

**CIEDR 2018**  
**The International Scientific and Practical Conference**  
**"Contemporary Issues of Economic Development of Russia:**  
**Challenges and Opportunities"**

**SOCIALIZATION OF BUSINESS ACTIVITY IN RUSSIA:**  
**PROBLEMS AND PROSPECTS**

M. V. Kivarina (a)\*, O. A. Fikhtner (b), A. N. Makarevich (c), A. V. Kuzmin (d), Y. V. Bit-Savva (e)

\*Corresponding author

- (a) Yaroslav-the-Wise Novgorod State University, ul. B. St. Peterburgskaya, 41, Veliky Novgorod, Russia, Mariya.Kivarina@novsu.ru, tel. +7-951-720-69-86  
(b) Yaroslav-the-Wise Novgorod State University, ul. B. St. Peterburgskaya, 41, Veliky Novgorod, Russia, Oxana.Fikhtner@novsu.ru, tel. +7-911-605-42-89,  
(c) Yaroslav-the-Wise Novgorod State University, ul. B. St. Peterburgskaya, 41, Veliky Novgorod, Russia, Anna.Makarevich@novsu.ru, tel. +7-911-601-27-34,  
(d) Yaroslav-the-Wise Novgorod State University, ul. B. St. Peterburgskaya, 41, Veliky Novgorod, Russia, Alexey.Kuzmin@novsu.ru, tel. +7-816-276-62-41,  
(e) Yaroslav-the-Wise Novgorod State University, ul. B. St. Peterburgskaya, 41, Veliky Novgorod, Russia, BitSavvaYulia@gmail.com, tel. +7-816-276-62-41,

***Abstract***

At the beginning of the XXI century, the socialization of the business environment became the subject of high public expectations. Increasingly, it is recognized as a new alternative to the development of business and social policy of the state. This allows some analysts to see in the socialization of entrepreneurship a kind of mainstream. This article explores the nature and nature of the process of socialization of entrepreneurial activities, as a result of which it is concluded that social innovations introduced by companies as part of responsible behavior strategies not only enable them to declare their citizenship, but also become an important tool for improving competitiveness business. The new socialized business environment accumulates numerous innovative approaches to solving social problems, resulting in socio-economic transformations in many socially significant areas of management. In the course of the study, the authors prove the thesis that the regular introduction of industrial and technological innovations can provide two-way benefits: on the one hand, such innovations contribute to the development of business, and on the other hand, create a new business environment for its more successful operation. Business energy that addresses social problems in individual social areas can produce more effective results than government policies or the activities of standard non-profit organizations. As a result, the formation of a socialized business environment increases aggregate economic efficiency, as it introduces previously unused resources into circulation (for example, industrial waste, labor of socially excluded groups of the population, solidarity and trust of people and others).

© 2019 Published by Future Academy [www.FutureAcademy.org](http://www.FutureAcademy.org).UK

**Keywords:** Corporate citizenship, economic growth, entrepreneurship, social innovation, social responsibility, socialization of entrepreneurship.



## **1. Introduction**

Russian entrepreneurship has quite deep roots of social responsibility, historically it has dominated the ethics of service. In the 19th century, developing their business, entrepreneurs were not only guided by public interests, but often acted as the locomotive of social development, improving the quality of life and level of education. Modern business is a worthy successor to these traditions. If the practice of social responsibility of business in the late 1990s - early 2000s. Often showed selfish nature or pressure from the state, now it becomes an objective reality, a necessary condition for strengthening entrepreneurial sustainability. On the one hand, any social activity inevitably generates additional costs, which in the short term may cause a decrease in profits and other financial and economic indicators of the company. On the other hand, no business structure can act isolated from a society that can either support it or, on the contrary, deprive any opportunity to act. Consequently, modern business, as one of the most important public institutions, becomes included in the system of socio-economic relations and shares with the state responsibility for the state of social services, for the welfare of society and its safety.

## **2. Problem Statement**

The problem of socialization of entrepreneurial activity is actualized in conditions of unresolved social and economic problems, narrowing of social protection of citizens, significant differentiation of incomes of certain social groups, which leads to polarization of society, reduced welfare, as well as destabilization of the economic and political situation in the country. At the same time, modern socio-economic policies cannot be effective if the main purpose is not fulfilled – meeting the needs of citizens, ensuring the growth of living standards and national welfare. Socialization of the business environment is a mechanism that is able to partly overcome these problems by meeting social needs through the implementation of socially significant projects and programs.

