

# *Innovative activity development of social entrepreneurs*

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**Abstract** — Social entrepreneurship, as a new institution in the economy of the state, is able not only to solve existing social problems, but also to develop innovative business activity aimed at improving the competitiveness of both individual organizations and the region as a whole. The article focuses on the study of innovative activity of social entrepreneurship as a complex phenomenon requiring a flexible and multi-criteria approach to the assessment of both individual parameters and the phenomenon as a whole. In the present study, the authors analyze modern approaches to the interpretation of the meaning and essence of social entrepreneurship; actualize the study of innovative activity as one of the criteria of social organization. On the basis of complex studies of environmental factors, the needs of potential consumers and internal resources of social entrepreneurs, the authors suggest the main directions for the development of innovation as well as the mechanisms of their implementation, taking into account the integration approach in the interaction of all institutions "state-society-business".

**Keywords** — *social entrepreneurship; innovation in economic activity.*

## I. INTRODUCTION

Discussions on the development indicators of individual countries and regions continue to develop, as it becomes clear that a narrowly focused assessment of only economic activity has ceased to be a priority. It has become clear that social and environmental development indicators need to be taken into account to ensure the quality of government decisions on inclusive growth strategies. In the last five years, the SPI (The Social Progress Index) indicator is calculated in the world practice, which allows determining the relationship between social progress and economic development. According to the organization Social Progress Imperative, in 2018 Russia is in the third group of countries with the index SPF - 70,16, being close to countries such as Ecuador and Peru [1].

The presented results of the monitoring are more indicative of the initial level of attention to social problems and the possibilities of their solution by new economic instruments, among which social entrepreneurship has recently been singled out. In 2016, the International Agency Thomson Reuters Foundation presented a ranking of the countries with the most favorable conditions for social entrepreneurship, where Russia took only 31 place among the 44 countries with the most developed economies, but the second place in women's social entrepreneurship [2].

The author's study additionally takes into account regional peculiarities in the development of this public institution, focuses on the need for an integral study of the phenomenon of social entrepreneurship from the perspective of entrepreneurs, the needs of potential customers and stakeholders. In our opinion, the relationship between economic and social-oriented formation of this type of business is possible only on the basis of increased innovation activity, which implies a serious adjustment of the mechanisms of its provision at different levels of management.

The growing interest in social innovation is justified by the opportunities arising from new types of technological innovation to solve social problems that transform the way members of society interact and create a new global infrastructure. In this case, social entrepreneurs can also act as coordinators of new social practices.

## II. LITERATURE REVIEW

Scientific researches in the field of social entrepreneurship have been actively conducted for the last twenty years, and have proved the importance of its development in terms of effective provision of a wide range of social services, serious assistance to the state in solving a number of social problems.

In the study of the concept of social entrepreneurship, several approaches are clearly distinguished. According to

earlier studies by J. Mair and I. Marty [3], scientists perceive this term quite differently. So, one group of scientists including J. Austin, H. Stevenson, J. Wei-Skillern [4] and J. Boschee [5] definite social entrepreneurship as non-profit initiatives in search of alternative financing strategies, or management schemes to create social value. Another group of researchers such as S. Sagawa, E. Segal [6] and A.S. Waddock [7] understands social entrepreneurship as a socially responsible practice of commercial business engaged in cross-sector partnerships. A third group of researchers including S. Alvord, D. Brown, C. Letts [8] and Ashoka [9] as well as experts of Fund "Our future" [10] believe that social entrepreneurship is a means of solving social problems, and a catalyst for social transformation.

In our opinion, one of the most serious recent works on the terminological basis was carried out by scientists Avila RC, Campos JLM [11], who demonstrated several conceptual waves in the study of social entrepreneurship and the phenomenon of social economy. They also concluded that all the definitions are at the initial stage of institutionalization, and require serious detail elaboration for use in official legislative documents.

The analysis of development of innovative activity of social entrepreneurs is mostly considered in the works of foreign experts. T. Ramus, B. La Cara and others [12] investigated the impact of internal and external stakeholders on the innovative strategy of social enterprise. R Grimm [13] analyzed the use of social innovation in various academic and political discourses. M. Fougere, B. Segercrantz, and H. Seeck presented a critical look at the formation of the European policy in social innovation. They claim that in order to perceive social innovation as the result of replication of best practices, it is necessary to understand social innovation as suitable for solving specific social problems in specific contexts, rather than government spending cuts [14].

In general, the literature review shows the lack of research in the field of evaluation of innovative activity of social entrepreneurs. Based on this, we consider the most appropriate to use the previously worked out fundamental base of formation and measurement of innovative activity of different industry enterprises in the works of such Russian scientists as M.L. Novozhilova [15], O.V. Navoeva [16], A.I. Balashova [17], V.N. Gunina [18].

