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# PROBLEMS AND DEVELOPMENT PROSPECTS OF SOCIAL ENTREPRENEURSHIP IN KAZAKHSTAN

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Social entrepreneurship is gaining popularity throughout the world. Basically, experts have identified four features of social entrepreneurship. Firstly, it is the social impact, i.e. the activity of the company should be aimed at mitigating the existing social problems. Secondly, it must be characterized by innovation, that is, in their work the company must use new and unique methods of work. Thirdly, it must have signs of financial stability. Finally, the fourth feature is scalability, i.e. the possibility to transfer their skills to other companies, markets and even countries. The adoption of a new law in Kazakhstan Republic of Kazakhstan "On public-private partnership" provides for the removal of restrictions on the areas of public-private partnership, to create all conditions for the effective implementation of social projects, which leads to an increase in the number of social entrepreneurs. Within the framework of the idea of "Almaty - the city of social entrepreneurship" in Almaty Management University on the basis of the Centre for Social Entrepreneurship created "ecosystem of support" of social entrepreneurship.

***Keywords:*** *social entrepreneurship, innovation, social impact, public-private partnership, ecosystem of support*

## Introduction

In the modern world economy, there is an acute need for significant social and economic transformations in both developed and developing countries. This is due to stratification of incomes, low level of minimum wages, pensions, budgetary expenditures for health, education, culture and sports. One of the effective tools aimed at solving these problems is social entrepreneurship, which is a special type of initiatives aimed at solving problems that arise in the social sphere and they are not solved within the framework of public and state sectors of the economy. Given the inadequate development of social entrepreneurship in Kazakhstan, there is a need to assess the current situation and develop proposals for improving it by improving the infrastructure and the mechanism for its operation.

Nowadays social services are subsidized from the budgets of all levels, however, the field is constantly expanding and requires large investments. The transition to the market leads to an inevitable structural change in the system of socio-economic relations, which affect to the dynamics of redistribution of priorities and roles among main institutions of society.

These changes are the result of a significant reduction in the efficiency of state regulation of economic processes.

It has been a substantial change of resource, primarily financial, security measures of socio-economic policies across the social sphere as a result of market reforms. Due to permanent lack of funds the opportunities of government to pursue effective social transformation in the transition period are limited (Batalina 2008: 25).

Three modern concepts of social entrepreneurship focus on: genesis of new opportunities for solving social challenges through innovative resource combination; the model of deriving revenue as a basis for entrepreneurship; duality of economic and social values production process and continuous search for their balance towards the latter one (Pritvorova 2017: 10).

The entire social sphere is in a difficult economic situation: education, science, healthcare, culture, etc. In these circumstances, the searching of financial resources becomes extremely urgent problem, including extra non-budget sources, involvement of all groups of society to solve critical socio-economic problems.

Social entrepreneurship is the one of such social institutions that can effectively deal with the solution of many social problems, attract additional financial resources to social sectors and facilitate their optimization and distribution in the national economy (Sestrenskij 2008: 18).

Despite the active development and dissemination of social entrepreneurship around the world, it is almost impossible to calculate the true scale of activity because of the diversity of organizational forms and activities related to social entrepreneurship, and also because of differences in the understanding of this phenomenon in different countries.

Social entrepreneurship is defi ned as „a business whose primary goals are primary and where income is reinvested according to the same (social) goal rather than maximizing the profit of stakeholders or owners (Vidović 2018a: 88).

In modern economic system it is customary to distinguish three sectors of the economy: the public sector (public-sector), private or commercial sector (private commercial sector) and non-profit or third sector (non-profit, civil society sector):

Social entrepreneurship tied with *the government* by the fact that social entrepreneurs provide goods and involved in addressing social issues traditionally reserved for government, for example, elderly care, employment for people with disabilities, socialization of migrants, etc.

*The private sector* and social entrepreneurship combines the use of business tools in their work.

From *the non-profit sector* social entrepreneurship takes a mission to create social value and approach to interaction with the major stakeholders, which is based on the principles of inclusion and trust.

The most common forms in all countries are associations and cooperatives. The choice of the organizational form mostly depends on the legislation in the country, i.e. whether the law allows non-profit organizations to deal with market activities and to what extent (Vidović 2018b: 89).

Regardless of the precise rationale, there is a growing popular consensus that the private sector – commercial and nonprofit – is generally more efficient and effective than government, and that government should steer, or at least facilitate, and the private sector should row (Osborne 1992: 303).

Social entrepreneurship, for the most part, solving the problems of socially vulnerable and unprotected strata of the population, has a direct impact on the social and political stability of the country and can be one of the tools that help to eliminate market failures in the relevant segments of the economy and reduce social tensions in society (Pache 2012: 502).

