

SOCIAL ENTREPRENEURSHIP IN WAR CONDITIONS

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INTRODUCTION

The development of a modern civilised society is based on the concept of sustainable development, which is not only theoretically grounded but also reflected in a number of legislative documents that allow for its practical implementation. This concept is the basis for the development of social policies in economically developed countries that demonstrate a high standard of living.

The concept of sustainable development is based on human centricity, but at the same time focuses on ensuring equal access to various benefits for all segments of the population, overcoming poverty and increasing prosperity. This concept is a powerful response to the current problems of mankind: environmental degradation, growing social and economic inequality, etc.

Among the most effective tools for implementing this concept is social entrepreneurship, which, on the one hand, operates on classical market principles of business and is guided by the principles of economic efficiency, and on the other hand, fulfils a social mission and implements it on a systemic basis, becoming a conductor of important socio-economic transformations in society. While in developed countries social entrepreneurship is a widespread economic phenomenon, in Ukraine it is still in its early stages. There is a widespread belief that social entrepreneurship is exclusively about non-profit activities, charity or volunteering. However, in contrast, we note that, like any other type of entrepreneurship, social entrepreneurship involves making a profit, which is an attribute of classical business, but it also solves important social problems.

The special role of social entrepreneurship is that it becomes an extremely important tool when the state is unable to fully resolve social problems due to the significant demand from society. That is why the relevance of its development for our country is crucial in the context of war and post-war recovery.

1. Social entrepreneurship: nature, types and features

The social component of stable development is human-centered and aims to preserve the stability of social and cultural systems, including reducing the number of destructive conflicts between people. An important aspect of this approach is the fair distribution of wealth, preservation of culture and diversity on a global scale, ensuring pluralism, etc.

In terms of ecology, sustainable development should ensure the integrity of biological and physical natural systems, preservation of habitats, and biological diversity.

Combining these three components and coordinating their balanced development in practice is quite a challenge and requires the development of effective implementation tools. In our opinion, the most relevant response to addressing the challenges of sustainable development is the development of social entrepreneurship.

Social entrepreneurship in its most general form is understood as a business with a social purpose, created to improve the lives of other people. The goal of such a business is not limited to the founder's financial benefit, it is to create social value for the community or society as a whole and to overcome a socially significant problem¹.

Given that social enterprise is not defined as a legal term in legislation, its interpretation is sometimes vague and there is a debate about which enterprises can be considered social ones. The analysis of various sources allowed us to formulate the fundamental differences between commercial and social enterprises and the transformation vector of a "commercial" enterprise into a "social" one (Figure 1.1).



Figure 1.1. Transformation of a commercial enterprise into a social enterprise

*Source: compiled by the author according to*²

¹ Social entrepreneurship differs from ordinary entrepreneurship in terms of what to do with the profit. Available at: <https://apostrophe.ua/ua/article/business/2021-06-15/sotsialnoe-predpriyatie-otlichaetsya-ot-obychnogo-otvetom-na-vopros-cto-delat-s-dohodami/40200>

² Development of social entrepreneurship in Ukraine and its role in the Donbas reintegration. Available at: https://niss.gov.ua/sites/default/files/2019-01/111Zapiska-Hodgson-Sots-p_dpri_mnitsvo-zatverdzhene-4cef0.pdf

Thus, the implementation of charitable activities by an enterprise or the implementation of corporate social responsibility (CSR) principles in its activities does not turn a commercial enterprise into a social enterprise. The main difference of a social enterprise is:

- 1) a non-commercial goal defined in the statute, i.e. solving a certain socially significant problem;
- 2) directing resources and activities to solve it.

In general, a social enterprise can be characterized by the following main features (Figure 1.2).

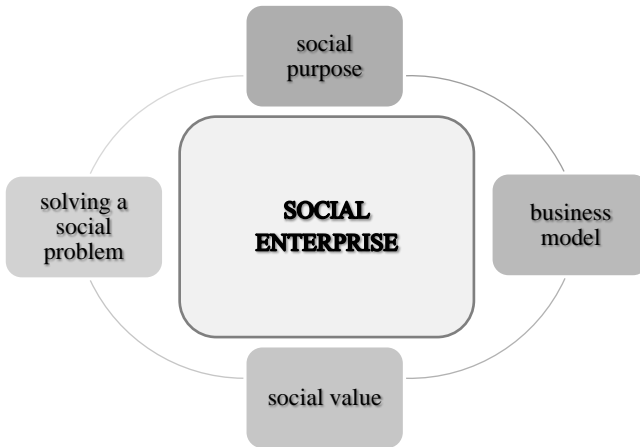


Figure 1.2. Features of a social enterprise

Source: compiled according to ^{3 4 5}

Depending on the focus and value orientations of the owners of a social enterprise, the following types can be distinguished (Table 1.1).

