

Social Business in Contemporary Russia and its Constituent Entities as an Indicator of the Cultural Level of Entrepreneurs

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Abstract: Social business as a special kind of entrepreneurial activity started developing in Russia relatively recently during a short time period since the beginning of the 21st century. Nevertheless, society and the government lay high hopes for its contribution to the strategy of the country. Meanwhile, in foreign countries with market economy this business line is theoretically justified and has been represented by an extensive practical activity, however in a number of publications of both foreign and domestic authors the categories of “the social business” and “the social responsibility of business” are considered as synonyms. At the same time, the historical process of contemporary Russian entrepreneur formation demonstrates that “the social responsibility of business” and “the social entrepreneurship” are phenomena of certain quality and cultural level of the entrepreneur corps. Formation of these categories needs substantial support both by the state and society. This circumstance makes the concerned issues quite important and determines the research feasibility of the current study. The study presents the comparative analysis of ideas concerning the ontological concept of the terms of “corporate social responsibility”, “social entrepreneurship” and “culture of entrepreneurship”, as well as the formation stages of the contemporary social entrepreneurship in Russia on the example of the Far Eastern constituent entities which are the objects of intensive development at the present stage while implementing country’s strategic tasks in the process of Russia’s integration with the countries of Asia-Pacific Region (APR).

Key words: Social business, social responsibility of business, culture of entrepreneurship, Russian Far Eastern constituent entities, entrepreneurship formation stages, entrepreneurial corps, mentality

INTRODUCTION

The entrepreneurial corps of Russia in the course of its formation and integration into the structure of society since the beginning of 90’s of the 20th century up to the present has passed the path which entrepreneurs of market economy countries were overcoming over >200 years. At that having the ability to use foreign experience of market relations formation, national “pioneering marketers” learned solely on their own experience. This was determined by socio-economic peculiarities of the current situation and national mentality which defined all the reform processes in the country (Malikov and Kharisov, 2013).

The complexity of investigated processes and categories have caused the need for employing the following research background as a framework of theoretical and methodological basis of the current study: modernization model (G.I. Tafaev, B.S. Erasov, G.G. Deligensky) constructed on the basis of innovative component; J. Schumpeter’s classical theory of economic sociology; a sociological approach of M. Weber, who has

reviewed the role and functions of an entrepreneur as well as the concepts of G. Dees’s contemporaries on the theoretical foundations of social entrepreneurship, who presented “social entrepreneurship” as a profession and field of study; the theory of Yunus Nobel Peace Prize laureate, who formulated a definition of social business as well as 7 principles of social business as a kind of ideal model of social business and promoted his ideas to practice in partnership with the German entrepreneur H. Raetz.

The historical-comparative and systemic-structural approaches served a methodological basis for the current research. The need to consider the social entrepreneurship phenomenon from a standpoint of historical-comparative approach consists in intention to identify common and special concepts in the course of social entrepreneurship formation in different historical periods under the effect of various factors related to the process of formation of the concerned phenomenon in national and foreign businesses while the comprehensive use of these methods allows revealing both common aspects and the specifics of the studied object. The

complexity of the study subject presupposes a multidisciplinary approach (Sharipova and Mukhametova, 2014). The historical stages of the entrepreneurial corps formation can be divided as follows: the period from 1985-1995 was presented by the people whose consciousness was formed in the socialist past where the entrepreneurship was beyond the law while independence and competition were perceived as a complex problem, i.e., these people did not perceive market relations and were not ready for them; the period from 1995-2000 was characterized by the situation when entrepreneurs having lost the state support had to rely on markets and entrepreneurship of the Asia Pacific countries in terms of establishing joint ventures localized in the regions of the Southern Far East; business was mainly focused on the export of natural resources that caused great damage to the state; during the period from 2000-2007 Russian entrepreneurs have officially received state support; in 2001 “a concept of business support” was approved at a meeting of the State Council of the Russian Federation. This resulted in fact that entrepreneurship was recognized in Russia as an freestanding sector of the economy, though these measures did not lead to the stabilization of the entrepreneurial corps at the level of small and medium size businesses. In the entrepreneurial environment, one time-only business became a common psychology, because business was run under the conditions of instability and mistrust. The middle class which would ensure state’s stability and sustainability, yet was not formed since millions of people remained below the poverty line due to illicit privatization. This situation was due to the fact that the pace of breaking down the administrative-command management system was significantly ahead the pace of creating a new model of civil society. The response of inhabitants of the Far East with regard to the lack of state social policy was a mass out migration of the population to the central regions of the country (Moiseeva and Vashchuk, 2006).

By 2001, before joining the entrepreneurial elite, 25% of directors were in the past economic executives, 20% were government officials and 6% were state-owned bank employees. Small businesses were launched by physics, mathematics and engineers who have left the universities and research institutes as well as state-owned enterprises in the age of 30-40 years.

