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How to Stimulate the Development of the Social Enterprise in Modern Russia

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Abstract. In the last decade, social entrepreneurship has been in the focus of numerous discussions among business scholars around the world. Social enterprises typically represent hybrid organizations setting both commercial goals and social goals. This semi-commercial orientation may have its advantages (e.g., gaining support of stakeholders interested in helping society achieve certain objectives) and disadvantages (e.g., weaker commercial orientation could make social enterprises less viable and attractive for providers of financial and human capital). This study examines the opinions regarding the development of the social enterprise in Russia among the academics and practitioners focused on identifying the factors that may inhibit or stimulate social entrepreneurship in the country. A focus group comprising 24 experts with deep knowledge of the area has brainstormed the problem. Summarizing and conceptualizing these brainstorming sessions, we critique those that urge the state to quickly enhance its efforts to spur social entrepreneurship in Russia and propose a more organic and gradual way of developing the social enterprise.

1. Introduction

Social entrepreneurship encompasses non-commercial organizations setting purely social objectives (e.g., non-for-profits or charities) and hybrid organizations combining social and commercial objectives (Battilana & Lee, 2014). Thus, community, voluntary and public organizations as well as private firms may be involved in social entrepreneurship. Thus, Victorian private hospitals in England have been pursuing social entrepreneurship for a long time (Shaw & Carter, 2007). In this sense, social entrepreneurship is rooted in history and the great industrialists, such as Robert Owen, were actively working to improve the working conditions of their employees as well as help them get education and develop their cultural lives (Shaw & Carter, 2007). The need for social entrepreneurship arises because the state organizations responsible for helping people with limited capabilities or economic opportunities often are too bureaucratic, resistant to change, unsympathetic and ineffective (Landry, 1995) as well as resource constrained (Leadbeater, 1997). Hence, private organizations often need to step in to make up for the deficiencies of state support systems to create the third (social) sector of the economy.

Social enterprises often work on advancing certain communities. This is why some authors even describe social ventures as “community-based enterprises” rooted in the local culture and aiming to improve sustainable economic development of certain types of disadvantaged populations (Peredo and



Chrisman, 2006). Community-based interventions seek to enhance collaborations among community actors to achieve beneficial change, e.g., improve the health or educational opportunities for the marginalized (Heinze, Banaszak-Holl, & Babiak 2016). Community can serve as a motivating factor to fill the gaps in social needs that open between what is provided by the state and what is actually needed (Haugh, 2006). Scholars have identified different types of communities served by the social entrepreneurs (Lumpkin, Bacq, & Pidduck, 2018). These encompass geographical communities, communities of identity, communities of interest or solidarity and intentional communities all of which can be served by different types of social enterprises (Lumpkin et al., 2018).

In Russia, social entrepreneurs focus on accomplishing several tasks that could also be related to serving the needs of certain types of communities. First, social enterprises seek to provide the needed services to people with limited capabilities and other disadvantaged individuals. Second, social enterprises focus on providing goods and services in certain areas of activity, such as professional training or retraining and subsequent help with obtaining employment. We propose to examine social entrepreneurship based on a number of interrelated categories. These categories include mission, objectives, motivation, functional characteristics of a certain activity as well as modes of interface among organizations, government agencies, private individuals and markets.

2. Methods

We have put together a focus group comprising academics and practitioners and conducted discussions about the current state of the social enterprise in Russia. Specifically, we have selected 24 experts that operate in the area of social entrepreneurship or have deep knowledge of the social enterprise and the problems it faces in the Russian environment. Specifically, we asked the participants of the focus group to brainstorm the following issues: **(1)** What socio-political factors impact social entrepreneurship in Russia? **(2)** What socio-economic factors impact social entrepreneurship in Russia? **(3)** What social emotions appear to impact social entrepreneurship in Russia? **(4)** What worldview and ideological factors related to perception may impact social entrepreneurship in Russia? Subsequently, we sought to integrate the ideas proposed by the group and develop a vision for the short-term and long-term prospects of the social enterprise in Russia.

