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## **SOCIAL ENTREPRENEURSHIP AS AN INNOVATIVE COMPONENT OF POST-WAR BUSINESS**

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## **СОЦІАЛЬНЕ ПІДПРИЄМНИЦТВО ЯК ІННОВАЦІЙНА СКЛАДОВА ПОВОЄННОГО ВЕДЕННЯ БІЗНЕСУ**

*The article emphasizes the importance of social stability of society, which is ensured through effective and systematic cooperation between the government, business and community. Social entrepreneurship is one of the key instruments of such cooperation. The author outlines its characteristic features that distinguish this type of activity from other socio-economic models. The main features of social entrepreneurship are highlighted: innovation of activity; dual focus - a combination of non-commercial goals with the ability, need and opportunity to make a profit; public nature of social enterprises and complexity in organization and development, the presence of significant risks. The author provides examples of social entrepreneurship in Ukraine, outlines their type of activity and functional component. The key problems are analyzed, in particular, the lack of a regulatory framework, limited access to financial resources, low public awareness and the difficulty of integrating social enterprises into the market environment. It is substantiated that the organization and functioning of a social enterprise has a number of features that differ from traditional business. The factors that shape the success of social entrepreneurship are highlighted. It is proved that social entrepreneurship includes the main levers that form its general concept of the need for functioning and development.*

*Despite the dynamic development of social entrepreneurship in Ukraine, there are significant obstacles to its full-fledged functioning, namely, insufficient state financial and institutional support, weak motivation of potential entrepreneurs to create socially oriented businesses, and insufficient public awareness of the significant positive potential of such enterprises. The importance of proper legislative regulation for the sustainable and successful functioning of social enterprises in Ukraine, given their key role in the social subsystem of economic and national security, is summarized. Social enterprises are designed to meet the needs of community members that cannot be met by the public sector and are ignored by the private sector.*

*У статті підкреслюється важливість соціальної стабільності суспільства, яка забезпечується завдяки ефективній та системній співпраці між владою,*

бізнесом і соціумом. Одним із ключових інструментів такої взаємодії є соціальне підприємництво. Окреслено його характерні риси, що вирізняють цей вид діяльності серед інших соціально-економічних моделей. Виокремлено основні ознаки соціального підприємництва: інноваційність діяльності, подвійна спрямованість – поєднання некомерційних цілей зі здатністю, необхідністю та можливістю отримувати прибуток, публічний характер діяльності соціальних підприємств та складність в організації і розвитку, наявність значних ризиків. Проаналізовано ключові проблеми, зокрема відсутність нормативно-правової бази, обмежений доступ до фінансових ресурсів, низьку поінформованість суспільства та складність інтеграції соціальних підприємств у ринкове середовище. Наведені приклади соціального підприємництва в Україні, окреслено їх вид діяльності та функціональну складову. Обґрунтовано, що організація і функціонування соціального підприємства має ряд особливостей, відмінних від традиційного ведення підприємництва. Досліджено, що соціальне підприємництво включає основні важелі, що формують його загальну концепцію щодо необхідності функціонування та розвитку. Виокремлено чинники, що формують успішність соціального підприємництва.

Попри динамічний розвиток соціального підприємництва в Україні, існують суттєві перешкоди для його повноцінного функціонування, а саме недостатній обсяг державної фінансової та інституційної підтримки, слабку мотивацію потенційних підприємців до створення соціально орієнтованого бізнесу, а також недостатню поінформованість суспільства про вагомий позитивний потенціал, який несуть у собі такі підприємства. Узагальнено про важливість належного законодавчого регулювання для стійкого та успішного функціонування соціальних підприємств в Україні, враховуючи їхню ключову роль у соціальній підсистемі економічної та національної безпеки. Доведено, що соціальні підприємства покликані задовольнити ті потреби членів громади, які не може задовольнити державний сектор, а приватний – ігнорує.

**Keywords:** *development, entrepreneurship, social entrepreneurship, business structures, innovations, social innovations.*

**Ключові слова:** *розвиток, підприємництво, соціальне підприємництво, бізнес-структури, інновації, соціальні інновації.*

**Problem statement.** The active phase of Russia's war against Ukraine and the need to work under the constant risks of martial law necessitate the search for new management business projects. They can become important catalysts for the post-war recovery of the national economy, while contributing to the improvement of social life. One of these promising forms is social entrepreneurship. This is a relatively new type of business organization activity that has significant development potential, especially in times of war and during the period of country reconstruction.