³ Corbett J., & Montgomery A. W. Environmental entrepreneurship and interorganizational arrangements: A model of social-benefit market creation. *Strategic Entrepreneurship Journal*. 2017. 11(4), 422–440.

⁴ Astebro T., & Hoos F. Impact measurement based on repeated randomized control trials: The case of a training program to encourage social entrepreneurship. *Strategic Entrepreneurship Journal*. 2021. 15(2), 254–278.

⁵ Austin J., Stevenson H., & Wei–Skillern J. Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship Theory and Practice*. 2006. 30(1), 1–22.

Table 1.1

Types of social entrepreneurship by activity area

Types	Activity areas	Description
Environmental	Recycling	Waste sorting and recycling
	Renewable energy	Creation of alternative energy plants (solar panels, other types of renewable energy)
	Maintaining natural habitats	Cleaning up forests, water bodies, planting trees, etc.
Human-centered	Ensuring inclusion	Employment of people with disabilities
	Overcoming poverty	Helping the poor and homeless
	Helping vulnerable groups	Helping orphans, lone pensioners, and victims of domestic violence
Cultural and educational	Maintaining and preserving habitats	Arrangement of playgrounds, parks, etc. within the settlements
	Preservation of cultural heritage	Restoration and renovation of architectural sites
Cultural and educational Security	Creation of cultural and educational products	Funding for the creation of cultural and educational products of various kinds (music, books, courses, etc.)
	Strengthening military defense capabilities	Financing the purchase of weapons, radar equipment, vehicles, medical equipment, etc. for the needs of the army
Security	Strengthening cybersecurity	Implementation of digital defense measures or attacks on enemy resources

Source: summarized by the author

The table above demonstrates that social entrepreneurship currently covers all socially important areas and aims to solve important social problems. In addition, it can be stated that Ukraine has become a leader in launching a new area of social entrepreneurship – the security one, which became necessary as a result of the military invasion of the Russian Federation.

An important advantage of social entrepreneurship in solving sustainable development problems is its exceptional feature, which is that, on the one hand, a social enterprise is fully focused on solving a social problem, and on the other hand, it operates on the basis of basic market principles (self-sufficiency, self-financing). Thus, socially significant problems are solved within the framework of social entrepreneurship on the basis of economic efficiency, which also contributes to sustainable economic development.

2. Problems of the social protection system in Ukraine as a prerequisite for the development of social entrepreneurship

In today's globalized world, the priorities of human development and ensuring a high standard of living are the main factors of human progress. No country in the world has ever managed to achieve high living standards and quality of life without a dramatic increase in living standards and effective investment in human and social capital. The implementation of the state's social policy is based on meeting the material, cultural, and spiritual needs of citizens. The purpose of the state's social policy in Ukraine in the current conditions is to ensure the standard of living of the population in accordance with the standards of the European Union.

The process of Ukraine's European integration requires all aspects of political, economic, social, and cultural life, etc. to be oriented toward European values. Social policy issues are no exception. In general, the EU's social policy is largely the responsibility of the member states. However, certain issues are still regulated by the Union, and it is these aspects that should be implemented in Ukrainian legislation⁶.

Social protection of the income sector in Ukraine is realized through:

- material support of the economically active population (through social insurance);
- retirement provision;
- social assistance to the most vulnerable categories; financial assistance to families with children;
- compensation, indexation, and benefits to the population;
- social services.

Thus, social protection is provided through social security and social assistance. The first type of social protection established by Ukrainian legislation is the minimum wage. In reality, its value cannot reach the subsistence level and barely ensures a person's survival (Figure 2.1).

We should note a decrease in the average salary, which is primarily due to the military operations that led to the crisis. Along with the growth of the minimum salary in Ukraine, there have been changes in the social security of pensioners (Figure 2.2).

⁶ Pashkuda T. V., Tsybaniuk I. O. Social policy of the state. *Market Infrastructure*. 2022. № 69. P. 168–174.