Social entrepreneurship is able to find innovative ways of creating social values and introduce market relations in areas where they previously did not actually have the existence of a high positive effects. It is caused by both market and government failures. Study of peculiarities of social entrepreneurship development in different regions of the world shows that there is no region in the world that has not been touched by the rapid spread of social entrepreneurship. It is obvious that none of the participants of the economic system at the present stage can no longer ignore this phenomenon. However, the process of emergence and development of social entrepreneurship in different countries has not been unique and characterized by its national specifics.

Social entrepreneurship is a phenomenon that is clearly limited by contextual framework, and therefore, the dissemination of social entrepreneurship practices should occur with a clear understanding of regularities and peculiarities of country’s development to achieve maximum effect.

On the basis of a comparative and systematic analysis of case studies of social entrepreneurs in Almaty, we have selected three main approaches, which define social entrepreneurship:

• the first focuses on the ability of social entrepreneurship to implement a social transformation, social change;

• the second approach defines social entrepreneurship as an innovative, entrepreneurial way to create a social effect;

• the third approach is based on the important condition for the existence and sustainability in social entrepreneurship – achievement of "double effect" – social and economic (Kalinov 2017: 22).

Thus, it is allowed to highlight the most important and common aspects in the definitions of social entrepreneurship (social orientation, business approach, financial stability).

There is no universally accepted definition of the term "social entrepreneurship" in the world practice, so, in the process of selection of case studies we adhered to the following definitions:

Social entrepreneurship is a way of social activities, combining the social mission with the achievement of economic efficiency and entrepreneurial innovation.

Based on this definition, we have the following fundamental features of social entrepreneurship (Korosec 2006: 451):

• *The primacy of the social mission over business*: social effect is pre-planned and expected result, and not the side, as in ordinary commercial enterprise. These companies initially created to achieve socially significant goals, manifested in the creation of jobs (including for the disabled people), education (including adults), etc.

• *Sustainable commercial impact (self-sufficiency and competitiveness)*: achieving sustainable self-sufficiency by generating income from the sale results (goods and services), and by grants and charitable donations.

• *Innovation in combination with social and economic resources:* entrepreneurial innovation, which can be implemented through the use of a new idea or a new combination of resources (including not very attractive from the point of view of the market) to solve social problems.

• *Personality*: social business is the first and foremost a creative idea that provides the greatest success. Such ideas are created by individuals and not corporations. An ordinary man and his small idea can change the world.

A lot of discussions arise around the understanding of how financial sustainability can be maintained by social enterprises (Battilana 2014: 423). In this regard, it is suggested that the following approach be used: financial sustainability can be maintained through offering 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 (Martin 2017: 34).

In addition the Model for assessment of social enterprises was developed. It can support the process of defining whether the organization is indeed a social enterprise or not.

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

**Methodology**

Our research was grounded on the survey and the case method of analyzing organizations of social entrepreneurship. The goal of the research was to assess the business model applied by the organization in terms of its constituents: value offer, clients, project financial resources, value chain, income generation, actual strategy and marketing program.

The NGOs participated in the survey were as community trust and specialized in different various fields. The majority of them have more than one area of specialization and several sources of funding. Most of the NGOs are financially supported by major gifts coming from personal and team commitments as well as membership fees; state social procurement and companies in Kazakhstan are second main sources of funding of NGOs. Foreign aid and sale of product and services are mentioned as a third priority source of funding. Almost all NGOs participated in the survey - 90 % of respondents - answered that they face difficulties in raising funds and half of them cope with it.

More than a large portion of respondents demonstrated that they are mindful about social entrepreneurship. Regardless of the way that the comprehension of social entrepreneurship may be diverse, it is expected that the general interest is developing and awareness is increasing within the non-profit sector.

The question on taking advantage from business opportunities, the respondents expressed different views. However, majority believe that the business opportunity should only be related to the core mission of the organization. It is assumed that the deeper knowledge about the forms and opportunities of social entrepreneurship might be beneficial in shifting understanding of the sector.

40% of NGOs participated in the survey exhibited their readiness to utilize any business opportunity, while 45% emphasized the absence of business abilities among staff. Among the top activities suggested to develop social entrepreneurship are government support and capacity increase/experience exchange and access to information and funding.

In addition, it can be argued that the NGO sector in Kazakhstan is unsuccessful in securing financial sustainability and that implementing business principles is something that most organizations still disregard or lack capacity. Government involvement and raising awareness can serve as ways to develop social entrepreneurship in the country.

