THE POTENTIAL OF LOCAL BUSINESS INVOLVEMENT AS A DETERMINANT OF SOCIAL ENTREPRENEURSHIP DEVELOPMENT IN THE PROCESS OF VETERANS' REINTEGRATION

Anna Verbytska¹, Hanna Dyvnych², Olena Petryk³

Abstract. The purpose of the article is to propose an approach to analysing the potential of involving local business as a determinant of social entrepreneurship development in the process of reintegration of veterans. Methodology. The survey is based on the results of an online questionnaire on the current state and needs of business in Chernihiv Oblast in the post-occupation period. The questionnaire contained questions in which respondents could describe business needs, expected support from local governments, and identify favourable and unfavourable factors for the development of the business environment at the regional level. The second part of the empirical research included personal in-depth expert interviews with key informants from business, local government, NGOs and donor initiatives to study the recovery needs of key micro-, small- and medium-sized business sectors in the de-occupied cities of Chernihiv Oblast. The survey results revealed the needs of businesses in the post-occupation period. Despite the fact that the surveyed entrepreneurs note a decrease in income, they are still optimistic about doing business in Chernihiv in the near future. According to the survey, the main factors hindering business development in Chernihiv Oblast are: low solvency of buyers; insufficient financial resources; bureaucratic obstacles; and changes in market conditions. The factors that hinder the development of Chernihiv Oblast are identified: unfavourable conditions for the development of entrepreneurship in the region; lack of external investment in the region; political situation at the local level; unemployment in the region; insufficient level of public initiative and activity of residents. Based on the results of in-depth interviews, it is possible to assess the potential of local businesses in the context of their involvement in the development of social entrepreneurship with a focus on veteran businesses. Despite all the difficulties and problems, the trend towards business recovery in the de-occupation period is positive, based on the desire of entrepreneurs to work in the Chernihiv Oblast. The city has active and influential NGOs that are ready to act in the interests of the community. Currently, donor initiatives in the region are just beginning. Practical implications. Based on a study of the reintegration needs and problems of servicemen, veterans and their family members in starting their own business and an analysis of the local business environment, recommendations are made on the role of business in the development of social entrepreneurship of veterans as a tool for their reintegration. Value/originality. The research demonstrates an approach to determining the potential of business in its involvement in the development of social entrepreneurship as a tool for reintegrating veterans at the local level.

Key words: social entrepreneurship, veteran business, reintegration, stakeholder engagement.

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¹ Chernihiv Polytechnic National University, Ukraine (corresponding author)
E-mail: anna.verbytska@stu.cn.ua
ORCID: https://orcid.org/0000-0001-7805-1412
ResearcherID: U-8619-2019

² Chernihiv Polytechnic National University, Ukraine
E-mail: a.dyvnych@stu.cn.ua
ORCID: https://orcid.org/0000-0003-4240-5391
ResearcherID: R-1613-2016

³ Chernihiv Polytechnic National University, Ukraine
E-mail: elena_petrik@ukr.net
ORCID: https://orcid.org/0000-0002-9365-7823
ResearcherID: B-5340-2017
1. Introduction

The dominant factor in the development of social entrepreneurship is the social challenges, which force to look for effective and quick solutions to social problems through an entrepreneurial approach. In Ukraine, under modern conditions, the role of business in meeting the needs of society cannot be doubted. With the growth of social problems, new challenges arise for companies that adhere to traditional business practices based on business models aimed at maximising revenues and economic profits. In times of global crisis, there is a general tendency for an increase in the number of companies incorporating social responsibility into their activities.

Social enterprises are often seen as structures in which there is a delicate balance between fulfilling the social mission and meeting the demands of the market (Santos et al., 2015). Despite the awareness of the social impact and value that social enterprises create in society, research shows that social enterprises are at risk of internal tensions between social and economic goals, which is also the reason why they struggle to achieve financial sustainability (Schaltegger et al., 2012). Cooperation between public and private entities is important for social enterprises to be successful in implementing a social initiative (Grassl, 2012).

Foreign studies show that business advisory support is important for social enterprises and plays a key role in bringing stakeholders together in the process of creating shared value. However, to strengthen the role of business in the development of social entrepreneurship, additional knowledge and government policies are needed to ensure that social entrepreneurs are prioritised in the process of receiving advisory support (Dalborg, 2020).