## **3. Research Questions**

The disclosure of the above stated problems necessitates the search for answers to the following questions:

- How is the participation of Russian business in the social sphere manifested?
- What are the nature and content of the process of socialization of the business environment?
- What are the features of the formation of social entrepreneurship in Russia?
- What is the innovative potential of social entrepreneurship?
- What are the development scenarios for the socialization of Russian entrepreneurship in the near future?

## **4. Purpose of the Study**

The purpose of the article is to study the essence and nature of the process of socialization of entrepreneurial activity, identifying its main characteristics and ways of manifestation in practice. Based

on the analysis, the authors set the task to identify problems and prospects for the socialization of the Russian business environment, as well as to justify the role of this process in achieving sustainable economic growth of the national economy.

## **5. Research Methods**

The study is based on the author's approach about the dual nature of the process of socialization of the business environment, which, on the one hand, is realized by increasing the number of socially responsible business structures, and on the other hand, is directly related to the development of social entrepreneurship. When writing the article, the methods of logical-structural, situational and comparative analysis were used.

## **6. Findings**

Participation of business in the social sphere is manifested in different ways. One part of companies is becoming increasingly responsible, voluntarily taking on increased social obligations to minimize the negative effects of business operations in the field of economy, ecology and society (Portney, 2008, Young & Makhija, 2014). The other part forms the whole sphere of social entrepreneurship, which is not inferior in its innovative potential and social orientations to its western counterparts (Moskovskaya, 2011).

In order to attract the attention of entrepreneurs to issues of corporate social responsibility (CSR) in our country, such organizations as the "Association of Managers", "Social Charter of Russian Business" and others function. To assess the involvement of companies in the sphere of CSR, the Russian Union of Industrialists and Entrepreneurs annually holds a contest "Leaders of Russian business: dynamics and responsibility", and the association of the largest grant-giving organizations, the Donors Forum, organizes an annual contest "Leaders of corporate charity".

So, in the last competition, in 2016, despite the ongoing internal crisis, 60 Russian and foreign companies operating in Russia took part, with an annual turnover above 100 million rubles. According to the results of the contest, the winners were Sakhalin Energy, the Siberian Coal Energy Company (SUEK) and AFK Sistema (Pakhomova & Dubrovina, 2017).

Named and other companies by personal example prove that in the modern business environment, intangible values begin to prevail over tangible values (Besser, 2012). The refusal of consumers to purchase products of socially irresponsible companies, the bankruptcy of the largest corporations in the world, failed merger transactions due to the low level of trust showed that social responsibility and business reputation issues are becoming relevant not only in Western countries, but also in Russia.

That is why Russian business, especially large, on a voluntary basis returns to the revival of traditions of social responsibility, which were strong even in pre-revolutionary Russia: the social infrastructure of enterprises is developing, special programs appear, and business actively participates in charity events and actions.

Social entrepreneurship is another, more modern direction of development of the socialized business environment. It successfully combines innovation, compliance with public expectations,

sustainable self-sufficiency and the social nature of the company. The basis of social entrepreneurship is made up of special business structures that carry out their main activities on the principles of social justice and commercial efficiency. Their key task is to link the economic nature of the functioning of the company with the social needs to solve the most pressing social problems.

An analysis of the above definition reveals the key features of social entrepreneurship (Niehm, Swinney, & Miller, 2008):

- the predominance of the social mission over the commercial – the social effect obtained in the course of the activities of such a company is not a by-product (as it can be in the private entrepreneurship sector), but the targeted result of its operation;
- the presence of business ethics and business culture, which is reflected in the personal commitment of all participants in the company's social mission;
- the presence of a sustainable commercial effect that ensures the self-sufficiency and competitiveness of the company, which makes it relatively independent of external financial resources in the form of grants and charitable contributions;
- innovation, implemented, on the one hand, by means of new ideas to solve the existing social problem, and on the other hand, through non-standard combinations of economic resources aimed at achieving the goals set by the company.