Being a socially-organizing and world transforming activity, the entrepreneurship was becoming as shown by the world experience, the basis of socio-political stability of society. Realizing this fact, the government began to undertake significant efforts to support entrepreneurship. However, the status, pace and development trends of entrepreneurship in Russia do not meet the needs of a

market economy and do not correspond to the entrepreneurial potential of citizens. Since 2001, the state policy concept for supporting and developing of small business in the Russian Federation was focused on the revitalization of the federal and regional authorities as well as local government bodies in this area.

MATERIALS AND METHODS

At the same time, realizing the danger of the demographic situation in the Far East region, the ruling elite started to increase social investments, involving the Far Eastern entrepreneurs. The concept of “socially responsible business” became widely used. This concept includes the following three levels.

The first level involves payment of taxes and manufacturing of quality products. However, the international “corporate responsibility summit” held annually in London, included into the concept of social responsibility the additional global dimension—the responsibility of every company to humanity for the production of environmentally friendly products, not causing irrecoverable harm to the environment.

The second level concerns caring about company staff (competitive salary, social package, good working environment, learning opportunity, career growth, etc).

The third level applies to society (investment and social programs, sponsorship, philanthropy, public-private partnerships, etc). If business was sustainably operating at the first and second levels it was socially responsible. The third level is the voluntary investment in a way that does not negatively impact normal functioning of the business (Pililyan, 2010). We can say that social responsibility of business is voluntarily taken commitments for social development of staff and interaction with the social environment of the organization.

Since 2007 and until today, the Far Eastern companies, involved in “socially responsible business” movement are shaping their corporate culture. Such changes are associated with the fact that economic growth (in 2000’s) led to the transition of entrepreneurs from survival to stabilization and development, i.e., qualitative changes in entrepreneurial corps started a new stage of development.

At the same time, the term “entrepreneurial culture” can be considered in the framework of three aspects: personal culture, organizational culture and the culture of interaction with the external environment.

The entrepreneurial culture, in our opinion is the factor of creative business placement, the source of social innovation and its purpose is associated with solving the

main problem, i.e., internal integration for survival in a particular political and social environment. Therefore, the provision of high cultural and moral level of business life in Russia during all periods of its historical development depended not only on the entrepreneurship but also on the level of culture and morality of society as a whole. Meanwhile, the culture representing in a broad sense the way of life of a society is defined by the mentality (derived from French word “mentalite” that means thinking, psychology) which is a kind of general spiritual attitude of the people in a certain country or region as well as fundamental stable structures of consciousness and the totality of the social-psychological attitudes and beliefs of the individual and society. These attitudes define the worldview of the individual, the nature of the values and ideals that constitute the subjective world of the individual. Guided by these attitudes, the individual operates in all areas of his life activity.

RESULTS AND DISCUSSION

Today’s entrepreneurship was formed during a relatively short historical period in the society that survived a series of poorly prepared contradictory reforms that was decisive in the formation of entrepreneurial culture.

Social entrepreneurship is an entrepreneurial activity aimed at mitigating or solving social problems through business. Today social business is operating quite successfully in virtually all areas within specific niches of the market. The demand for social projects is often greater than the supply and the main problem here is the lack in the market of motivated and trained social entrepreneurs.

The term “social business” as a professional activity and scientific and practical study was coined by Gregory Dees, Duke University Professor and Director of the Center for Development of Social Entrepreneurship, in the late 1990’s of the 20th century. Muhammad Yunus the Nobel Peace Prize laureate, defined social business, formulated 7 principles of social business as a kind of ideal model and promoted the ideas of social business in his own social entrepreneurial projects in partnership with the German entrepreneur H. Raetz from Grameen Creative Lab.

The regional social program fund “our future”, established at the initiative of Vagit Alekperov searches for and actively supports social entrepreneurs and businesses in Russia. This institution holds annual all-Russian competition of social projects which allows identifying the most challenging projects that are given

long-term interest-free loans as well as helping burgeoning entrepreneurs by offering them services for preparing a business plan. In total, the fund supported 75 social entrepreneurs, totaling >150 mln rub. Information-analytical portal “new business: social entrepreneurship” as a project of the fund, informs about events in the world of social entrepreneurship and is engaged in the popularization of the “social entrepreneurship” in Russia. Besides, kind of competition resulting in creation of communities solving various pressing problems is carried out through the internet, which is widely used nowadays. Support for youth social entrepreneurship is used also to engage young people in solving social problems. Competitions on social entrepreneurship projects in Russia are also held by interregional public organization “junior achievemem”. In addition, various training programs are organized for social entrepreneurs.

CONCLUSION

Government support of social entrepreneurship is implemented across many countries to meet social needs and eliminate social tension. The fact that entrepreneurs fulfill their potential in the development of social business in Russia is an indicator of the growing entrepreneurial culture.

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