After the full-scale invasion, many Ukrainian citizens joined the volunteer movement and implemented social initiatives to develop their communities. On the wave of civic activity in modern Ukrainian society, there is potential for the creation of social enterprises as a new form of interaction between business, the state and the community, and as a powerful tool for reintegration. Today, local residents, IDPs, veterans and military families are ready to participate in new business projects with social impact to improve life in their communities. The best model for such interaction is the creation of social enterprises.

The activity of social enterprises is a specific response of the community to a social problem that is urgent and a priority. In the conditions of a full-scale war, it is necessary not only to develop models of economic recovery, but also to develop reintegration programmes for vulnerable groups, in particular for veterans and their family members. This study builds on the authors’ previous research into social entrepreneurship as a tool for reintegration. The process of reintegration of military personnel, veterans and their family members is a particular challenge for most post-conflict societies, both at national and community level: social insecurity persists and the economy remains at an insufficient level of development. In the context of the challenges of reintegrating military personnel, veterans and their family members, the development of social entrepreneurship is becoming increasingly important in Ukraine.

The relevance of social entrepreneurship development in Ukraine is growing in the context of reintegration of military personnel and veterans, as a full-scale war is accompanied by numerous social and economic problems. Under these conditions, social entrepreneurship can create a favourable business environment and support the active civic position of its participants, which will ensure a more effective way out of the crisis and help in the reintegration of veterans. Vulnerable populations can become a valuable resource for social entrepreneurs in the context of being part of a team to implement the business, and the proceeds from entrepreneurial activities can provide funding for many social problems that lack state and donor resources (Petryk, 2022). The peculiarity of social entrepreneurship as a factor determining the reintegration of servicemen, ATO/JFO veterans and members of their families is the stability of its influence (Nahorna, Maksom, 2022).

Veterans’ entrepreneurship is an important tool for their socio-economic reintegration. An important prerequisite for promoting the entrepreneurial initiative of veterans is the implementation of comprehensive tools for the development of small- and medium-sized enterprises. The consistent development and implementation of strategies and roadmaps for the development of veterans’ businesses at the regional level will help veterans to start their own business (Verbytska, 2021). Support for the development of social entrepreneurship in Ukraine for servicemen, veterans and their family members as a way of their reintegration depends on established interdisciplinary cooperation of key partners: state authorities and local self-government bodies, enterprises, mass media, educational institutions, public organisations (Petryk, 2023).

2. Veteran Social Business as a Tool for Reintegration into Civilian Life

The research was carried out by the Central Project Management Agency (CPVA) as part of the EU co-funded “EU4Youth Phase III Youth Employment and Entrepreneurship” programme. Commissioned by CPVA, the study, entitled “Returning from the War” and conducted from January to May 2023 by
experts from the research institution, NDC "Institute of Family and Youth Policy named after Oleksandr Yaremenko", delves into the challenges experienced by young veterans and ex-combatants in Ukraine. One of the ways in which veterans adapt to peaceful life and employment opportunities is by starting their own business or becoming self-employed. According to the results of the survey of veterans, the majority of respondents who were discharged and returned from the combat zone (73.2%) do not intend to start their own business. At the same time, one in seven (14.4%) said they wanted to start their own business. In general, according to the vast majority of veterans who took part in the survey (88.9%), the biggest obstacle to starting their own business today is the war itself. One in five respondents cited the following reasons, which are more characteristic of entrepreneurs themselves, as obstacles: lack of necessary knowledge (20.6%), lack of experience (19.9%), lack of confidence in their own abilities (18%). In the context of the research, it is also important to analyse the results of the survey of employment services providers. For example, one third of the employment services providers surveyed do not deal with issues related to starting one’s own business (32.7%). Slightly less than half (39.6%) provide information on available opportunities in this area. Almost one in five respondents indicated that their organisation provides consultations on social entrepreneurship (19.8%) (Tilkina, Yatsura, 2023).

According to an online survey conducted by the Ukrainian Veterans Foundation, the vast majority of respondents, 63.6%, would like to start their own business or enterprise; 6.2% already have their own business. When asked "What kind of support do you need most right now?", one third of military respondents said they needed financial support (33%). Other urgent needs include family support (19%), psychological support (18.3%), information (11.9%) and legal support (10%). And in the future, according to respondents, they will need help in the following areas: improving health (58%), housing (48.8%), employment (34.1%), education (new knowledge) (30.2%), investment in their own business (26.3%), family support (23.3%) and reintegration (11.3%) (Kirilova, Žnoviak, Kazanska, 2023).

