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A WORLD MODEL OF SOCIAL ENTREPRENEURSHIP IN A CRISIS

**Alla Kasych, Kyiv National University of Technologies and Design
Svitlana Kozhemiakina, Institute of Personnel Training at the State
Employment Service**

**Marek Vochozka, Institute of Technology and Business in České Budějovice,
Czech Republic**

**Olesia Romanenko, Kyiv National University of Construction and
Architecture**

**Valentyna Glukhova, Kremenchuk Mykhailo Ostrohradskyi National
University**

ABSTRACT

The main difference between a social entrepreneurship and other business entities is the prevalence of a social over its business purpose, the restriction of the distribution of profits between its owners and the transparency of its activities. The peculiarities of the socio-economic development of the USA and the countries of Western Europe led to the formation of two concepts of social entrepreneurship. In the American concept, a social enterprise is seen as a business organization focused on solving social problems. In the European concept, social enterprises are the key result of social activity, and the business result is considered as an additional one.

Analysis of data from special surveys and research of social enterprises in the world (in the absence of official statistical information) indicates the high rates of growth of the number of social enterprises and the number of employed workers in European countries, where they are actively supported by the state. For European social enterprises, they are characterized by a wide range of activities (but the service sector is a priority); various organizational and legal forms; the tendency to increase the share of own funds as a source of financing activities.

Keywords: Social Entrepreneurship, Non-Profit Organizations, Certification, Tax Privileges, Service Industries.

JEL Classifications: I2, F6

INTRODUCTION

Socio-economic development of society at the turn of the XX-XXI centuries, accompanied by the exacerbation of social and environmental problems, the growth of social asymmetry and an increasing the risk of social conflicts. These problems are the result of the inability of existing market mechanisms to hammer down them effectively. Accordingly, the

system of social services is expected to be significantly transformed, which will manifest in the redistribution of social functions between the public, private and non-profit sectors of the economy in favour of the latter two.

As world practice shows, in spite of a significant increase in revenues to public consumption funds of the overwhelming majority of countries, an increase in the level of social responsibility of businesses and the revitalization of non-profit organizations, many acute social problems remain unresolved. It demonstrates the lack of effectiveness of traditional methods that private and non-profit organizations use to overcome social problems and leads to the search for new forms of organization for the providing of social services, which contributed to the derivation of social enterprises.

The intensification of the development of social entrepreneurship in Europe (Great Britain, Poland, Italy, etc.), in the countries of North and South America (USA, Canada, Brazil), in Asian countries (South Korea, Japan, Taiwan) occurred in the 90s of the last century. However, until now, the results of their activities have not become the object of official statistics in any country. This is due to the uncertainty of the status of social enterprises, an extremely wide range of areas and forms of their activities, different approaches to understanding their essence.

REVIEW OF PREVIOUS STUDIES

Based on the content analysis of scientific publications on the functioning of social enterprises, the following main trends in the development of social entrepreneurship in the world economy are highlighted:

1. In the conditions of slowing down of state support and slow growth of contributions of charitable organizations, the basis of non-profit organizations involved in the provision of public services becomes the receipt of income from the sale of services (Giloth, 2019).
2. Social enterprises increasingly focus on the development of their own commercial sources of financing, as they are more often becoming a source of their further development (Tetiana et al., 2018a:2018b).
3. Non-profit organizations are increasingly cooperating with non-profit organizations (Defourny & Nyssens, 2017).
4. At the donors request, the activities of social enterprises must meet business standards more often. It means that such enterprises must provide reports on their activities, measure performance and efficiency (Wry & York, 2017).
5. The commercialization of non-profit enterprises has led to changes in their internal environment, and they need professional managers and relevant marketing policies (Nicholls & Teasdale, 2017).

METHODS

The solution of the set tasks is accomplished through the use of a system of general scientific and special research methods, in particular: dialectical-for the disclosure of the essence of social entrepreneurship; the method of classifications of sociological research and expert assessments-for assessment of social entrepreneurship at the micro level and the role of social innovation implemented; information-and-logical analysis-in order to identify the priorities of innovative social development, system analysis-in development of packages of social innovations and the principles of management of them.

The lack of official statistical information on social enterprises makes it difficult to analyze the state and development trends of this specific form of business organization. The

information base of our study is based on generalization of the results of special studies and social surveys of enterprises, which were carried out under the projects of international organizations and foundations, state programs of European countries in order to popularize and highlight the best practices of social entrepreneurship.

RESULTS AND DISCUSSION

The results of the study confirm the thesis that the majority of social enterprises operate in the service sector. To a large extent this is due to the relatively small amount of investment in the development of activities and simpler than its organization.

Research Analysis (Terziev & Arabska, 2017; Clarke, 2018; Hilorme et al., 2018; Cordes, 2017) makes it possible to single out such the most popular forms of managing social enterprises in the world (Table 1).

Country	Forms of management, which involve the implementation of non-profit activities	Forms of management, which involve the implementation of profitable activities
Belgium	Non-profit organization	Public limited liability company Co-operative Limited Liability Company Public Limited Liability Company
China	Non-governmental and non-profit organizations Public Nonprofit/Non-Commercial Unit	Co-operative
Germany	Associations Funds	Co-operative LTD
Sweden	Non-attribute organs Funds	LTD
Great Britain	Associations Funds	Ltd. Individual Entrepreneur Partnership A liability company limited by the amount of guarantees Independent mutual insurance company Joint stock company
Poland	Associations and foundations Centers and clubs on social integration Center for Professional Rehab for disabled people	Co-operative

In the United States, the original organizational form of social enterprises is the so-called "C" corporations, which accounts for 1/3 of all social enterprises. In addition to "C" corporations, social enterprises in this country are created in the form of non-profit organizations or limited liability companies.