The solution of social problems with active business levers is now entrusted to social enterprises, which are a significant component of the social economy, which today employs about 13.6 million Europeans, some of whom provide essential care services, others focus on providing employment opportunities for people with disabilities, and others address a broader range of social challenges, such as achieving sustainable development goals. Many of them are innovative and find opportunities in cases where neither mainstream business nor government agencies can deliver social and economic growth.

Social innovations can and should be one of the main drivers of social development. Innovative technologies include extraordinary ways of solving social problems that have never been done before. In modern social countries, it is social innovations that shape the innovation environment, accelerate scientific, technical, technological and information innovations, increase the efficiency of using new equipment and new technologies, and reduce the cost of innovation.

Social innovations, which have become a powerful trend in socially oriented models of the world economy in the last decade, have led to the emergence of a new form of business activity called social entrepreneurship. The latter is an activity aimed at increasing the social value of entrepreneurship, its

focus on solving social problems using business methods. It is intended to stimulate social transformations, provide opportunities for socially vulnerable categories of the population to work and ensure their livelihood. The dominant factor in managing the rise of social entrepreneurship in economically developed countries has been social pressure and an emphasis on human needs in any activity.

Therefore, studying social entrepreneurship and determining its place in the system of scientific knowledge is of high importance both from a practical and theoretical point of view. In Ukraine, where developments in this area are only in their infancy, theoretical developments should be carried out taking into account foreign experience in social entrepreneurship research and the specifics of domestic practices.

**Analysis of recent research and publications.** The peculiarities of social entrepreneurship are studied in the works of Z. Galushka, V. Heets, V. Zvonar, V. Kokot, I. Komarnytskyi, T. Lunkina, V. Nazaruk, O. Saliy, A. Svynchuk, and N. Suprun. Important for the study of the chosen topic are the works of foreign scientists, in particular: V. Baumol, D. Bornstein, P. Drucker, S. Zahra, W. Zombart, J. Curlin, I. Marty, D. Mair, D. Neubaum, M. Yunus.

Despite the significant scientific and practical interest in social entrepreneurship, the issue of effective mechanisms for stimulating it and identifying areas of development that will allow it to become a full-fledged sector of the economy remains relevant.

**Formulation of the objectives of the article.** The purpose of the study is to define, actualize, and analyze the functioning of social entrepreneurship in Ukraine and the directions of its development in the postwar period.

**Presentation of the main research material.** In the context of political, economic instability and martial law in Ukraine, the number of people living below the poverty line is growing, with a critically low level of food security and social protection. Hostilities have significantly actualized the problem, leading to a sharp increase in the number of internally displaced persons, war veterans, children of fallen soldiers, disabled people, etc.

However, government benefits and guarantees do not solve the problem of employment, material and psychological support, and the welfare of socially vulnerable people. In this regard, there is a need to rethink the mission and strategic vision of commercial firms that follow traditional business practices. The number of organizations whose activities are aimed at reducing social problems in society is growing. Social entrepreneurship combines the advantages of the above practices - maximizing profits while ensuring social values. The main task in this form of business activity is to fulfill a social mission and at the same time maintain financial stability, which encourages researchers and entrepreneurs to find mechanisms to achieve a balance in this area. The author's vision is to study the international practice of successful social entrepreneurship, the possibility of its implementation in Ukrainian society in the context of economic and social instability, and to highlight the problems of formation and development of social entrepreneurship in Ukraine [2].

The term “social business” was first used by Nobel Prize winner Mohammed Yunus. Mohammad Yunus defined social business as a type of business whose main goal is to solve existing social, economic and environmental problems that affect humanity as a whole (hunger, disease, homelessness, pollution, ignorance, etc.). A new, more expressive name “social entrepreneurship” was given to it at the Social Media Week conference in London, where social entrepreneurship was recognized as one of the five main trends of 2014 [9].

The organization and operation of a social enterprise has a number of features that differ from traditional business.