The scientific novelty of the research results consists in the consideration of social entrepreneurship as a new institution in the economy of the state able not only to solve existing social problems, but also to develop innovative activity, which allows expanding the possibilities of economic activity of the region. Social innovation processes can contribute to social and territorial cohesion, qualitative development of individual municipalities.

### III. RESEARCH METHODOLOGY

The research methodology is based on the integrated approach in the study of several aspects of the activities within the same concept and on the principle of determinism, aimed at the need to take into account the influence of different factors.

Based on these principles, the study was based on the triangulation method, involving a combination of several types

of research to expand the possibility of obtaining information and to provide a high level of reliability of the results. The main emphasis is made on the features of regional development of social entrepreneurship in KhMAO-Yugra, which initially limited the research angle.

The main hypothesis of the study is the need to activate both internal resources and external targeted impact of the state and of different groups of stakeholders, which will ensure the increase of innovation activity.

Innovative processes within the framework of the conducted research were understood as purposeful changes in all spheres of entrepreneurial activity [19], corresponding to the chosen direction of business development, the recorded results of the planned changes and the developed mechanisms for their implementation. Thus, all the main aspects of the functioning of social entrepreneurs aimed at improving the competitiveness of both individual enterprises and the region as a whole were considered from an innovative angle [20].

Preliminary qualitative information was obtained through a facilitation session with a group of social entrepreneurs and through the participation in the regional strategic session on the formation of a service model for the development of small and medium-sized businesses in the region (section social entrepreneurship) which took place in 2018 in Khanty-Mansiysk.

The external factors that determine the increase of innovation activity are considered on the basis of the analysis of opportunities and threats of the external environment by the TEMPLATES method - analysis and on-line survey of potential consumers of goods and services of social entrepreneurs in the region. The sample size of the on-line survey was 325 respondents with diverse socio-demographic characteristics.

The internal factors that determine the activity of social entrepreneurs are analyzed on the basis of a personal survey, with the preliminary development of the study guide. 67 socially-oriented entrepreneurs took part in the survey. Characteristics of respondents by sex and age composition, level of education, and the period of employment business is as follows: 55% of women and 45% of men; 7.1% have secondary and secondary vocational education 92.9% have higher education, of which 42.9% have a second higher education and 28.6% studied at the School of social entrepreneur; operate in business activities from 5-10 years - 42.9%, more than 10 years - 14.3%, 3-5 years - 21.4%, less than three years - 21.4%.

In addition, the method of comparative analysis was used to compare the results of regional and national surveys on individual issues.

### IV. RESEARCH RESULTS

Discussions during the regional strategic session of the main barriers to the development of regional social entrepreneurship, allowed to identify the following key groups of factors:

- economic and legal (lack of a single legal framework, uncertainty of economic feasibility in the development of the region, the weak interest of all parties);

- administrative (financial restrictions, high level of regulation, a large number of intermediaries between sources of financing and entrepreneurs);
- market (insufficient information of the target audience, decrease in the level of population solvency);
- methodological (lack of quality theoretical and methodological framework in the field of social entrepreneurship, which prevents the formation of the legal framework).

Limiting factors, even taking into account the regional specifics, generally reflect the global problems in the development of social entrepreneurship, which were reflected in our earlier article [21]. Weak innovation activity and lack of experience in scaling up the business call into question the entrepreneurial component and focus on profit, and therefore the need for constant changes in accordance with the requirements of the market. In accordance with this, social entrepreneurs are aware of their role in solving social problems, but they see active functioning only in the conditions of effective economic activity.

The analysis of the answers of respondents from the number of social entrepreneurs to the question "Do you consider your company innovative-oriented" showed that only 7.1% of them refer to the group of innovative enterprises, 57.1% - to the group of partially innovative-oriented enterprises, 28 % - do not consider themselves innovative enterprises. The results reflect the low psychological readiness of social entrepreneurs to use innovative solutions in their enterprises. In general, it can be considered that only 7.1% of respondents included in the sample as active innovators are such, and the rest are a reserve for further active involvement in innovation processes and require special support for the transition to a new quality.

After analyzing the answers to the question of assessing the prospects for the development of innovative activity in organizations, it can be concluded that only 10% highly appreciate the prospects of their innovative development

The main obstacles were the lack of knowledge and qualified personnel, lack of time and organizational complexity of introduction of innovations. The greatest internal potential in increasing innovation activity was identified on the basis of five main areas, which are shown in figure 1.