The results of recent sociological studies in Ukraine show very low rates of veteran participation in entrepreneurship and no positive changes in this situation. Although many veterans would like to start a business, factors such as ongoing hostilities, limited capital, limited access to credit and bureaucratic obstacles, personal barriers (lack of knowledge and skills) hinder their entrepreneurial intentions.

Most often, veteran social enterprises operate within small businesses. The activity of small businesses is the basis for the formation of a stable economic state of Ukraine. Thanks to the ability to quickly adapt to changes in market demand and needs, small businesses are able to offer a unique product or service that will be relevant during these changes. Therefore, it is not wrong to analyse the general state and prospects of small- and medium-sized businesses (hereinafter – SMEs) in Ukraine.

According to a study conducted within the framework of the Ukrainian Economic Recovery Initiative implemented by the Innovation Development Centre, Advanter Group, the Entrepreneurship and Export Development Office, the National Project Dia. Business with the support of the Ministry of Digital Transformation, the Ministry of Economy, the Ministry of Finance, the Ministry of Regional Development, and the Coalition of Business Communities for the Modernisation of Ukraine, the Ukrainian Business Index (UBI) as of August 2023 is 38.23 (out of 100). The index has slightly increased compared to June 2023 (35.34) and the local minimum of September 2022 (33.9). This increase in the index continues to reflect business fatigue from uncertainty and a desire to consolidate rather than an improvement in the economic situation: the number of orders from customers remains unchanged, but production volumes are growing, and demand for labour is gradually recovering. The unpredictability of the situation in Ukraine and in the domestic market is the biggest obstacle to business recovery (56.2%). Unpredictable government actions that could worsen the business situation are in second place (47.7%). The lack of financial resources in the country is also important, namely the insolvency of clients (47.6%), the unavailability of credit funds and equity capital, etc. Businesses also face significant problems in their interaction with the authorities: 49.9% of enterprises faced the problem of tax invoices being blocked; 67.3% of SMEs faced obstacles from government agencies. 87% of entrepreneurs continue to help the Armed Forces and implement humanitarian projects (Center for Innovations Development, 2023).

Capacity building of local territorial communities and legislative framework for the development of social entrepreneurship on the principles of public-private partnership will help to solve the existing problems in the Ukrainian economy and society. Involvement of veterans as founders of social enterprises is one of the prospects of post-war recovery of Ukraine (Dyvnych, 2023).

3. Survey Methodology
The study consisted of desk research and empirical parts. The desk study included an analysis of the results of sociological surveys: a nationwide survey conducted by the Rating Sociological Group "Image
of Veterans in Ukrainian Society”; an online survey conducted by the Ukrainian Veterans Foundation among veterans and active military personnel "Needs of Veterans”; and focus group studies among female and male veterans conducted by the Ukrainian Veterans Foundation.

The empirical part of the study included an online survey (questionnaire) on the current state and needs of business in Chernihiv Oblast in the post-occupation period. Number of respondents: 64 people. The questionnaire contained closed and open-ended questions, where respondents could describe business needs, expected support from local authorities, and identify favourable and unfavourable factors for the development of the business environment at the regional level.

The second part of the empirical research included personal in-depth expert interviews with key informants from business, local government, NGOs and donor initiatives to study the recovery needs of key micro-, small- and medium-sized business sectors in the de-occupied cities of Chernihiv Oblast. Number of respondents: 57 people. For semi-structured interviews with different groups (local governments, representatives of micro-, small- and medium-sized businesses, NGOs), separate lists of questions and corresponding briefs to the lists of questions were developed.

4. Findings

The Regional Development Agency of Chernihiv Oblast conducted a survey on the current state and business needs of local businesses in Chernihiv Oblast (from Chernihiv and local hromadas), which was attended by 64 entrepreneurs. The characteristics of the respondents are as follows: 65% of respondents are business representatives in the city of Chernihiv, 35% are entrepreneurs from territorial communities, respectively; by organisational and legal form, 72% are individual entrepreneurs (IEs), 13% are private enterprises, and 16% are other forms. Among the surveyed enterprises, 17% were founded after 24 February 2022.

The survey demonstrates the needs of businesses in the post-occupation period. According to the survey, 42% of the surveyed entrepreneurs reported a decrease in income by more than 30% (Figure 1). However, entrepreneurs are optimistic: more than half of respondents (61%) expect growth in 2023; 50% of respondents said they plan to invest in increasing production (services); 89% said they do not plan to relocate their business activities. 12% of the surveyed companies that indicated that they plan to relocate named the risk of another attack on the territory of Chernihiv Oblast as the reason for their relocation. Almost all respondents (80%) said that they depend on power blackouts. The vast majority of respondents said they had never tried to get grant support for their business, 17% had applied for and received grant aid, and 17% had also applied for but not received it.

