INSTITUTIONAL PECULIARITIES AND DEVELOPMENT TRENDS 
OF SOCIAL ENTREPRENEURSHIP IN UKRAINE

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Abstract

The innovative way to solve acute social problems is implementation of social entrepreneurship in Ukraine. World expiries shows the effectiveness of this model of business activity. The analysis of national literature and economic practice gives the reasons to tell that the ideas of social entrepreneurship have not been spreaded in our country yet. There is a lack of unity to determine the category.

Due to that the main approaches of social entrepreneurship's definition in different countries is considered in this article. Thus the social enterprises in the USA are considered as a form of entrepreneur, commercial activity, that is used by NPO's to create a revenue and to strengthen of social mission result. In European countries the social entrepreneurship is determinate as a business with a social mission. International organizations determine social entrepreneurship as an innovative business activity to social change at the societies and communities.

Social enterprises only start to be created in Ukraine. According to the statistics we have only 42 of them in 2013 year but actually there are more then 200. Statistic data gives an opportunity to show the trends of these enterprises in Ukraine.

From this analysis we can distinguish such barriers of the social entrepreneurship development: the absence of the term "social entrepreneurship" in Ukrainian law; lack of publicly recognized examples of social entrepreneurship; lack of good experience in this field; undeveloped infrastructure of social enterprises support in the "third sector" and in the business; the problem of raising funds at outset of the business, there is no special credit programs; low level of public commitment to the values of social solidarity and indifference to problems that do not concern them personally.

Institutional features of social entrepreneurship development can be represented in the form such theses: «give us money», «we don't care», «I will not say something», «who needs that», «law is like a beam». The argumentation of these theses can clearly illustrates the problems of the implementation problems of the social entrepreneurship in Ukraine.

Keywords: innovation, entrepreneur, social entrepreneurship.

The realization on the goals for increasing social, economic and democratic standard of living in Ukraine to European needs attraction and active support of all participants - academia, NGOs, authorities and business environment of course. Given this, the problem of the searching for innovative approaches to solve acute social problems acquires special significance. As to the world experience, social entrepreneurship is an effective tool.

The main goal of this article are theoretical and practical problems of social entrepreneurship's conception in Ukraine. The objectives of this research are trends and the institutional peculiarities of social entrepreneurship in Ukraine.

The analysis of national literature and economic practice gives the reasons to tell that the ideas of social entrepreneurship have not been spreaded in our country yet. We can say confidently that there is a lack of unity to determine the category.

Due to the first, that is widespread in North and South America, social entrepreneurship is a activity of non-profit organizations, revenue of which is using for realization of the organization’s goals. They are to solve social problems, providing services to the target group, that were the main reason for starting the organization, and improving quality of life.

Social enterprises in the USA are considered as a form of "entrepreneur, commercial activity, that is used by NGO's to create a revenue and to strengthen of social mission result" [5].

In European countries the traditions of NGOs are not widespread. Social entrepreneurship is determinate as a business with a social mission - mitigation or reduction of social problems or abolition the "failures" of the market, which operates on the basis of financial discipline, innovation and the conduct of the cases, received at the private sector. Moreover unlike usual entrepreneurship, the first place takes the social aspect or the social effect from entrepreneurship activity and after that the financial effectiveness.

To generalize American and European experience, K.Alter – the head of consulting firm, that is specialize on the social entrepreneurship questions, - determinate the social entrepreneurship as "any venture enterprise, created with the social aim – the reduction of social problems or abolition the "failures" of
the market, which operates on the basis of financial discipline, innovation and the conduct of the cases, received at the private sector” (Alter K., 2007) [1].

The second group of definitions of social entrepreneurship emphasizes the importance of the social innovation business, which aims to achieve significant social effect. Here we can remind the J.-U.Sandal's definition of social entrepreneurship: «Social entrepreneurship is a special form of management whose purpose is to run a production function in such a way as to ensure increased value for all the participating parties in that function» (Sandal, 2004) [3]. We are talking not about Schumpeter's “new combinations”, about mechanism of transformation and quality of development. Dees, I.G. determinate social entrepreneurship as “a combination of enthusiastic social mission with business discipline, innovative approaches and firmness” (Dees I.) [2].

He identifies five determinants of social entrepreneurship:
- the mission of creation social goods;
- identification and using of new possibilities for the implementation of the chosen mission;
- the implementation of never-ending process of innovation, adaptation and learning;
- determination of actions that are not limited to the available resources;
- creative entrepreneur responsibility for their actions.