It should be noted that the end of the twentieth century was especially rich in the development of social initiatives. This is a wave of cooperative movement in Europe, a public-private partnership, numerous fair-trade agreements, trilateral inter-sectoral collaboration, institutionalization of corporate social responsibility, and the emergence of the phenomenon of corporate citizenship, and much more (Dees, 2001). All of these phenomena were caused by objective changes in the living conditions of the world. Among the main trends contributing to the emergence and development of social entrepreneurship are the following (Halkos & Skouloudis, 2018):

- low susceptibility of a number of social problems (poverty, unemployment, social exclusion, etc.) to traditional methods of their resolution used by the state and non-profit organizations;
- sustainability of coexistence of market and non-market, developed and undeveloped social and economic segments within one state;
- increasing social inequality between and within countries; An increase in the number of non-profit structures and increased competition between them for the resources of the state and charitable foundations;
- commercialization of public services and, as a result, increased competition between business and non-profit sector, which the latter often loses.

When asked whether social entrepreneurship can solve these problems, there is no unequivocal answer (Mosakova, 2017). This will largely depend on the prospects for its sustainable development.

However, we can already say that every social entrepreneur, in one way or another, is a concrete response to the challenges arising in modern society.

There are two possible scenarios for the development of the socialization of Russian entrepreneurship in the near future: “inertial” (unfavorable) and “modernization” (favorable). Each of them takes into account previous experience, and the key for them is the nature of the participation of public authorities in the development of socially responsible behavior practices.

The key position of the “inertial” scenario is the influence of the state on the socially responsible behavior of business, similar to the modern one, which will lead to the preservation of an orientation towards an independent solution of social problems by each sector. As a result, this scenario assumes a low probability of the institutionalization of social responsibility and social entrepreneurship. Responsible business practices will increasingly find new followers, will continue to be fragmented, with a high percentage of non-systemic actions, low levels of transparency and accountability.

Within this scenario, modern Russian leaders of socially responsible behavior will be focused on the same level of development of CSR practices that they have achieved to date. In contrast to the previous one, the “modernization” scenario is based on the fact that the crisis in Russia will contribute to the intensification of the socialization of the business environment. The leading role in regulating this process should belong to the state, since the non-profit sector is not yet capable of exerting a decisive influence on CSR.

There are several reasons for the low degree of socialization of Russian business structures.

- At a low level, the social activity of the Russian public remains as before, as a result of which there is practically no pressure on companies from civil society.
- The role of the state in the face of government and management is extremely noticeable. One way or another, companies in the Russian market face pressure from the state or local governments. Therefore, corporate social responsibility in Russia is often perceived by business as a ballast, the costs of which must be minimized. For this reason, such activities are ineffective.
- The social and charitable activities of Russian companies, as a rule, are chaotic, non-systemic. In some cases, it is accompanied by super sums, the size of which does not correlate with the company's objective financial indicators.

To intensify the process of socialization of the Russian business environment, we can offer the following solutions:

- work with entrepreneurs. Such work should be conducted not only with large, but also medium and small businesses, explaining to entrepreneurs the economic and social benefits associated with the implementation of CSR practices, as well as motivating companies to socially responsible behavior;
- building and developing your own Russian model of a socialized business environment with the ability to evaluate its implementation. The evaluation criteria should be based on the current traditions, norms and morals of Russian society;

- legislative consolidation of public reporting of social reporting.

Speaking about the social significance of entrepreneurship, it is necessary to emphasize two points.

1) Implementing corporate social responsibility practices, companies are able to minimize potential business risks by identifying and accounting for “bottlenecks” that, one way or another, arise in their relationships with society (Kolk, 2016). Identifying such gaps is the first step towards socializing a business. You can compare it with a kind of insurance that protects the company from unexpected difficulties and problems in its further activities.

For example, in the framework of the universal fight against obesity, the food industry for several decades with considerable difficulty trying to meet the expectations of society. The resources spent on changing key business processes in the industry therefore cost companies a fortune, while CSR activists predicted this problem long before it appeared (Carroll & Shabana, 2010). Therefore, one of the additional functions of socially responsible behavior is early warning of difficulties that companies may face in the future.