According to the survey, the main factors that, in the opinion of the surveyed entrepreneurs, hinder business development in Chernihiv Oblast are the following:
1) Low solvency of buyers;
2) insufficient financial resources;
3) bureaucratic obstacles;
4) changes in the market situation.

It was also important to study the opinion of local SMEs on the factors that hinder the development of Chernihiv Oblast, which, according to the respondents, are as follows:

![Figure 1. Changes in business income in Chernihiv Oblast after 24 February 2022](source: according to the survey results of the Regional Development Agency of Chernihiv Region)
1) Unfavourable conditions for business development in the region;
2) lack of foreign investment in the region;
3) political situation at the local level;
4) unemployment rate in the region;
5) insufficient level of public initiative and activity of residents.

Local businesses generally do not expect support from the local authorities, do not expect any support (31% of responses) or expect financial assistance (30% of respondents).

The distribution of local entrepreneurs' assessment of Chernihiv Oblast as a place to do business on a 5-point scale (where 5 is the highest score and 1 is the lowest) is shown in Figure 2. The respondents' answers show that, in general, entrepreneurs assess the region's business potential as satisfactory (average).

The second part of the empirical research involved in-depth expert interviews with key informants from business, local government, NGOs and donor initiatives in Chernihiv Oblast. The purpose of the interviews was to study the current needs and challenges of recovery from de-occupation of micro-, small- and medium-sized businesses in Chernihiv Oblast. There were 57 respondents interviewed, including 28 representatives of micro-, small- and medium-sized enterprises (MSMEs), 11 representatives of local governments, 14 representatives of non-governmental organisations (NGOs), and 3 representatives of international donor organisations (IDOs).

Below is a summary of the identified needs of local businesses, based on interviews with key informants from the business community:

– The need for technology and equipment. Entrepreneurs rebuilt the affected businesses on their own. The instability of the economic situation in the country and the region creates challenges for small- and medium-sized businesses. These include changes in legislation, tax pressures, the cost of raw materials and inflation. Limited financial resources, difficulties in obtaining credit or investment pose a risk to small- and medium-sized enterprises, making it impossible to expand production. The lack of sufficient capital makes it difficult for businesses to develop and grow. The equipment will make it possible to introduce new product lines, increase sales volumes and prevent losses during periods of active hostilities and power outages. Financial support is therefore important: providing access to financial resources through loans, grants or financial support programmes to stimulate the development of small- and medium-sized enterprises. This could include reducing tax rates, creating special funds or guarantee schemes to attract capital.

– The need for information and training on new technologies and new markets. Competition is a major obstacle for small- and medium-sized enterprises, especially in a saturated market. It is difficult to compete with large companies and to attract customers. There is an urgent need to enter new foreign markets. Therefore, the direction of training and consultancy is important: providing access to educational programmes, training, seminars and consultancy on issues of business management, finance, marketing, regulatory environment, etc. This will help entrepreneurs to acquire the necessary skills and knowledge to manage their businesses effectively.

– Access to skilled workers, insufficient education or lack of specialists (as men are mobilised, there is a need for technicians to repair equipment or machinery;
women with specialist education are displaced by full-scale invasion, and this risk persists in the event of a repeat invasion) is a risk for SMEs. The lack of skilled labour affects the productivity of the enterprise.

– Regulatory workload. The complexity and volume of regulation is a challenge for small- and medium-sized businesses. High administrative burden, bureaucracy and unpredictability of the regulatory environment limit the development of entrepreneurship.

In terms of support for vulnerable groups and social impact, the main findings of the study and the opinions of individual respondents are presented below.

Chernihiv Regional SME Development Programme for 2021–2027, which, among other things, provides for financial, credit, information and advisory support for small- and medium-sized businesses: holding seminars, workshops, training and other information and consulting events for business entities and persons intending to start their own business, including combatants, persons with disabilities as a result of war and their families, internally displaced persons and other representatives of vulnerable groups in the labour market.

