

Social Entrepreneurship: the new World Trend

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Introduction

Social entrepreneurship is a complex and multi-level phenomenon, which can be investigated through the use of various concepts and theoretically at different levels - individual, organizational and group. Given that area has not been previously studied in depth in Kazakhstan, the researcher saw the need for an exploratory research, a trial study, which requires describing and understanding the research subject and defining the scope, given the broadness of the concept.

The paper explores the ways of innovative approaches to entrepreneurship. Its main focus is on the social change of these approaches. Therefore the understanding of social entrepreneurship is important. Exploring the process of pursuing innovative solutions to social problems also has social value (Dees, 1998). In order to make it sustainable, there is a need to define criteria of social entrepreneurship. To avoid ambiguities, the researcher has limited the meaning of "social enterprise" by the definition proposed by Alter (2007):

A social enterprise is any business venture created for a social purpose—mitigating or reducing a social problem or a market failure—and to generate social value while operating with the financial discipline, innovation and determination of a private sector business. In its widespread usage, "social entrepreneur" is the individual and "social enterprise" is the organization. Therefore, social enterprise is an institutional expression of the term social entrepreneur".

The paper also reviews the best practices of social entrepreneurship in the world. Therefore there is going to be a literature review that is either proved or not supported in the environment. The purpose of the study is to provide grounds for further research and development of country-specific analysis. In particular, it will review the existing literature on social entrepreneurship. It will also touch the barriers for the current social enterprises.

The goal of the research is the idea of stimulating the development of social entrepreneurship in Kazakhstan. By conducting the research the author already creates social value. The objectives are: the analysis of the existing social enterprises and best practices in the world and exploring their presence in Kazakhstan. For this purpose a country profile will be introduced to see the prospects and dangers of social entrepreneurship in Kazakhstan.

Market gap is observed in Kazakhstan. The adherence to the concept of social entrepreneurship is seen only in the NGO sector, and only to the extent of solving social problems being funded by other organizations and donors. With the use of qualitative methods, research can be further developed: in-depth questionnaires can be created and spread among companies of different type of ownership, size and from various industries, to see the relationship between the perceptions and major barriers to social entrepreneurship. The findings are useful for businesses, policy-makers and researchers, as the results would guide them in fostering social entrepreneurship in the country – creating and sustaining social value.

The structure of the study will include:

1) Identification of the country context:

a) Political, economic, social and technological factors affecting the development of entrepreneurship and the social sector.

- b) Brief profile of Kazakhstan.
- c) The development of the NGO sector in Kazakhstan.
- 2) Literature review – general understanding of social entrepreneurship abroad.
- 3) Analysis of the best practices, business models of social enterprises on the basis of international experience.
- 4) Interviews and questionnaires of social entrepreneurs - basic questions:
 - a) The definition of 'social entrepreneurship'.
 - b) The need for social entrepreneurship in Kazakhstan.
 - c) The main obstacles for the development of social entrepreneurship in Kazakhstan.
 - d) The development prospects of social entrepreneurship in Kazakhstan.
 - e) The evaluation of existing programs/initiatives in Kazakhstan.

What is Social Entrepreneurship?

There are many definitions of social entrepreneurship both by foreign authors and Russian authors. The term and the phenomenon were likely introduced on the West to determine the specific activity aimed at solving social problems commercially. Due to the fact that the term combines the most pressing issues for modern society as "social" and "entrepreneurship", it is applied in many areas - from non-profit organizations to purely business structures. Closest definition to the essence of social entrepreneurship was proposed by Professors Martin and Osberg (2007).

It is worth noting that the social enterprise is a special organization, socio-economic hybrid, in which the social mission is combined with market activities under the conditions of self-sufficiency. Unlike socially responsible business, there is a predominance of social objectives over the economic and social organization of non-profit purposes (NPO or NGO) - a commercial basis in the activities for the sustainable market position and financial independence in the implementation of social objectives.

A literature review on social entrepreneurship is carried out, which admits it as emerging (Braunerhjelm and Hamilton, 2012): Entrepreneurship has been a well-defined area within economic theory since Schumpeter published his seminal work in 1911 (Swedberg, 2000), but *social* entrepreneurship was not a core element in such general entrepreneurship theory, and was hardly dealt with or even mentioned in textbooks or review articles on entrepreneurship.

The research on and development of social entrepreneurship was undertaken, until recent years, by scholars and experts who typically did not belong to the field of entrepreneurship (Steyart and Hjorth, 2006). On the other side, the research in the field is characterized by case studies and success stories, and lacks a theoretical base and therefore generalizability (Lepoutre et al, 2011).

How does Social Entrepreneurship work in Kazakhstan and the rest of the world?

The definition by Professors Martin and Osberg (2007):

identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony; and (3) forging a new, stable equilibrium

that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large.

What is happening in Kazakhstan?

Country profile (Indexmundi, 2014):

-**History & geography:** located in Central Asia, approx.17 mln. population; independence since 1991; government type: republic; authoritarian presidential rule, with little power outside the executive branch.