**Literature review**

As prerequisites to the study it was reviewed the studies of overseas and domestic scientists in economics devoted to problems of development of social entrepreneurship. Theoretical, methodological and practical problems of entrepreneurial activity are considered in the scientific works of Smith A., Hildebrand A., Marshall A., Schumpeter J., Drucker P. and others. In these studies, entrepreneurship is

investigated as an economic process. Social entrepreneurship as a theoretical discipline is an integral part of entrepreneurship, but it relies on its own unique paradigms. An important contribution to the development and analysis of problems associated with the development of social entrepreneurship was made by scientists J. Meir, J. Robinson, K. Hockers, K. Alter, G. Dis, A. Nicholls, J. Scoll, M. Yunus, B. Drayton , A. Cho, J. Austin and others.

Among the Russian scientists it should be noted M.L. Batalina, B.V. Srebnik, R.B. Novruzova, E.N. Zhiltsova, V.N. Kazakova and others. However, the works of most of the mentioned Russian authors refer to foreign experience, they do not provide a detailed and systematic study of the phenomenon of the theory of social entrepreneurship and emphasis is mainly on charity mechanisms and the study of social work. With the development of research in the field of social entrepreneurship, the focus of attention has shifted from conceptual issues to the operational and strategic issues of creating organizations involved in social entrepreneurship. Gradually began to appear more and more works, in which the business model is used as a unit of analysis in the study of social entrepreneurship and examines the features of the formation of business models of social entrepreneurship. Particular attention should be paid to the works of A. Guclu, G.Dees, F.Perrini and C.Vurro, J.Mair and H.M. Schouen and O.Schoen, K.Sommerrock and W.Grassl.

Studies on social entrepreneurship in Kazakhstan began only in the last few years, and therefore there are no fundamental scientific works on this issue. It should be noted that one of the main provisions of social entrepreneurship is to increase the level of social interest of beginners and experienced entrepreneurs. Moreover, within the framework of Kazakhstani economists, managers, businessmen and government officials there is no tendency to evaluate the institution of social entrepreneurship in the context of the economy as a whole, making further research and analysis of the phenomenon of social entrepreneurship in Kazakhstan and determining the most effective way of its development relevant and necessary.

**Results and discussion**

It was interesting to understand the factors which facilitate the development of social entrepreneurship on a country level. To identify these trends, the analysis of practices in such regions and countries as Middle East, India, Japan, South Korea, China, Hong Kong and Central Asia was conducted.

Based on this analysis the following major drivers were identified:

1) There is a clear 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) Some countries have strong government support for social entrepreneurship. Moreover, the new trend on “impact investment” is emerging, revealing venture funds that invest in socially important initiatives;

3) In some countries, such as India, private-public partnership initiatives are promoted by government, which facilitates social entrepreneurship;

4) Many countries still face challenges, despite the emerging practice, such as lack of legislative regulations. In addition, such factors as active civil society resulted from certain political instability, cultural background in contributing to society development and decrease in grants were internal drivers for searching more innovative ways and establishing more sustainable solutions (i.e. Egypt (Islamic ideology,), South Korea (Confucian culture), cooperation with religious organizations) (Defourny 2011: 98, Drayton 2002: 125, Hartigan 2006: 44);

5) Historically, practices in the studied countries reveal that social enterprises emerged from CSO`s. And such factors as raising awareness and collaboration among the sector considered to be key actions to foster development of social entrepreneurship;

6) The dissemination of social entrepreneurship practices (examples of existing SE`s) facilitate creation of new social enterprises;

7) Some countries such as South Korea have specific legislation;

8) Such factors as transparency and seeing social entrepreneurs as real agents of change by community play key role in advancing the field. This can be provided by government patronage, or other mentoring organization which will increase the levels of trust among community;

9) International organizations playing supporting role, such as Ashoka, Skoll Foundationcan accelerate the generation of new and support of existing social enterprises through training programmes, mentorship, incubation;

10) Lack of business skills are one of main challenges within communities (Zeitlow 2001: 33, Townsend 2008: 688).

**Conclusion**

Currently, concepts of social entrepreneurship are not legalized in Kazakhstan. However, there are a lot of companies designed to solve a specific social problem. The analysis of the case study materials for social entrepreneurs in Almaty shows us that social entrepreneurship is not charity; it is cost-effective, successful social and commercial projects. These cases are evidence that social entrepreneurship is a progressive direction, opening up new business opportunities.

It should be noted that the case studies represent different areas (psychological assistance, sports, education, and rehabilitation) and different features of social problems. Each of the selected organizations working in areas, which for one reason or another are not sufficiently addressed by the state and the market. The identification of social problems, and its transformation into market opportunity, and also searching for innovative solutions and their implementation through a sustainable business model is the way of a social entrepreneur, who wants to realize a project.