Proponents of the third approach in social entrepreneurship realize the innovative business activity to social change at the societies and communities. The difference of this approach is that the social entrepreneur takes the determining place here. This understanding of social entrepreneurship is widespread in most of international funds that are created to support this economic activity.

There are no contradictions between the shown approaches because characteristics and properties, which one are focused on are not rejected by others. In fact, they complement each other, describing some of the events.

The determination of social entrepreneurship depends on the empirical focus - on the organizations that are used as a research base. If it's a NPOs it means that the definition is focuses on adequacy of the mechanism and the results of their work that are stated by social objectives and related interests of stakeholders. If a non-profit organization, it means that more attention is paid to their financial stability and capacity for effective management. If it's an organization of mixed type, it means that emphasis are shifted to the sphere of social changes and innovation, performing these organizations, regardless of the organizational form and the specific relationship of social and economic goals.

Social entrepreneurship has to be considered as an activity that have three aspects: social, market, innovation. Social aspect identifies the main characteristics of this type of business. The differ from the traditional is on determining values and evaluating effectiveness. Market value is impressed in the revenue and profit categories. Social - in prevalence, which receives a significant part of society, and vulnerable populations. So if for the traditional entrepreneurship effectiveness is estimated by financial results, than for social it is a mix of financial and social effect. Profit is still the aim but not an ultimate goal. It can be reinvested to the main social mission because of decision of the entrepreneur. Social entrepreneurs are innovators as for social entrepreneurship is characterized to fill areas that are not occupied by traditional business areas where adjacent different institutional environments, which leads to a combination of market and non-market forms of interaction, search of the capabilities to convert social, cultural and intellectual capital.

Therefore in our opinion social enterprises have to work due to all business laws on different competitive basis for all business entities. The main goal of their activity is a profit and it contraries the principles of non-profit community organizations. According to this we can select the criteria of Social Entrepreneurship:
- use of innovations to solve acute social problems of the country or region that are based on attracting business ideas and resources;
- obtain of all or most of the income from the business (rather than grants, charitable or membership fees), but without distribution of profits for private purposes;
- direct participation at the production and sale of goods or services;
- paying of taxes with the possible use of tax incentives;
- social enterprise management with involving of all stakeholders and with full autonomy.

The first social enterprises in Ukraine started to rise in 1990-th. Despite this the first Catalog of Social Enterprises was formed only in 2013 with help of the assistance of national and international grant funds.

According to this catalog there are 42 official social enterprises in Ukraine in 2013. Due to local experts the real amount is more bigger. So today the number of social enterprises in Ukraine is more than 200. The dynamics of social enterprises can be seen in Picture 1.
The dynamics of Social Enterprises

Most of the social enterprises were created with the assistance of international donors and grant funds. As we can see on a Picture 1 most amount of social enterprises are fixed in 2006 year. It can be explained by high activity of various grants and donations by international organizations. But during the World Financial Crisis their amount was decreased.

Picture 2 shows the main groups of indicators of social enterprises in Ukraine that have been obtained in the process of researching the Catalogue of social enterprises in Ukraine in 2013.

According to the statistical survey 1/3 (one-third) of social enterprises are NGOs, accurately the same (29%) - mixed organizations which include NGOs and individual entrepreneurs. 1/4 (one-fourth) of social enterprises are private and collective ownership enterprises. The number of social enterprises founded solely by private employers is gradually increasing. Today their share is only 17%.

As you can see, the number of employees do not exceed 5 persons on the most social enterprises in Ukraine (54.8%). Only 9.5% of companies employing more than 10 people.

The biggest part of social enterprises are concentrated in the area of services (40%). Approximately same parts have social enterprises focused on manufacturing and agriculture (15% and 14%). The lowest part of social enterprises includes trade (12%), medicine (11%) and culture (8%).
Social entrepreneurs of developed countries work in virtually all sectors of the economy and social life. In Ukraine the development of social enterprises is carried out in the following areas:
- the integration socially disadvantaged population in the social life. This area includes the employment of disabled people (25%) and resocialization (15%) of stagnant jobless, homeless, ex-prisoners, people who got rid of alcohol and drug addiction, "difficult" teenagers);
- treatment and rehabilitation of seriously ill, HIV-infected, children, old people and vulnerable people (20 %);
- implementation of cultural (13%) and environmental (8%) projects.