"Associations and representatives of civil society institutions in the region are actively involved in establishing a permanent dialogue between the authorities and business circles through meetings at the regional state administration’s advisory bodies to discuss the current problems faced by entrepreneurs in their business activities. Entrepreneurs’ associations provide assistance in finding grant programmes, donors, and new logistical connections." (Director of the Department of Economic Development of the Chernihiv Regional State Administration, stakeholder group – LSG)

The Regional Development Agency of Chernihiv Region helps to inform vulnerable categories of citizens about the opportunities available for start-up and development. Consultations are being held on obtaining grants for starting a business for all categories of citizens, including vulnerable people, including veterans. The project "Research of social entrepreneurship in communities of Chernihiv Oblast" is being implemented. The target audience of the initiative is internally displaced persons, veterans and their families.

"Today, there is no veterans' hub in Chernihiv. Such a hub would help develop veteran-owned businesses in the region. The creation of social enterprises can help integrate vulnerable groups into supply chains. Social enterprises combine business activities with a social mission aimed at supporting and empowering vulnerable groups. They can also be veteran-owned enterprises." (Director of the Regional Development Agency of Chernihiv Oblast, NGO stakeholder group)

"Veterans need to be taught how to set up a business, there are great prospects in veteran businesses, so they need to be supported and encouraged." (Coordinator of "Chernihiv.IT" stakeholder group – NGO)

In general, the results of the in-depth interviews allow to assess the potential of local businesses in the context of their involvement in the development of social entrepreneurship with a focus on veteran businesses. Thus, despite all the difficulties and problems, the trend towards business recovery during the de-occupation period was positive, based on the willingness of entrepreneurs to work in Chernihiv Oblast: during active hostilities in March 2022, only 15% of enterprises were operating; in April 2022, about 25%. As of June 2022, about 40-50% of industrial enterprises had resumed operations. However, even as of June 2022, most enterprises were not operating at full capacity. The sectors studied (construction, industry, renewable energy, fruit and vegetable growing, and beekeeping) are in need of grant support, but it should be borne in mind that 1.5 years have passed since 24 February 2022, and, of course, minor damage to businesses has already been repaired. The first difficulties and challenges of recovery have already been overcome with the help of loans and own resources. It can be stated that all enterprises of the city suffered losses due to the period of "downtime" during the active hostilities. Therefore, local entrepreneurs now need to stabilise their businesses, introduce new technologies, and install additional equipment, which will lead to more jobs. That is, the focus should not be on basic urgent needs (these needs have largely been met), but on strategic dynamic development, expansion of operations, and exports.

Non-governmental organisations have the potential to address social needs and perform important civic tasks. NGOs have a significant impact on public life. They carry out activities that ensure the development of social infrastructure in the regions (Revko, Verbytska, 2019).

Respondents from the civic activist community noted that the local authorities do not make efforts to develop social infrastructure and promote the city as a business destination. Despite all the challenges, the city has active and influential NGOs that are ready to act in the interests of the community. It is worth noting that IT entrepreneurs do not believe in the effectiveness of grant aid for their sector. The city and the region were not targeted by donors before the full-scale invasion, so donor initiatives in the region are only just beginning.

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5. Conclusions

In modern conditions, social stability of society is achieved as a result of effective and systematic interaction between the government, business and community. Social entrepreneurship is one of the modern tools of such interaction, proven by international practice. Social entrepreneurship as a way of further professional self-realisation of military personnel, veterans and their families is seen as an effective tool for their social reintegration.

The research demonstrates an approach to determining the potential of business in its involvement in the development of social entrepreneurship as a tool for reintegrating veterans at the local level. The study of the reintegration needs and problems of military personnel, veterans and their family members in terms of starting their own business and the analysis of the local business environment provide grounds for formulating recommendations on the role of business in the development of social entrepreneurship of veterans as a tool for their reintegration. The following should be implemented:

– To introduce programmes at the national and regional levels to assist veterans in preparing business plans and identifying social impact, followed by grants for starting social enterprises, participation in various events (trainings, courses, business simulations) related to starting a social business, and development of social and entrepreneurial skills;
– to introduce mentoring programmes for veteran entrepreneurs from successful entrepreneurs to jointly implement veteran projects;
– to exempt or reduce tax fees for social enterprises owned by veterans and for veteran entrepreneurs;
– to ensure that social enterprises and veteran entrepreneurs have greater access to government contracts and public procurement, as well as the involvement of veteran businesses as contractors and subcontractors for public procurement;
– to create a network of social entrepreneurship centres for veterans, combatants and their families with the involvement of business and the public sector to provide quality mentoring for entrepreneurs;
– to spread the successful cases of veteran social entrepreneurs through public events and communication activities (forums, lectures, podcasts, information campaigns among those who are in military service, treatment, rehabilitation, as well as veterans and disabled veterans and their families).

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