Social entrepreneurship is considered as the mechanism, which can become social measurement of Kazakhstan modernization. In addition to the offered variety of approaches to interpretation of social entrepreneurship, the article has directions in which researches of social entrepreneurship can be or already are the most fruitful, meaning economic specifics and prospects of development of Kazakhstan.

In mass consciousness of citizens of Kazakhstan, the concept "social entrepreneurship" is absent, but there are prerequisites for its forming. Society is ready to innovations in the social sphere, to positive perception of business structures, which work on the solution of social problems. For achievement of considerable progress in distribution of social entrepreneurship, it is necessary to solve two complex problems.

The first is the creation of an appropriate regulatory framework and legislative strengthening of "social entrepreneurship" concepts, as well as the inclusion of the state in process of financing of projects at the initial stage. It is necessary to clearly limit the scope and give it a certain status, which will more actively promote social entrepreneurship in the regions. Such state support gives multiplicative effect and is capable to become the catalyst of process of involvement of new participants in process of distribution of social business.

The second important task is formation of complex informational strategy of social entrepreneurship development, which will have impact on traditional business as well in this case efficiency of informational company is determined by examples of successful use of mechanisms of social entrepreneurship that solve pressing problems.

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 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.

Social entrepreneurship is considered as a form of ensuring stability of small enterprises, as well as studying the experience of social initiatives in Kazakhstan. Social entrepreneurship is considered as the mechanism capable to start the process of economy modernization in Kazakhstan and cardinally change the processes of perception of social responsibility in business community and public authorities.

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## ҚАЗАҚСТАНДАҒЫ ӘЛЕУМЕТТІК КӘСІПКЕРЛІКТІҢ МӘСЕЛЕЛЕРІ ЖӘНЕ ДАМУ КЕЛЕШЕГІ

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Сарапшылар әлеуметтік кәсіпкерліктің төрт негізгі сипаттамасын анықтады. Біріншісі, оның әлеуметтік әсері, яғни компанияның қызметі әлеуметтік мәселелерді шешуге бағытталуы керек. Екіншісі, инновациялармен толықтырылуы, яғни компания өз қызметінде жаңа және бірегей жұмыс әдістерін қолдануы керек. Үшіншіден, әлеуметтік кәсіпкерліктің қаржылық тұрақтылық белгілері болуы тиіс. Соңғы төртінші аспектісі – ауқымдылығы, яғни өзінің дағдыларын басқа компанияларға, нарықтарға, тіпті өзге елдерге беру мүмкіндігі. Қазақстан Республикасының «Мемлекеттік-жеке меншік әріптестік туралы» жаңа заңының қабылдануы мемлекеттік-жеке меншік әріптестік аясындағы шектеулерді жоюға әрі әлеуметтік жобаларды тиімді іске асыру үшін қажетті жағдайларды жасауға әсер етеді. Бұл өз кезегінде әлеуметтік кәсіпкерлердің санының артуына алып келеді. «Алматы – әлеуметтік кәсіпкерлік қаласы» идеясы аясында Алматы Менеджмент Университетіндегі Әлеуметтік кәсіпкерлік орталығының негізінде әлеуметтік кәсіпкерлікті «қолдау экожүйесі» құрылды.

***Түйін сөздер:*** *әлеуметтік кәсіпкерлік, инновация, әлеуметтік ықпалы, мемлекеттік-жеке меншік әріптестік, қолдау экожүйесі*

# ПРОБЛЕМЫ И ПЕРСПЕКТИВЫ РАЗВИТИЯ СОЦИАЛЬНОГО ПРЕДПРИНИМАТЕЛЬСТВА В КАЗАХСТАНЕ

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Эксперты определили четыре основные характеристики социального предпринимательства: 1) социальное воздействие, то есть деятельность компании должна быть направлена на смягчение существующих социальных проблем; 2) инновации – в своей работе компания должна применять новые и уникальные методы работы; 3) финансовая стабильность; 4) масштабируемость, возможность передавать свои навыки другим компаниям, рынкам и даже странам. Принятие нового закона в Республике Казахстан «О государственно-частном партнерстве» предусматривает отмену ограничений в сферах государственно-частного партнерства, создание всех условий для эффективного осуществления социальных проектов, что приводит к увеличению числа социальных предпринимателей. В рамках идеи «Алматы – город социального предпринимательства» в Алматы Менеджмент Университете на базе Центра социального предпринимательства создана «экосистема поддержки» социального предпринимательства.

***Ключевые слова:*** *социальное предпринимательство, инновация, социальное воздействие, государственно-частное партнерство, экосистема поддержки*