So, summing up the results of the table: the most popular form of management, which involves conducting non-profitable activities, is the association and fund, and among the forms of managing profitable activities are cooperatives, Limited Liability Companies corporations (LLC), Individual Entrepreneurs (IE). Such a choice of business forms is conditioned by the historical preconditions for the creation and development of social enterprises, namely the fact

that a significant part of social enterprises emerged on the basis of charitable, non-governmental organizations that began to seek alternative sources of financing for their activities.

It is also worth noting that a social enterprise can be created, for example, in a non-profit organizational and legal form for the purpose of obtaining a grant as an initial capital for its activities, but then change its organizational and legal form to the organizational legal form of the commercial type or vice versa.

Despite the number of traditional organizational and legal forms that social enterprises can choose, today are actively seeking new organizational and legal forms specifically oriented to a social enterprise in order to strengthen public control over their activities, especially in the areas of profit distribution, satisfaction of stakeholders, providing tax privileges, state subsidies, obtaining information on the number and directions of such enterprises. For example, in the United States, in the past few years, a number of special organizational forms have been created in the United States for social enterprises, namely: Low-profit Limited Liability Companies (L3Cs), a corporation operating for the benefit of the community (Benefit corporations, Flexible Purpose Corporations (FPC), Benefit LLC, Social Purpose Corporation (SPC).

In addition, in order to distinguish between social enterprises and other organizations, they are marketed in the United States and the United Kingdom. In the US, this procedure involves obtaining the status of *"In Corporation"*. For this, the social enterprise must undergo a certification procedure in the company *"B Lab"* (an organization that has developed the *"B-Assessment of the Environmental Impact of an Enterprise"*, a standard for measuring the social and environmental impact of a business, used to test this impact of a social enterprise, The process of measurement also includes interactive tools to help companies improve their impact over time. Very often the Corporation is identified with Benefit Corporation, which is not correct, since the latter is an organizational-legal form of corporations, and B-Corporation is a company that has been independently certified by a third party.

The marking of social enterprises in the UK is carried out through the receipt of the Social Enterprise Mark certificate. Unlike the United States, certification in the UK specifies the requirements for the distribution of profits (at least 50% of its profits should be directed towards social objectives of the social enterprise) and activities (in the United States, the directions of activity are not regulated, and in the UK, such a social enterprise should engage in trade). The cost of such certification in the UK ranges from 350 to 4 500 pounds, and in the US from 500 to 50 000 dollars. The USA largely depends on the volume of sales of goods/works/services.

The certification of social enterprises is carried out on a voluntary basis. But getting the status of *"B Corporation"* or *"Social Enterprise Mark"* informs all those interested in their activities that they really correspond to the status of a social enterprise, which in the end contributes to the increase in sales of products and/or services of a social enterprise, the attraction of additional investors, the formation of a positive the image of the firm.

The tax policy of a large number of developed and developing countries provides for certain tax incentives for social enterprises, but in most cases it concerns to enterprises operating as the cooperatives, charitable foundations or belong to non-profit organizations. In practice, only a small number of social enterprises receive such preferences, which is due to the non-compliance of their organizational and legal form with the possibility of obtaining tax privileges. At the same time, according to foreign researchers, many of these companies deliberately do not want to get social status because they lose the status of a non-profit organization, and this will not allow them to receive appropriate grants.

Increasing risks of social enterprises (even in comparison with other small businesses) limit their ability to obtain bank loans.

A significant number of social entrepreneurs point out that they often lack entrepreneurial experience for successful business. There are cases where social enterprises are not created by business people, but by people who want to help one or another community or a certain group of people.

Employees of such enterprise can be people with psycho-physiological defects or former unscrupulous, victims of domestic violence, etc.

The results of our study are confirmed by the following studies. At the donor's request, the activities of social enterprises must meet business standards more often. It means that such enterprises must provide reports on their activities, measure performance and efficiency (Wry & York, 2017). The commercialization of non-profit enterprises has led to changes in their internal environment, and they need professional managers and relevant marketing policies (Nicholls & Teasdale, 2017).

CONCLUSIONS

At the same time, a number of negative factors leads to slow down the development of such enterprises and, consequently, to slow down the pace of solving social problems, which adversely affects society as a whole. According to the results of our study the barriers to the social enterprises development are classified as external and internal. External ones include legislative, economic, social and regulatory barriers, and internal ones-financial, managerial, and staffing. Among the key external barriers to social enterprises in our country, social entrepreneurs include high taxes, high cost of attracting loans, low government support level and low public qualification. About internal barriers, the key one to developing countries is lack of entrepreneurial experience and low qualifications of workers. That is why the development and implementation of effective mechanisms for the creation and distribution of such enterprises is very important. They should be based on the allocation of factors of intensification of social enterprises.

RECOMMENDATIONS

Based on the results of our research, we recommend the following organizational forms of social entrepreneurship. Despite the number of traditional organizational and legal forms that social enterprises can choose, today are actively seeking new organizational and legal forms specifically oriented to a social enterprise in order to strengthen public control over their activities, especially in the areas of profit distribution, satisfaction of stakeholders, providing tax privileges, state subsidies, obtaining information on the number and directions of such enterprises.

Accordingly, there are problems with the qualification of such workers, their ability to master a particular operation or technology that affects on the quality of goods and services. One of the main administrative barriers is the lack of coordination and relations between social enterprises and other third-sector organizations. The interaction of third sector organizations allows them not only to lobby their own common interests, but also to organize business effectively, provide an exchange of experience, avoid specific mistakes, etc.

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