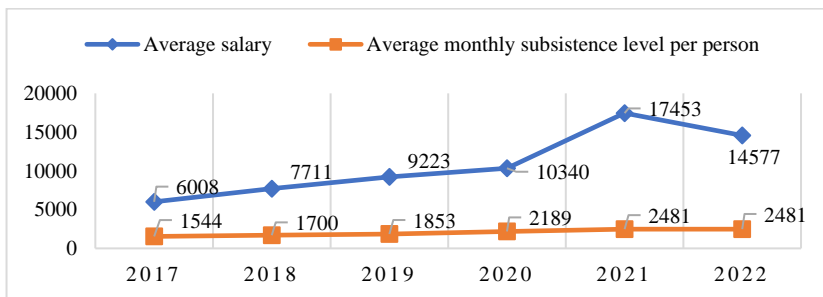


Figure 2.1. Average income per capita in Ukraine for the period 2017-2022

Source: developed by the author on the basis of⁷

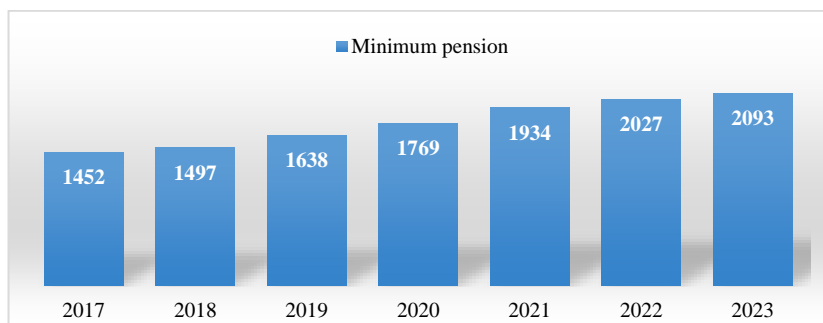


Figure 2.2. Dynamics of the minimum pension in Ukraine in 2017-2023

Source: developed by the author on the basis of⁸

Analyzing the information from Figure 2.1 and Figure 2.2, we see that the level of social protection is increasing but very slowly. In general, the main problem of social protection and the level of social guarantees in Ukraine is their low provision.

As of today, the Association Agreement is the main document that serves as the legal basis for cooperation between Ukraine and the EU. The Social Policy sector is regulated by Chapter 21 of the Agreement, Cooperation in Employment, Social Policy and Equal Opportunities. The Agreement provides for the implementation of measures to achieve the following goals:

- improving the quality of human life;

⁷ Official website of the State Statistics Service of Ukraine. Available at: <http://www.ukrstat.gov.ua/> (date of reference: 10.06.2024).

⁸ Official website of the Pension Fund of Ukraine. Available at: <https://www.pfu.gov.ua/> (date of reference: 10.06.2024).

- confronting common challenges, including globalization and demographic change;
- increasing the number and improving the quality of jobs with decent working conditions;
- promoting social and legal justice in the context of labor market reform;
- promoting conditions in the labor market that combine flexibility and security;
- improving the level of health care and safe working conditions, in particular by providing education and training on health care and safety, promoting preventive measures, preventing the risks of major accidents and managing toxic chemicals, and sharing good practices and research results in this area;
- strengthening the level of social protection and modernization of social protection systems, in particular in terms of quality, accessibility, and financial stability;
- reducing poverty and strengthening social cohesion, etc⁹.

The state's social policy cannot be considered fully flawed, because, with the beginning of the full-scale invasion, Ukraine faced an unprecedented situation: businesses suspended operations, the number of unemployed increased, and migration processes intensified. There were so many socially vulnerable people that the state could not fulfill its social guarantees to citizens, especially in the absence of budget revenues from taxpayers. This is what gave another boost to the development of the volunteer movement and the creation of social enterprises as a special business designed to solve social problems.

3. Areas of social entrepreneurship in the context of war

Social entrepreneurship plays an extremely important role in balancing economic and social goals by solving social problems through entrepreneurial activities. Thus, social entrepreneurship plays a key role in ensuring the inclusive and sustainable development of society. By combining the entrepreneurial spirit with social responsibility, it contributes to creating a more just and harmonious world for all its members, and through effective operations, it ensures economic growth.

