–436. <https://doi.org/10.1111/ijmr.12028>
- Kerlin, J. A. (2006). Social Enterprise in the United States and Abroad: Learning from Our Differences. In Mosher-Williams, R. (ed.) *Research on Social Entrepreneurship: Understanding and Contributing to an Emerging Field: ARNOVA Occasional Paper Series*. Washington, D.C.

- Lebedintseva, L. (2015). Socio-Cultural Development of St. Petersburg: Visible Prospects. *Russian Journal of Philosophical. Science*, 8, 80–94.
- Mair, J., & Marti, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *J. of World Busin.* 41, 36–44. <https://doi.org/10.1016/j.jwb.2005.09.002>
- Nicholls, A. (2006). *Social Entrepreneurship: New Models of Sustainable Social Change*. USA: Oxford Univer. Press.
- Nyssens, M., & Kerlin, J. (2009). Social Enterprise in Europe. In J. Kerlin (Ed.), *Social Enterprise: a global perspective*. Lebanon, USA: University Press of New England.
- Schumpeter, J. A. (1934). *The theory of economic development*. Cambridge, MA: Harvard Univer. Press.
- Sharir, M., & Lerner, M. (2006). Gauging the success of social ventures initiated by individual social entrepreneurs. *Journal of World Business*, 41, 6–20.