

Social entrepreneurship in Kazakhstan: defining trends and prospects for development

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Abstract: Social entrepreneurship as an innovative way in addressing societal challenges is widely researched. It is argued in this paper that the context plays key role in the development of the practice and it is aimed at fulfilling the gap in understanding of the current state of social entrepreneurship in Kazakhstan. Several findings of the research work in progress are presented, which include survey and expert interview results, definitions and different countries analysis. Lack of business capacity and understanding of the concept among NGOs, existing barriers and possible drivers for social entrepreneurship development were identified among key findings of the research. In addition the model for social enterprise analysis and definition to be used for Kazakhstan was introduced. The results can add value in further development of non profit and private sectors in Kazakhstan.

Key words: Social entrepreneurship, NGO sector, Central Asia, Kazakhstan

1. Introduction

For the last few decades, there has been a huge and rapid growth of the "social entrepreneurship" concept, which attracted increasing interest from different parties - public sector authorities, development organizations, financial institutions and academia. There are several reasons beyond the popularity of the concept - transformative and game changing approaches SE initiatives apply in their products and services, impact they have on socio-economic development of the community/region/etc. and, more importantly, the change in people's live.

The phenomenon is widely researched, implemented and known in the western world, less studied but still implemented in some parts of Asia, Africa, Middle East, and Latin America. However, not much attention has been given to the issue within the Central Asian context.

The research aimed at assessing the current state of social entrepreneurship development in Kazakhstan and explores further ways to strengthen the practice. The following article presents the results of the work accomplished to the date and

covers the findings on the following research areas: a) exploration of definitions and proposition of one for Kazakhstan; b) analysis of the current state of practice in Kazakhstan through NGO survey and expert interviews; c) exploration of country specific drivers for social entrepreneurship development in Middle East and Asia and identification of possible measures within Kazakhstan context.

2. Definition of social entrepreneurship

There are a number of definitions used to explain the social entrepreneurship phenomenon within academia and development institutions. However, the question whether all initiatives and organizations addressing social issues through delivering the change in any form could be considered as social entrepreneur is still on the agenda. As Martin and Osberg (2007) put it “social entrepreneurship is an appealing construct precisely because it holds such high promise”. Additionally, taking into the consideration issues related to funding and validity of entities, it is argued that vaguely defined social entrepreneurship concept might have negative impact not only on current practitioners in the field, but also on the emerging entities, policy makers, NGOs, investors and other related parties. Therefore, the following section aims to propose a definition developed from different perspectives and through which the analyses of current practices within the country would be conducted.

It is commonly accepted that social entrepreneurship is an activity of individuals and/or private organizations with social purpose aimed to deliver common good to people and communities (Korosec, R.L. and Berman, E.M. 2006, Peredo and Chrisman 2006, Dees 1998). While Dees (1998) argues that social entrepreneurship pursues the double bottom line and ADB (2012) defines SEs as organizations having triple bottom line, the general understanding is that the organization should be addressing social and environmental needs and have sustainable revenue model with no explicit goal to gain financial profit (Leadbetter 1997, Thompson 2002, Hartigan 2006). These views are also highlighted by Townsend and Hart (2008), Austin, Stevenson and Wei-Skillern (2006) who claim that recent years have seen the raise of ventures with for-profit activities, being solid in financial management though having not-for-profit focus in terms of the value proposition.

However, there are still concerns on whether economic activity of the individual or organization should be directly tightened with the social activity it performs. Pines (2011) demonstrates examples when non-profit organisations (NGOs, charity) are running different temporary fundraising activities to support the main objective of the organization or conducting market-based activities such as selling frozen meals to stores, providing catering services while holding free training courses for homeless and argues that SE concept could be put along the continuum from corporate philanthropy or entities with profit goals and social objectives to nonprofits engaging in commercial activities.

Therefore, it could be said that social economy organizations successfully co-exist between traditional private and public sector entities while applying approaches and practices of private organizations to the gaps public sector is unable to address and their organizational types may vary significantly in the forms and structures depending on the activities engaged and communities served (Shaw and Carter 2005) and differs from the traditional understanding of the nonprofit organization in

terms of strategy, structure, norms.