Although Ukraine does not define the nature of a social enterprise at the legislative level, the state portal Diia Business states that a social entrepreneur is: an enterprise created to employ vulnerable categories of the population and have appropriate conditions for their social inclusion in social processes; a

⁹Biljana Tashevska. Social expenditure in the European countries. Available at: https://www.researchgate.net/publication/339146149_Social_expenditure_in_the_European_countries (date of reference: 10.06.2024).

company that reinvests profits in the implementation of its social mission; a non-governmental organization that implements social change through the use of innovation and entrepreneurship; an organization that produces socially significant goods or provides socially important services¹⁰.

As a result of the lack of legislative regulation in Ukraine, there are also no official statistics on the number of social enterprises and the volume of their business activities. The second “Catalog of Social Enterprises in Ukraine” published in 2017 as part of the grant project “Social Enterprises in Ukraine” includes 150 social enterprises, while the first Catalog in 2013 had only 46 social enterprises. According to Vasyl Nazaruk, manager of the social investment program at the Western NIS Enterprise Fund, the actual number may reach a thousand.

Social enterprises in Ukraine face the same problems as those in European countries, as outlined in a comprehensive study by the European Commission in 2015. They are basically obstacles to the development of social entrepreneurship. They include¹¹:

- poor understanding of the social enterprise concept. Very often, including in Ukraine, a social enterprise is associated with charitable activities rather than entrepreneurship, which wrongly refers to social entrepreneurship as non-profit or volunteer activities;

- lack or insufficient number of specialized services to support the development of social entrepreneurship, such as incubators and mentoring programs;

- insufficient legislative support;

- lack of common mechanisms for measuring impact, methodology, and practice of measuring or reporting on the social impact of social enterprises in European countries is very limited, and in Ukraine, they are completely absent.

The development of social entrepreneurship in Ukraine is at its early stages. However, it is worth noting that there are some positive shifts in the development of social entrepreneurship in Ukraine, in particular:

- sufficient support for social entrepreneurship on the part of international foundations and organisations that provide opportunities to attract grants;

- growing involvement of local authorities in supporting social entrepreneurship. Thus, as of 2016, almost 60% of local authorities supported social entrepreneurship in local communities in various ways¹²;

¹⁰ Social entrepreneurship. Available at: <https://business.dii.gov.ua/social-entrepreneurship>

¹¹ Social entrepreneurship: where the world and Ukraine are heading. Available at: https://zn.ua/ukr/SOCIUM/socialne-pidpriyemnictvo-kudi-ruhayutsya-svit-i-ukrayina-333573_.html

¹² Development of social entrepreneurship in Ukraine and its role in the reintegration of Donbas. Available at: https://niss.gov.ua/sites/default/files/2019-01/111Zapiska-Hodgson-Sots-p_dpri_mnitstvo-zatverdzhene-4cef0.pdf

– emergence of state information resources for the promotion and information support of social entrepreneurship. For example, the state portal Diia Business in Ukraine currently has a special section on social entrepreneurship, which briefly explains its essence and main business models, provides links to useful educational resources, etc.;

– within the framework of the project “Social entrepreneurship in Ukraine: achieving social change through bottom-up initiative”, implemented with the support of the EU in Ukraine, in 2019, a Green Paper on social entrepreneurship was developed – a comprehensive document describing the phenomenon of domestic social business, which should become the basis for the development of further policy for the development of social entrepreneurship, which is called a White Paper in the EU¹³;

– creation of specialised schools and accelerators for social entrepreneurship. For example, in 2019 alone, twelve idea garages, four hackathons and a summer school of business skills in social entrepreneurship were held in 13 cities of Ukraine, with more than 600 participants.

However, these measures are currently not systematic and comprehensive, which restrains the development of social entrepreneurship. Given this, the main tasks for the near future should be considered as follows:

– legislative recognition of the term “social entrepreneurship”, “social enterprise” with the definition of clear criteria that will allow enterprises to be officially recognised as social, to carry out statistical observations, etc.;

– development and approval at the state level of the Concept for the Development of Social Entrepreneurship in Ukraine;

– formation of an ecosystem for the development of social entrepreneurship that will provide access to knowledge, mentoring support and resources;

– promotion of social entrepreneurship at the state level in the form of social advertising.

The implementation of these measures, in our opinion, can give a positive boost to the development of social entrepreneurship in Ukraine.