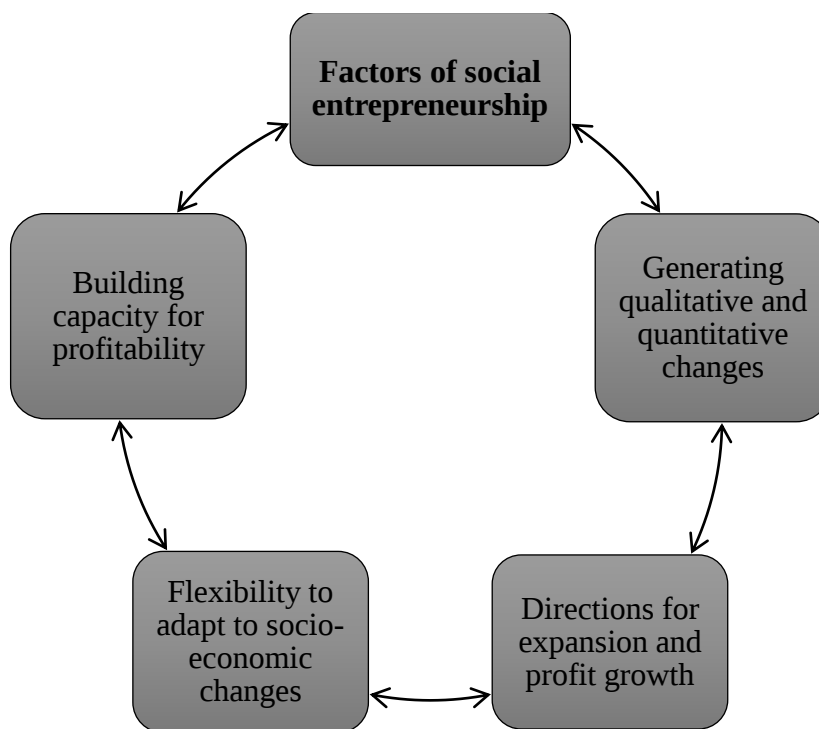
First, the development strategy of social enterprises is not focused on competition and achieving market leadership through a social mission, low capital turnover and profitability.

Secondly, they are financed both by issuing shares, obtaining loans from financial institutions, reinvesting, and collecting voluntary donations from individuals and legal entities, charitable funds, and volunteering. Thus, the difference in financing between for-profit and non-profit social organizations lies in the differentiation of investors and recipients.

Third, business entrepreneurs operate in a marketing environment where supply and demand indirectly affect the price and volume of sales of goods (services). The marketing environment of a social entrepreneur usually implies that expenses are not fully covered by revenues.

Fourth, the purpose of commercial and social business entities is fundamentally different. Social entrepreneurship exists to create and enhance social value for the common public good, while commercial entrepreneurship aims to create profit for private gain. At the same time, such a high contrast is quite controversial.

The main goal of social entrepreneurship is to interact and effectively implement the mission of social work and the mission of entrepreneurship. The success of social entrepreneurship is shaped by a number of factors (Fig. 1).



**Fig. 1. Factors of social entrepreneurship**

Source: generalized by the author

It should be noted that in Ukraine, there is currently no clearly defined organizational and legal form of “social entrepreneurship”. Therefore, a social entrepreneur must choose the most optimal form of activity for himself or herself,

since the most important task in establishing a social enterprise is to choose the form of its registration, since it will determine taxation, risk level, etc.

Studies show that the majority of social enterprises choose the form of a sole proprietorship, which simplifies the overall system of management, reporting, and taxation [3; 7].

Social entrepreneurship includes the main levers that form its general concept of the need for functioning and development (Table 1).

**Table 1. Leverages of social entrepreneurship development**

| Leverage                          | Meaning                                                                                                           |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------|
| 1.Value                           | certain norms, requirements, and behaviors that are inherent in a community and motivate and unite it.            |
| 2. Social purpose                 | the desired outcome of the situation, which is the goal of social entrepreneurship.                               |
| 3. Self-sufficiency               | the existence of a business model that contributes to the financial stability of the enterprise.                  |
| 4.Innovation and entrepreneurship | a new (innovative) approach and the best cost-effective solution to a social problem.                             |
| 5. Public communication           | communication with society and uniting the community to solve social problems that cannot be solved without them. |
| 6. Social impact                  | Significant qualitative changes in the society that shapes social entrepreneurship                                |

Source: compiled by the author based on [1]

Thus, social entrepreneurship is currently gaining in popularity and importance in different cities of Ukraine. The interest in this area of activity is emerging among public sector employees and socially vulnerable groups who want and have the opportunity to improve society (Table 2).