3. Results

The respondents have identified various socio-political factors that currently hamper social entrepreneurship in Russia. These include: (1) high level of centralization and bureaucratization of social development management; (2) monopolization of the solution of social problems by the state bureaucracy; (3) shifting the decision making structures toward the regional and federal level away from the municipalities limiting their power to solve social problems and help businesses; (4) prioritization of mega-projects in mega-regions over micro-projects at the local level.

From the socio-economic perspective, the respondents have identified the following factors that hamper social entrepreneurship in Russia: (1) statization and corporatization of economics including continual enlargement of big businesses and growth of operational-technical and economic barriers to small and medium-sized enterprises (SMEs); (2) shortage of financial resources and problems replete with difficulties with obtaining loans and receiving microfinancing; (3) backwardness of the economic, social and engineering infrastructures in small and medium-sized cities and townships that could potentially provide the main growth area for entrepreneurship; (4) high tax burden and a lack of preferences for SMEs that could be put in place at the federal and regional level to help SMEs ; high administrative barriers for founding.

Regarding the social climate for entrepreneurship, the respondents have pointed out the following problems that may undermine SME advancement in Russia : (1) low solidarity and trust replete with

social passivity and intolerance toward outsiders; (2) socio-moral decline leading to low feelings of social responsibility and duty toward the disadvantaged and marginalized parts of the population; (3) low compassion for people with limited physical abilities and low socio-economic status; (4) elitist attitudes and in-group collectivism and selfishness.

Finally, the respondents have commented on the national mentality that may prevent the development of social entrepreneurship in Russia: (1) paternalism leaning toward authoritarianism and anti-democratic mindset that insists on the leading role of the state in solving social problems; (2) suspicious attitudes toward entrepreneurs or business people, in general, as a group as well as doubts and disapproval of the charitable activities or philanthropy; (3) irrational attitudes toward equality based on the traditional egalitarian attitudes so that business success may be regarded as taking away from the opportunities enjoyed by the rest of the population; (4) widespread discourse about the lawlessness of the powers that be and the arbitrary rule characteristic of the power structures prevailing in society; (5) predatory capitalist orientation among the majority of entrepreneurs or business people putting profits extraction above all while viewing the social mission of business as an oddity; lack of commercial know-how among those pursuing social objectives.

4. Discussion

Social entrepreneurship is typically regarded as a reaction to the inefficiency of the market or market failure (Alford et al., 2004). However, social entrepreneurship is more represented in highly developed economies where market failure may be less acute compared to countries with lower level of economic advancement. We have tried to identify the obstacles to the social enterprise in Russia. Going forward, we propose that these problems could be solved by: (1) new Russian entrepreneurs combining an appealing, charismatic social vision with a strong commercial orientation; (2) new Russian politicians that would attack the real social problems that are especially acute in the Russian regions so that impressive declarations that often remain plain rhetoric would be accompanied by deeds and actual accomplishments; (3) new Russian citizens that would say good bye to the widespread paternalistic ideology viewing the state as the ultimate arbiter and decision maker and approaching ordinary people as powerless so that individuals would develop a sense of solidarity and social responsibility for the situation in society that affects everyone.

From this perspective, we disagree with those scholars that simply call for state support for social entrepreneurship (Novikova, 2014; Gurina, 2015, Vinogradova et al., 2017). Instead, we propose that the social enterprise needs to grow organically, from the bottom up, based on the local initiative. Municipalities rather than state agencies at the federal level should support the fledgling new enterprises helping them to change the prevailing mentality and become embedded in the local economic and social environment. Business incubators focused on the social enterprise and business angels and venture capitalists helping social entrepreneurs with initial financing to begin realize their ideas are also critical for providing much needed support to the emerging social entrepreneurship movement in Russia.

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