Though social deficiencies in communities via models mentioned earlier are being addressed, it is argued that there is something unique that distinguishes SE as a phenomena.

In addition, current debates on the meaning of social entrepreneurship within public sector in Kazakhstan and further possible measure to develop the field might benefit from the clear definition.

More than 30 different resources both from the practitioners, development organizations/NGOs and academia in the field were analyzed. There were several traits identified within the literature regarding the social entrepreneurship definition and they are grouped as the ability of organization or individual to (1) recognize the opportunity, which is mostly related to infrastructure, public services, health, education or resources limitations issues, (2) apply innovative approaches and (3) desire for transformational change in order to deliver social benefits for the communities (Certo and Miller 2008, Korosec and Berman 2006, Hartigan 2006, Alford et al. 2004). Moreover, while the ability to implement innovative practices and identify opportunities, apply creativity and be effective in earning personal financial profits characterizes general entrepreneurship term, social enterprises are granted a distinct role for being the change agent driven by social mission and possessing values and managing resources to solve societal problems (Dees 1998, Zeitlow 2001, Drayton 2002, Mort, Weerawardena and Carnegie 2003). In the same vein, Dees (2003) stresses out that while profit generation in social entrepreneurship concept is definitely important, social impact side of the equation should prevail. It is well-known and accepted that the sense of self-worth and purposefulness, the feeling of involvement in "big and important" projects are one of the best stimulus driving employees to innovate, be creative and perform better. Consequently, the inner sense of social justice and the desire to "change the world" that drive individuals and organizations to seek for the most efficient ways to address social issues, could be highlighted as main characteristics of the social entrepreneurship phenomenon.

It was also concluded that all the definitions analyzed can be grouped into 4 main categories based on the words used to define social entrepreneurship; 1) Process – almost all definitions use such verbs as “create”, “adapt”, “pursue”, “sustain”, and which can symbolize and emphasize that social entrepreneurship is indeed a process; 2) Personality – the identifying trait of social entrepreneurship is that it involves and is bonded with personal motivation, values, passion; 3) Approach – social entrepreneurship is about how creatively, innovatively, sustainably the issues are addressed; 4) Impact – social entrepreneurs do not stop unless the problem is solved, community transformed and social value created.

The framework for analysis of social entrepreneurs was also developed, which will be used in creating profiles of existing practitioners in Kazakhstan (Appendix 1).

Proposed definition for Kazakhstan

Social entrepreneurship is a process of pursuing social mission and possessing a vision to address societal challenges by implementing innovative approaches and maintaining financial sustainability which brings ultimate social value and impact on the communities involved.

Financial sustainability can be maintained through offer of products and/or services directly related to the mission or it can equally be reached through complimentary activities which then help to fund the core mission. As long as the mission is clearly stated and it is obvious that the initiative proposed by the entrepreneur addresses the needs of community and have an impact on the socio-economic development of the stated community, group of people, it could be called social entrepreneurship.

3. Current state of social entrepreneurship in Kazakhstan

3.1 Kazakhstan context

Kazakhstan is the largest country of the Central Asian states of the former Soviet Union. Modern Kazakhstan is a neo-patrimonial state characterized by considerable dominance over political and economic affairs by President Nursultan Nazarbayev.. This is an example of resource-based economy, however it needs to move away from natural resource dependence toward more balanced growth, and to conduct social modernization to achieve more inclusive growth and faster improvement in social development outcomes. Social reforms usually involves active participation of organizations such as World Bank and the UN agencies.

Currently the country puts an emphasis on the development of entrepreneurship as a way for diversification of the economy and is actively participating in the regional integration processes through Customs Union and Eurasia Economic Union. And is planning to accede to the World Trade Organization.

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. There are around 1000 NGO actively working in Kazakhstan (ADB, 2014). Vast majority is highly dependent on international aid and government social procurement.

3.2 NGO survey results

Aim

To assess the level of awareness about and readiness to implement the principles of social entrepreneurship within non-profit sector of Kazakhstan.