-**Culture/education:** education index – 0.84; literacy – 100%; languages: Kazakh (state language) 64.4%, Russian (official, used in everyday business, designated the "language of interethnic communication") 95%.

-**Business activity** : industries such as oil, coal, iron ore, manganese, chromite, lead, zinc, copper, titanium, bauxite, gold, silver, phosphates, sulfur, uranium, iron and steel; tractors and other agricultural machinery, electric motors, construction materials.

-**Resources & Economy:** GDP of 5% (2012 est.); geographically the largest of the former Soviet republics, excluding Russia, possesses enormous fossil fuel reserves and plentiful supplies of other minerals and metals, such as uranium, copper, and zinc. It also has a large agricultural sector featuring livestock and grain. In 2002 Kazakhstan became the first country in the former Soviet Union to receive an investment-grade credit rating. Extractive industries have been and will continue to be the engine of Kazakhstan's growth, although the country is aggressively pursuing diversification strategies. Landlocked, with restricted access to the high seas, Kazakhstan relies on its neighbors to export its products, especially oil and grain. Although its Caspian Sea ports, pipelines, and rail lines carrying oil have been upgraded, civil aviation and roadways continue to need attention. At the end of 2007, global financial markets froze up and the loss of capital inflows to Kazakhstani banks caused a credit crunch. The subsequent and sharp fall of oil and commodity prices in 2008 aggravated the economic situation, and Kazakhstan plunged into recession. In 2010 Kazakhstan joined the Belarus-Kazakhstan-Russia Customs Union in an effort to boost foreign investment and improve trade relationships and is planning to accede to the World Trade Organization in 2013.

-**NGO sector** (ADB, 2014): non-government organizations (NGO) in Kazakhstan existed and worked already in the soviet times but they started actively develop with perestroika. Today there are recognized leaders, which names are well-known as well as small organizations established by enthusiasts or simply desperate people who decided to solve own problems through establishing an NGO. NGO is also called "the third sector". However, still the activity of this sector is not very well known to public or is known but very fragmentally. And this is despite the fact that their main purpose is attracting public attention to the problems of society and filling in of the so-called "niches" in the social-economic development of the country, which for certain reasons are out of sight of state structures. here are around 1000 NGO actively working in Kazakhstan.

Table 1. SWOT analysis of Kazakhstan:

<p>Strengths</p> <ul style="list-style-type: none"> -skilled and educated workforce -experienced business units -tolerant to international expertise 	<p>Weaknesses</p> <ul style="list-style-type: none"> -tax system -overdependence on natural resources
<p>Opportunities</p> <ul style="list-style-type: none"> -global markets 	<p>Threats</p> <ul style="list-style-type: none"> -increasing rates of interest

<ul style="list-style-type: none"> -venture capital -innovative products and services -new markets 	<ul style="list-style-type: none"> -global economy changes -growing competition and lower profitability -external business risks -environmental force-majeure -rising cost of raw materials
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(Source: Baker McKenzie Kazakhstan)

In Kazakhstan, today there are rudiments for social entrepreneurship, but a common understanding and realization forms differ from those practiced in the world. For example, in Kazakhstan there were socio-entrepreneurial corporations and national companies established, their main task is to promote interaction between government and business, the implementation of social projects (Adilet, 2014). Also, there are various associations of entrepreneurs, whose purpose is the development of the region.

Based on the literature review, the main difference of social entrepreneurship is that it offers innovative solutions to existing challenges of society. In this regard, the use of the term towards the existing organizations in Kazakhstan is considered not quite true. Existing non-profit organizations are more focused on getting support grant from donors or the government.

There are several reasons for barriers to transformation of NGOs into social enterprises - a reluctance to change the existing model to the lack of experience and the ability to conduct business as commercial structures (Moskovskaya, 2008). In turn, businesses eventually lose social mission as a guide, and more focus on commercial objectives. In addition, most organizations are in the nature of providing social services and social activism.) There is a difference between these two approaches to social entrepreneurship (Martin and Osberg, 2007), although the fact is that most institutions employ a hybrid model – i.e. applying both the principles of social activism and social entrepreneurship (for example, Grameen Bank of Muhammad Yunus) (Skoll Foundation, 2014).

In the view of the researcher, a new approach to solving social problems in Kazakhstan is desperately needed right now. The neighboring countries like Kyrgyzstan and Russia, provide wider grounds for application of social entrepreneurship, for instance in the form of the legislative framework for the development of social entrepreneurship, not only at the level of organizations, non-governmental sector, but also on the level of public authorities (KP.ru, 2013).

Concluding remarks

The development of social entrepreneurship in Kazakhstan is in its infancy. Despite the fact that there are separate initiatives supporting or working on the principle of "teach how to fish" (Drayton, 1980), there is no information describing the overall picture of the development of social entrepreneurship, features, and characteristics. The present study aims to fill this gap and provide the analysis, which will be based on a study of existing organizations dealing with or working on the principles of social entrepreneurship.

The paper bears not only the novelty of the research - the process of studying the phenomenon of social entrepreneurship, but also the development of SE in Kazakhstan. Partly principles of social entrepreneurship will be applied in the process of the implementation of the research, as the research serves as basis for further development of the topic.

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