2) Corporate social responsibility is able to transform the problems arising in the environment of the company into additional opportunities (advantages) for the business. For example, in Ghana, the indigenous population suffers from iodine deficiency. The British company Unilever identified this problem and created a special iodized salt. For the production and sale of a new product in a given country, the company restructured its entire business model (Parmigiani & Rivera-Santos, 2015). The main production workshops were brought to rural areas in order to create new jobs there, and the sales of products were carried out by bicycles sellers. Thus, going to meet the social and medical needs of the population, the company “Unilever” created a new brand and a new market.

These examples prove that companies may well use their core business to solve social problems. And this is not charity or philanthropy, it is a social innovation. Such social innovations, implemented as part of strategies of responsible behavior, not only enable companies to declare their citizenship, but also become an important marketing tool, enabling them to stand out, develop new products and markets, create an emotional connection between brand and consumer, thereby contributing increase loyalty and increase the number of social entrepreneurs.

## **7. Conclusion**

Thus, an incentive for socially responsible behavior in Russia should be the understanding of socialization as a factor in the development of society and increasing confidence in Russian business both in the country and abroad, as a condition for social stability, sustainable economic growth and solving environmental problems, as a sign of transparency in business interaction processes government and society, which is an important image component of the state. The objective need for socialization of the business environment is dictated by the general logic of the transition to a socially-oriented model of the Russian economy.

As a result, the issue of compliance of the qualitative and socio-ethical parameters of business activities with the realities of the social environment in which the Russian economy operates, as well as the development trends of the global market economy, is being actualized. This problem cannot be solved

without a conceptual approach to the study of the transformation of the role and place of business in the new system of public relations. The formation and development of CSR and social entrepreneurship practices opens up new opportunities and prospects not only for the development of Russian entrepreneurship, but also for the whole society, which undoubtedly can affect the level of welfare of the country as a whole.

## References

- Besser, T. L. (2012). The consequences of social responsibility for small business owners in small towns. *Business Ethics: A European Review*, 21 (2), 129-139. <https://dx.doi.org/10.1111/j.1467-8608.2011.01649.x>.
- Carroll, A. B. and Shabana, M. K. (2010). The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice. *International Journal of Management Reviews*, 12(1), 85-105. <https://dx.doi.org/10.1111/j.1468-2370.2009.00275.x>.
- Dees, J. G. (2001). *The Meaning of «Social Entrepreneurship»*. CA: Center of the Advancement of Social Enterpreunership.
- Halkos, G., and Skouloudis, A. (2018). Corporate social responsibility and innovative capacity: Intersection in a macro-level perspective. *Journal of Cleaner Production*, 182 (1), 291-300. <https://dx.doi.org/10.1016/j.jclepro.2018.02.022>.
- Kolk, A. (2016). The social responsibility of international business: From ethics and the environment to CSR and sustainable development. *Journal of World Business*, 1, 1-12. <https://dx.doi.org/10.1016/j.jwb.2015.08.010>
- Moskovskaya, A. A. (2011). *Social entrepreneurship in Russia and in the world: practice and research*. Moscow: Higher School of Economics.
- Mosakova, E. A. (2017). Theoretical foundations of the competitiveness of countries in the modern global world. *Economics and Management: Problems, Solutions*, 2 (2), 3-9.
- Niehm, L. S., Swinney, J., & Miller, N. (2008). Community social responsibility and its consequences for family business performance. *Journal of Small Business Management*, 46(3), 331-350. <https://dx.doi.org/10.1111/j.1540-627X.2008.00247.x>.
- Pakhomova O. A., & Dubrovina O. A. (2017). A systematic approach to the management of the social sphere of the region. *Economics and Entrepreneurship*, 85 (1), 352-356.
- Parmigiani, A., & Rivera-Santos, M. (2015). Sourcing for the base of the pyramid: Constructing supply chains to address voids in subsistence markets. *Journal of Operations Management*, 33/34, 60-70. <https://dx.doi.org/10.1016/j.jom.2014.10.007>.
- Portney, P. R. (2008). The (not so) new corporate social responsibility: An empirical perspective. *Review of Environmental Economics and Policy*, 2(2), 261-275. <https://dx.doi.org/10.1093/reep/ren003>.
- Young, S. L., & Makhija, M. V. (2014). Firms' corporate social responsibility behavior: An integration of institutional and profit maximization approaches. *Journal of International Business Studies*, 45, 670-698.