Methodology

A short questionnaire with open and close ended questions was developed using SurveyMonkey service. NGOs were chosen from the database of Community trust "Information-resource Centre", which has the largest and up-to-date database of NGOs

in two largest cities of Kazakhstan – Almaty and Astana (capital). These cities have the largest number of NGOs. The list provided is structured by the name of organisations and their field of specialization. NGOs in the list which had relevance (no repetition) were selected for the mail list. From those who participated in the survey, only 20 have provided full responses for the questions.

The questionnaire consisted of 9 questions presented in Russian. The major questions and provided response are presented in the Appendix 1.

Majority of NGOs were community trusts and presented various fields, in most cases having more than one area of activities and several sources of funding. It can also be concluded that majority of respondents are financed through major gifts coming from personal and team contributions and membership fees, followed by state social procurement and companies in Kazakhstan. Finally, foreign aid and sale of product and services are mentioned as a third priority source of funding. 90 % of respondents answered that they face difficulties in raising funds and half of them cope with it.

More than half of respondents showed that they are aware about social entrepreneurship. Despite the fact that the understanding might be different, it is assumed that the overall interest is growing and awareness increasing within the sector. With regards to using business opportunities, the respondents showed various opinions. Majority still think that the opportunity should only be related to the core mission. Perhaps the deeper knowledge about the forms and opportunities of social entrepreneurship might be beneficial in shifting understanding of the sector.

It is worth emphasizing that while 40% of NGOs surveyed presented their eagerness to use any business opportunity, 45% mention the lack of business skills among staff. Among the top actions recommended are support from government and infrastructure development, funding, increasing the capacity/experience exchange and access to information.

To conclude, it can be argued that the NGO sector in Kazakhstan is far from possessing financial sustainability and that implementing business principles is something that most organisations still neglect or do not have sufficient capacity. Government involvement and raising awareness can serve as ways to develop social entrepreneurship in the country.

3.3 Expert interview results

Aim

To assess the development of social entrepreneurship in Kazakhstan and analyze possible recommendations for further development

Methodology

17 open and close-ended questions were used in the interviews. Overall 8 organisations have participated in the interviews. Two more organization will be providing their responses in the near future. Overall 6 non-profit organizations and 2 social

enterprises were interviewed. They have been selected with regards to their engagement into initiatives related to social entrepreneurship. Phone calls and written responses were used to conduct interviews due to difference in availability and workload of the participants.

It has been found that the expert community has general understanding of what social entrepreneurship means and it is similar. Whereas the understanding of the main principles that define social entrepreneurship is identified to be different among interview participants. Such characteristics as “self-sufficiency”, “innovativeness” and “addressing social issue is more important than profit generation” have been selected by the majority of participants.

All interviewees agreed upon necessity of development of social entrepreneurship in Kazakhstan which arises from current state of non-profit sector development as well as existing social challenges. A number of barriers for its development in the country were mentioned alongside:

- Bureaucracy
- Legislation
- Lack of clear understanding of the concept (often misled by concepts of CSR or incorrectness in making money on people`s problems)
- Lack of political and legal support
- Weak informational support
- Lack of system for training and experience dissemination of social entrepreneurs
- Lack of understanding from government
- Low involvement of individual entrepreneurs into grant opportunities
- Overall misunderstanding and judgment of entrepreneurs within society (intolerance to failure was mentioned precisely as one of the biggest barriers)

Most of the interviewees highlighted that that prospects for further development are present in the country, but with low government support and lack of understanding of the phenomenon they are quite low. However, the experts still proposed ways how it can be further developed in the country, which were grouped into following measures:

- 1) Improve legislation
- 2) Raise awareness, training, experience exchange (internationally and locally)

With regards to the legal status, various forms were suggested including: hybrid, new form with tax reliefs. Some of the participants shared their future plans, such as

training courses, competitions, international experience exchange, round tables. It is also important to mention that only few respondents could identify differences between social entrepreneurship and business, government measures in social sector, charity. Only half of participants think that social entrepreneurship is the next stage of NGO development.