Currently, there are already successful examples of social enterprises. A striking example of a social enterprise that is widely supported by consumers is the Veterano Group network of companies. It was created from scratch by ATO veteran Leonid Ostaltsev, who is now a successful entrepreneur and actively helps ATO/JFO veterans find jobs, start their own businesses and adapt to civilian life. This is what attracts guests to

¹³ Social entrepreneurship: where the world and Ukraine are heading. Available at: https://zn.ua/ukr/SOCIUM/socialne-pidpriyemnictvo-kudi-ruhayutsya-svit-i-ukrayina-333573_.html

VeteranoGroup's pizzerias and coffee shops. Here, in addition to their own orders, guests are willing to initiate payment for the so-called "hanging pizza" for ATO soldiers on the front line and patients in military hospitals. Currently, it is hundreds of thousands of hryvnias that the VeteranoGroup network allocates to support its fellow soldiers. Thus, the social component of Leonid Ostaltsev's business allows him to be more competitive than ordinary restaurateurs. This solves an important social problem – the integration of ATO veterans into society¹⁴.

The development of social entrepreneurship in Ukraine is at an early stage. However, despite the underdevelopment of domestic social entrepreneurship, there are some positive changes, including grant support, the creation of special information support on the Diia portal, the deployment of programs at the local level, and the involvement of local authorities in stimulating its development. However, it is worth noting that these measures have not yet become systematic enough to bring about fundamental positive changes in the development of social entrepreneurship.

CONCLUSIONS

The study allows us to conclude that the concept of sustainable development has become the world community's response to the challenges of today: environmental problems, economic crises, growing economic and social inequality, etc. and defines the principles of social development – the need to ensure well-being for all segments of the population, especially taking into account the interests and needs of individuals.

Another powerful response to the demands of sustainable development is social entrepreneurship, which is based on the market principles of the economy but with the aim of achieving an important social mission. The study of the practice of social enterprises allowed us to form a classification of its types according to the fundamental directions and vectors of activity (environmental, human-centred, cultural and educational, and security) and to state that Ukraine is at the beginning of the development of the security sector of social entrepreneurship, which is conditioned by the war.

The correlation of the Global Development Goals and the main activities of social entrepreneurship proves the important role of the latter in ensuring the parameters of sustainable development and confirms the relevance of measures to stimulate it. The development of social entrepreneurship in Ukraine is still in its early stages, while in developed European countries it is a powerful business that makes a significant contribution to GDP and simultaneously implements important social objectives.

¹⁴ Editorial website LB.UA. Available at: https://lb.ua/society/2023/12/27/590875_biznesmen_dobrovolets_ostaltsev.html

However, despite the lack of development of domestic social entrepreneurship, there are some positive changes, in particular: grant support, creation of special information support on the Diia portal, deployment of programmes at the local level and involvement of local authorities in stimulating its development. It can be stated that these measures have not yet become systematic enough to make a fundamental positive change in the development of social entrepreneurship.

SUMMARY

The development of a modern civilised society is based on the concept of sustainable development, which is not only theoretically grounded but also reflected in a number of legislative documents that allow for its practical implementation. This concept is the basis for the development of social policies in economically developed countries that demonstrate a high standard of living. Among the most effective tools for implementing this concept is social entrepreneurship, which, on the one hand, operates on classical market principles of business and is guided by the principles of economic efficiency, and on the other hand, fulfils a social mission and implements it on a systemic basis, becoming a conductor of important socio-economic transformations in society. While in developed countries social entrepreneurship is a widespread economic phenomenon, in Ukraine it is still in its early stages. There is a widespread belief that social entrepreneurship is exclusively about non-profit activities, charity or volunteering. However, in contrast, we note that, like any other type of entrepreneurship, social entrepreneurship involves making a profit, which is an attribute of classical business, but it also solves important social problems. The study of the practice of social enterprises allowed us to form a classification of its types according to the fundamental directions and vectors of activity (environmental, human-centred, cultural and educational, and security) and to state that Ukraine is at the beginning of the development of the security sector of social entrepreneurship, which is conditioned by the war. However, despite the lack of development of domestic social entrepreneurship, there are some positive changes, in particular: grant support, creation of special information support on the Diia portal, deployment of programmes at the local level and involvement of local authorities in stimulating its development. It can be stated that these measures have not yet become systematic enough to make a fundamental positive change in the development of social entrepreneurship.

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