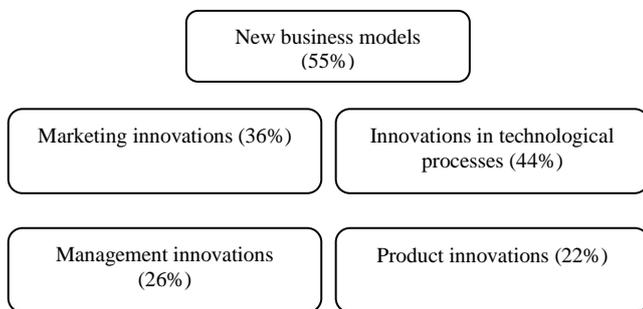


Fig. 1. Potential areas for innovation development

Conceptual changes reflected in the formation of new business models, according to entrepreneurs, to a greater extent allow reaching a qualitative level of work in market conditions. Many entrepreneurs also noted their willingness to

integrate and form partnerships to address issues of innovation activity.

The interpretation of the research results regarding the potential demand for the products of social entrepreneurs shows its high level. The comparative analysis of the all-Russian and regional studies (table 1) allows us to speak not only about the interest in these products, but also about the increased value for consumers and the willingness to pay a significant price premium for social significance and involvement in solving a number of problems.

TABLE I. COMPARATIVE ANALYSIS OF THE CONSUMERS' WILLINGNESS TO BUY PRODUCTS LABELLED "PRODUCTS OF SOCIAL ENTREPRENEURSHIP»

Answer choice	Results of the all-Russian study, %	Results of research in KhMAO-Ugra, %
Only if the goods are of better quality	37	31
Yes, even if they are more expensive! It's nice to know you're helping	44	38
No, not ready	3	12
I am not familiar with such products and such a label	16	19

The opinions of potential consumers regarding the novelty of social services and products reflected the need for innovation, as they believe that an individual approach (35% of respondents) and modern technologies (41%) in solving social problems are necessary.

In conducting the study, it was important to understand how consumers themselves, often the most interested in providing social assistance, tend to participate in the development of innovative ideas. According to the research results, buyers are ready to participate in the development of innovative ideas in case of personal interest (24%) and provided that their opinion can really be competent (51%). This allows us to consider the processes of co-creation with consumers as an attractive tool to ensure the growth of innovative activity.

In general, it should be noted that the regional specifics reflect the general situation of the development of social entrepreneurship in the country as a whole. This requires ensuring unity in the development of mechanisms aimed at increasing innovation activity, both at the state and regional levels.

## V. CONCLUSIONS

Innovative activity of social entrepreneurship is a complex phenomenon which requires a flexible and multi-criteria approach to the assessment of its individual parameters, and the phenomenon as a whole.

According to the results of our research, the possibilities and threats of development of innovative activity of social entrepreneurs were identified, taking into account certain features of the region, the main factors affecting this process were identified; the motives of social entrepreneurs in increasing innovation activity were revealed; the directions of innovative activity were determined.

Based on the results of complex studies, we have proposed the main directions and mechanisms that allow the most effective use of all processes in solving this problem.

TABLE II. DIRECTIONS AND MECHANISMS OF INCREASING INNOVATION ACTIVITY OF SOCIAL ENTREPRENEURS

№	Directions	Mechanisms
1	Entrepreneurs' internal resources	Formation of a team of innovation-oriented personnel, systematic introduction of innovations in different activities, the search for new business models and segment niches
2	State programs	Development of state programs to support innovative activities of social entrepreneurs
3	Partnership interaction	Formation of regional innovation clusters of social entrepreneurs
4	Interaction with social institutions (universities, intellectual volunteers)	Development of marketing and financial-oriented training programs, information and consulting support, assistance in the development of ideas and implementation programs, creation and support of intellectual volunteer sites (especially in the field of IT)
5	Co-creation with consumers	Organization of online platforms to collect new ideas from consumers

At the moment, the key mechanisms are presented that allow even without state support programs to ensure greater interest of social entrepreneurs in the cost-effective development of their business by increasing innovation activity.

## VI. DISCUSSION OF RESULTS

The General analysis of the situation and the conducted research clearly prove that a huge barrier for further research is still the inconsistency of the definition of "social entrepreneurship", the lack of methodological developments to assess the potential of innovative activity of social entrepreneurs and the mechanisms for their increase, which led to the relevance of the chosen research topic.

However, it is already clear that social entrepreneurs combine innovative views, opportunities and resources at their disposal to transform various spheres of activity in the economy of the region with the unity of interaction of all institutions "state-society-business".

The presented recommendations allow forming a unified system of measures in the field of support of social entrepreneurship and development of innovative activity.

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