Interviewees unanimously highlighted that the cooperation between all stakeholders will bring positive change and the role of each of them cannot overestimated. Moreover, all of them see high importance of the development of social entrepreneurship in modern Kazakhstan.

4. Recommendations for further development

For the purpose of providing country level drivers fostering development of social entrepreneurship, the analysis of practices in such regions and countries as Middle East, India, Japan, South Korea, China, Hong Kong and Central Asia was conducted.

The following are the major drivers identified:

- 1) Difference in the focus of social entrepreneurship in developed and developing countries (value-added services vs. basic needs; dominance of the issues not addressed or poorly addressed by local governments);
- 2) Government support and overall emergence of “impact investment”, venture funds that invest in socially important initiatives;
- 3) Private-public partnership initiatives promoted by government, i.e. healthcare industry in India;
- 4) Despite the emerging practice, lack of legislation, such factors as active civil society resulted from certain political instability, cultural background in contributing to society development and decrease in grants may form internal drivers for searching more innovative ways and establishing more sustainable solutions (i.e. Egypt (islam.), South Korea (Confucian culture), cooperation with religious organisations);
- 5) In most cases social enterprises emerge from CSO`s, more raising awareness and collaboration among the sector considered to be key acts to foster development of social entrepreneurship;
- 6) Supporting organisations accelerate generation of new and support of existing social enterprises through training programmes, mentorship, incubation;
- 7) The more practice disseminated (examples of existing SE`s) the more it facilitates creation of new ones;
- 8) Special legislation (South Korea);
- 9) Transparency and seeing social entrepreneurs as real agents of change by community. This can be provided by government patronage, or other mentoring organisation which will increase the levels of trust among community;

10) Lack of business skills are one of main challenges within communities

5. Conclusion

The authors argue that existing understanding of social entrepreneurship is vague and brings wide range of misconceptions. With provision of clarification and real examples of existing practitioners can bring significant value to the understanding of the field and stimulus for further development and implementation by NGO and business sectors. Involvement of various stakeholders and including different forms of initiatives serving as drivers for social entrepreneurship development in the country is needed.

Further focus of the research will include formation of profiles of existing social entrepreneurs, development of course syllabus with case study to be used and taught at university and web-site, which will serve as database of social entrepreneurs and platform for sharing ideas.

Complete research finding will be organized and passed to policy makers.

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Framework for analysis of social entrepreneurs

1. Creative disruption (change existing equilibrium, innovative solutions to societal challenges)
2. Opportunity recognition
3. Value creation
4. Financial sustainability
5. Business model (innovative, i.e. hybrid, application of innovative strategies, etc.)
6. Impact/influence (success, effectiveness)
7. Scalability (the impact, the solution offered of scaled, or has high potential for scaling up)
8. Context (starting conditions, environment, historical development)

NGO survey results

	Question	Answers
	How easy/difficult for your organisation is it to find funding?	1) Quite difficult, fundraising skills are not developed – 45,5% 2) Difficult, but we are able to cope – 45,5% 3) Skills are present, organizational needs are fulfilled – 9% 4) Excellent competencies in fundraising for different funding sources – 0%
	Do you know about social entrepreneurship?	1) Yes, I know what is it – 65% 2) I have heard, but cannot precisely say what is it – 20% 3) No, I have never heard – 5% 4) Cannot say – 10%
	Would your organisation consider using business principles in its activities?	1) We have to reply solely on gifts and grants – 0% 2) We have to use only those opportunities related to our mission – 45% 3) We have to consider any business opportunity without using resources from our programmes – 15% 4) We have to use any business opportunity, which can provide profit – 40%
	What are the reasons for using/not using business principles in your activities?	1) The organisation receives sufficient amount of funding – 0% 2) Lack of business skills among staff – 45% 3) Contradicts with the mission of NGO – 20% 4) Have never thought about it – 35%
	In your opinion, what measures can be implemented to develop social entrepreneurship in Kazakhstan	Grouped by most frequent mention 1) Increasing capacity, experience exchange, access to information 2) Government support (infrastructure) 3) Funding 4) Involvement of businesses, ready business plans 5) Trust