**Table 2. Examples of social entrepreneurship in Ukraine**

| Name of the company                                     | Type of activity                   | Direction (mission)                                                                                                           | Functional component                                                                                                                                                                               |
|---------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Good bread from good people                             | Inclusive bakery                   | Free baking of bread to be sent to the military at their positions, as well as for those in need                              | Employment of adults with mental disabilities.                                                                                                                                                     |
| Veterano Pizza                                          | Pizzeria                           | Employment of ATO veterans                                                                                                    | Part of the income is donated to charity and to the children of soldiers killed in the war                                                                                                         |
| Good bread from good people                             | Bakery                             | Employment of people with mental disabilities                                                                                 | After the outbreak of a full-scale war, they baked and delivered to the military, IDPs and people in the liberated and frontline areas for free                                                    |
| Green Bean Bag                                          | Social enterprise                  | Employment of social groups                                                                                                   | Production of armchairs with eco-friendly filling.<br>The company's social impact is to reduce the amount of waste that goes to landfill. It provides resource support to public sorting stations. |
| «Shelter Ukraine»(SILab Ukraine, VPLYV and Teple Misto) | Charity support project in wartime | Reduce the outflow of Ukrainians from the country and support those who have temporarily settled in another region of Ukraine | Setting up centers for IDPs; distributing medicine and food to hot spots; and evacuating people.                                                                                                   |

Source: compiled by the author based on [6, 7].

However, for the effective implementation of social entrepreneurship and the successful achievement of its socially oriented goal, entrepreneurs must have sources of financial support (Fig. 2).



- opportunities for choosing the most optimal organizational and legal form for a social enterprise, both in terms of business model and taxation;
- availability of free training courses and access to the necessary scientific materials;
- opportunities to receive free consultations from leading experts of international companies and organizations;
- availability of qualitatively new and diverse financial programs to support the implementation of social business;
- opportunities for social entrepreneurs to work together with the international community;
- features of personal fulfillment in a socially important cause;
- opportunities to become and be personally valuable to others;
- having a certain emotional return, as well as ensuring respect from others;
- opportunities to realize their personal professional knowledge (skills) in their own social business;
- opportunities to form a community of “change-makers” and like-minded people in their cities.

The main obstacles to the organization and functioning of social entrepreneurship are currently considered to be low or no financial support, significant dependence of NGOs on funding from international donors, lack of qualified personnel (volunteers), lack of own premises (material and technical base), high cost of renting fixed assets, lack of support from the state/local authorities, and lack of grant activities.

It would be useful for us to regulate at the legislative level the status of social entrepreneurship as one that serves the public interest, and the useful results of the work should be extended to a wide range of people. Today, Ukraine has no legal definition of social entrepreneurship and no clear laws regulating such activities. Therefore, social entrepreneurship has additional difficulties at the stage of creation and legalization of documentation. At the same time, Ukrainian social

enterprises have the opportunity to choose the form of business organization, which to some extent may even have a positive aspect.

It is clear that social entrepreneurship and its development is an important priority for the state, citizens, and businesses, as it is the structure that can protect and help certain segments of the population, solve important social problems, generate profit for its owners, and relieve the burden on the state by providing targeted assistance.

In order to accelerate the pace of social entrepreneurship development in Ukraine, it must first of all be enshrined in legislation in terms of methodology and possible forms. In this regard, it is useful to use foreign experience with an analysis of its strengths and weaknesses and the possibility of adapting it to Ukrainian legislation.

Meanwhile, social enterprises are developing rapidly. And this process is going in two directions: through self-organization of economic activities of united representatives of socially vulnerable groups and through the launch of permitted entrepreneurial activities on the basis of non-governmental non-profit public organizations. Once social entrepreneurship is legalized, the country will have an additional tool for solving social problems. The fact is that Ukraine has assumed very large social obligations to support socially vulnerable groups of the population. However, today Ukraine cannot cope with such a large social burden. This is not unique to Ukraine, but a global trend.

**Conclusions.** Social entrepreneurship is one of the forms of business practice based on creative economic activity aimed at overcoming the problems of vulnerable categories of the population in the social sphere. The functioning of social enterprises contributes to the creation of a modern model of economy that “works for people”: equalizing the levels of socio-economic development of different segments of the population, job creation, inclusiveness, equal opportunities, stability; helping to implement demographic, green and digital transformations. Without further legitimization, adequate support and consolidation, proper capacity building, and access to financial resources tailored

to the specific needs of each social group, social enterprises will remain vulnerable.

The vulnerability of social enterprises in Ukraine is largely related to the debate and conceptual confusion that revolves around their role in modern societies. In addition, vulnerability is caused by the strong dependence of social enterprises on national and local policies, including integration into the social welfare systems of EU member states, constant policy changes, and cuts in public spending.

The predominant sources of funding for social enterprises are innovative rather than public or charitable: corporations, banks, institutional investors, crowdfunding platforms, investment funds, etc.

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