However, in spite of high social significance, the development of the social entrepreneurship in Ukraine faces such considerable obstacles as:
- non-institutionalizing and lack of the term of "social entrepreneurship" in the Ukrainian legal field. The use of this concept is initiated only by international donor and consulting organizations;
- lack of socially recognized examples of the models of social entrepreneurship, insufficiency of positive experience in this scope;
- underdevelopment of support infrastructure for social enterprises in the “third sector” (due to its minor scale, low efficiency), in business (as a result of complicated development of small business);
- problem of involvement of funds at the initial stage of entrepreneurship development, lack of special credit programs. In Europe and the USA the investments have come in the form of venture philanthropy. In the USA the private charity funds have become the source of venture capital. In Europe, apart from the private funds, available credits and investments are provided by the state. One of the few initiatives in this direction in Ukraine has become the creation of the project “Assistance for social entrepreneurship” in 2010 on the initiative of the British Council and “Erste Bank”. The participants of the project (80 social entrepreneurs from only three regions of Ukraine) have passed the training and received legal and consulting support. By the results of the competition there were selected the best business plans which received further support;
- low level of adherence of the citizens to the values of social solidarity, indifference to the problems which are not of their personal concern.

These and other obstacles and also the thoughts of domestic experts on social entrepreneurship allow presenting the list of institutional peculiarities of development of social entrepreneurship in Ukraine [7].
1. “Give us the money”. This is a unique approach of the representatives of Ukrainian non-government organizations. It has rooted in the conscience of the representatives of the third sector in such a way that even for development of own business which would have become an additional one and sometimes the main source of income of an NGO, they ask not for a credit or an interest-free loan, but for a grant!

This fact explains the prevalence of social entrepreneurship among the non-government organizations which were receiving the funds from the donor organizations from 2004.
2. “We don’t care”. This peculiarity is derived from the first one. The fact of the grant itself — as a “gift” — does not stimulate to earn money independently. The employees which use the money not from their own pocket do not worry for performed investments. Even if the business will go bankrupt, there is nothing to worry about — easy come, easy go.
3. “I tell nothing to anybody” — this is an impressive characteristic of the many social enterprises of Ukraine. By the results of questioning of the social entrepreneurs represented in the Catalog of social enterprises of Ukraine, it has been discovered that, first, only the half of social entrepreneurs have public support; second, half of the social entrepreneurs who have websites do not tell a word on that it is a “social enterprise” which spends its profits for solving urgent social problems.
4. “Who needs that”. We have already mentioned that social entrepreneurship is exceedingly significant for the society since social entrepreneurs pay taxes; employ people with special needs; spend the profits for solving social problems in the communities. Social enterprises frequently substitute the functions of the state. It would be logical if the state supported social entrepreneurship because that is advantageous for it, but the paradox is there is no support.
5. “Law as a pole”. As it has been already mentioned, today in Ukraine the legal fixation of social entrepreneurship is absent, which prevents the exact and correct formalization of such business model in the society. However, on the other hand, the results of legislative activity frequently are the norms which foresee non-transparent regulation mechanisms and develop the corruption.

Despite the results of conducted analysis of the tendencies and peculiarities of development of social entrepreneurship in Ukraine, we will mark the significance of this phenomenon in the conditions of strengthening of market relations. First, the social enterprise is a perspective form of mitigation of consequences of economic crisis or even the way of solving of old socio-economic problems. Second, the development of social entrepreneurship is a factor of development of civil society and democracy in the country. Third, social enterprises, by creating business models with various ways of resource combining, forms of exchange and people interaction, economic and social results, are the center of social innovations which are extremely necessary for our society.

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Summary
Застосування практики соціального підприємництва в різних регіонах України дозволяє здійснити спробу та безпосередньо вирішувати гострі проблеми різних соціальних груп. Проте всі види такої діяльності здійснюються громадськими неприбутковими організаціями та при підтримці різних вітчизняних та міжнародних фондів. Це дає підстави стверджувати, що соціальне підприємництво як вид діяльності не набуло чіткого формального статусу. Проблема формалізації соціального підприємництва в Україні повинна вирішуватися у відповідності до сучасного національного господарського законодавства.
Метою статті є аналіз основних особливостей та тенденцій розвитку соціального підприємництва.
Ключові слова: інновації, підприємець, соціальне підприємництво.